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CENTRAL
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COVER STORIES Ivaylo Ditchov, Wojciech Engelking, Marlene Laruelle, Tomáš Pospíšil, Gianni Riotta
POLITICS Hans Kundnani **ECONOMY** Heiner Flassbeck **CULTURE** Andrzej Chwalba **INTERVIEW** Petr Pavel

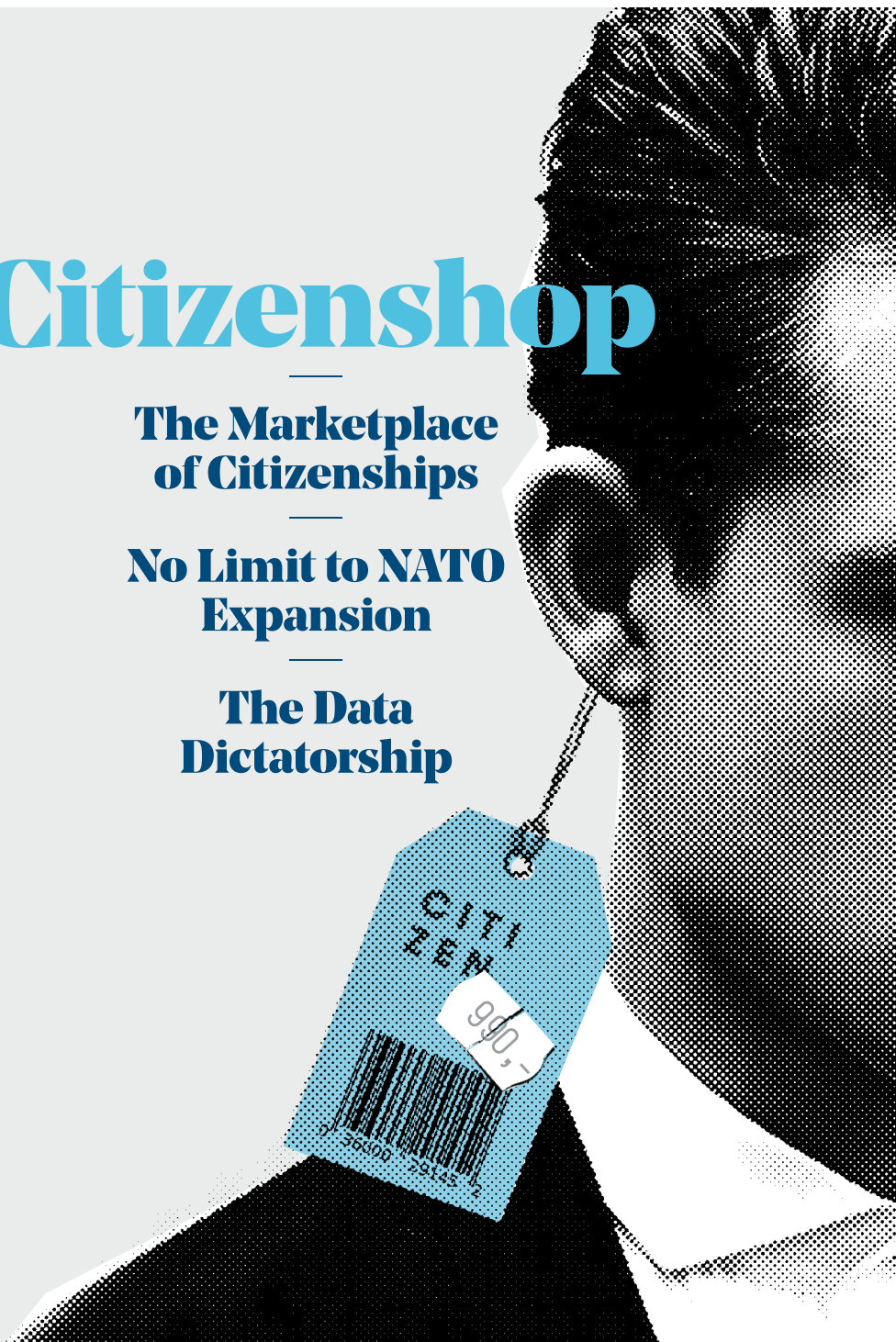


Citizenshop

**The Marketplace
of Citizenships**

**No Limit to NATO
Expansion**

**The Data
Dictatorship**



About Aspen

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Citizens, Not Customers

Dear Readers,

The idea of citizenship has its roots in *civis Romanum* of the Roman Empire. A modern citizen endowed with civil rights and actively participating in *res publica* emerged during the era of the Enlightenment. Having drawn on the ancient notion of citizenship, America's Founding Fathers held no illusions about the idealist nature of a citizen. "*Had every Athenian citizen been a Socrates, every Athenian assembly would still have been a mob.*" In The Federalist Papers they expressed the idea that "*each individual citizen everywhere enjoying the same national rights, privileges, and protection*" while their rights shall be guarded against "*encroachments from the government.*" This reflects the idea pronounced by the French Declaration of the Rights of Man and of the Citizen—that all citizens should "*[be] equal in the eyes of the law*" and "*[have] the right of contributing to its formation.*"

The logic would be reversed, and the ethos of citizenship undermined if government would be merely perceived as a service provider. Citizens are seen more as customers entitled to the highest quality of services provided by the public sector. Contrary to popular political pledges to maintain government small and limit red tape and rubber stamps, the number of interactions between citizens and government agencies has been steadily growing in modern society. This is reflected in the increasing demand for

high-quality services provided by public-sector agencies and could lead to the simplified conclusion that the government relationship can be seen as a service-provider for a customer. Governments are often advised to optimize their procedures when dealing with citizens by using methods common in retail sales. Government agencies should have a customer-friendly interface by using private sector practices in providing public services to “customer satisfaction.”

In recent decades, the concept of “entrepreneurial government” has been actively promoted. This could amount to a paradigm shift in a broader sense. This approach has been defended as a solution to reinventing the modus operandi of traditionally hierarchical government structures. Being entrepreneurial in government might be justified if it would mean more understanding of the principles of the market economy but not necessarily accommodating government decision-making procedures in a technocratic corporate culture.

The entrepreneurial shift seems to me more controversial if applied by governments to dealing with citizens’ data. In this issue we have the pleasure of reprinting an article by Gianni Riotta on the power of data in the hands of authoritative regimes from our sister-journal *Aspenia* published by Aspen Institute Italy.

New technologies allow for the use of government marketing and communications “specifically tailored to audience interests” while using segmentation methods common in advertising. After digitization of government-citizen interaction, there is a growing temptation to stop treating citizens primarily as citizens, but to only see them as customers who expect a certain level of service. And government is simply obliged to deliver services. As citizens we should not grow accustomed to being treated merely as customers. Or should we?

JIRÍ SCHNEIDER
Executive Director, Aspen Institute CE

Nationalism— “Financed with European Union Funds”

The renaissance of nationalism in Central European societies is one of the greatest paradoxes of the united Europe. The more Poles or Hungarians benefit from EU membership, the more they support politicians who promise that their countries will never be anything like Europe.

Poles and Hungarians want to imitate European modernization (i.e. enjoy a steadily increasing living standard), but only a few are ready for European modernity (i.e. a Western lifestyle and customs).

The distinction between these two concepts, modernization and modernity, seems to be crucial. Central Europeans overwhelmingly accept and adopt Western technologies, but not necessarily Western ideologies (i.e. the visions of the proposed socio-political order contained in myths shared by the community). It is an enlightenment without Enlightenment, a civilization without culture. It can also be called a relationship without obligations, a love affair without illusions.

Central Europeans want to benefit from the blessings of a multicultural and tolerant liberal democracy open to otherness. But not necessarily at home. Let our neighbors take this path. This is why the more Polish or Slovak towns and cities, subsidized under the European cohesion policy, resemble well-maintained towns in Holland or Belgium, the more confidently their inhabitants vote for nationalists and open Eurosceptics (even—or perhaps especially—when they themselves take seasonal jobs in the West). The last thing that Poles or Slovaks, forced to compete with

Pakistanis for low-paid jobs in England, want is labor migration from outside Europe to their home countries. To put it simply, the more they come in touch with multiculturalism abroad, the more they do not want it at home.

Of course, there are also exceptions, these being the hundreds of thousands of young Poles, Hungarians and Romanians who have moved to the West permanently, not only because of the prospect of better earnings, but also to lead a different lifestyle, far from nosy neighbors and the parish church. They generally do not vote, however, in their home countries, although they often send money there (in Poland alone it amounted to about 4 billion euros in 2018). This huge stream of money, together with incomparably larger EU funds and direct investments of Western companies – a real *cornucopia*, which from the Polish point of view is a fount of allegedly non-existent free lunches—makes Central Europe develop and get richer, and its inhabitants no longer feel like poor relatives of the West, as they did years ago. Today, they are masters in their own home and want to decide for themselves who to invite and who to show the door to.

The party headquarters of the Law and Justice party and Fidesz, the doors of Orbán's and Kaczyński's offices, should feature plaques known from playgrounds, swimming pools or modernized railway stations: "Financed with European Union funds". As a matter of fact, they would also be appropriate at the SMER and ANO headquarters.

ALEKSANDER KACZOROWSKI

Editor in Chief Aspen Review Central Europe

ASPEN REVIEW
IVAYLO DITCHEV

COVER STORY
CITIZENSHIP
COMPETITION
GLOBALIZATION
MARKETPLACE



The Marketplace of Citizenships

This seems to be a necessary consequence of modernization: citizens have turned into customers of public services, feeling entitled to change the “shop” and vote with their feet if not satisfied.

“Unfortunately, the investor has to travel to Bulgaria, as Bulgarian banks are unwilling to open bank accounts for non-EU citizens remotely” explains a private cabinet, offering legal services to acquire Bulgarian citizenship. The key word seems to be “unfortunately”; it reveals what a business person expects from its future homeland, but also what makes countries competitive on the global market.

A number of sites help you compare the offers for “golden visas” and citizenship by investment. The lanes of the competition are similar. First, they present the power and prestige of the receiving country, the economic opportunities it offers, as well as the strength of its passport, i. e. the number of states you can visit without a visa (e.g. Bulgaria—169, Spain 189). Special

attention is given to the scenery of tourist countries, illustrated by gorgeous views of the sea, fairy-tale castles and then some handy advertisements of real estate you can buy right away to enter the category of “investor”.

The second term of comparison is more matter-of-fact. Citizenships are listed with respect to how much they will cost you. As one might expect, the minimum amount of money required to be admitted into the national community—first as resident, then a national—varies enormously. Thus Austria asks you to invest at least 2 million euros, whereas citizenship of Moldova is offered “from 100,000”. Powerful countries such as Germany or France rely on higher demand and do not promise automatic acceptance in consideration of a specific sum of money. They will let you in with a residence permit, provided he/she invests in innovative business, not just government bonds, creates a given number of jobs, has particular talents, etc.

Acquiring a citizenship looks like a simple transaction

At the periphery of the rich industrial world, acquiring citizenship begins to look like a much simpler financial transaction. As in any supermarket, deals are proposed that give you access to fast tracks; the opportunity of getting rid of your investment quickly in bonds or property is presented as another advantage. Take Bulgaria: fast track citizenship can be acquired in just one and a half years, you need to buy government bonds for half a million euros, then double the investment the second year. By the end of year five, you may sell everything and carry out business or whatever you like in any country of the European Union.

Take Bulgaria: fast track citizenship can be acquired in just one and a half years, you need to buy government bonds for half a million euros, then double the investment the second year.

It is important to know that applicants usually do not perceive interest for the period of time their money stays in the country’s bank, which can be seen as a sort of hidden payment. Some places perceive various taxes, while others require “donations”—a word that curiously combines a presumably moral act with a cynical purchase.

