Karl Popper’s 1945 concept of an “open society” is gaining new currency in today’s darkening climate of economic troubles. In January, 1998, an article entitled “Toward a Global Open Society,” from the pen of George Soros, was reproduced on the internet by *The Atlantic Monthly*.¹ That was not the first time, of course, that Soros was getting global publicity. In 1995, a world-wide network of Soros Foundations published reports of their activities on behalf of the “open society.” Not long after that, Dr. Mahathir, the feisty Prime Minister of Malaysia, loudly blamed him for the turmoil in Asian currencies. Soros denied the accusations, notwithstanding the fact that his wizardry in currency speculation had long been recognized by both the London School of Economics and the Bank of England. In his 1998 article, Soros uncovers what he perceives to be the weaknesses of a global capitalist system that continues to be driven by a *laissez-faire* ideology and proposes correctives, and the means for containing them. His proposals come under five “somewhat arbitrary” (his own words) headings, despite his objective of formulating a single intelligibility capable of bridging the disparate problem areas under examination.

Readers familiar with Bernard Lonergan’s cognitional theory may find it easier to appreciate the many valuable insights of Soros if these are re-threaded along Lonergan’s method of intentionality analysis, deployed in his “Essay in Circulation Analysis”² and in his theoretical construction of the concept of “Cosmopolis.”³ Lonergan was well

¹Vol. 281, no. 1, pp. 20-32.
acquainted with Popper’s philosophy. On May 13, 1975, in a lecture given at Montreal entitled, “Healing and Creating in History,” he recalled to mind Popper’s position that “we fail to realize that our moral principles, which are sure to be over-simple, are often difficult to apply to complex human and political situations to which we feel bound to apply them.” As an example of this, he cites the propensity of simple-minded moralists to assign blame for the failure of monetary circulation to raise the standard of living of society as a whole on greed, whereas “the main cause is ignorance.”

Loneran’s method begins by placing the human good ahead of any other good. In the context of Soros’ particular focus on the global capitalist economy, the human good must include a theoretic understanding of the long-term sustainability of economic equilibrium. As to the means with which this can be achieved, Soros refers to “values and social cohesion” but for him this is “the most nebulous problem area.” This nebulosity is underscored by his question: “Our global society contains many different customs, traditions and religious; where can it find the shared values that would hold it together?” His own answer, of course, is the “open society as a universal principle,” one that can provide a “conceptual basis for establishing the institutions we need.” What is the “open society”? One “that is open to improvement.” What improvement? “Each society, each historical period, must decide on the specifics.” In short, he is saying that this society in this historical period has failed to make any specific decision. Quite nebulous.

**Boom-Bust**

One unspecific improvement sought by Soros for this historical period is an “understanding” of international capital flows that “are notorious for their boom-bust pattern.” He explains:

> “During a boom capital flows from the center to the periphery, but when confidence is shaken it has a tendency to return to its source. I have seen many ebbs and flows and booms and busts,

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5 *Essay*, p. 139.
and though I fully recognize that international capital markets have
become much more institutional in character and demonstrate
much greater resilience, I cannot believe that the present boom will
not be followed by a bust until history proves me wrong."

By way of paraphrase: The understanding sought is systematic in-
telligibility, which Lonergan describes as a single set of unified insights.
Insights that are not unified are fragmented and asymmetric. Soros’
distinction between center and periphery pinpoints the asymmetry
between lending and borrowing communities. The direction of capital
flows between lenders and borrowers is influenced by the presence or
absence of confidence. This confidence must be mutual, but Soros only
sees it as operating in one-way fashion: the operator (or subject) is the
lender and the operand (or object) is the borrower: the lender will lend
only when he trusts that the borrower can and will pay. These lending/
borrowing operations have a character that Soros sees as coming more
and more to be institutionalized, probably in the sense that some glo-
bal institutions, whether democratic or oligarchic, whether openly or
covely, manage the operations. Soros cannot believe that the present
management style will not lead to a bust. Why? Is it because the man-
gement style, no matter how institutionalized and resilient, lacks sys-
tematic intelligibility? If so, lack of systematic intelligibility may be the
real reason behind the lack of two-way confidence: lenders distrust bor-
rrowers and, in turn, borrowers distrust the hidden agenda in lending
conditionalities. There is no open Magna Carta for these operations.

Open Society

To build global confidence in (and within) managing institutions, the
managers must first know what they are doing when they are manag-
ing; they must understand the intrinsic purpose of their operations. This
will require total transparency as implied in the concept of an “open
society.” Militating against transparency are hidden agenda, not only
in Asia’s “crony capitalism”, but also in the subtle fraternities among
banking syndicates elsewhere, perhaps everywhere.

Philanthropist Soros has attempted to set an example of openness
by redistributing a large part of his own wealth for the common good.
But he sees the inadequacy of welfare handouts, and is still searching
for an adequate "mechanism of redistribution." He realizes that, unless accumulated funds are somehow redistributed, the result is disequilibrium, and that "our theoretical understanding of how financial markets operate is fundamentally flawed." One fundamental flaw is in the prevailing concept of equilibrium: it is seen as something static when the obvious reality calls for a dynamic equilibrium that keeps in step with fluctuations in the technical constraints and in the human adaptations to these fluctuating constraints. He adds: "I am told that economic theory has gone a long way towards studying dis-equilibrium situations." Has economic theory gone a long way? Has it proposed a viable system that can confront dis-equilibrium situations?

