

# 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 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 and 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 whether 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 the dealings of their own breed. The failure of economics and the financial industry will have 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 should 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 oligarchs the required sums are

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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 which ones are to be disregarded as outlandish deviations from scientific common sense. They will be able to make sure that only those kinds of new thinking can take hold which do not fundamentally challenge the supremacy of the financial oligarchy.

**All it takes is some patience.** First the institute has 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 old mainstream and of the financial oligarchy. This will transfer their credibility with the critical crowd to the institute.

A second task would be to **identify 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 should 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 to the interests of the financial oligarchy 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 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

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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 of the institute 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 to reform 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 there 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?

There is a famous and rich hedge fund manager called George Soros, who 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.

**However, this does not really prove anything about the real motivation.** Neither do the next few criteria that I will mention, as they cannot distinguish between an honest strategy for improvement of economic science and a cynical maneuver to control and domesticate any reform movement.

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.

**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 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.

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**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 for example Steve Keen.

A first indication for intentions that are not 100% constructive could be the institute's **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.

If INET were indeed a means to control and domesticate dissent in economics, this should start to become clear over the next few years. The reputation is established. Marginalization of dangerous ideas, minds and initiatives should begin in earnest now, if it were intended.

Questions of interest in this regard are: does the roster of invited participants at INET-meetings and of grantees drift towards the economic mainstream and towards new ideas, which are not inimical to the interests of the financial oligarchy? Does the institute support independent grass root reform initiatives at universities or does it undermine them by setting up competing groups? What becomes of the young elite after it has made close contact with the institute - does their reform impetus get strengthened or do they get oriented more toward their own career?

It is already quite visible that the institute 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 being 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.

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 chance to present their personal research. 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 were unsuccessful from WEAs perspective.

**How is grant-giving of INET developing?** 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 far from the mainstream and have been 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 a bit like a mix of the contents of an economic history journal and any good mainstream economic

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journal. To me, 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 grants** in 2013 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](#)

The **programs of IINET's annual meetings** including the 2014-meeting in Toronto are [here](#).

Interested readers can check there for themselves if there has been a **trend toward increasingly mainstream themes and researchers** at these meetings. It is not possible to make out such a trend with a quick glance, since from the beginning there have been many well-established figures and representatives of the financial industry and politics talking at these meetings. Still, my own impression is that the tendency is there, notably if you compare the meetings of 2013 and 2014.

## Conclusion

So far, the history and the actions of the Institute for New Economic Thinking, founded by George Soros and other members of the financial establishment, are compatible with the hypothesis that it might be a Trojan horse of the financial oligarchy, meant to control the movement for a reform of economics. However, despite some limited evidence to the contrary, 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. A restrictive policy of supporting independent initiatives with the same stated goals, and a recent tendency toward the promotion of the less radical reformist ideas make it opportune to monitor the activities of INET with an open but skeptical mind.

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