

## Case 53

# Support of Democratization and Civil Societies in Central and Eastern Europe

*Open Society Institute and Soros Foundation Network, 1980*

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*Background.* George Soros earned billions of dollars as a currency speculator, and has spent the last twenty-five years giving away his fortune at an astonishing rate. Preferring to underwrite his foundations' budgets each year, Soros has not endowed large philanthropies like Rockefeller and Carnegie. Last year, his Open Society Institute paid out slightly more than \$110 million, ranking it twenty-sixth in giving among American foundations.<sup>809</sup> Yet even this high figure understates dramatically the extent of Soros' philanthropy. OSI serves today as the hub of the Soros network of foundations, which is comprised of thirty-three distinct private foundations, operating in more than sixty countries around the world.<sup>810</sup> In fact, George Soros' annual giving has for much of the last twenty years rivaled that of the Ford Foundation, which last year had assets worth \$10 billion and made grants of \$432 million.<sup>811</sup>

This case study seeks to document the efforts of Soros, his network of foundations, and the grantees they have funded, to aid dissident movements behind the Iron Curtain in the 1980s, and later to help support throughout Central and Eastern Europe the transition to democracy and the rise of civil societies. Soros, who is Hungarian by birth, grew up in the shadow of occupation: first by the Nazis and later by the Soviets. So it is perhaps not surprising that, as his wealth grew, Soros in the late 1970s and early 1980s became increasingly active in supporting dissident causes around Europe. What is sure, however, is that Soros has acted on a scale larger than most governments. Some of his greatest success stories, such as the support of Russian science in the crucial period after Communism's collapse, and his creation of Central European University, are not told here. But this case should stand on its own as an account of one philanthropist's part in weakening Communism's grip on Europe, and in promoting transformation and progress, both before and after the Berlin Wall fell.

There is no comprehensive record of Soros' philanthropy in Central and Eastern Europe. The Open Society Institute, which now monitors and oversees the vast network of Soros foundations, did not become fully operational until 1995. As a result, much of Soros' early philanthropy—that given out of pocket and that invested through one of his many private foundations—is difficult to trace, even for Soros himself. Furthermore, the Soros Foundations have not typically required, as a prerequisite for their grant-making, extensive documentation or analysis of problems to be solved and the specific uses to which donations have been put.

This was particularly true in the early years, when a portion of Soros' philanthropy was targeted at groups and causes seeking to undermine their own repressive governments. For example, Michael Kauffman writes that, in the early 1980s, "Soros suppressed his curiosity and showed the tactful discretion of an experienced conspirator"<sup>812</sup> in not demanding to be told where all gifts had gone. It was enough for Soros to know that his gifts had been passed on discreetly to dissident movements bubbling just under the surface in Poland, Czechoslovakia, and other oppressed nations where Communist regimes were struggling to maintain their increasingly tenuous hold on power. The lack of a paper trail was not, however, a function solely of the clandestine nature of certain grantees. George Soros himself has said, "I don't believe in being able to calculate these things too closely, and we haven't made any profound needs assessment studies. We just recognize the need is there. We'll do the best we can."<sup>813</sup>

Whatever the cause, any description of the Soros network's support of democratization and the rise of civil societies in the former Soviet Union and elsewhere will be unavoidably incomplete. The limitations of time and space will make this case study particularly so, but we hope the reader will gain some sense of the breadth and depth of Soros' massive philanthropy in the region, will come to understand certain broad themes in his giving, and will appreciate that, while the impact of Soros' efforts may be impossible to quantify, it can be reasonably said that his philanthropy was—for many years—a crucial lifeline to a region profoundly challenged. It may be an exaggeration to say—as some have—that George Soros was “a one man Marshall Plan.”<sup>14</sup> But just how much of an exaggeration will be up to the reader to decide.

