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Politics Has Made George Soros Dumber

[Matt Welch](#) | April 29, 2011

So George Soros walks into the Cato Institute, and....

No really—George Soros walked into the Cato Institute yesterday, along with libertarian legal super-academic [Richard Epstein](#), preeminent F.A. Hayek scholar [Bruce Caldwell](#), and moderator Ronald Hamowy, to discuss and debate Hayek, particularly his *The Constitution of Liberty*, a new edition of which (edited by Hamowy) has just been brought out by the University of Chicago Press. You can watch it [here](#):

It might be news to some that Soros studied under and was profoundly influenced by Hayek's best friend, the Austrian classical liberal economist/philosopher Karl Popper, and in fact (as Soros said yesterday), sided with Hayek in some of the famous-for-economics pre-war debates between the two econo-pals over methodology and principle. Before shifting his non-investment spending focus on "regime change" in America during George W. Bush's first term, Soros' main contributions to applied economic philosophy were creating Economics and Philosophy departments at his Central European University (at which much Austrian econ can be found), and flogging his own Popper-derived "Theory of Reflexivity" to explain how irrational market actors working with incomplete information create feedback loops that produce bubbles, instability, and (most importantly to his own life, though not to the success of propagating his philosophy) excellent investment opportunities. The puzzle for those of us who've been watching the guy for two decades is how Soros could travel so decisively from Popper and Hayek to a startlingly reactionary stance against "market fundamentalism."

That puzzle was cleared up somewhat yesterday. One of Popper's great insights (which is shot through the works of Václav Havel and Virginia Postrel, to name two liberty-lovers I greatly admire), was that we should fear those who claim to have a monopoly on truth and exclusive knowledge of the One True Way, particularly if they hold power. What Soros' remarks made painfully clear was that—much like latter-day Havel, I am sad to say—he has simply (in all



senses of the word) transposed that critique onto an allegedly monolithic, allegedly menacing *ism* that is all too reminiscent of the *commun* and *fasc* of Central European yore: *free-market fundamentalism*. "As I see it, the two sides in the current disputes have each got hold of one half of the truth which they proclaim to be the whole truth," Soros said, in a formulation he used three times yesterday without once addressing why it is that he has invested at least \$50 million in the half-truth business.

Perhaps to unconsciously illustrate his oft-repeated point that everyone (including Hayek, and even the great billionaire philosopher himself) is subject to political and ideological bias, Soros showed how far his anti-market-fundamentalism-ism has degenerated by repeatedly equating Hayek interchangeably with the "Chicago School" of economics. Here's how he distilled it in a version of his remarks published today in *Politico*:

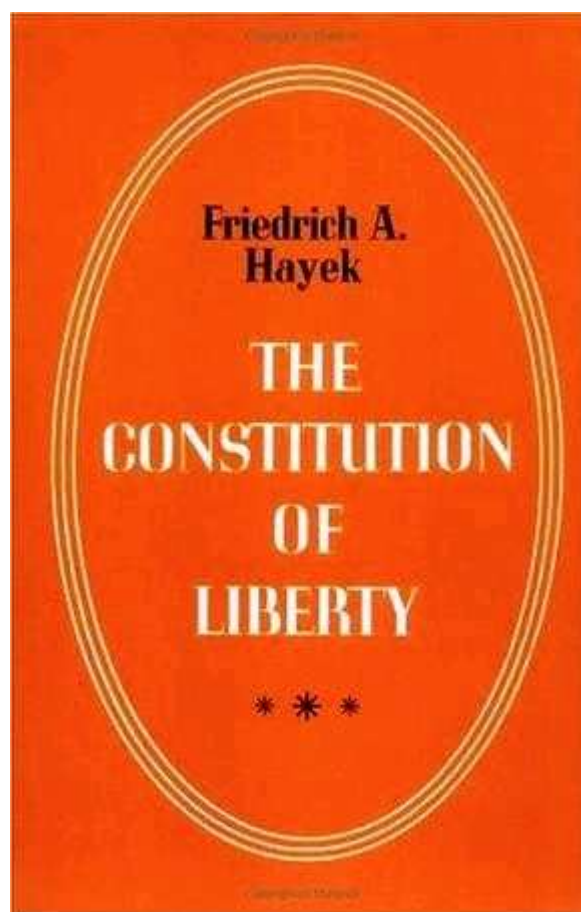
Friedrich Hayek is generally regarded as the apostle of a brand of economics which holds that the market will assure the optimal allocation of resources — as long as the government doesn't interfere. It is a formalized and mathematical theory, whose two main pillars are the efficient market hypothesis and the theory of rational expectations.

This is usually called the Chicago School, and it dominates the teaching of economics in the United States. I call it market fundamentalism.

