

Open Society: Philosophy, Evolution and Markets

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- * The open society is a concept originally developed by philosopher Henri Bergson.
- * Open society stands for freedom, democracy, rule of law, human rights, social justice and social responsibility as a universal idea
- * However, open society is an impossible and never-ending quest

In essence, Open society is an unusual idea – it is defined as an imperfect society which holds itself open to improvement

- * The best way to explain open society is by defining the opposite – a closed society
- * Closed Society emphasizes on the supreme importance of the tribe without which individual is nothing at all - an element which is found in many historical theories
- * Chief characteristics of tribalism or closed society
 - Stability and Rigidity of Social life
 - Social life determined by social and religious taboos
 - Monarchy and clans
 - Everyone has an assigned place in society
 - Place in society is determined by birth
 - Therefore a person's place in society is the will of God

Open versus Closed Societies – Key Differences

Open Society	Closed Society
Freedom	Tribal Taboos: Shut out all foreign influences
Democracy	Autocracy
Equality	Anti-universalism or particularism: Do not mix
Rule of Law	with inferiors
Human Rights	Anti-humanitarianism: Shut out all
Social Justice	equalitarian, democratic, individualistic
Social Responsibility	ideologies
Recognition of human	Autarchy: Be independent of trade
fallibility	Mastery: Dominate and Enslave neighbors

- * Open societies were pioneered by Greeks in 6th century B.C., when the tribals started moving towards open society
- * Revolution happened in the form of commerce and seafaring
- * Role of Pericles
- * Sparta versus Athens– The Peloponnesian wars (431-421 and 419-403 BC)
 - Struggle between the closed society of Sparta and democracy of Athens.
 - Class war leading to patriots and non patriots
- * Open Society versus Closed Society (Socrates versus Plato)
- * Heraclitus' role as The Founding Father



Role of Heraclitus in the evolution of Open Society

- * Heraclitus was the philosopher who discovered the idea of change which can be seen as the basis for Open Societies
- * He believed that " The cosmos, at best is like a rubbish heap scattered at random"
- * He visualized the world and everything in it, not as a structure but as a process – "Everything is in flux and nothing is at rest" is the motto of his philosophy
- * However , after having destroyed the cosmos as a heap and a process, he says that each of the processes follows its own law which is a "measure" of the process
- * Did not distinguish between legal and natural laws

Socrates (c.469-399 B.C.) – A Professor of Open Society

- * Perhaps the most noble and wisest Athenian.
- * Was an intensely democratic supporter but also a foremost critic of the Athenian democracy since he believed that everyone in a democracy should challenge anything unfair in a democratic way
- * Socrates challenged his students to think for themselves. Paradoxically most of his students including Plato were strongly anti-democracy.
- * In 399 B.C., Socrates was charged "as an evil-doer and curious person, searching into things under the earth and above the heavens; and making the worse appear the better cause, and teaching all this to others." He was convicted to death.
- * The jury offered Socrates the choice to escape to exile for his impiety. However, he chose to die rather than escape.
- * He showed that man could die for not only grand things but also for freedom of critical thought, for self-respect which has nothing to do with self-importance

Plato (c.427-347 B.C.) – Proponent of Closed Society

- * Plato came from a family of *aristoi*, served in the Peloponnesian War, and was perhaps Socrates' most famous student.
- * Plato's greatest and most enduring work was his lengthy dialogue, *The Republic*.
- * The purpose of *The Republic* was something of a warning to all Athenians that without respect for law, leadership and a sound education for the young, their city would continue to decay.
- * Plato wanted to rescue Athens from degeneration by reviving that sense of community that had at one time made the polis great.
- * The problem as Plato saw it was that power and wisdom had traveled divergent paths -- his solution was to unite them in the guise of the Philosopher-King.

- * 18th century can be regarded as the age of Enlightenment
- * Emmanuel Kant (1724 – 1804 A.D) - One of the most influential philosophers of the concept of Enlightenment.
- * Enlightenment was the philosophy that right and wrong should be decided by reasoning
- * “The Rule of Reason” - The rule of reason is an idea of a social contract as the basis of society and state, the supremacy of science and universal brotherhood.
- * Enlightenment leading to the concept of Nation-State
 - The American Revolution(1775-1783) leading to "Declaration of Independence"(1776)
 - The French Revolution (1789-1799)
 - Industrial Revolution(broadly 1760-1840)



- * Characterized by various freedoms and human rights, rule of law and some sense of social responsibility and social justice
- * This stems from the belief in fallibility - Since ultimate truth is beyond our reach, people must be allowed to think for themselves and make their own choices
- * This freedom allows critical thinking and also allows the market processes to operate.
- * Tyranny of majority also does not constitute an open society. Electoral democracy is not enough, it should be complemented by constitutional protection for minorities
- * Following is a summary of the conditions for open society
 - Regular, free and fair elections
 - Free and pluralistic media
 - The Rule of law upheld by an independent judiciary
 - Constitutional protection for minority rights
 - Market economy which respects property rights and provides opportunities and a safety net for the disadvantaged
 - Commitment to peaceful resolution of conflicts
 - Laws enforced to curb corruption
- * Open Society is actually what we know as Democracy





* How closed society works

- Totalitarian and autocratic ruler
- No rule of law only the rule of the ruler!!