Finally, competition to attract wealthy would-be compatriots implies a number of facilitations, presented as a rule in a negative form: no need to renounce your previous citizenship, no language exam, no medical test,

etc. The utmost offer is exempting the applicant from physical presence. The Netherlands, for example, asks you to turn up at least once a year in order to maintain your residence permit, Cyprus invites you to visit the country once every two years, Dominica, Hungary and many other do not require a physical presence at all. If the stock exchange dematerialized the goods that are being traded, citizenship-by-investment makes a pure simulacrum out of national belonging.

1) EU prepares crackdown on 'citizenships for sale' (2018, August 12). Financial Times. <https://www.ft.com/content/9a6eb914-9e23-11e8-85da-eeb7a9ce36e4>.

Competition to attract wealthy would-be compatriots implies a number of facilitations, presented as a rule in a negative form: no need to renounce your previous citizenship, no language exam, no medical test, etc.

Dangerous side-effects

All this might sound scandalous for an old-fashioned partisan of the nation state. There has been, however, serious criticism of such citizenship for sale in the European commission since the second half of 2018. It does not question the principle as such, but has expressed worries over its dangerous side-effects, namely the possibility of letting criminal people or dirty money into the EU. The European Commissioner for Justice, Věra Jourová, stated: "It is a big concern when a Russian citizen, who has worked his whole life in middle or senior management... suddenly has the money to buy citizenship in Malta".¹ It is the Russian threat that explains why criticism was particularly focused on countries such as Bulgaria, Cyprus and Latvia that are more particularly in the focus of Moscow's interests. Nevertheless, no one challenged their sovereign right to sell their citizenship: the only problem seemed to be the insufficient security checks on the Russian applicants.

Bulgaria was hit by another embarrassment at the same time: it was determined that the citizenship was massively sold to presumed people of Bulgarian "self-consciousness", as they call it. This means that practically all citizens of Northern Macedonia had the right to apply, because according to the national doctrine the inhabitants of this country are part of the Bulgarian nation. The same was valid for Bulgarian ethnic minorities in Albania, Ukraine, Serbia and elsewhere. It was determined that a passport could cost about 5 thousand euros, perceived by corrupt officials, most of

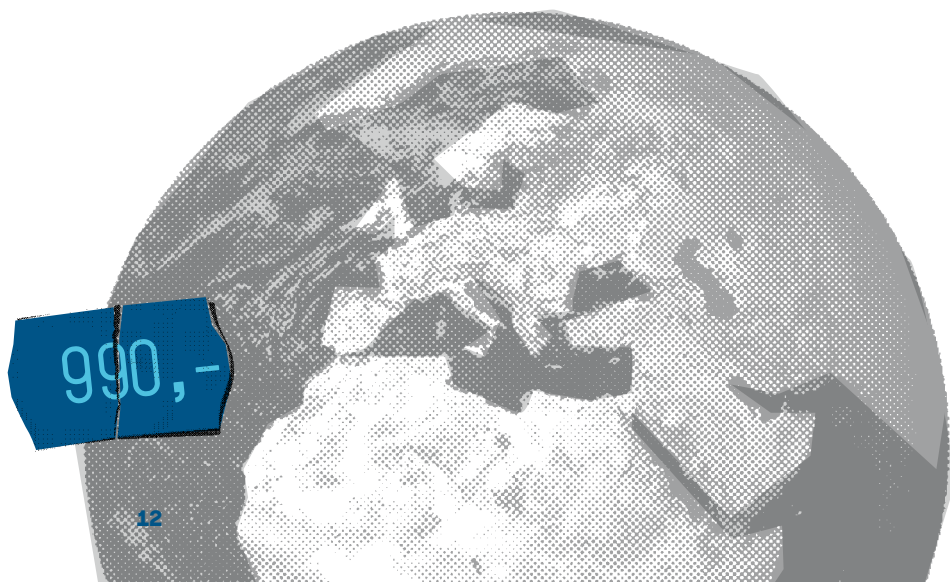
whom turned out to be linked to one of the nationalist parties. There are no strict criteria to measure “self-consciousness”, thus the business expanded quickly with over 100,000 naturalizations within a couple of years. The new Bulgarians rarely stay in their newly found fatherland, but quickly leave for Western Europe, where the acquired citizenship allows them to work without a work visa. It is estimated that over 95% are gone with no intention to return.

Global marketplace of belongings

Taking bribes is of course a criminal offense. But from a political point of view granting citizenship to nationals living abroad is not something new. Take the German Russians or the Pontic Greeks, allowed to come back to their respective primordial homelands after the collapse of the Soviet Union. And once you become a national, no one can stop you from emigrating.

Taking bribes is of course a criminal offense. But from a political point of view granting citizenship to nationals living abroad is not something new.

The two presented scandals are somewhat different, however, as in the first, citizenship is sold by public institutions for economic reasons, while in the second, by corrupt private operators, hiding behind an ethno-nationalist ideology. The principle as such seems generally accepted: belonging to places and communities has become a kind of merchandise. And it is a characteristic of merchandise to change hands.



What is new is the very idea that national belonging is something changeable. Article 15 of the Universal declaration of 1948 presents it as a human right: “no one shall be... denied the right to change his nationality.” If you have the right to choose a new thing, why not be able to buy it. And if there are people buying, there will also be those who sell.

If you are no longer obliged to work in the field of your lord and are allowed to make rational choices about better job opportunities, it seems only logical to change the country you live.

Premodern communities demand exclusive loyalty to one's group, except for temporary engagements of the military. Being assimilated into another religious or political community used to imply deep transformations of personality that could hardly be seen as a choice of free individuals. Dual citizenship emerged during the late nineteenth century in America, a country of European settlers. It began to be gradually accepted by a growing number of countries only after the catastrophe of Nazism, a regime that pushed the principle of exclusive belonging to the extreme. The final blow came with the fall of the Communist block which kept its nationals inside countries by force. The world entered a new phase, where the promise of the declaration of human rights seems to have been fulfilled: everyone is entitled to leave his/her polity and chose another one at will. Globalization brought about the global marketplace of belongings.

A consequence of modernization?

This seems to be a necessary consequence of modernization. If you are no longer obliged to work in the field of your lord and are allowed to make rational choices about better job opportunities, it seems only logical to change the country you live, as this is by far the most important factor that will determine your salary, your rights and even your lifespan. In addition, the economy has long ago outgrown the political sphere: entrepreneurs tend to operate world-wide and golden visas or citizenship by investment are an essential instrument for them to operate in distant lands that have different legislations and represent more risk. (Pseudo) belonging to a national community is thus as rationally calculated as any other expenditure within the balance sheet of the enterprise. This is just

as the average man calculates where it would be most profitable to emigrate, like a refugee, who investigates before taking the boat where refugees are treated best.

Could you really be loyal to a national community that you have cynically chosen? Will you be ready to give your life defending a country, the citizenship of which you have bought? Such questions that used to be asked throughout the nineteenth century seem out of place today. Moral engagement towards your polity sounds like shallow extreme-right rhetoric.

Citizens as customers of public services

It was the neoliberal turn brought about by Margaret Thatcher that changed the relationship between the individual and the polity: it was the latter that was to serve the former, not the other way round, as it has been for thousands of years. In more practical terms, Thatcherism inspired the 1980s ideology of “New Public Management” that consists in running governments like businesses. Citizens are viewed as customers, attended to by public managers; the quasi-market of services is supposed to be monitored by various forms of accountability and feedback, and as to Thatcher herself, she saw herself as “a policy entrepreneur”.

Thatcherism inspired the 1980s ideology of “New Public Management” that consists in running governments like businesses. Citizens are viewed as customers, attended to by public managers.

This approach gradually spread all over the world. Citizens have turned into customers of public services, feeling entitled to change the “shop” and vote with their feet if not satisfied. The darker side of such moral liberation from the community can be seen in the marvelous film of Ken Loach “I, Daniel Blake” (2016). The protagonist moves within a dehumanized New-Management-like world, where he expects to have rights as a citizen, whereas the bureaucrats check whether he qualifies for specific services.

In fact, the alienation of customer-citizen and government-manager is even deeper on the global marketplace of national belongings. The moral link between the individuals and the political community which is sup-

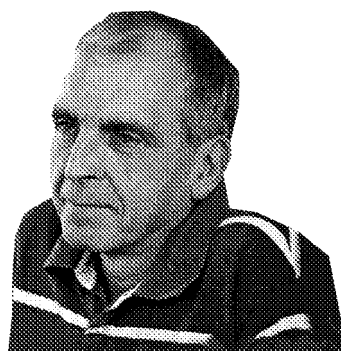
posed to accept them, is replaced by formalized operations, forms, documents and payments. The Daniel Blake, applying for citizenship will wait in vain for some human relation with the receiving country, a task to fulfill in proving he is useful, a chance to be accepted by the local community. As a result, he becomes cynical and fakes his CV, concludes a sham marriage and bribes officials.

The moral link between the individuals and the political community which is supposed to accept them, is replaced by formalized operations, forms, documents and payments.

As to the business world, cynicism is even greater. Citizenship is a service, you pay for it without even having to “visit” your new homeland. As a Bulgarian right-wing politician said, the best thing would be if the state became an app in your telephone, so that you could practice your citizenship without leaving your bed. In a world where states have become digital services, we shall finally have the ideal market of citizenships and belonging to communities will be bought and sold at the speed of light with no need to leave your office. Should we be astonished by the success of populists worldwide, who successfully exploit the fears which are crumbling communities?

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COVER STORY
INTERVIEW
RUNET
RUSSIA
YOUTH

Marlene Laruelle: **Human Capital Is a Weapon**

Russian society has a great capacity for inventiveness, creativity and ingenuity, this being well demonstrated in their prowess with computers, software and information technology, says Marlene Laruelle in an interview with Jakub Dymek



JAKUB DYMEK: Your recent research focuses on Russia's youngest generations. These youngsters do not live for protesting and politicking. Among them, you say, there's no anti-Putin fervor and opposition spirit, as some Western pundits are so desperate to see. Why's that?

MARLENE LARUELLE: I think it's one of the main problems of Western observers of Russia, actually. What they're always try to identify is some form of anti-Putin upheaval—and it's simply not always there, just waiting, ready to materialize when you look. It's the same with the youth—maybe they will turn anti-Putin en masse, at some point in the future. Maybe not. What we know is that the youngest gen-

We see greater uniformization among generations. In plain terms: the young are much more like the old one in Russia than they are in the West. Central-Eastern Europe and Russia are more like that.

erations are not “the opposition party” as of yet and that's what—to the disappointment of some—we can observe today. You surely can remember [Alexei] Navalny's protests in 2017. There were many young people there, and it prompted some reports along the lines of: “Oh, yes, there's youth in the streets, those born

under Putin have had enough!”. You see those young people in the media and that's what you are tempted to think, but then you look at the surveys and the actual data and there's a wholly different picture to be seen. (Also, there's the question of what's characteristic for the entire generation and what's simply characteristic for people of a certain age—because these two may be entirely different things altogether).

Out of these two images—pictures of Russian youth participating in protests and survey data about the same young people—the latter is much more nuanced.

We shouldn't project our own political desires and expectations upon those who we're speaking about?

We most certainly should not [laughs]. That's basically what I'm saying, yes.

Fair enough. So what's the real picture, the one the research presents?

First, we see greater uniformization among generations. In plain terms: the young are much more like the old one in Russia than they are in the West.

Central-Eastern Europe and Russia are more like that—and it also goes against some researchers' (mis)conceptions about generational differences in post-communist societies. The prevailing platitude was that those born after Communism must be different from those born in it. Well, not so much, it seems. Of course there are some

differences, but not as big as one might think there would be.

Let's hear them.