*Strategy.* In the early 1980s, Soros began quietly and gradually to support dissident movements in Czechoslovakia, Poland, and Hungary. By 1987, he was pouring funds into these countries and, especially, the Soviet Union, where Gorbachev's reforms had convinced him it might be possible to crack the veneer of state control, enabling long-strangled values like openness, tolerance, and economic liberalization to grow. And in the late '80s and early '90s, as European Communism crumbled, Soros offered millions upon millions of dollars to put in place the building blocks of what his mentor Karl Popper termed “the open society.” Characterized by freedom of speech and the press, freedom of association, and other democratic values, the opening of closed societies has been the guiding light of all George Soros' philanthropic endeavors. As the *New York Times* editorial page explained in a piece honoring his achievements: “Mr. Soros recognized that a healthy democracy required more than just a plurality of political parties and an uncensored press. The institute also sponsored cultural activities and projects promoting financial accountability, more adequate health care and prisoner's rights.”<sup>15</sup> At times, Soros foundations have supported innovative demonstration projects, as one of their American counterparts might do. Often, however, they have served a quasi-governmental role, providing critical social services and democratic infrastructure that states have been simply unable to offer. Into the 1990s, and even past the turn of the millennium, Soros has sought to repair the damage caused by years of Communist rule, whether by reforming primary education, retraining former military officers for civilian life, or seeking to limit the destruction caused by ethnic violence.

*Outcomes.* Here then, is a brief sample of the activities undertaken by George Soros and his network of foundations to introduce behind the Iron Curtain the elements of open society, and later to relieve suffering and to promote modernization and economic development in Central and Eastern Europe.

### *Poland*

Soros began in 1981 to send money to the Polish opposition movement. Among his earliest philanthropic efforts there was the funding of a network of unauthorized publishers in an attempt to make available some of Western literature and scholarship that had been banned by the Communist authorities. According to Kaufman, Soros understood that the Solidarity movement represented one of the most promising developments among the Warsaw Pact countries, and he supported it steadily and discreetly. Later, after the fall of the Berlin Wall, Soros helped Poland along the path to economic liberalization by sponsoring the renowned economist Jeffrey Sachs to help plan a set of rapid market reforms (the so-called “shock therapy” approach). Soros himself also consulted with the Polish economist who helped craft the highly successful economic conversion plan implemented by Polish Finance Minister Leszek Balcerowicz.

### *Hungary*

In 1984, Soros—who was born in Budapest—created in Hungary the first of his philanthropic foundations. This very act was in and of itself a major challenge to the status quo in Soros' native

country. Soros insisted on autonomy for the new foundation, and convinced the government not only to allow ostensibly “forbidden” dissidents to benefit from his largesse, but also to permit the Foundation to publish freely the names of all its grantees. This was just the sort of openness of which the Hungarian regime had long been wary. The negotiations to bring this freedom about were tense, and it took the personal involvement of Soros, including on several occasions the bare threat to cancel the enterprise outright, to convince the Hungarian government to concede to the Hungarian Academy of Science/George Soros Foundation the privileges it enjoyed.

The Foundation’s earliest donation was given to import some 50,000 previously unavailable books to Hungarian libraries. Like Soros’ support of publishers in Poland, this donation increased the access of Hungarian citizens to democratic ideals they had long been denied. Both grants flowed from Soros’ belief that Communist regimes could not withstand their citizens’ knowing how deprived they were. The success of the book donation convinced Soros to purchase for Hungarian universities and libraries 200 Xerox copiers. Prior to that gift, access to such machines was strictly controlled. Researchers were required to submit an application to photocopy anything, and then wait several weeks while the application was considered. For Soros, the rapid and free spread of information enabled by these 200 copiers was analogous to the spread of openness, tolerance, and modernization he hoped to help enable throughout the region.<sup>816</sup> Soros’ initial commitment to the Hungary foundation was for \$1 million per year. This was soon increased to \$3 million, and in the mid-1990s, it would peak with donations from Soros of \$22 million in a single year.<sup>817</sup> The full range of the Foundation’s activities—as with the other philanthropies Soros went on to create—was larger, however, than just supporting the spread of information. Like a major American foundation, the Soros Foundation in Hungary supported an array of philanthropic endeavors. All of these, however, were unified by a commitment to help the country develop into a modern democracy with all the building blocks of a fully open society more firmly in place.

