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## THE CRISIS OF GLOBAL CAPITALISM

[ *Open Society Endangered* ]



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# The Crisis of Global Capitalism

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CHAPTER 5

Open Society

Open Society as an Ideal

The supreme challenge of our time is to establish a set of fundamental values that applies to a largely transactional, global society. Fundamental principles have been traditionally derived from some external authority such as religion or science. But at the present moment in history, no external authority remains undisputed. The only possible source is internal. A firm foundation on which we can build our principles is the recognition of our own fallibility. Fallibility is a universal human condition; therefore it is applicable to a global society. Fallibility gives rise to reflexivity and reflexivity can create conditions of unstable disequilibrium, or to put it bluntly, of political and economic crisis. It is in our common interest to avoid such conditions. Here is the common ground on which a global

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society can be built. It means accepting open society as a desirable form of social organization.

Unfortunately people are not even aware of the concept of open society; they are very far from regarding it as an ideal. Yet without a conscious effort to preserve it, open society cannot survive. This contention is, of course, denied in the laissez faire ideology according to which the untrammelled pursuit of self-interest yields the best of all possible worlds. But this ideology is refuted every day by events. It should be obvious by now that financial markets are not self-sustaining and the preservation of the market mechanism ought to take precedence as a common goal over the self-interests of individual market participants. Unless people believe in open society as a desirable form of social organization and are willing to constrain their self-interest to sustain it, open society will not survive.

The open society that people can believe in must be different from the present state of affairs. It has to serve as an ideal. A transactional society suffers from a deficiency of social values. As an ideal, open society would cure that deficiency. But it could not cure all deficiencies; if it did so it would contradict or deny the principle of fallibility on which it is based. So open society has to be a special kind of ideal, a self-consciously imperfect ideal. That is very different from the ideals that usually fire people's imagination. Fallibility implies that perfection is unattainable and that we must content ourselves with the next best thing: an imperfect society that is always open to improvement. That is my definition of open society. Can it gain widespread acceptance?

## The Relevance of Universal Ideas

Perhaps the biggest obstacle to the adoption of open society as an ideal is a fairly widespread rejection of universal ideas. I discovered this after I set up my network of foundations and, frankly

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speaking, I was surprised by it. During the communist regime and afterward in the heady days of revolution, I had no difficulty finding people who were inspired by the principles of an open society even if they did not use the same conceptual framework. I did not bother to explain what I meant by open society: It meant the opposite of the closed society in which they lived and they all knew what that meant. But the attitude of the West disappointed and disconcerted me. At first I thought that people in the open societies of the West were just slow to recognize a historic opportunity; eventually I had to come to the conclusion that they genuinely did not care enough about open society as a universal idea to make much of an effort to help the formerly communist countries. All the talk about freedom and democracy had been just that: propaganda.

After the collapse of the Soviet system, the appeal of open society as an ideal started to fade, even in the formerly closed societies. People got caught up in the struggle for survival and those who continued to be preoccupied with the common good had to ask themselves whether they were clinging to the values of a bygone age—and often they were. People grew suspicious of universal ideas. Communism was a universal idea and look where it had led!

This induced me to reconsider the concept of open society. Yet in the end, I concluded that the concept is more relevant than ever. We cannot do without universal ideas. (The pursuit of self-interest is also a universal idea, even if it is not recognized as such.) Universal ideas can be very dangerous, especially if they are carried to their logical conclusion. By the same token, we cannot give up thinking and the world in which we live is just too complicated to make any sense of it without some guiding principles. This line of thought led me to the concept of fallibility as a universal idea and to the concept of open society, which is based on the recognition of our fallibility. As I mentioned earlier, in my new formulation open society no longer stands in opposition to closed society but occupies a precarious middle ground where it is threatened from all sides by universal ideas that

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have been carried to their logical conclusions, all kinds of extremism, including market fundamentalism.

If you think that the concept of open society is paradoxical, you are right. The universal idea that universal ideas carried to their logical conclusion are dangerous is another instance of the paradox of the liar. It is the foundation on which the concept of fallibility is built. If we carry the argument to its logical conclusion, we find ourselves confronted by a genuine choice: We can either accept our fallibility or we can deny it. Acceptance leads to the principles of open society.

### The Enlightenment

I shall try to derive the principles of open society from the recognition of our fallibility. I am aware of the difficulties. Every philosophical argument is liable to raise endless new questions. If I tried to start from scratch, my task would be well-nigh impossible. Fallibility implies that political and moral principles cannot be derived from prior principles—may Immanuel Kant rest in peace. Fortunately I do not have to start from ground zero. The philosophers of the Enlightenment, Kant foremost among them, tried to deduce universally valid imperatives from the dictates of reason. Their very limited and imperfect success corroborates our fallibility and provides a basis for establishing the principles of open society.

