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George Soros' INET: an institute to improve the world or a Trojan horse of the financial oligarchy?

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Let's assume that there is a financial oligarchy which exerts strong political influence due to the vast amounts of money it controls. Let's further assume that this financial oligarchy has succeeded in having financial markets deregulated and that this has enabled the financial industry to expand their business massively. Then, in some near or far future, their artfully constructed financial edifice breaks down, because it cannot be hidden any more that the accumulated claims cannot be serviced by the real economy That might be due, for example, to millions of people having bought overly expensive houses on credit without having the income necessary to service this debt. This is the kind of situation we are interested in.

If such a situation occurs, the leading figures of that financial oligarchy might recall that there has been a financial crisis in the 1930s of similar origin, and that during and after this crisis, laws were passed which broke the power of the financial oligarchy and taxed their profits steeply. They might remember that it took their forbearers decades to reestablish the favorable state of the late 1920s, with deregulated finance and very low taxes on incomes and estates, even huge ones.

The financial oligarchy might also recollect that economics is their most important ally in shaping public opinion and policies in their favor. To prevent a loss of power as it happened hence, they might want to make sure first that economics will not challenge the notion of leaving financial markets mostly to themselves and will continue to downplay the role of money, the power of the financial oligarchy, and of power in general.

However, the economic mainstream itself will have lost credibility due to its obvious failure to promote the public good and its rather obvious alliance with the interests of the financial oligarchy. Students will not so gullibly trust their professors and their textbooks any more. Young and bright researchers, who have not yet invested too much into the old discredited theories and methods, might turn to the question of how the financial industry can be made to serve the public interest. This would contribute to turning public opinion against the interest of the financial oligarchy. Thus, it will be important for the financial oligarchy to identify the brightest and most influential critics and leading figures of reform initiatives and to neutralize them.

This can best be done by putting yourself at the forefront of the movement. This requires money, notoriety and credibility. Money is available most plentifully to the financial industry. Many of their representatives are also well known to the public and command a lot of respect because of their spectacular financial success. Credibility, however, is in short supply. It can fairly easily be acquired, though. One of the more famous representatives of the financial oligarchy would have to publicly criticize economics for failing to prevent disaster and also the dealings of their own breed. The failure of economics and the financial industry will have

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become so obvious to the public already that an industry representative who acknowledges them will gain a lot of credibility without saying much that is not widely discussed already.

After the chosen representative of the financial oligarchy has gained a big public profile in the media, he might found an institute that is dedicated to the renewal of economics. He should provide the institute with very large funds, at least relative to what other initiatives with the same goal can command. Relative to the profits of the financial oligarchy the required sums are negligible.

If the financial oligarchy can get this together, they have almost secured the power to define what will be regarded as viable new theories and methods and what is to be disregarded as outlandish deviations from scientific common sense. They will be able to make sure that only those kinds of new thinking take hold which do not fundamentally challenge the supremacy of the financial oligarchy.

All it takes is some patience. First the institute would have to build up its credibility with the critical crowd. It should hire people who really mean to reform economics, because it is hard to consistently fake it in a credible way. It will be important at the start to engage and fund even the most dangerous critics of the economic mainstream and of the financial oligarchy. This will transfer their credibility with the critical crowd to the institute.

A second focus would have to be on identifying the brightest and potentially most influential young critical thinkers. This can be achieved by organizing attractive conferences with the most renowned and established economists and letting the youngsters apply for (funded) participation. Thus, the future elite will not have to be located laboriously all over the world. Rather they will be pulled toward large honey pots that are put at strategic central places on all continents of significance to the financial oligarchy. Applicants will provide information about their motivation, their level of activism and influence and will provide samples of their work, which will make it fairly easy to assess their potential to hurt or serve the interests of the financial oligarchy. The honey will have to be sweet enough, of course, to attract the best and brightest. The young elite should get a first taste of how sweet it is to be courted and to mingle with the most important people. The meetings should be more high caliber and grandiose than any they are likely to have attended before. This will also greatly enhance the interest of the relevant media.