The young are similar to the old when it comes to approval of Putin—they're very pro-Putin. Additionally, they're supportive of the government, sometimes even more so than the older generation. And this is perhaps because they're less politicized overall. But they're at the same time less anti-Western than their parents and grandparents. Hostility towards the West rose among the young, just as in the rest of the general population, during the Ukrainian crisis, but then it returned to lower levels. The same applies to attitudes towards both the EU and the USA. The youth are more open to gays and migrants, any group they would identify as somehow "different" from the majority. The difference in attitudes between the "millenials" and gen-Z and the older generations is not a landslide, but there is a gap.

This is not to say that the Russian youngest generations are tolerant towards minorities and pro-western as a whole—that's not the case! It just means they're less intolerant and biased against certain nationalities and groups than their parents and grandparents were.

Which means what exactly?

It's part of a broader shift towards individualism, understood as "everybody can do what they want", because we all

should be entitled to and "I don't want anybody to interfere in what I'm doing". It's not as much liberalization of societal norms as benevolent indifference. It's not an embrace of diversity, but, of course, progress from outright chauvinism, fear and insularism.

The young are similar to the old when it comes to approval of Putin—they're very pro-Putin. Additionally, they're supportive of the government, sometimes even more so than the older generation.

What is the profile of most prominent youth movements? One would assume it's the ultraconservative, right-wing militant groups like "Nashi" or biker-gangs who are the most powerful and visible.

I wouldn't say, in light of what we know, that it's true. You have many youth subcultures and the majority of them are not politicized at all—they form around cultural phenomena, music, desired ways of life and so on.

Among those who are political however, this is true to some degree: the far right groups enjoy relatively high visibility thanks to their organizational skills, discipline, acceptance of hierarchy and long-standing traditions. You have emerging orthodox-conservative paramilitary

organizations, for example, who espouse these principles. There's no evidence, however, that far-right groups are more popular among the young, that they are popular in general, and that their visibility is also a factor of being excessively studied and reported on. This is, in contrast to, for example, the recent revival of the independent left. This is extremely interesting because it resembles (in an entirely different context) similar trends in the UK, Western Europe and even USA where so-called "millennial socialism" is taking off.

Who is the most visible then?

Social media, especially YouTube, serves as the main platform for expression, taste-making and production of identities. But the "big names" in this sphere are not political in any sense, nor are they traditional media personalities—instead these are tech-bloggers, fashionistas, make-up experts and all those leaders of teenage culture.

One very notable exception is this guy Yuri Dud—one of the main, or "the main", journalist of this new media environment. Dud, who is around 30 years old, presents interviews with political personalities, rappers, writers, actors, business people and so on... Now he has between 2 and 4 million subscribers in Russia alone and his lengthy, quality interviews brought him a position of great fame and influence among the youngest consumers of media.

So what kind of archetype does he represent?

Opinionated, but far from punditry, stylish, cool, "in-the-know", patriotic but speaking slang and listening to rap music. He's political, but not partisan, in a way many young people admire—he's unafraid to ask a politician difficult, personal, head-on questions, but doesn't force any straightforward agenda. Except one maybe: he constantly presents the 1990s—"the nineties"—as the time of terrible corruption, confusion and social unrest. The 1990s were bad and corruption is bad. This resonates with a certain strand of patriotism—he, like many other many young people, declares a love for Russia and being proud of their Russian citizenship, but at the same time decries today's elites, political class, corruption and cronyism, hypocrisy and cynicism of the older generations and so on...

Which isn't unlike the anti-elitism of many millennials in the West.

With the difference that in many Western European countries, while the youth is indeed anti-elitist and against traditional political parties, their allegiance and primary identity is "European" not national. Their sense of pride comes from being part of a larger community of values and freedoms, not a nation-state. The combination of patriotism-nationalism with anti-establishment sentiments is more typical of young people in

post-communist societies: from Poland, Slovakia, Hungary to Russia.

Another things interest me here: why did you say the youth in Russia is pro-Putin and anti-Putin at the same time?

18-year olds today were born when Putin was already Russia's president. And these past 18 years were relatively good for Russia, compared to what a national humiliation the 1990s were. It turns out that for that generation Putin is not a human being anymore, but rather an embodiment of Russia itself, he is a symbol, a personification of the nation and the state. A brand.

So, depending on how you ask the question in a survey, the same people can be for or against Putin. They love, support and respect Putin the symbol. Putin the politician less so. People, for example, answer affirmatively when asked if they think Putin cares first and foremost for himself or if he is out of touch with real problems and so on...

What's the significance of the Russian-speaking Internet, the Runet, in all of this?

Runet is indeed a world in itself. Interestingly it grown into what it is today organically, without state planning for what Runet is to become. Russian-speakers invented a lot of their software and platforms: Yandex, V Kontakte,

Odnoklassniki and so on... So today young Russians indeed live in a "different" Internet, social-media world. At the same time they're consuming the same media their counterparts in the West do: rap music, YouTube videos, memes. They're aware of what is trending in both Russia and Japan or South Korea or the USA for that matter.

So in some ways Russian youth does have access to a richer, not poorer, cultural environment thanks to these parallel communication realities?

Exactly. It's not a closed-off world, by no means. Internet users in Russia have access to both these nation-specific, homegrown services and a global network. This gives them a level playing field to be culturally innovative. Loot at Russian rap music is one of the examples.

Social media, especially YouTube, serves as the main platform for expression, taste-making and production of identities.

This innovativeness, combined with the richness of Russian cultural tradition and a certain kind of nostalgia and curiosity for everything Soviet/Russian in the West enabled young creators, artists, musicians to produce a certain "brand" for Russia, one that is trendy and fashionable.

Today young Russians indeed live in a “different” Internet, social-media world. At the same time they’re consuming the same media their counterparts in the West do: rap music, YouTube videos, memes.

Is the state trying to tap into that potential to exploit it somehow?

Yes, the Kremlin observes these phenomena and measures what it can capture for themselves. Although it isn’t easy like that to point and say, “oh, yes, here we see how the regime exploited the youth culture”.

But look at it this way: Russia is a “weak superpower”. They want to have the status of a superpower without really being able

to afford it. So they try to use the resources they have at their disposal and that are cheap for them to exploit. And what, if not human capital, is cheap in Russia? Russian society has this great capacity for inventiveness, creativity and ingenuity—well demonstrated in their prowess with computers, software and information technology. What young people were tinkering with 10 or 20 years ago—on-line media, software, hacking—is already being weaponized and used, both in “soft” and “hard power” measures.

There’s no reason to doubt that more cultural creation and the capacity of today’s youth will benefit the Russian state in the years to come.

MARLENE LARUELLE

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| Photo: George Washington University





The Data Dictatorship

Ironically, in the big clash between Politics and Technology, the authoritarian systems (China, Russia) are proving to be far more skilled and unscrupulous than the democracies in the use and manipulation of the web. The West seems to have forgotten that technology spawns culture and politics and that it is not neutral: if the free exchange of information and the debate are manipulated and distorted by fake news, “data democracy” turns into “data dictatorship”.

In the summer of 1945 Vannevar Bush, the engineer, technician and industrial manager that President Franklin Delano Roosevelt had appointed to head up the Strategic Office of Scientific Research and Development, was reflecting on the outcome of the war, which was to end that August. Having coordinated the scientists and generals involved in the Manhattan Project that led to the development of the first nuclear weapons, Bush was one of the very few people who already knew that the United States’ arsenal included atomic bombs. In his anxiety in those momentous days, Bush penned a seminal essay for *The Atlantic* entitled “As We May Think”, summarizing his experience as a technocrat in war and peace. That article, with its questioning title, still intrigues us today. It testifies in an exemplary manner to the impact of technology on politics, culture and daily life.

Yet today’s debate on Information Technology & Politics—for example, on the controversial issue of fake news, with Russian interference in the US election campaign in 2016 and FBI Director Mueller’s ensuing

investigation of President Trump's team, or on data privacy following the scandal over the NSA's mass eavesdropping—always affords priority to the technical aspect over the human. In our eyes, it is technology, not history, that plays the dominant role in these political affairs, hypnotizing the media in the process. Yet 72 years ago, Bush prophetically intuited that setting out from a “technical analysis” without considering the social impact at every step prevents us from truly grasping the ultimate consequences of the Technical-Political theorem. Replacing “people” at the heart of the matter alongside “machines” corrects our perspective, according to Melvin Kranzberg's crucial First Law of Technology: “Technology is neither good nor bad; nor is it neutral”.

The challenge between Politics and Technology remains crucial for geopolitical hegemony in the twenty-first century. In the West, the ideological battle raging over computers, the web, social media, AI, blockchains fake news, and the power of large corporations and central governments over data is going to end up blinding our strategies.

The Crucial Race Is Between Politics And Technology

Technology proved to be a crucial factor in achieving victory in World War II, and so Vannevar Bush published a blueprint in *The Atlantic* to ensure that the scientific and technological boom would guarantee peace in the aftermath of the war, averting the threat of fresh carnage. The key to his blueprint was the “memex”, a personal code, an essential storage archive of private memories and public data. “Consider a future device for individual use, which is a sort of mechanized private file and library. It needs a name, and to coin one at random, ‘memex’ will do. A memex is a device in which an individual stores all his books, records, and communications, and which is mechanized so that it may be consulted with exceeding speed and flexibility. It is an enlarged intimate supplement to his memory. It consists of a desk, and while it can presumably be operated from a distance, it is primarily the piece of furniture at which he works. On the top are slanting translucent screens, on which material can be projected for convenient reading. There is a keyboard, and sets of buttons

and levers... The matter of bulk is well taken care of by improved micro-film and [...] the user can be profligate and enter material freely.”

The quote could continue, and with every paragraph the reader would be spellbound by Bush’s prophetic skills: the man predicted the personal computer a generation before Jobs and Wozniak, office software ten years before Bill Gates was even born, and the power of the data society two whole generations before Facebook, Google or Amazon.

Rereading Bush today allows us to understand how the challenge between Politics and Technology remains crucial for geopolitical hegemony in the twenty-first century. In announcing massive investments in artificial intelligence (AI), data, and technology, Vladimir Putin and Xi Jinping are simply confirming that fact. In the West, on the other hand, the ideological battle raging over computers, the web, social media, AI, blockchains (soon to play a central role in finance, the economy and communications), fake news, and the power of large corporations and central governments over data is going to end up blinding our strategies. The “memex”—the personal storage archive that Bush dreamed of as a tool for peace—is just a smart-phone, yet many fear that it may turn from a liberation into a yoke.

Whoever would have thought, that the democracies would begin to look like Orwellian monsters of oppression while the authoritarian systems would prove capable of using the web with almost casual ease and effectiveness?

For Good Or For Ill

Do you recall the well-intentioned campaign for the web to be awarded the Nobel Peace Prize? The campaign totally ignored the fact that, as technology historian Thomas Rid reminds us, the cradle of the Internet was a military network, the Pentagon’s Arpanet. Norbert Wiener, an odd-ball mathematical genius at MIT, coined the neologism “cybernetics” in his pamphlet entitled “Cybernetics or Control and Communication in the Animal and the Machine” written in 1948, three years after Bush’s article. At the height of the Cold War between the United States and the USSR, the public was mesmerized by Wiener’s legend—the hybrid “man-machine”—and the leaders in the White House and in the Kremlin became convinced that technology was the supreme weapon.

However, as the skeptic Thomas Rid points out, while “the futurists have not always gotten their prediction of the future wrong, they have almost always erred in calculating its speed, scale and shape, and they are still doggedly persisting in their error today.” Our generation has not avoided that trap: such scholars as Ray Kurzweil voice their certainty regarding AI’s imminent future prodigies, while physicist Stephen Hawking and businessman Elon Musk swear that it will turn us all into slaves. The technology critic Morozov denies that a cyberwar will break out, while Russian, American and Chinese generals are busy fighting the “fifth dimension war” online. Nicholas Carr argues that “Google makes us stupid” just as Socrates feared that writing would do, while Google Chief Economist Hal Varian sings future online education’s praises.