The Enlightenment constituted a giant step forward from the moral and political principles that prevailed previously. Until then, moral and political authority was derived from external sources, both divine and temporal. Allowing reason to decide what is true and false, what is right and wrong, was a tremendous innovation. It marked the beginning of modernity. Whether we recognize it or not, the Enlightenment has provided the foundations for our ideas about politics and economics, indeed, for our entire outlook on the

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world. The philosophers of the Enlightenment are no longer read—indeed, we may find them unreadable—but their ideas have become ingrained in our way of thinking. The rule of reason, the supremacy of science, the universal brotherhood of man—these were some of their main themes. The political, social, and moral values of the Enlightenment were admirably stated in the Declaration of Independence, and that document continues to be an inspiration for people throughout the world.

The Enlightenment did not spring into existence out of nowhere: It had its roots in Christianity, which in turn built on the monotheistic tradition of the Old Testament and on Greek philosophy. It should be noted that all of these ideas were couched in universal terms, with the exception of the Old Testament, in which a great deal of tribal history is mixed with monotheism. Instead of accepting tradition as the ultimate authority, the Enlightenment subjected tradition to critical examination. The results were exhilarating. The creative energies of the human intellect were unleashed. No wonder that the new approach was carried to excess! In the French Revolution, traditional authority was overturned and reason was anointed as the ultimate arbiter. Reason proved unequal to the task and the fervor of 1789 deteriorated into the terror of 1793. But the basic tenets of the Enlightenment were not repudiated; on the contrary, Napoleon's armies spread the ideas of modernity throughout the European continent.

Modernity's achievements are beyond compare. Scientific method produced amazing discoveries and technology allowed their conversion to productive use. Humankind came to dominate nature. Economic enterprises took advantage of the opportunities, markets served to match supply and demand, and both production and living standards rose to heights that would have been unimaginable in any previous age.

In spite of these impressive achievements, reason could not quite live up to the expectations attached to it, especially in the social and

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political arena. The gap between intentions and outcomes could not be closed; indeed, the more radical the intentions, the more disappointing the outcomes. This applies, in my opinion, both to communism and to market fundamentalism. I want to highlight one particular case of unintended consequences because it is relevant to the situation in which we find ourselves. When the original political ideas of the Enlightenment were translated into practice, they gave rise to the nation-state. In trying to establish the rule of reason, people rose up against their rulers, and the power they captured was the power of the sovereign. That is how the nation-state, in which sovereignty belongs to the people, was born. Whatever its merits, it is a far cry from its universalist inspiration.

In culture, the debunking of traditional authority gave rise to an intellectual ferment that produced great art and literature, but after a long period of exciting experimentation when all authority had been debunked by the second half of the twentieth century, much of the inspiration seemed to dissipate. The range of possibilities has become too broad to provide the discipline that is required for artistic creation. Some artists and writers manage to establish their own private language but the common ground seems to have disintegrated.

The same kind of malaise seems to affect society at large. The philosophers of the Enlightenment, Kant foremost among them, sought to establish universally valid principles of morality based on the universal attributes of reason. The task Kant set himself was to show that reason provides a better basis for morality than traditional, external authority. But in our modern, transactional society, the reason for having any kind of morality has been brought into question. The need for some kind of moral guidance lingers; indeed, it is perhaps more intensely felt than in the past because it goes unsatisfied. But the principles and precepts that could provide that guidance are in doubt. Why bother about the truth when a proposition does not need to be true to be effective? Why be hon-



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est when it is success, not honesty or virtue that gains people's respect? Although social values and moral precepts are in doubt, there can be no doubt about the value of money. That is how money has come to usurp the role of intrinsic values. The ideas of the Enlightenment permeate our view of the world and its noble aspirations continue to shape our expectations, but the prevailing mood is one of disenchantment.

It is high time to subject reason, as construed by the Enlightenment, to the same kind of critical examination as the Enlightenment inflicted on the dominant external authorities, both divine or temporal. We have now lived in the Age of Reason for the past 200 years—long enough to discover that reason has its limitations. We are ready to enter the Age of Fallibility. The results may be equally exhilarating and, having learnt from past experience, we may be able to avoid some of the excesses characteristic of the dawning of a new age.

We need to begin the reconstruction of morality and social values by accepting their reflexive character. Doing so will lead directly to the concept of open society as a desirable form of social organization. As fallibility and reflexivity are universal concepts, they should provide common ground for all the people living in the world. I hope we can avoid some of the pitfalls associated with universal concepts. Of course, open society is not without its shortcomings but its deficiency consists in offering too little rather than too much. More precisely, the concept is too general to provide a recipe for specific decisions. This is self-consistent and leaves ample scope for trial and error. It will be a sound foundation for the kind of global society we need.