### *Czechoslovakia*

In the early 1970s, George Soros began sending money to the dissident group Charta 77, which was led by the playwright and activist Vaclav Havel. As he became more interested in philanthropy, and also more committed to supporting reform in the Communist-controlled nations of Eastern and Central Europe, Soros became Charta 77’s largest single backer.<sup>818</sup> In December 1989, as Charta 77 became the Civic Forum, an embryonic political party, Soros flew to Prague and set up a new foundation to support media outlets, cultural organizations, and other causes long neglected under Communist rule. While there, he also met with Marian Calfa, the acting Czechoslovakian president. In a discussion of the nation’s future, Soros urged Calfa to support Havel for the presidency. Later, when Czechoslovakia split into two states, Soros opened another foundation in Bratislava to do in Slovakia what his Prague foundation would continue doing in the new Czech Republic.

### *The Soviet Union*

By far the grandest of Soros’ philanthropic efforts was in the Soviet Union, and, later, the republics that succeeded it. While his Moscow Foundation remained the largest, Soros in the early ’90s created independent grant-making foundations in Ukraine, Belarus, Moldova, Georgia, Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan. Between 1987 and 2003, Soros spent over \$1 billion, first to pry open Soviet society, and then to help many of its millions of citizens enjoy the fruits of democracy, or, more often, to at least survive the upheaval it brought. Soros spent \$100 million on the Transformation of the Humanities Program, which published new works, and funded the translation and distribution of dozens of previously unavailable titles by scholars such as Hayek and Popper. The program also contributed greatly to the modernization of Russian scholarship by introducing the concept of peer review to such fields as history, political science, economics, and art

analysis. In the mid-1990s, Soros also funded a project to link all thirty-three of Russia's regional universities to the Internet. His foundation promoted independent media outlets and helped re-train mid-level military officers for life as civilian entrepreneurs.<sup>809</sup> It also worked to reform nursery school education and to equip hospitals for more humane and more medically sound childbirth services. And in late 1997, Soros pledged a donation of \$500 million to be made over three years.<sup>820</sup> With that gift, which was distributed among a range of causes, including \$100 million for public health projects, Soros, for a time, outspent the United States government, which was then giving about \$95 million per year for reconstruction and democratization in Russia.

### *Yugoslavia*

After the breakup of Yugoslavia, Soros created foundations in Croatia, Slovenia, Bosnia, and Macedonia. Without a doubt, the most notable grant made by any of these foundations was the \$50 million Soros gave in December 1992 to alleviate the suffering of the Bosnian people. Although Soros considers it a failure any time his foundations are forced to resort to such last ditch efforts against a backdrop of violence, this grant funded a number of remarkable projects. In addition to supporting an independent newspaper, several radio networks, art exhibits, and academic journals, this grant funded the work of an American named Fred Cuny. A maverick by any standard, Cuny organized ambitious projects in Sarajevo, amid constant violence, that included a grassroots seed production campaign by which citizens could feed themselves, and an engineering project to restore power to much of the city, including the critical plasma unit serving all of Sarajevo's operating rooms. Cuny organized 15,000 Sarajevans for a project to tap safely into the city's damaged natural gas line, enabling the people to cook their food, and, most remarkably of all, he conceived and oversaw the construction of a water purification plant within the city limits. This last project was completely unprecedented; it spared residents the need to travel to the city's scarce drinking wells (a favorite target of snipers), and by August 1994 had restored running water to Sarajevo's 275,000 remaining residents.