Putin and Russia are lagging behind in network theory and practice compared to the West, but they have been benefiting from the know-how of scholars of the caliber of mathematician Andrey Nikolayevich Kolmogorov.

Each one of these scholars formulates interesting arguments, but in assessing them, we need to avoid the trap of which Rid warns us, namely anticipating trends without properly calculating their magnitude, nature or outcome. A providential lesson in humility would have averted many painful fiascos: Russian infiltration in the race for the White House in 2016, Edward Snowden’s and Chelsea Manning’s disclosures regarding the transformation of US intelligence into a kind of Big Brother, and so forth. Whoever would have thought, in the Politics-Technology deflagration, that the democracies would begin to look like Orwellian monsters of oppression while the authoritarian and totalitarian systems would prove capable of using the web and data with almost casual ease and effectiveness?

Whoever would have predicted that Vladimir Putin, a former officer with the KGB, the Soviet espionage machine, in a country that could barely get its telephones to work, would deal a resounding crack on the ribs to President Barack Obama, an alumnus of Columbia University and of Harvard and the commander-in-chief of Silicon Valley? It is ironic to read of the expertise with which the trolls—the IT pirates in Putin’s Internet Research

Agency headquartered at 55, Savushkina Street, Saint Petersburg—infiltrated and polluted US cyberdemocracy with murderous foresight using traditional diversion and disinformation techniques.

When Data Democracy Turns Into Data Dictatorship

The lessons imparted by Bush, Kranzberg, Wiener and Rid must put us on our guard: automation “is” politics, history, government. It is never a neutral tool. Putin and Russia are lagging behind in network theory and practice compared to the West, but they have been benefiting from the know-how of scholars of the caliber of mathematician Andrey Nikolayevich Kolmogorov, the author of hugely important theorems on networks and turbulence, since World War II. One of Kolmogorov’s algorithms, developed in 1941 to improve the aim of artillery fire and of Soviet tanks, argued that when aiming, it was best not to try to achieve a bull’s eye on every occasion but to try to hit the target in some way, even just glancing off it. Limited damage did not stop the German tanks or batteries immediately: on the field the tactic appeared to have failed. But shortly afterward the microfractures caused by “missed” shots, magnified by vibration, transportation and metal fatigue, soon “grounded” the guns and armored vehicles, having caused irreparable long-term damage.

Hedge funds on Wall Street have been using algorithms based on Kolmogorov’s humble yet fearsome theorem for a long time, and it was a new application of that theorem that fueled the Russian disinformation campaign.

Hedge funds on Wall Street have been using algorithms based on Kolmogorov’s humble yet fearsome theorem for a long time, and it was a new application of that theorem that fueled the Russian disinformation campaign conducted by hackers, trolls and content providers working in the garages of small towns such as Veles in Macedonia. Obama decided not to publicize the Kremlin’s offensive and stood by watching powerlessly as millions of disinformation “shots” ceaselessly rained down on the US election from ubiquitous websites. A large number of those shots were wasted, of course, but others were seen and shared.

A study conducted by the universities of Dartmouth, Princeton and Exeter in January 2018 shows that 27.4% of American voters—some 65 million people—fell for fake news, and that a far larger percentage of Trump’s own grassroots electorate, some 40%, fell for it. This is neither the time nor the place to debate the extent to which the maneuver impacted the result of the vote (personally, I do not think it was decisive), but a democracy needs to be protected from such threats. Indeed, it is no mere coincidence that in January 2018 the European Commission set up an ad hoc High Level Group of Experts to counter the fake news phenomenon in the EU.

If free trade in information and privacy, is diverted by fake news that has been industrially mass-manipulated on the basis of Kolmogorov’s theorem, then “data democracy” turns into “data dictatorship”.

The Russians may look like neophytes in the world of social media, but they have been unquestioned masters of disinformation since the days of the czars. The masterful diary of would-be spy Kirill Chenkin entitled *Hunter Upside Down* reveals that for men such as Soviet agent Rudolf Abel, popularized in the movie *Bridge of Spies*, disinformation was no longer an intelligence technique; it became a congenital feature of the men themselves, transforming their personality. The “disinformers” who steer the attacks on Europe and on the United States on the Kremlin’s behalf end up “believing” in the lies that they have put together in their labs, not because they truly believe that the pope has Trump’s endorsement or that Hillary Clinton is a lesbian or a pedophile, but in the political sense of believing that if the campaign against an adversary is “opportunity”, then it is *ipso facto* “true”.

The West, though a master of technology, is naive in the way it handles hidden meanings. In the West, we tend to forget Kranzberg’s “non-neutrality” and Rid’s “unpredictable outcomes”.

In the future foretold by Vannevar Bush, data can be collated by giant public or private monopolies, companies in search of profit or intelligence agencies seeking control over society. If free trade in information and privacy, the debate in the “critical public sphere” beloved of sociologist

Jürgen Habermas, is diverted by fake news that has been industrially mass-manipulated on the basis of Kolmogorov's theorem, then "data democracy" turns into "data dictatorship".

When presenting *Super Sad True Love Story*, a heart-rending novel by American writer Gary Shteyngart, I was struck by the threatening satirical invention that he calls the "apparat". In the story, the apparat is a gadget which the state uses to control its citizens, scrutinizing data in real time. Everyone is obliged to wear one at all times, like the chain that Dostoevsky's prisoner had to wear on his feet in Siberia. In the space of two generations, Bush's "memex"—a tool for cultural growth—has mutated into the permanent tabs kept on people by Shteyngart's "apparat".

China's "Technodata Dictatorship"

Science fiction? Not in China, where everyone really does have an apparat. The *hukou*, a registration of residence devised to distinguish country folk from city residents, is a cypher that collects social and economic information about everyone and anyone. The *hukou* was matched by the *dang'an*, a personal file containing the smallest details, from school to the workplace, prizes and punishments received, family life, marriages, divorces, party posts or criticism, salaries earned, expenses made and diagnoses given. Though the harsh Maoist rules of 1958 were relaxed under Deng, the XIX Communist Party Congress (held in 2017) reaffirmed the authorities' right to control data, information and personal details "in order to guarantee freedom for exemplary citizens while keeping tabs on negative individuals."

The Russians may look like neophytes in the world of social media, but they have been unquestioned masters of disinformation since the days of the czars.

The collection of data, including posts on the social media, determines how far your career will advance, what schools you or your children will have access to, and where you may reside and on what terms. The data is tabulated by algorithms, the "virtuous and exemplary citizens" being selected and prizes awarded by the seven members of the Politburo Committee at the closing ceremony of the National Model Worker Program.

The glossy Soviet narrative of heroic miner Alexey Stakhanov mining far more than the quota assigned to him has gone forever. Chinese prizes are awarded by an algorithm on the basis of data. There are more CCTV monitoring cameras in China than there are in the United States, and the corporations that gather data (private or otherwise)—Alibaba (e-commerce), Tencent (message pp), Baidu (search engine)—supply the data they collect to the police and to the party. The 800 million Chinese who use the web are regimented in the “Great Firewall” that filters international websites, akin to the “Great Cannon”, while the “Golden Shield” spies on posts and suggests which keywords the censors should be blocking or keeping an eye on.

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According to *The Economist*, President Xi Jinping has ordered the Technological Electronic Group, a Defense Ministry holding company, to develop programs capable of intuiting potential terrorist plots by analyzing data using AI algorithms. Police forces in the United States use similar software but have trouble accessing data; the state has no such scruples in China. *Financial Times* emerging markets editor James Kynge fears that a “technodata dictatorship” is coming into being in Beijing, where ironclad political control coexists with the free market. This bizarre hybrid, that neither Charles Montesquieu nor Karl Marx, nor even Vannevar Bush had foreseen, caused Chinese economists Wang Binbin and Li Xiaoyan (in a paper that caused a stir also in the West) to hint at the possibility of “abolishing the market” altogether. Prices, salaries, profits, production quotas and future investments would be established solely on the basis of predictive algorithms, AI and machine-learning techniques.

Although everyone (except Eden Medina in his essay “Cybernetic Revolutionaries”) seems to have forgotten the fact, unlucky Socialist President Salvador Allende tried to do that very thing in Chile when he entrusted four computers with the task of drafting his country’s future economic plan. It ended in a bloodbath, and Nobel prizewinner Leonid Kantorovich’s attempt to use electronics to establish the Soviet state’s steel out-

Unlucky Socialist President Salvador Allende tried to do that very thing in Chile when he entrusted four computers with the task of drafting his country's future economic plan. It ended in a bloodbath.

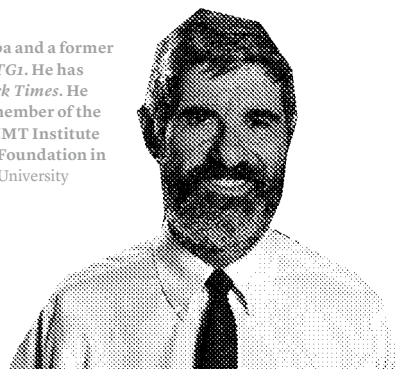
put was just as much of a failure. Secretary of Defense Robert McNamara, the first politician to apply Big Data to politics, asked the computers of his day to tell him how the war in Vietnam was going on a day-to-day basis by tabulating the dead, wounded, prisoners, costs, number of bullets and shells fired, number of air strikes and ground lost and won. Another flop. In this case, indeed, a witness in Burns and Novick's documentary *Vietnam* summed it up with a bitter quip: "When the data from McNamara's project finally came through in 1968, the technicians burst out laughing. The computer confirmed that the war was going according to calculations and that the United States had won it, three years before."

In short, using digital programs and data to forge policy is difficult. But anyone running a country or a business today who forgets that not only algorithms, but culture and politics are made by Big Data, is heading way off track.

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The Shallow Modernization

The scandal that erupted after the announcement of sex education classes in Warsaw schools heralded a third wave of modernization in Poland. The only question is whether this modernization would be as ephemeral as the previous two.

“Hands off!”

When in mid-March the mayor of Warsaw Rafał Trzaskowski—a representative of the Civic Platform party (PO), opposition to the ruling Law and Justice Party (PiS)—signed the LGBT+ Declaration, no one who follows Polish politics expected a scandal. Firstly, Trzaskowski in his election campaign declared that would do it. Secondly, this point of the declaration, which later evoked controversies—the introduction of sexual education lessons in accordance with the WHO standards (which assumes that little children should already be familiar with knowledge of their body and aware of the intimate sphere of human life) to schools—was already implemented in some Polish cities.

Trzaskowski’s opponents—who quickly began to rally on the Internet, especially on Twitter—said that such ideas were “sexualization” of children. Over the following days even such absurd interpretations of WHO standards as that preschoolers will be taught masturbation techniques appeared in

the public discourse. Trzaskowski's action was quickly picked up by representatives of the ruling party: during the national convention of the latter, Jarosław Kaczyński, the leader of PiS, said: "Hands off our children!"

PiS made use of the issue of sexual education instrumentally, as a way to strike at the opposition. The latter did not stand, however, in the firm defense of Trzaskowski. Its leader, Grzegorz Schetyna, avoided official words of support. After an interview given by Paweł Rabiej (deputy President of Warsaw) to *Rzeczpospolita* daily (in which Rabiej stated that signing the LGBT + declaration involved the introduction of Western standards in Poland, which may in the future allow same-sex marriages to adopt children), Trzaskowski himself forbade him to speak with the media. In a word: the modernization agenda, proposed by the opposition, began to cause trouble even to its representatives.

What does it prove? The fact that if a very late cultural modernization would reach Poland, it may turn out to be shallow—which would not be so strange.