## Moral Philosophy

Kant derived his categorical imperatives from the existence of a moral agent who is guided by the dictates of reason to the exclusion of self-interest and desire. Such an agent enjoys transcendental

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freedom and autonomy of the will in contrast with the “heteronomy” of the agent whose will is subject to external causes.\* This agent is able to recognize unconditional moral imperatives, which are objective in the sense that they apply universally to all rational beings. The golden rule that we should do as we would be done to by others is one such categorical imperative. The unconditional authority of the imperatives is derived from the idea of people being rational agents.

The trouble is that the rational agent described by Kant does not exist. It is an illusion created by a process of abstraction. Enlightenment philosophers liked to think of themselves as detached and unencumbered but in reality they were deeply rooted in their society with its Christian morality and ingrained sense of social obligations. They wanted to change their society. For this purpose, they invented the unattached individual endowed with reason who obeyed the dictates of his own conscience, not the dictates of an external authority. They failed to realize that a truly unattached individual would not be endowed with their sense of duty. Social values may be internalized, but they are not based on the unattached individual endowed with reason; they are rooted in the community to which the individual belongs. Modern neurological research has gone further and identified individuals whose brain has been damaged in a peculiar way that left their faculties of detached observation and reasoning intact but damaged their sense of identity. Their judgment was impaired and their behavior became erratic and irresponsible.

Thus it seems clear that morality is based on a sense of belonging to a community, be it family, friends, tribe, nation, or humanity. But a market economy does not constitute a community, especially when it operates on a global scale; being employed by a corporation is not the same as belonging to a community, especially when management gives precedence to the profit motive over all

\*Roger Scruton, *Kant* (Oxford, U.K.: Oxford University Press, 1989).

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other considerations and the individual may be fired at the drop of a hat. People in today's transactional society do not behave as if they were governed by categorical imperatives; the prisoners' dilemma seems to throw more light on their behavior.\* Kant's metaphysics of morals was appropriate to an age when reason had to contend with external authority but it seems strangely irrelevant today when the external authority is lacking. The very need to distinguish between right and wrong is brought into question. Why bother, as long as a course of action achieves the desired result? Why pursue the truth? Why be honest? Why care about others? Who are the "we" who constitute global society and what are the values that ought to hold us together? These are the questions that need to be answered today.

It would be a mistake, however, to dismiss the moral and political philosophy of the Enlightenment altogether just because it failed to live up to its grandiose ambitions. In the spirit of fallibility, we ought to correct excesses in thinking, not swing to the opposite extreme. A society without social values cannot survive and a global society needs universal values to hold it together. The Enlightenment offered a set of universal values and its memory is still alive even if it seems somewhat faded. Instead of discarding it, we should update it.

## The Encumbered Individual

Enlightenment values can be made relevant to the present day by replacing reason with fallibility and substituting the "encumbered individual" for the unencumbered individual of the Enlightenment philosophers. By encumbered individuals, I mean individuals in need of society, individuals who cannot exist in splendid isolation yet

\*Rapoport, et al., *Prisoner's Dilemma*.

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are deprived of the sense of belonging that was so much a part of people's lives at the time of the Enlightenment that they were not even aware of it. The thinking of encumbered individuals is formed by their social setting, their family and other ties, the culture in which they are reared. They do not occupy a timeless, perspectiveless position. They are not endowed with perfect knowledge and they are not devoid of self-interest. They are ready to fight for survival but they are not self-contained; however well they compete they will not survive because they are not immortal. They need to belong to something bigger and more enduring, although, being fallible, they may not recognize that need. In other words, they are real people, thinking agents whose thinking is fallible, not personifications of abstract reason.

In putting forward the idea of the encumbered individual, I am, of course, engaging in the same kind of abstract thinking as the Enlightenment philosophers. I am proposing another abstraction based on our experience with their formulation. Reality is always more complicated than our interpretation. The range of people living in the world can vary from those who are not far removed from the Enlightenment ideal to those who barely act as individuals, with the distribution curve heavily skewed toward the latter.

The point I want to make is that a globalized society could never satisfy encumbered individuals' need to belong. It could never become a community. It is just too big and variegated for that, with too many different cultures and traditions. Those who want to belong to a community must look for it elsewhere. A global society must always remain something abstract, a universal idea. It must respect the needs of the encumbered individual, it must recognize that those needs are not met, but it must not seek to meet them in full, because no form of social organization could possibly satisfy them once and for all.