The meetings could also be used to check out and create a good report with leading representatives of initiatives and organizations which aim to reform economic research and teaching. In order to avoid unnecessarily enhancing the status of such potentially dangerous organizations, their representatives should be invited exclusively in a personal capacity. For the same reason, significant financial support of initiatives that function independently from the institute would need to be avoided.

After the institute has put itself successfully at the forefront of the movement and has identified all the relevant reform potentials, the next task is to neutralize them as much as possible. The most important representatives of dangerous currents in economics would have to slowly be marginalized. Invitations to the prestigious meetings of the institute should increasingly be reserved to researchers whose critique is either harmless or who may even support the status quo in a new and original way. After a while, the more dangerous ideas and researchers will be even more marginalized than before. They will continue to be shunned by the mainstream, but on top of that they will not even be part of the avant-garde of the challengers as defined by financial oligarchy via the institute.

The high potentials among the young researchers should be given the opportunity to pursue an excellent international education and career. The challenges of this career and the temptations of gaining the respect of the most important people should suffice to domesticate most of them.

Remaining grass root initiatives at the universities can be neutralized, if needed, by cutting them off from the supply of potential activists. The institute could form local groups of affiliated young researchers, preferably at universities with a strong base of independent initiatives. Since the competing local groups of the institute's young affiliates will have the institute's network and money in the background, they should be able to be more effective and more attractive to yet unaffiliated young minds.

With a strategy as outlined above it should be straightforward to make sure that even after a serious financial crisis no broad based movement in favor of reform of economic research and teaching in a way that is inimical to the interests of the financial oligarchy will take hold – and that thus there will be no academic support for a fundamentally different way of organizing and controlling the financial system.

Is such a Trojan horse being built?

The financial crisis has come to pass. Few will doubt, either, that there is a very powerful and exceedingly rich financial oligarchy. Thus, the question is: does this financial oligarchy employ a strategy as outlined above to assure the continued cooperation of the economic mainstream?

George Soros is a famously rich hedge fund manager. He gained notoriety for criticizing the economic mainstream and the dealings of the financial elite after the crisis broke out. He contributed $50m to the foundation of the Institute for New Economic Thinking (INET) in October 2009. Other members of the financial elite and their foundations, including David Rockefeller, the Carnegie Corporation and former Federal Reserve Chairman Paul Volcker multiplied that sum with their contributions.

While it would be fairly easy to give one individual like George Soros the benefit of the doubt, regarding his intentions, David Rockefeller, the Carnegie Corporation and Paul Volcker seem unlikely candidates for genuinely wanting to reform an economic mainstream, which has been tilted very much in favor of the interests of the financial sector and the rich over the interests of workers and the rest of society.

INET and its lavish meetings

Since spring 2010 the institute has been organizing annual conferences, which are rather lavish affairs. They took place in Cambridge, England, Bretton Woods, Berlin and Hong Kong, and in 2014, in Toronto. Several winners of the prestigious Nobel Memorial Prize of the Bank of Sweden and other top ranked economists are regulars at these meetings. Many leading representatives of off-mainstream schools of thoughts have been invited to at least one of these meetings, as well as leading representatives of other non-mainstream organizations promoting reform of economics, like the World Economics Association.