A decade ago, the cultural anthropologist Jan Sowa introduced two theses about modernization in Poland: first, that it always comes from the West, second, it is somewhat of a staffage of modernization than an actual one.

From outside and not completely

A decade ago, the cultural anthropologist Jan Sowa introduced two theses about modernization in Poland: first, that it always comes from the West (also in the sense that the West and its standards are a role model for it), second, that due to the specificity of Polish society, it is somewhat of a staffage of modernization than an actual one.

Two great modernizations of the last decade prove that Sowa was right. The first was the effect of record-high EU subsidies for Poland, negotiated by the government of Donald Tusk. Because of the EU money, Tusk's government was able to build kilometers of new highways and many sports facilities. The character of this modernization was, above all, aesthetic: it changed the Polish landscape—previously clunky—and provided citizens with more civilized ways of spending free time than buying a six-pack of beer (which the later minister in Tusk's government, Bartłomiej Sienkiewicz,

criticized in an essay published in 2007). The same Sienkiewicz, illegally recorded during a private conversation in 2014, stated that Tusk's modernization did not pass the exam: although it changed the aesthetics, most of Poles did not benefit from it. He was right: to ride on new highways one had to pay for it, and most of the Polish roads were not renovated; although the government purchased new, fast trains, in routes other than central, many of the connections were closed.

Poland in 2019 looks like a modernized country, although not actually being one.

The second modernization was conducted by PiS: the government introduced generous social programs, which—according to sociologists—allowed many Poles to feel financial freedom for the first time. Similarly as in the case of the previous one, also here the modernization—although widely presented in the media as a total one—was in fact limited: not all citizens were beneficiaries of social programs, but only those who had two or more children.

Does it mean that there was no modernization in Poland? No. It means that it was, and as an effect of it Poland in 2019 looks like a modernized country, although not actually being one.

Possible limitations

PiS was not the only one to use the issue of cultural modernization as a political tool; Trzaskowski also did. His signing of the LGBT+ declaration happened shortly after the announcement of the formation of a new Polish political party—Spring. Spring's politicians claimed to be an answer to the needs of those voters for whom Civic Platform was too conservative. By implementing the postulate of this very formation—sexual education—Trzaskowski weakened Platform's competitors: initially enjoying high support, in the most recent polls Spring is not as popular as a month ago. After signing the LGBT+ declaration by Trzaskowski, those Poles who wanted to vote for Spring returned to the Civic Platform.

Civic Platform, however, for the coming European and, as one might suspect, also parliamentary elections, formed a coalition with other parties, more conservative. It is therefore difficult to suspect that it will make a strong turn to the left. If Civic Platform were to consequently carry out the cultural

modernization in Poland, it can be assumed that it will be a modernization similar to the previous two: limited. This time, however, it will not be due to a lack of funds from the state budget or European subsidies, but because of coalition commitments.

What might this limitation look like? It could mean, for example, leaving the politics which touch upon cultural problems to the discretion of local governments. This limitation in such a variant consists in the official creation of the country of two cultural speeds, which would lead to an increased tensions between large cities and the country. Another idea is to create legal regulations that would make participation in modernization a choice for the citizen. This would be, for example, making sex education classes optional for students and preschoolers, not obligatory. Such a regulation will lead to something analogous—the creation of two social classes in Poland: a modernized one, whose members send their children to sexual education classes, and a traditionalist—whose members choose to deprive their children from such a chance.

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When the West experienced its cultural modernization—in the late 1960s—completely different events occurred in Poland. What is sad, is that after half a century since the rebellion of the young generation in London and Paris it is difficult to expect that this “delayed modernity” would eventually come to the country with its capital in Warsaw.

WOJCIECH ENGELKING

(born 1992) is a Polish novelist and publicist, and a permanent collaborator with “Liberal Culture” weekly. He has written three novels, most recently “Nowhere Man”; his articles and essays were published i. e. by *Newsweek*, *Gazeta Wyborcza*, *Tygodnik Powszechny*, *Pismo*.

| Photo: Joanna Michalina Wal



Tomáš Pospíšil: The Czech Republic Has a Hangover



Every tenth Czech is chased by a debt collector. Many of the one million debtors go into the shadow economy, work illegally, do not pay taxes or insurance. You have to think about what these people will do in their old age. What will society do with so many people on the verge of poverty?”—asks Tomáš Pospíšil, co-founder of the initiative Exekutor má smůlu.cz (The debt collector is out of luck), thanks to which it was possible to stop three thousand illegal executions amounting to 350 million crowns (15 million dollars) in an interview with Łukasz Grzesiczak.

ŁUKASZ GRZESICZAK: You fought with Czech financial companies against illegal executions, and now you have decided to fight with a hangover?

TOMÁŠ POSPÍŠIL: I see that I was right to bring the Morning Guru for you.

If it works, it will be my lucky day. At my age hangovers wear me out more than before.

It will be good. I use it myself. Anyway, I wouldn't sell anything that I didn't test on myself. The premiere of this pharmaceutical took place in Moravian cellars full of slivovitz and wine. The feedback was very positive.

Previously you worked in finance. Are these completely different industries?

My path to business was not typical. I studied at the University of Economics in Prague (VŠE) and by no means wanted to be an entrepreneur. After graduation I worked at Ernst and Young, where I realized that I was just a cog in the system. Not much depended on me, there was no room for creativity. Then I decided to do something on my own. In the meantime, I also defended my doctorate on the foreign security policy of George W. Bush. At first glance, it's remote from what I'm doing today. But I was very interested in

international relations, although I do not deal with this area anymore.

Let's go back to the beginnings of your business...

In the Czech Republic, a scandal broke out in connection with illegal fees charged by financial institutions to customers, also for mortgage loans. With our partner, we felt that a whole new legal market was emerging. And what happened on other markets? The first applications comparing different offers were created. Suddenly, everything started to come together. This is how the idea for the Hromadné žaloby.cz website came into being.

The idea was simple. In the Czech Republic, we do not have class actions. So a thousand people with the same legal problem, e.g. a contract with a bank, had to go to a thousand different lawyers, who demanded CZK 10,000 just to take a look at the case. We decided to take advantage of the economies of scale. In this way, a thousand people were able to take one lawyer to solve the first case, which was then simply duplicated. We used the “no win, no fee” system.

This business model turned out to be very complicated. First of all, the banks are very powerful, they can hire good lawyers and the cases were dragging on for years. Secondly, in many cases, such as e-shop fraud, people cannot be promised a positive outcome, because the companies that have deceived them simply do not have any assets at all.

But the situation changed?

In 2013, the Supreme Court issued a verdict enabling the suspension of execution proceedings resulting from debts arising as a result of illegal contract provisions. These included interest rates and the inclusion of out-of-court institutions for settling possible disputes in the contracts. At the beginning we

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placed this problem in the framework of the existing website Hromadné žaloby.cz, but we quickly realized that this case was special and deserved a separate business. This is how Exekutor má smůlu.cz was created.

From the very beginning we wanted this project to work on a commercial basis, like a typical business. We decided not to use any subsidies. But how to earn money from it? After all, our customers were to be people with a debt collector chasing them, meaning they had no money. In the end, we decided that the company or bank that caused the situation with its illegal actions must pay for stopping the illegal execution.

Is it an ordinary business? Or is it motivated by the desire to help the victims?

I believe that business cannot be based solely on profit generation. Money can be earned

in different ways, but it is important that it is earned in such a way that it somehow moves society forward. Today I can say that I am making money, but I am also helping some people. When stopping debt executions, I saw many cases of dishonesty in companies that wanted to make money on human naivety. People were often asked to sign dishonest contracts and then lost their whole life's possessions.

It is interesting that our politicians slept through this matter completely. The court's decision was made in the election year 2013. We asked how many people might be affected. At that time they were estimated at 100 thousand, today we know that there are 300 thousand of them. A text on this subject was published on the popular website Aktuálně.cz in 2014. It has not produced any significant action on the government side yet.

Why was it so in your opinion?

It is natural that rich financial institutions have more opportunities for lobbying than people who have a debt collector on their back. Especially as they often do not vote in elections. I think there is also a third factor. In this case the government failed, control over the financial market was insufficient. Financial companies generally know perfectly well that they pursue unlawful executions, but they do not want to stop all of them automatically. They simply assessed the risks and predicted that only a small proportion of the people affected would sue them.

Didn't you have any problems on the part of companies?

We know that they are not delighted, we get on the nerves of the biggest players, but so far no one has sent the head of a dead horse to the office.

You even sent a debt collector to the richest Czech Petr Kellner.

We managed to stop the execution of his client's debt and the Home Credit owned by Kellner was supposed to pay us for our work. He did not pay. So we filed for a writ of execution. Of course, it was only a couple of thousand crowns, but we were very satisfied with it. It restores faith in the Czech legal system and makes for good PR.

How many executions did you manage to stop? How much did you earn on this?

We managed to stop about 3 thousand executions worth 500 million crowns (cca 22 million dollars) in total. I do not want to talk about our earnings. I will just say that we are growing all the time, the business is flourishing, we are satisfied.

Suspension of execution does not mean, however, that the debt does not exist.

But it significantly reduces the amount of debt. Imagine that you borrowed 15,000 crowns from someone. Now you have an execution to the tune of half a million even though you already paid 100,000 crowns. When it is stopped you have to calculate exactly how much you have paid and for

what. In a record-breaking case we managed to recover 300 thousand crowns for our client. The least that can be recovered is the money that was collected for the execution procedure, since it was illegal. After all, it is not normal that a man against whom illegal execution was carried out has to pay his creditor for the procedure. But we believe that since the debt collector was only doing his job, he should be paid by the institution that had led to the illegal execution.

Do Czechs have a debt problem?

Almost one million Czechs have an execution hanging over them, with an average of five executions per one of them. This shows that the system does not work well in the Czech Republic. On the one hand, this is due to the privatization of the debt collection market, as well as solutions that enable everyone to earn money from the debtor. Sometimes debts in the amount of 30 crowns have been executed. It is obvious that it was not about these 30 crowns, but about what can be earned during the execution of the debt. Someone signed an unfavorable contract, made a mistake and could not get out of this situation for the rest

of his life. He went into a debt spiral. He took out another loan to repay the first one. Then often another one. He lost financial liquidity, stopped paying the rent and social security. 82% of executions in the Czech Republic are irrecoverable. This is naturally demotivating. When you have five executions, you will not go to work because everything you officially earn will be taken away from you and the debt is of such a size that you never have a chance to pay it back.

Many of the one million debtors go into the shadow economy, work illegally, do not pay taxes or save for retirement. They do not pay insurance premiums, they do not have any property. You have to think about what these people will do in their old age. What will society do with so many people on the verge of poverty? Therefore, our goal should be to enable as many people from this group as possible to return to normal life. Another issue is the fact that their situation often translates into the popularity of extremist parties. It turns out that in regions where the number of executions is high, anti-system parties are growing in strength.



We invite alumni of the Aspen Young Leaders Program to present their projects, thoughts and inspiration in Aspen Review. Aspn.me/AYLP

TOMÁŠ POSPÍŠIL

is a Czech entrepreneur, graduate of the Prague School of Economics (Vysoká škola ekonomická—VŠE), He defended his doctorate on American international politics. Co-founder of the Exekutor má smůlu.cz initiative.



Petr Pavel: There Should Be No Limit to NATO Expansion

The divisions within NATO frequently run not between the countries of Eastern and Western Europe but between those who are more willing to respond to immediate needs and those who seem less sensitive to threats, says former chairman of the NATO Military Committee Petr Pavel, in an interview with Robert Schuster.

ROBERT SCHUSTER: You served as chairman of the NATO Military Committee for three years. How did the international security situation change in this period?