A global society must be aware of its own limitations. It is a universal idea and universal ideas can be dangerous if they are carried

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too far. Specifically, a global state would carry the idea of a global society too far. All that the universal idea could do is to serve as a basis for the rules and institutions that are necessary for the coexistence of the multiplicity of communities that make up a global society. It could not provide the community that would satisfy individuals' need for belonging. Yet the idea of a global society must represent something more than a mere agglomeration of market forces and economic transactions.

## The Principles of Open Society

How can the encumbered individual be linked with the open society or, less abstractly, how can a world composed of encumbered individuals cooperate in forming a global open society? Recognition of our fallibility is necessary but not sufficient. An additional link is needed.

Fallibility establishes the constraints that collective decision making must respect in order to protect the freedom of the individual but fallibility must be accompanied by a positive impulse to cooperate. A belief in open society as a desirable form of social organization could provide that impulse. In the present situation, where we are already closely interlinked in a global economy, the impulse must operate on a global level. It is not difficult to identify shared goals. Avoidance of devastating armed conflicts, particularly nuclear war; the protection of the environment; preservation of a global financial and trading system: Few people would disagree with these objectives. The difficulty lies in deciding what needs to be done and in establishing a mechanism for doing it.

Cooperation on a global scale is exceedingly difficult to attain. Life would be much simpler if Friedrich Hayek were right and the common interest could be treated as the unintended by-product of people acting in their own best interest. The same applies to the

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communist prescription: From each according to his or her means, to each according to his or her needs. Unfortunately neither precept is valid. Life is more complicated. There *are* common interests, including the preservation of free markets, that are not served by free markets. In case of conflict, the common interests must take precedence over individual self-interests. But in the absence of an independent criterion, it is impossible to know what the common interests are. It follows that the common interest ought to be pursued with great circumspection, by a process of trial and error. To claim knowledge of the common interest is just as wrong as to deny its existence.

A participatory democracy and a market economy are essential ingredients of an open society, as is a mechanism for regulating markets, particularly financial markets, as well as some arrangements for preserving peace and law and order on a global scale. Exactly what shape these arrangements should take cannot be derived from first principles. To redesign reality from the top down would violate the principles of open society. That is where fallibility differs from rationality. Fallibility means that nobody has a monopoly on the truth. In fact, the principles of open society are admirably stated in the Declaration of Independence. All we need to do is to replace, in the first sentence, “These truths are held to be self-evident,” with “We have chosen to adopt these principles as self-evident truths.” This means that we are not obeying the dictates of reason but making a deliberate choice. In truth, the truths of the Declaration of Independence are not self-evident but reflexive in the sense in which all values are reflexive.

There are other reasons why I believe that fallibility and the encumbered individual provide a better basis for establishing a global open society. Pure reason and a moral code based on the value of the individual are inventions of Western culture; they have little resonance in other cultures. For instance, Confucian ethics are based on family and relationships and do not sit well with the

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universal concepts imported from the West. Fallibility allows for a broad range of cultural divergences. The Western intellectual tradition ought not to be imposed indiscriminately on the rest of the world in the name of universal values. The Western form of representative democracy may not be the only form of government compatible with an open society.

Nevertheless there must be some universal values that are generally accepted. Open society may be pluralistic by conception, but it cannot go so far in the pursuit of pluralism that it fails to distinguish between right and wrong. Toleration and moderation can also be carried to extremes. Exactly what is right can be discovered only by a process of trial and error. The definition is liable to vary with time and place, but there must be a definition at any one time and place. Whereas the Enlightenment held out the prospect of eternal verities, open society recognizes that values are reflexive and subject to change in the course of history. Collective decisions cannot be based on the dictates of reason; yet we cannot do without collective decisions. We need the rule of law exactly because we cannot be sure what is right and wrong. We need institutions that recognize their own fallibility and provide a mechanism for correcting their own mistakes.

A global open society cannot be formed without people subscribing to its basic principles. I do not mean all the people, of course, because many people do not give much thought to such matters and it would be contrary to the principles of open society if those who do were able to come to a universal agreement on the subject, but there must be a preponderance of opinion in its favor for open society to prevail.

Why should we accept open society as an ideal? The answer should be obvious by now. We cannot live as isolated individuals. As market participants, we serve our self-interest, but it does not serve our self-interest to be nothing but market participants. We need to be concerned with the society in which we live, and when it comes

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to collective decisions we ought to be guided by the interests of society as a whole rather than our narrow self-interest. The aggregation of narrow self-interests through the market mechanism brings unintended adverse consequences. Perhaps the most severe, at the present moment in history, is the instability of financial markets.