There have been several commentators who have followed harshly criticized these conferences. Philip Mirowski wrote in his book “Never Let a Serious Crisis Go to Waste: How Neoliberalism Survived the Financial Meltdown” published in 2013 (quoted for example here):

> “The first INET meeting at Cambridge University in 2010 bore some small promise—for instance, when protestors disrupted the IMF platitudes of Dominique Strauss-Kahn in Kings great hall, or when Lord Adair Turner bravely suggested we needed a much smaller financial sector. But the sequel turned out to be a profoundly more unnerving and chilly affair, and not just due to the caliginous climate. The nightmare scenario began with a parade of figures whom one could not in good conscience admit to anyone’s definition of ‘New Economic Thinking’: Ken Rogoff, Larry Summers, Barry Eichengreen, Niall Ferguson and Gordon Brown … The range of economic positions proved much less varied than at the first meeting, and couldn’t help notice that the agenda seemed more pitched toward capturing the attention of journalists and bloggers [oh my, I'm included in this one], and those more interested in getting to see more star power up close than sampling complex thinking outside the box. It bespoke an unhealthy obsession with Guaranteed Legitimacy and Righteous Sound Thinking.”

In 2013, at the Hong Kong meeting of INET, Mirowski was charged with giving young INET-scholars a two-day course in history of economic thought.

An early example of criticism from the right is Ben Johnson’s piece “George Soros’ New Plan for Globalism and Crony Capitalism”, published in December 2010 on the website of the National Legal and Policy Center. From the proceedings of the inaugural INET conference in 2010 he came away suspecting an agenda of replacing the national state by global governance institutions dominated by finance. One of his crown-witnesses is speaker Andre Wilkens, representing INET-sponsor Stiftung Mercator, who formerly was director of the open Society Institute in Brussels and a founding member of the European Council on Foreign Relations and has been on the record demanding new global governance structures. Another one is Charles Dallara:

> “The INET conference’s session on ‘Global Governance?’ focused on building Wilkens’ world government, Charles Dallara, head of the Institute of International Finance (IIF), insisted a global crisis required ‘adaptations of global architecture’. I think we are reluctant to do that because we have been captured by the notion of sovereignty.”

Johnson draws attention to Dallara’s call for “a Global Macroeconomic Coordinating Council” that encourages “global coordination” of fiscal policy and reports only to the G-20 Summit.

The roster of invited participants at INET-meetings seems to drift towards the economic mainstream and towards new ideas, which are not inimical to the interests of the financial oligarchy. As Mirowski observes, the first meeting in 2010 had quite some reform spirit. At the meeting in Toronto in April 2014 the cast of invited speakers, included the usual INET-financiers from the financial sector like William Janeway and Peter Jungen, but also Peter

Thiel, billionaire, conservative libertarian and member of the steering committee of the Bilderberg meetings and Eric Weinstein a Managing Director of Thiel Capital. (Peter Thiel, who was included in the pre-meeting version of the conference program, did not make it to the conference according to the post-meeting version.) The list of speakers also included Larry Summers, Niall Ferguson and Emma Rothshild, daughter of Nathaniel Mayer Victor Rothschild, 3rd Baron Rothschild (and wife of Amartya Sen), but only a handful of the household names of the proponents of non-mainstream schools of though.

Influence on research

INET provides grants to researchers for projects “aimed at finding solutions for the world’s most pressing economic problems.” The grantees of the first years include many well-known critics of the economic mainstream and of financial deregulation, like Steve Keen.

There is a steep decline in volume from about $7m in 2010 and 2011 each to $2.7m in 2012 and $2.1m in 2013. In the first three years, many grantees and their projects have been quite reformist, proposing a radical rethinking of the workings and regulation of the financial system. In contrast, the list of sponsored projects for 2013, which is here (http://ineteconomics.org/grants), reads like a mix of the contents of an economic history journal and any good mainstream economic journal. It is not obvious that most of them meet the claim on the institute’s website that “each of these grants was carefully targeted to tackle a pressing economic issue”.