PETR PAVEL: I took up the post shortly after the annexation of Crimea and following heavy fighting in the Donbass region. We viewed the behavior of the Russian Federation at the time as unpredictable and aggressive. We were of the opinion that it represented the height of unpredictability for the security environment. Not only did this environment not improve over the three years, but on the contrary, I feel it was becoming increasingly complicated. And this not just with regard to external protagonists but also to internal ones.

What I have in mind is friction within the Alliance caused by certain powerful statements that had to be revised and explained later to ensure that the Alliance maintained its greatest strength, i.e. internal cohesion.

Has it been possible to maintain this cohesion over the past few months, given that Russia's behavior has become even more aggressive?

I prefer not to be too optimistic. I would say that the Alliance is capable of responding effectively by means of a whole range of measures including some that are, strictly speaking, not within its remit, NATO being primarily a military and political organization. Nevertheless, in relation to Russia, some economic and

financial instruments have also been deployed in what is partly a reflection of the new character of conflicts in the world and the ways of tackling them. In this respect it was possible to reach consensus within the Alliance. On the other hand, a number of more or less controversial issues have emerged, such as the approach to Ukraine. Specifically, the issue of the sustainability of supporting Ukraine against Russia's aggression and how the Russian threat is perceived at the moment. When we are repeatedly told that something poses a threat we have, as human beings, the tendency to see it as a normal part of our lives rather than a major threat. Lately there has been more discussion of China within NATO—until recently the United States was the only country talking about it. The Alliance had not had a specific position on China and had not regarded it as a potential future threat.

Has the Alliance started to focus more on China because of cybersecurity threats?

In the information sphere in general we are seeing a new, or more integrated, effect. As the major protagonists realize that military force does not bring about a resolution of conflicts, particularly once a parity in terms of strategic arms has been achieved, they resort to instruments that are more effective in this situation, while also being less costly and capable of being deployed below the threshold of

what might be defined as open aggression. This is the case not only with Russia but also with the so-called “Islamic State” and also, to some extent, the Taliban in Afghanistan, and of course also China. All these protagonists make use of opportunities provided by new technology as well as the free sharing of information in Western societies, and they use them to achieve maximum impact.

When, in your view, might NATO be in a position to build a barrier capable of nipping such attempts in the bud?

I think it would be too ambitious to believe that 100% protection of some kind against cyber and information threats can be developed—for that we would have to return to the pre-internet era. On the other hand, both the Alliance and the entire Western community have realized the extent of risk posed by these issues, and a number of decisions to tackle influencing operations of this kind have been made at the level of NATO, the UN, and the European Union, as well as at a national level. These decisions relate not just to cyber-defense but also to certain types of active measures against these protagonists aimed at disrupting the continuation of their activities. They consist primarily in exposing disinformation, pointing out the sources of fake news, how such fake news are being created and what its intended effects are, to provide ordinary citizens who lack access to the full range of analytical tools with at least

a basic idea of what information they can trust and what, by contrast, falls into the category of misleading information.

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In recent years the tensions arising from Washington's demands for NATO members states to increase their defense spending have become quite tangible. How much pressure has this put on the functioning of NATO?

The US attempts to push the allies to increase their defense spending and ensure an equal sharing of the burden go back to well before President Donald Trump's time. It's just that previous American Presidents had not exerted this pressure so openly. However, regardless of the form it takes, all member states do realize that Washington's demand is justified and that expenditure must be increased. There has been quite a strong shift within NATO, not only towards making individual members increase their defense expenditure, but to acknowledge their own weaknesses and explore new areas on which the Alliance had not focused before. This has started happening, with members states gradually

increasing their expenditure although this is not meant to be a goal in itself: the point is for the Alliance to acquire specific skills that will provide it with a whole range of strengths it will need to defend itself against any aggressor or threat.

What are the key weaknesses?

Apart from logistics and the ability to ensure mobility across the territory of Europe, which are frequently mentioned, the main weaknesses relate to strategic intelligence, the range of information shared by member states and sharing it in a way that will ensure that everyone has a full picture of the nature of the threat. Then there is the area of cybersecurity, unmanned vehicles in particular, mentioned earlier.

This year will see 20 years since the NATO accession of the first three countries of Central and Eastern Europe. Have these countries left a mark on the Alliance?

Perhaps surprisingly, the dividing line between countries that are more willing to respond to NATO's current needs and those who are not, does not run between what used to be Western and Eastern Europe. Some Central and East European countries have approached this issue very responsibly right from the outset. This is particularly the case with the ones directly affected by the threat, such as the Baltic countries and Romania. Then there are countries that are not all that concerned

about the threat which, in my view, include the Czech Republic. If you look at the way the potential threat is being presented in this country, there is much talk of international terrorism and migration, but you rarely hear anything about the threat posed by Russia or China. And when you do, it is presented as something very abstract and remote. A shared understanding and perception of priorities and potential threats is, of course, the basis for the ability to respond to such threats effectively.

Has NATO membership had an impact on public debate in the Czech Republic or elsewhere in Central Europe?

Judging by opinion polls and based on my experience of discussions I have participated in, I must say that only a small majority is convinced that NATO provides us with a security guarantee and that we have benefited from membership. On the other hand, part of our public—influenced by a concerted information campaign on the part of Russia as well as the views of some of our leading politicians—does not regard our membership of NATO as something clearly positive. Indeed, many believe that we should be more open and pragmatic about our relations with Russia and the non-standard, even aggressive, way Russia has behaved over the past few years. We seem to have a tendency to accept the argument that being a major power, Russia basically has the right to behave as it does even if it violates international principles.

However, right now I have to say that a large part of the Czech public regards our integration into Euro-Atlantic structures as something that has not only contributed to the stability and security of our country but also to its prosperity.

How do the original NATO members view the expansion of the Alliance now? For example, do they not regret the fact that as a result of admitting East European countries, NATO has become Russia's immediate neighbor?

You can't expect a homogeneous view on this subject. Some countries certainly do feel some regret about what used to be quite simple patterns of looking at threats at a time when it was obvious who was a friend and who was a foe. This also helped to keep decision-making among twelve, and later sixteen, countries, fairly straightforward which cannot, of course, be compared to a situation where you have 29 members. On the other hand, there are many countries and politicians who see NATO as a guarantor of stability and security in the broader sense. In this respect they take a positive view of the NATO expansion because the admission of Central and East European countries

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has indisputably brought about greater stability in this part of the world. At the same time, it has forced the new member states to adopt a new culture in their mutual relations and behavior, to look for compromise and not resort to confrontation in dealing with their problems. In this respect the perception is balanced, and I would say that the number of those who see the expansion of NATO as positive definitely surpasses the number of those who think it was a mistake.

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Lately we have seen attempts to get the European Union to strengthen its defense dimension. Wouldn't this mean competition with NATO? A splitting of forces?

I have always sought to avoid seeing our mutual relations through the optics of the autonomy of a particular organization, since organizations tend to jealously guard their own interests. As someone who has been fortunate enough to serve both in the EU and NATO and get to know both organizations from the inside, I think that both organizations are unique in their own way, that both are still relevant in the current environment and that the only way they can resolve current problems effectively is

by intensive cooperation. Each organization possesses a unique set of instruments that the other one lacks: they complement one another. It would be pointless if each of them tried to develop the capacities it is lacking if the other one has them, to duplicate efforts and compete for their place in the sun. That would be a sure way to hell for the entire community broadly known as the Western democratic world.

NATO's main strategic document defines three basic tasks: collective defense, crisis resolution and operational security. The last two coincide with the tasks that EU deals with as part of its security and defense policy. So, a certain overlap already exists and mutual coordination is needed to ensure a sensible division of labor instead of rivalry. This doesn't always happen. Collective defense aside—as that is clearly the domain of NATO and the EU doesn't have the ambition to develop its capability for collective defense—we are left with crisis resolution and cooperative security. The only way this can be done is by using not just military but also developmental means. And in this area the European Union is clearly stronger, and not only because it has a much broader portfolio of capabilities than NATO, which is a purely political-military organization. They need to join forces so that the two organizations can jointly resolve crisis situations, particularly in Europe's immediate neighborhood: NATO, by

deploying its extremely effective military means, and the EU, by a combination of military, and particularly developmental and financial tools. Without this we cannot expect to make progress in dealing with crisis regions in North Africa and the Middle East.

How does NATO manage to maintain a balance between defending its southern flank and the regions in the East?

In terms of the strategic documents which NATO has adopted at its summits in Wales and Warsaw, one of its main tasks is effective deterrence or, failing that, effective defense. The second main task is what in Warsaw was referred to as “projecting stability”, i.e. supporting all measures aimed at alleviating tensions in problem regions and the countries of North Africa and the Middle East. This will require a balanced effort because, if we focus too much on one area, naturally, problems will accumulate in another area, and vice versa. You can’t divide it up and decide to invest heavily in measures strengthening collective defense now and leave crisis management for later—that is a luxury we can’t afford. All member states are aware of this, and that is why, in sharing out the tasks between individual countries as part of planning our defense capabilities, NATO is mindful of the full range of threats, so that the states are capable not only of ensuring operational security and crisis management but also

of developing the key capabilities needed for collective defense.

How has the functioning of NATO been affected by the emergence of a politician like Donald Trump, who prefers being outspoken to backstage diplomatic negotiations? Has NATO learned to come to terms with this?

The European Union prefers reaching an agreement, that is to say, diplomatic and courteous methods, to open confrontation. This does not preclude engaging in open and controversial debate, but the emphasis is always on gentlemanlike behavior. Donald Trump has brought a kind of spontaneity into our relations that is at odds with the established rules, and this has resulted in some rather tricky moments in negotiations. However, we have always succeeded in managing the situation in the end, in reaching a deal, even if it sometimes necessitated a pause in the negotiations to enable expert teams to meet behind the scenes and hammer out a compromise solution, as happened at last year’s Brussels summit. Of course, it is a fact of life that these days there are leaders in power, not just in the United States, whose style is different and does not always correspond to what we have been used to. We have to accept this as a fact that ought to help us find new ways of behaving which will succeed in bringing these leaders back and embrace a system that facilitates factual negotiations and results in constructive solutions.

Do you think NATO should expand further, or should the current membership of 29 countries plus Macedonia be final? Georgia as well as Ukraine have applied for NATO membership...

NATO has never declared a final limit to its expansion—be it in terms of the number of countries or geographical terms. As long as we see the Alliance as a platform for cooperation, consultation and the seeking of joint solutions, it would be pointless to set such a limit. The question will arise, of course, what contribution potential new members could realistically make to greater stability or, by contrast, if it might provoke a negative reaction that might potentially lead to conflict. I think all member states are seriously pondering these questions and there is definitely no appetite within the Alliance to expand at any cost. You always have to consider all the pros and cons. The basic precondition for any potential member state is to agree with NATO in terms of its interests as well as the principles it espouses. As long as such an agreement exists, there is also room for negotiation and potential membership. As for Georgia and Ukraine, these countries were basically given a promise of membership as long ago as in 2008, in Bucharest, when it was stated that these two countries would eventually join NATO. But, of course, no deadline was set because what is more important than a specific date is the meeting of specific criteria. This process is

being pursued very intensively with both Ukraine and Georgia: NATO is involved in developing these countries' military forces to make them compatible with the Alliance in every area of security and defense. The actual NATO membership of these, and perhaps some other, countries, is subject to further negotiation.

Donald Trump has brought a kind of spontaneity into our relations that is at odds with the established rules, and this has resulted in some rather tricky moments in negotiations.

Doesn't a large number of members reduce the organization's readiness for action? Doesn't it make it difficult to find consensus?