**Mechanism of Redistribution**

It certainly has. His web site has published at least one letter from a Lonergan scholar. But there is still a long way to go. At the center of Lonergan's diagram of rates of flows is the "redistributive function." But for this to work, there is need of transparency in global bookkeeping for production, trade, and finance. Would producers, traders and financiers open their books? They would if they were to support a truly open society.

At present, and perhaps for a long time to come, that support is by no means unanimous because universal confidence is still lacking and dis-equilibrium keeps recurring periodically in a boom-bust pattern. But if and when this human lack of adaptation is overcome by the growth of systematic intelligibility among all economic participants in

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6George Soros, *Open Society Reconsidered*, July 1996. This was displayed on the Internet for a short while.

7Essay, 48 and throughout. This redistributive function operates through 8 simultaneous equations that are themselves simultaneous with 6 other equations. These 14 equations quantify the 14 flows of payments made for goods and services in an exchange economy. These rely on fluctuating data of production, trade and finance. Lonergan's set of simultaneous equation has been placed by Peter Burley in the context of von Neumann models, e.g. in *Avon Neumann Representation of Lonergan's Production Model*, in "Economic Systems Research" (1) 1989, pp. 317-30; *Evolutionary von Neumann Models*, in "Journal of Evolutionary Economics" (2) 1992, pp. 269-80; and (with Laszlo Csapo) *Money Information in Lonergan-von Neumann Systems*, in "Economic Systems Research" (4) 1992, pp. 133-41. These are still under critical consideration for possible interactive computerization in global networking.
an open society, the boom-bust pattern can gradually be replaced by what Lonergan calls a "pure cycle." This is based on the functional distinction, still unrecognized in main line economic theory, between the basic and the surplus stages of an economy. Keynes and Schumpeter seem to lump together the quantification of monetary flows into undifferentiated statistical aggregates. Inaccuracies in such aggregates lead to unrealistic expectations and reflexively mislead market forces into the recurrent boom-bust pattern. Statisticians have recourse to lumping when the interactions between fluctuating parameters become too difficult. Fortunately, aided by high technology, we can now identify the fundamental flaws in the present understanding of how financial markets operate.

Bias

Will this identification eliminate deficiencies from the financial markets automatically? Or course not. There is further need of identifying the human biases that lead to these deficiencies. This cannot be done without introspection and consensus among the five groups of participants in the macroeconomy: the financiers, the traders, the producers, the laborers and the consumers — all of us.

Here are some of the human biases identified by Soros. Competition between these five groups and within each group in every global region is very uneven. Such unevenness divides financial distribution among peoples between center and periphery. Behavior of market forces convince Soros that there is a propensity for the center to control the periphery, for global markets to practice a preferential option for the rich, for the master to humiliate the slave, for the strong to take advantage of the weak. The comparative advantage of financiers over the other four groups is disproportionately large. Financiers, traders and producers have a comparative advantage over laborers and consumers, a

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8Ibid. 28.

9During the forty years that Soros has been involved in financial markets, their character has changed "out of all recognition." This may be due to the fact that "well over 90 percent of all foreign exchange transactions are of a purely speculative nature." [See The World’s Monetary System: Towards Stability and Sustainability in the Twenty-first Century (Vol. IV of "Rethinking Bretton Woods", eds. J.M. Griesgraber and B.G. Hunter. Washington, D.C.: Pluto Press, 1996), 94.]
thinly disguised survival of medieval slavery. Governments and regulators are under political pressure of business to promote this modern slavery through tax inequity.

Fallibility

To overcome these iniquitous biases, Soros suggests that we first recognize human fallibility. Having identified this common trait, he now challenges society to unite in common efforts to examine our mistakes and to correct them. All religions value freedom, justice and concern for others, but mistakes have been made in the promotion of these virtues. In correcting our mistakes, we also overcome the intellectual inertia that paralyzes us from facing the challenge of systematizing intelligibility. This will pave the way, worthy of rational beings, towards a dynamic equilibrium that we can sustain in the long-term. And thus we construct a global society that is more and more open.

There are many contrasting intentionalities between Soros' "open society" and Lonergan's cosmopolis, capable of filling volumes of analytical reflections on the dialectic between short-term and long-term practicality,10 between an intellectual and a dramatic pattern,11 between an immanentist and a transcendentalist viewpoint,12 between a secular and a sacral mindset.13 But the contrasts need not detain us here. Instead we can and, indeed, must focus immediately on one point of intersection, namely, the urgent need for dynamic equilibrium through a redistributive function that is systematic and totally transparent, totally open. Through such openness, we can at least start building mutual confidence among the five groups of participants, the financiers, the traders, the producers, the laborers and all of us consumers, especially the poor majority. To build up such confidence will be simply impossible in an age of wars and terrorism, when investment misbehavior leads to corruption and criminality, when the United Nations

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10 *Insight*, 263, 266.
11 Ibid. 209-12.
12 Ibid. 657-62.
Security Council often has no alternative except to hope for a balance of terror.

But when universal confidence has been built up, all the economic databases on all continents, wired together into an interactive network, can provide the input needed by computer networks innovatively programmed to display a range of alternative decisions. The program will be dedicated to optimizing dynamic equilibrium for any given moment of time. All the hardware components of such a global network are now ready for assembly. The manual for operating it will soon be available to everyone.\textsuperscript{14} It will be like a Magna Carta for society to consider publicly. But it may take another century for cosmopolis to evoke total transparency, universal confidence and the political will to realize any Magna Carta.

This is beginning to look like a blueprint for cosmopolis. Is the global community now prepared to begin discussing it? 

\footnote{14See footnote 7 for possible sources of terms and theorems needed for constructing the proposed program.}