The first seven entries from the list of 2013-grants read:

- Planning Peace: Development Policies in Postwar Europe
- Environment and Dynamics of Regional Innovation
- Becoming “applied,” becoming relevant? Three case studies on the transformation of economics since the mid-sixties
- The Value of Political Connections in Fascist Italy — Stock Market Returns and Corporate Networks
- Safe Assets and the Evolution of Financial Information
- Economics, Psychology and the Joyless Economy: The Biography of Tibor Scitovsky
- Financially Constrained Arbitrage and Cross-Market Contagion

Influence on young researchers, students and the curriculum

The institute has a Young Scholar Initiative (YSI). Students and young researchers can apply to be invited to the prestigious and lavish conferences, which always take part in one of the best large hotels in town. For the selected, many of which have their airfare covered by the institute, there is a pre-meeting event with courses in economic history of economic thought or off-mainstream theories, taught by internationally well-known economists and a chance to present their own work. They also participate at the main meeting.

The approach is top-down. It is already quite noticeable that INET would like to control the movement that it funds. On its website, INET states about grants for student initiatives that these are supposed to serve conversation between new economic thinkers of the future and those of the present. The latter are defined as "INET-grantees and other members of the INET-community". Students have to document support from their university and the cooperation of at least one member of their faculty. This should eliminate the more radical reform groups from consideration. For the others, there is a chance to have their conferences or other projects funded with up to $5000, or "preferably less". According to my talks with representatives of independent initiatives of students, young researchers and professors of economics in Germany, these are hardly ever successful in obtaining financial support from INET.

The Association for Heterodox Economics (AHE) hast criticized INET's project for reform of the economics curriculum:

> "Several members of AHE attended the launch of the new INET-sponsored CORE curriculum at HM Treasury last November 2013… Inclusion of heterodox economics in the curriculum has been explicitly ruled out…A sense of failure is translated into a context of relative success requiring more limited changes – though these are still being seen as significant. Part of the reason that they are seen as significant is that changes from within mainstream economics do not have to be major in order to appear radical. It is our contention that heterodox economics is being marginalised in this process of 'change' and that this is to the detriment of the positive potential for transforming the discipline."

INET seems to develop its suggestions for curriculum reform largely independently from an ongoing movement among students with the latest result a 60-page memo of the Post-Crash Economics Society at the University of Manchester with a reform agenda, which the authors consider more far-reaching than the INET-proposals.

Relation with the wider reform movement

INET has a restrictive policy regarding support of initiatives which function independently from INET, be they initiated by students and young scholars, or by professors, critical of the mainstream. Most of these initiatives have very limited funds. According to my knowledge, INET hardly ever provides significant monetary support to independent initiatives. However, their representatives are quite willing to show up at the functions and meetings organized by these initiatives, and they might offer to pay INET-affiliated luminaries to participate. Several senior representatives of the World Economics Association (WEA), including the author of this text, have been invited to the INET conference in Hong Kong in 2013, and had a very welcome chance to present their personal research. It was notable that their WEA- functions were not mentioned or downplayed. WEA was founded in 2011 to promote regional and methodological pluralism in economics and has more than 12.000 members. It publishes three online journals and runs online conferences. Talks about financial support by INET, either in institutional form or for specific projects, were unsuccessful from WEAs perspective.

As noted already above, support of and efforts to link with independently organized student groups is rather limited. INET seems to prefer to build up its young scholar initiative network independently from such groups. Some members of independent groups have voiced a concern that INET seems to have a tendency to establish new YSI-hub where independent groups are already strong, thus potentially competing for the time and attention of bright, reform-oriented students.

Conclusion

The history and the actions of the Institute for New Economic Thinking, founded by George Soros and other members of the financial establishment, do provide some supporting evidence to the hypothesis that it might be a Trojan horse of the financial oligarchy, meant to control the movement for reform of economics. However, it is also still compatible with the counter-hypothesis that it is a bona fide effort to push such reform to the benefit of society at large, an effort that might be hampered by the a desire to control and a tendency toward increasing closeness to the status quo and the establishment. While certainly unfortunate such tendencies could be considered also (unintended) consequences of institutionalization of reform efforts. Thus, it is opportune to monitor the activities of INET with an open but skeptical mind.

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