It is true that management theory prescribes the optimal number of elements a system ought to have in order to remain manageable and not collapse into chaos. However, I must say that the example of NATO refutes this theory somewhat because all members share the will to find a common solution or a common denominator, and that means that despite partial differences a solution is always found in the end. Over the past three years I have witnessed many complex negotiations, when it really looked as if we had reached an impasse and that there was no chance of breaking out of it, but, even if it takes longer, the will to reach agreement always

prevails eventually. This is one of the key benefits of being in NATO, because it is a genuine community of friends who may not always agree on everything but they know that together their chances of succeeding in a complex world are far greater than if they acted on their own.

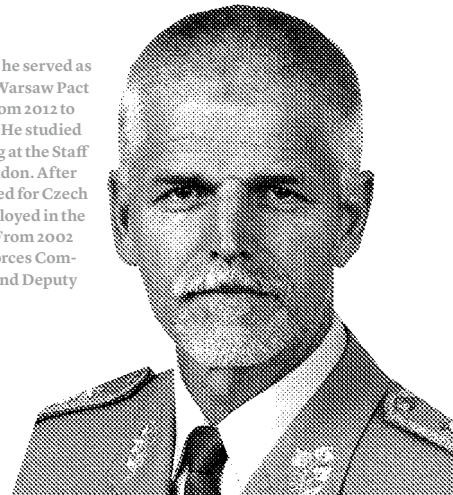
Where do you see NATO in ten years' time?

I would very much like the Alliance to be as unified in ten years' time as it is now and be able to overcome some problems it is grappling with at the moment. We cannot really expect all the security issues of the world to be resolved in ten years. A factor such as NATO will still be necessary to ensure that the democratic world retains

an effective instrument for its own defense and maintains its sovereignty, unencumbered by non-military, or less military, means. So the issue is not so much what I think the situation looks like now but how I would like it to look in order to stay united and be able to resolve the issue of funding, as all member states realize that investing in defense is just as crucial as investing in other areas because the world we live in simply demands it.

PETR PAVEL

(*1961) is a General of the Armed Forces of the Czech Republic. From 2015 to 2018 he served as Chairman of the NATO Military Committee, the first representative of a former Warsaw Pact country to take on the highest military position in the North Atlantic Alliance. From 2012 to 2015 he was Chief of the General Staff of the Armed Forces of the Czech Republic. He studied at universities in Czechoslovakia/the Czech Republic as well as abroad, including at the Staff College, Camberley, the Royal College of Defense Studies and King's College London. After graduating, he joined the airborne reconnaissance platoon; in the 1990s he worked for Czech military intelligence and served in UNPROFOR peace missions. His unit was deployed in the rescue of French soldiers trapped in the war zone between the Serbs and Croats. From 2002 to 2007 he served, successively, as Commander of Special Forces, Deputy Joint Forces Commander, Deputy Director of the Operations Division at the Ministry of Defense, and Deputy Chief of the General Staff.



The Fall of the 'Third Rome'

Alexander Dobroyer Throughout 2018, the attention of Ukrainian society was focused on creating an independent (autocephalous) Orthodox Church of Ukraine. Even those who are far from the realities of church life have been passionately following these processes. In October 2018, Kateryna Shchetkina, a columnist for the Ukrainian newspaper *Dzerkalo Tyzhnya*, asked how, within a few months, this little known topic had become the focus of attention for the general public, who followed it with the excitement of football fans. “Of course, football fans do not care about ‘grace’, ‘apostolic continuity’, ‘canonicity’ and other purely church things,” Shchetkina wrote, ‘but it is about ‘us’ having a victory over ‘them’ and that’s enough.”

There is nothing unusual, however, about this reaction. In Ukrainian minds, the topic of the church has long been part of the national-historical and current socio-political discourse. The problem of autocephaly is also being considered at present in the broad context of cultural and political circumstances. The archimandrite Kirill Govorun, Professor at Loyola Marymount University in Los Angeles, CA, and one of the most authoritative

researchers on the topic, wrote that today the concept of autocephaly goes far beyond its original, narrow church-based meaning, turning autocephaly into mythology. “It is not only church hierarchs, but also politicians that are fighting for or against autocephaly, putting it on the agenda of their actions, party programs and ideologies. Sometimes, autocephaly becomes an element of international politics,” says Govorun. “Being linked with the idea of a nation and national independence, autocephaly has become an attribute of statehood for the new developing national orthodox countries, much like the anthem, the flag or the national currency.”

Many attempts to gain independence from Moscow

Having been christened by Byzantium in 988, the Kiev church was in the Constantinople jurisdiction. In the mid-eleventh century, the Kiev clergy independently elected the Metropolitan of Kiev and All Russia. The Kiev principality was a full-fledged subject of Civitas Christiana, and the daughters of the Kiev prince would become the queens of Hungary, France and Norway. In the thirteenth century, Kiev was destroyed as a result of internecine struggle and the Tartar-Mongol invasion. The Kiev metropolitans moved north: first to Vladimir, then to Moscow. In 1448, under the Tsar’s order and without the approval of Constantinople, the Council of Russian Bishops elected Jonah as Metropolitan. Thus, the Moscow church independently proclaimed autocephaly without coordination with Constantinople (that is, without receiving the Thomos). The heirs of Jonah ceased to be called ‘Kievan’, assuming the name of the Metropolitans of Moscow and All Russia.

The Patriarchate, contributed to the rise of the ideology of Moscow as the Third Rome, and the absorption of the Kiev church by the Moscow church.

The Metropolis existed 141 years in such a non-canonical condition, not recognized by other Orthodox Churches. In 1589, as a result of captivity, blackmail and bribery, the Patriarch of Constantinople Jeremiah II granted the status of Patriarch to the Moscow Metropolitan. The Patriarchate, obtained in such an illegitimate way, contributed to the rise of the ideology of Moscow as the Third Rome, and the absorption of the Kiev church by the Moscow church. This process finally came to an end with the annexation of the Kiev church in 1686 under the pressure of Peter I.

Constantinople never came to terms with it, continuing to consider the Kiev church to be its 'daughter'. The Ukrainian Orthodox Church tried many times to gain independence from Moscow, but all such attempts were unsuccessful. Once again, this issue was raised with particular urgency with Ukraine's independence in 1991.

The Presidents of the country as patrons

Since the early 1990s, there have been several Orthodox jurisdictions in Ukraine: the Ukrainian Orthodox Church (in fact, the Ukrainian Metropolitan Church of the Russian Orthodox Church) and two Ukrainian national churches not recognized by global Orthodoxy: the Ukrainian Autocephalic Orthodox Church and the Ukrainian Orthodox Church of the Kiev Patriarchate. None of these churches are the church of most Ukrainians. Two Ukrainian churches attempted to unite twice, in 1995 and 2003, but did not succeed. At different times, individual presidents of the country acted as patrons to one or the other branch of Orthodoxy.

Since the mid-2000s, Russia has become more active in the foreign policy arena, opting for an increasingly aggressive style. Russia's aggression against Georgia (2008) and Ukraine (2014) should be considered part of this policy.

These preferences clearly demonstrated the geopolitical orientation of the Ukrainian leaders. Leonid Kuchma and Viktor Yanukovych supported, for example, the pro-Russian Ukrainian Orthodox Church (UOC). Leonid Kravchuk, Viktor Yushchenko and Petro Poroshenko, in contrast, supported the 'Ukrainian' churches. And while Kravchuk faced the task of 'creating' an independent church in an independent country (UOC-KP), Yushchenko and Poroshenko faced the question of 'legalizing' these churches in the face of global Orthodoxy. This was expected in order to give these churches significance in the internal Ukrainian processes and in the world arena, while weakening Moscow's influences. For this very reason the struggle around the autocephaly of the local Orthodox Church in Ukraine became one of the main issues in Ukraine's and Russia's international policies in the last quarter of the century. These processes have pushed the Constantinople Patriarchate to function more actively.

The church policy as a key element of Putin's strategy

This activity coincided with the global processes that took place in recent years in Eastern Europe on the one hand, and within the Orthodox world, on the other. In 2003–2004, Georgia and Ukraine experienced ‘colorful revolutions’, following which the leaders of these countries declared their pro-European ambitions. In Russia, it was perceived as unfriendly activity on the part of the USA and NATO in Russia’s territories of influence. These, and a number of other events, have led to a change in Russia’s official foreign policy doctrine.

Its main pillars were articulated in 2007, in Vladimir Putin’s Munich speech, which condemned the unipolarity of the modern world and NATO’s expansion to the east. Earlier on, in 2005, in his message to the Federal Assembly, Putin called the collapse of the USSR “the greatest geopolitical catastrophe of the twentieth century.” Since the mid-2000s, Russia has become more active in the foreign policy arena, opting for an increasingly aggressive style. Russia’s aggression against Georgia (2008) and Ukraine (2014) should be considered part of this policy. The church policy is also becoming a key element within that strategy. This factor has been especially strong since 2009, when the newly elected Patriarch Kirill (Gundyaev) has promoted the doctrine of the ‘Russian world’ based on the Orthodox religion, the Russian language, and the common view of historical development. Since that time, the struggle at the symbolic level, i.e. in the perspective on culture and history, including the church, has intensified, becoming one of the key factors in the confrontation between Russia and Ukraine.

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The independence became pressing in the context of the Russian aggression

After coming to power in 2004, President Yushchenko set a goal to achieve autocephaly for the Orthodox Church of Ukraine. Ukrainian diplomacy has been actively negotiating with Phanar. During the celebrations of the 1,020 anniversary of the Baptism of Russia, Patriarch Bartholomew paid a vis-

it to Kiev. In his speech, he emphasized Constantinople's rights to the Kiev church and twice called the policy of the Moscow Patriarchate in respect to the Kiev Metropolis as 'annexation'. At that time, the goal could not be achieved. Patriarch Alexy II of Moscow intervened in the process and Moscow promised to get involved in the regulation of the church issue in Ukraine, only for the entire process to later be 'put on hold'.

Events around the autocephaly of the Ukrainian church have demonstrated how closely the issue of religion is woven into the canvas of geopolitical processes of the modern world.

The independence of the Ukrainian Church became particularly pressing in 2014 in the context of the Russian aggression against Ukraine. The activity of Ukrainian diplomacy in this matter coincided with the final preparations for the All-Orthodox Council, an event the Orthodox world had been preparing for the previous 50 years. On the eve of the Council in the summer of 2016, the Parliament of Ukraine adopted an appeal to Patriarch Bartholomew, requesting him to invalidate the act of 1686 and take an active part in regulating the Ukrainian church issue. This provoked a protest move from the Russian Orthodox Church, which did not send the delegates to the All-Orthodox Council. Since then, the Ecumenical Patriarchate has taken a number of active steps aimed at providing autocephaly to Ukraine. These took place against the backdrop of increasing pressure of sanctions and Russia's isolation. A number of high-profile American and European politicians expressed their support for the granting of autocephaly to Ukraine.

The delegitimization of the myth of the Third Rome

As a result, in October 2018, the Synod of the Church of Constantinople, lifted the anathemas from the 'non-canonical' hierarchs of the Ukrainian churches and revoked the 1686 decisions on granting temporary rights to the Kiev church to Moscow. In December 2018, the unification council of Ukrainian churches took place in Kiev, and on 5 January 2019 Patriarch Bartholomew granted the tomos to the Orthodox Church of Ukraine.

Like the master of beads from Hermann Hesse's novel entitled *The Glass Bead Game*, Patriarch Bartholomew symbolically reformatted the history of Eastern Europe in the last few centuries with one stroke of a pen. He delegitimized the myth of Moscow as the Third Rome as "Moscow's

most ancient conceptual claim to world domination” (P. Poroshenko), and demonstrated that, in both the first and third millennium, ‘the second Rome’ can still play a key role in historical and geopolitical processes. According to Poroshenko, this was another act of proclaiming Ukraine’s independence. “The empire is losing one of its last levers of influence on its former colony. For us, our own church is the guarantee of our spiritual freedom and a guarantee of social harmony.”