Key words: "generally regarded". As Jason Sorens noted, "So Soros fundamentally misunderstands Hayek." Arnold Kling flushes out the complaint:

I doubt that anyone else on the panel or in the room shared this view of Hayek. However history views Hayek, I do not expect him to get credit for anticipating Fama or Lucas. In fact, as Frydman and Goldberg point out in *Imperfect Knowledge Economics*, rational expectations runs counter to Hayek's theory of local knowledge, which is one of his most important contributions. I do not see how Hayek could approve of any form of representative-agent modeling.

Hayek, in fact, was frequently *at odds* with the Chicago School. This is not some super-obscure, hair-splitting distinction; it's right there on Wikipedia:



Though a faculty member at the University of Chicago, his faculty position was unpaid and he is usually categorized not as a member of the Chicago School, but rather more associated with his time at the London School of Economics, as well as the Austrian school of economics.

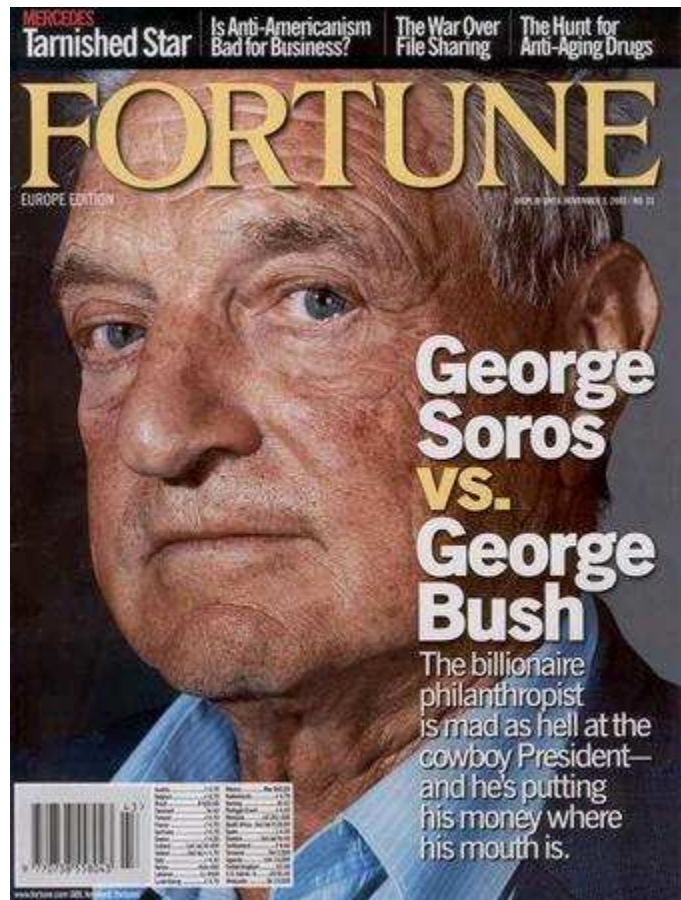
When Bruce Caldwell corrected Soros' basic errors about Hayek yesterday, the world's most famous Esperanto speaker hemmed and hawed, talking more about how Hayek has been *expropriated* by these nasty market fundamentalists, and that it's *good* that we're coming together to get back to Hayek's original words, blah blah blah.

It is no small irony that a man whose career is largely based on mapping how ideology and politics warps human behavior is now reduced to grossly misrepresenting the very intellectual tradition that both set him on his way and became the explicit target of his late-in-life philanthropy. In the always-worth-re-reading Jane Mayer *New Yorker* profile of Soros from 2004, he almost foreshadowed how this sudden lurch into domestic politics was going to make him dumber:

"This is not my strength," he confessed. "I'm eager to get out of this partisan position that I'm pigeonholed into. I heartily dislike it." He added, "I've always been against dividing the world into 'us' versus 'them.' So this 'us'-versus-'them' campaign is very uncomfortable for me."

Soros expressed so many reservations about partisan politics that it was almost difficult to understand why he had got so enmeshed.

Did appearing at Cato to discuss Hayek amount to a first step out of the partisan ditch Soros has dug for himself? Though *Politico* is semi-teasing that storyline, and though Soros did cause some jaws to drop by agreeing with Richard Epstein about a presumption against regulation, I seriously doubt it. You don't spend six years building up mirror institutions to what you perceive as the institutional attack-dog Right unless you on some level think the *them* has grown far too dangerous to go unopposed. That remains true even if *us* regains the White House and Congress, outnumbers the media *them* by any sane measure, and mangles Hayek in the service of



slandering Chicagoans. Shoddy intellectualism in the defense of anti-market-fundamentalism is and will likely remain no vice.