* Who should lead in an Open Society

- The fundamental problem of politics – Assumes unchecked power of the ruler
- Difficult to describe the qualities of a leader
- Therefore, the question should actually be that "How can we organize the political institutions so that the bad or incompetent rulers can be prevented from doing too much damage?"
- Institutionalization of democracy
- Democracy as the best way to avoid tyranny rather than majority rule
- Therefore people under a democracy may accept the majority rule but should always feel free to combat it by democratic means and try to improve it

- * He is counted among the most influential philosophers of science of the 20th century, and also wrote extensively on social and political philosophy.
- * Popper coined the term *critical rationalism* to describe his philosophy. The term indicates his rejection of classical empiricism, and of the *observationalist-inductivist* account of science that had grown out of it.
- * Popper's account of the logical asymmetry between verification and falsifiability lies at the heart of his philosophy of science.
- * In 1928 he earned a PhD in Psychology and taught secondary school from 1930 to 1936.
- * He was a lecturer of philosophy at Canterbury University College New Zealand(1937-1946). He then taught logic and scientific method at London School of Economics(1946-1969)
- * His books "The Open Society and Its Enemies" (2 Volumes) are considered as bibles of the Open Society

* Nassim Taleb

- Taleb calls himself a "skeptical empiricist", he believes in the presence of unexplainable randomness in data
- He follows a long lineage of skeptical philosophers who believed that the past should not be used naively to predict the future.

* George Soros

- Soros has a keen interest in philosophy, and his philosophical outlook is largely influenced by Karl Popper, under whom he studied at the London School of Economics.
- His Open Society Institute is named after Popper's two volume work, *The Open Society and Its Enemies*, and Soros's ongoing philosophical commitment to the principle of 'fallibilism' (that anything he believes may in fact be wrong, and is therefore to be questioned and improved) stems from Popper's philosophy.
- Some critics argue that Soros' static political beliefs appear to conflict with the critical rationalism espoused by Popper, though Soros argues that these beliefs were arrived at through such rationalism.

One of the Basic tenets of Open Society is Critical Thinking



However, the Quest for Open Society is trouble-some and unsettling

- * Uncertainty and Change is the main reason!!
- * Seafaring nations – ex: Immigration versus Inbreeding
- * Mutation ex: of capital markets
- * Theory of Natural Selection as applied to Society.
- * Open society is not deterministic. It is fallible and second best
- * Tension of Change – Short term volatility is exchanged for long term evolution for the better ex: Creativity and development English language versus the relative stagnation of French language
- * There is no equilibrium, always a state of flux for change towards improvement

- * Democracy and Capitalism now go hand-in-hand due to various similarities
- * Open societies espouse the theory that nothing is a fixed structure, everything always in a state of flux and evolving
- * Markets are similar in the sense that they in the short run, they are like the voting machine where individual reasoning/emotions are reflected while in the long term they are like a weighing machine which impersonally reflects the true value
 - Many small changes are better than a big bang is the concept of the information assimilation in the markets– which is a basic tenet of the open society
 - Most key changes are surreptitious ex: RTI
 - Barometer of change ex: Commodity futures
 - Speculators – Sometimes moral purpose cannot be defined only utilitarian purpose can be defined
- * Any threat to Free Markets is therefore a threat to Open Society
- * Therefore Market Fundamentalism is the new enemy to Open Society

- * Market fundamentalism is the new enemy
- * Concept of rule-making versus playing by the rules
- * Rule making is about moral choices. However, playing by the rules is inherently amoral ex: Selling Shares, leading to unemployment in that company
- * From immoral -> Amoral -> Moral – How can this change come about?
 - In today's transactional environment, people do not behave as if they are governed by categorical imperatives like dictates of reason to decide morality;
 - The very need to distinguish between right and wrong is called into question
 - A society without social values cannot survive and a global society needs universal values to hold it together. Kant's enlightenment offers such a set of values which though outdated, should not be discarded but should be updated to suit the current society
- * The key is to use market as a tool of the Open Society and not the determinant.



“Arresting political change is not the remedy; it cannot bring happiness. We can never return to alleged innocence and beauty of the closed society. Our dream of heaven cannot be realized on earth. Once we begin to rely upon our reason, and to use our powers of criticism, once we feel the call of personal responsibilities, and with it, the responsibility to help advance knowledge, we cannot return to the state of implicit submission to tribal magic. For those who have eaten of the tree of knowledge, paradise is lost....There is no return to a harmonious state of nature. If we turn back then we must go the whole way—we must return to the beasts....But if we wish to remain human, there is only one way, the way into the open society”
– Karl R. Popper