*Impact.* The sheer scale of the Soros network's operations in Central and Eastern Russia is impressive. But it is important to remember that hundreds of millions, even billions, of dollars can be squandered without any noticeable result, particularly on problems of the magnitude that Soros and his associates faced down. Certainly, some of Soros' donations have suffered this fate. In Russia, for example, Soros was often forced to rely upon well-connected members of the old status quo, some of whom appear to have abused and even stolen the funds entrusted to them. Other times, the Soros foundations have simply fallen short of their goals. As Soros says of his giving: "When I got into this business of philanthropy it was definitely a process of trial and error. From '79 to '84 was a period of painful experimentation. I didn't know what the hell I was doing, and I made some wrong steps."<sup>821</sup>

At other times, however, he and his associates have succeeded brilliantly. The Xerox machines project, for example, leveraged a relatively small grant to change the landscape of Hungarian academia. According to Kaufman, "[q]uite suddenly, without any announcement, people in intellectual or university environments were able to copy whatever they wanted. . . ." This and other Soros initiatives made it far harder for the authorities to stem the flow of information. And in Sarajevo, the grants overseen by Fred Cuny achieved remarkable things under extremely difficult circumstances. While problems of counterfactuality are of course unavoidable in such instances as trying to assign one man credit for weakening global Communism, they are less so in the case of the Bosnian relief projects. Without OSI support, Fred Cuny would quite simply not have been in a position to restore power and running water to the people of Sarajevo. Soros says of Cuny: "Truly, I think that Fred probably did save Sarajevo. You know, water, gas, the seeds and gardening, running in the electric cable and the blood plasma unit. He really did it, and that, you know, is something."<sup>822</sup>

Some OSI projects in the region are still too young to be accurately judged. Step by Step, for example, is an early education program similar to America's Head Start. Although it has been

adopted by approximately thirty countries already, Aryeh Neier, the president of the Open Society Institute, feels that it will likely lead to only “a Rolls Royce early childhood for a relatively small number of children.”<sup>809</sup> Others within the network, however, say that it is the best money Soros has ever spent.

Still, it is widely recognized that Soros has been a major player in the transformation of the entire region. Certainly, the various nations of Central and Eastern Europe still face a host of challenges, and they cannot be looked at as one bloc. As early as 1995, for example, OSI was fielding requests from the Poland foundation for public advocacy support for the rights of the disabled, while the Georgia foundation was buying generators to keep schools warm during the long winter.<sup>810</sup>

In aggregate, it is fair to say that Soros has probably made many grants that have had virtually no lasting impact. But he has also funded projects with enormous reach and of major consequence. Many prominent Russians, including Mikhail Gorbachev, have nominated Soros for the Nobel Peace Prize. As the editorial page of the *New York Times* stated in 2003:

Mr. Soros’ bold ambition was to nurture a broader base for democratic transformation. To a remarkable extent, he succeeded.... For the most part, he has spent his money wisely and generously. Russia and the other Eastern and Central European countries he has helped toward democracy owe him their appreciation.<sup>811</sup>

## Notes

809. Available from <http://www.foundationcenter.org>.

810. Available from <http://www.soros.org>.

811. Available from <http://www.foundationcenter.org>.

812. Michael T. Kaufman, *Soros: The Life and Times of a Messianic Billionaire* (New York: Alfred A Knopf, 2002), 185.

813. Karen Pallarito, “Soros’ New Mission,” *Journal of Mental Health Counseling*, Vol. 27, Issue 44 (11/3/1997), 20.

814. “Giving it Away,” *Economist*, 10/25/1997, 77.

815. “Opening Russian Society,” editorial, *New York Times*, 6/12/2003, 34.

816. Kaufman, *Soros*, 196–200.

817. *Ibid*, 199.

818. *Ibid*, 177.

819. Soros’ Ukraine Foundation pursued a similar program, which trained some 70,000 former soldiers before Soros’ feud with Ukraine’s president, Leonid Kuchma, brought operations to a halt.

820. Pallarito, “Soros’ New Mission.”

821. Kaufman, *Soros*, 178.

822. *Ibid*, 281.

823. *Ibid*, 262–63.

824. Katie Jamieson e-mail to Scott Kohler, 4/6/2005, on file with the author.

825. “Opening Russian Society,” *New York Times*.