Events around the autocephaly of the Ukrainian church have demonstrated how closely the issue of religion is woven into the canvas of geopolitical processes of the modern world. In 1996, the sociologist Peter Berger wrote that the modern world remains as furiously religious as it has always been. As if echoing him in his latest work, Francis Fukuyama notes that modern politics is shaped today by identities. And religion continues to be an important part of any identity.

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Europe after Merkel

"Stability" in Germany, based on a consensus about economic and security issues, has created instability in Europe for the last eight years—and the longer Germany continues to remain "stable", the worse it could ultimately be for Europe.

Ever since Angela Merkel's announcement last November that she was stepping down as leader of the German Christian Democratic Union (CDU), there has been much anxiety about what might happen to Germany—and Europe—when she is no longer Chancellor. Her current term only ends in 2021—and her resignation as party leader may allow her to remain in the chancellery until then. Nevertheless, commentators are worried that Europe is about to enter a new period of "instability"—although the Merkel era has itself been a period largely characterized by instability in Europe.

The reality is that, even after Merkel steps down as Chancellor, there will be no dramatic change in Germany or its role in Europe and in the world. This is above all because of the consensus that exists in Germany about key issues. Merkel has to some extent created that consensus, but she has done so by following public opinion rather than by shaping it—her skill was to knit together positions on different issues based on popular preferences.

The fragmentation of German politics has, paradoxical effects. As the center-right and center-left are no longer able to form governments with their preferred coalition partners grand coalitions become even more unavoidable.

This “Merkel consensus” has to some extent come apart in the four years since the refugee crisis in 2015. In particular, there has been a backlash from the right to the shift to the left she is perceived to have made on social issues and in particular on immigration policy. It was this backlash, led by Bavarian Christian Democrat leader Horst Seehofer, that forced her to step down as party leader.

It is also true that the German political system is fragmenting. In particular, with the emergence of the Alternative für Deutschland (AfD), the German right is now experiencing what the German left experienced after the emergence of Die Linke in the 2000s. But to some extent the AfD is Merkel’s creation—even its name was a direct response to her statement that there was “no alternative” to the first bailout of Greece in 2010. The presence of the AfD in the Bundestag is part of Merkel’s legacy.¹

The fragmentation of German politics has, however, paradoxical effects. As the center-right and center-left are no longer able to form governments with their preferred coalition partners—the Free Democrats for the Christian Democrats and the Greens for the Social Democrats—grand coalitions become even more unavoidable. (This could change, however, if the Christian Democrats move to the right, particularly on cultural issues, as center-right parties elsewhere in Central Europe have done.)

Thus even after Merkel leaves office, Germany’s European and foreign policy is likely to continue much as before—even as the world around Europe is in flux. Germany will seek above all to maintain the status quo in

1) Streeck, W. (2018, May 20). Europe under Merkel IV: Balance of Impotence. American Affairs. <https://americanaffairsjournal.org/2018/05/europe-under-merkel-iv-balance-of-impotence/>.

Europe and the world—even as the status quo becomes the status quo ante. What this means in practice is continuing paralysis and increasing conflicts within Europe.

The Myth of Strategic Autonomy

In a now celebrated speech in a beer tent in Bavaria in May 2017—the so-called *Bierzeltrede*—Merkel urged Europe to take responsibility for its own fate. “The era in which we could fully rely on others is over to some extent,” she said. The remarks were widely seen as a response to the election of Trump and the vote by the British people to leave the EU. They seemed to many to indicate that Merkel was now prepared to take decisive steps to move Europe towards what is often called “strategic autonomy”.

The most obvious problem is Germany’s low level of defense spending. Unlike some other EU member states, Germany’s defense expenditure, while slowly increasing in absolute terms, is actually decreasing as a proportion of GDP.

Whether or not Europe is able to achieve “strategic autonomy” in any meaningful sense depends largely on Germany. Yet Merkel has done little to make the shift in policy that would be necessary in order for Europeans to be able to “take our fate into our own hands”, as Merkel put it.

The most obvious problem is Germany’s low level of defense spending, which falls short of its commitment as a NATO country to spend 2 percent of GDP. Unlike some other EU member states like the Baltic states that underspent but are now quickly increasing spending and reaching 2 percent, Germany’s defense expenditure, while slowly increasing in absolute terms, is actually decreasing as a proportion of GDP. In fact, it is now unclear whether Germany will even meet the already watered-down pledge to NATO allies of spending 1.5 percent of GDP on defense by 2024.²

Germany is not just a problem, however, because of its own low level of defense spending. The eurozone’s fiscal rules—driven by Germany since the first version of them was included in the Maastricht Treaty in 1992—also put downward pressure on defense spending in other EU member states like France. Thus it is not only that Merkel was not prepared to

commit Germany to what was necessary in order for Europe to “take its fate in its own hands”, but it is also that the policies she has pursued are actively preventing Europe from doing so.

On these issues, however, Merkel reflects German public opinion. Many in the strategic community are increasingly embarrassed about what Jana Puglierin of the German Council on Foreign Relations calls “backsliding” by Germany on its defense commitments.³ The German public remains as opposed as ever to what the experts call “responsibility”—especially because any increase in defense spending may now be seen as a concession to Trump rather than a step Germany needs to take to make Europe independent of the United States.

Since the election of Trump, some in the strategic community have also called for a rethink of Germany’s nuclear policy. In February, Wolfgang Ischinger, the director of the Munich Security Conference, called for France to extend its nuclear deterrent to the whole of Europe—for which other EU member states would pay.⁴ Aside from, however, the immense technical difficulties associated with “nuclear sharing”, it seems even harder to imagine that the German public might be willing to spend money on nuclear weapons than it is to imagine a dramatic increase in spending on conventional military capabilities.

In short, public attitudes mean that Germany is likely to seek to continue to remain a free rider in security terms. While the strategic community talks about the need to respond to new threats in an increasingly dangerous world, the German public is more worried about losing its post-World War II identity. As Foreign Minister Heiko Maas, a Social Democrat, put it in an op-ed in the *Spiegel* in November: “Germany must remain a *Friedensmacht*.”⁵

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An increasingly tough approach

Just as Germany’s approach to security will not change dramatically, nor will its approach to economic policy. If anything, the consensus in Germany

2) Germany could miss even reduced NATO defense spending goal (2019, February 4). Reuters. <https://www.reuters.com/article/us-germany-budget-military-idUSKCN1PT1Z3>.

3) Puglierin, J. (2018, August 29). Stuck in a Holding Pattern. Berlin

Policy Journal. <https://dgap.org/en/think-tank/publications/further-publications/stuck-holding-pattern>.

4) Frankreichs Atomwaffensollen EU schützen (2019, February 9). N-TV. <https://www.n-tv.de/politik/Frankreichs-Atomwaffensollen-EU-schuetzen-article20850074.html>.

5) Maas, H. Wir müssen über Abrüstung reden (2018 November 3). Spiegel. <http://www.spiegel.de/politik/ausland/heiko-maas-wir-muessen-ueber-ruestung-reden-a-1236449.html>.

On Germany as a Friedensmacht, or “force for peace”, see also Kundnani, H. The United States in German Foreign Policy (2016 April 14). German Marshall Fund, p. 6. <http://www.gmfus.org/publications/united-states-german-foreign-policy>.

behind the approach Merkel has taken to economic policy—particularly in the context of the Euro crisis that began in 2010—is even stronger than that on security policy. Perhaps the best expression of this consensus was the statement by the Social Democrat Olaf Scholz when he took over from Wolfgang Schäuble as Finance Minister last year: “A German Finance Minister is a German Finance Minister”.⁶

While the strategic community talks about the need to respond to new threats in an increasingly dangerous world, the German public is more worried about losing its post-WWII-World War II identity.

The consensus goes back to the shift in Social Democrat economic policy that took place under the “red-green” government of Gerhard Schröder. It was this government that implemented the structural reform that is widely—though wrongly—seen as the reason for the turnaround in the German economy in the second half of the 2000s and that has been imposed on crisis countries since the beginning of the Euro crisis. Whoever is in power, German policy will continue to be based on a vision of “competitiveness”.

Since the beginning of the crisis, Europe has been divided between creditor and debtor countries—roughly, in other words, between north and south. In the first few years of the crisis, it sometimes seemed as if Germany was isolated as southern European countries formed a “common front” against it. But by the time a renewed debate about Greek debt took place in the summer of 2015, other countries such as Slovakia were more vocal in their support of Germany’s opposition to redistribution within the eurozone.

This divide has now hardened further. The so-called New Hanseatic League of eight northern European countries was formed last year largely as a way to counter French pressure on Germany to make concessions on eurozone issues and in particular in response to President Emmanuel Macron’s proposals to create a eurozone budget and Finance Minister. It is therefore now more difficult than ever to see how there can be any progress in making the Euro area more sustainable and reducing Euroscepticism.

This paralysis in the eurozone makes the economic and political prospects for Germany and Europe bleak. After the Euro crisis began, the demand for German exports in Europe slowed, but the German economy continued to boom on the back of demand from China and the United States. As demand from China slows, however, and a trade war with the United States looms without any prospect of renewed demand from within Europe, Germany looks set to go into what could be a prolonged recession.

Meanwhile, as the eurozone's southern periphery struggles to create growth in the context of the eurozone's fiscal rules, extremist parties there are likely to continue to become more powerful and, once in power, to create more of the conflicts that we have seen since the Five Star Movement and the League formed a coalition government in Italy last year. The EU's response to this kind of "populism" is likely to be one centered on the increased use of coercion.⁷ France may be allowed some flexibility—in part because the EU wants to support the "pro-European" Macron and in part because, as European Commission President Jean-Claude Juncker said in 2016, "it is France". But, led by Germany, the EU is likely to take an increasingly tough approach to peripheral countries in both the east and the south.

Since the beginning of the crisis, Europe has been divided between creditor and debtor countries. In the first few years of the crisis, it sometimes seemed as if Germany was isolated as southern European countries formed a "common front" against it.

The conflict within Europe

What all this is likely to mean is a continuation of the competitive dynamic of coalition building within the EU that began with the Euro crisis.⁸ In the last few years, the relatively simple standoff between the two blocs that had formed in the context of the Euro crisis have given way to a more complex and fluid dynamic of coalition building. In particular, since the refugee crisis in 2015, a division between east and west has also emerged. An interesting question now is whether eastern and southern EU member states led by "populist" governments will coalesce into a kind of "coalition of the peripheries".

6) Cerstin Gammelin und Nico Fried, "Olaf Scholz im Interview: 'Politik ist keine Vorabendserie,'" Süddeutsche Zeitung, 16 March 2018, <https://www.sueddeutsche.de/politik/olaf-scholz-im-interview-politik-ist-keine-vorabendserie-1.3909193?>

7) On the increasing role of coercion in the EU, see Hans Kundnani, "Discipline and Punish", Berlin Policy Journal, 27 April 2018, <https://berlinpolicyjournal.com/discipline-and-punish/>.

8) On this dynamic, see Hans Kundnani, *The Paradox of German Power* (London: Hurst, 2014), p. 111.

In any case, it seems likely that conflict within Europe will continue and perhaps intensify. Thus although the fear that many commentators had about a new period of instability in Europe when Merkel leaves the chancellery is unfounded, this is not such a good thing as most “pro-Europeans” assume. In fact, “stability” in Germany, based on a consensus about economic and security issues, has created instability in Europe for the last eight years—and the longer Germany continues to remain “stable”, the worse it could ultimately be for Europe.

As the eurozone’s southern periphery struggles to create growth in the context of the eurozone’s fiscal rules, extremist parties there are likely to continue to become more powerful.

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The Digital Silk Road

ASPEN.REVIEW
DALIBOR ROHÁČ

POLITICS
SILK ROAD
CHINA
SURVEILLANCE
INVESTMENT

A tighter scrutiny of Chinese investment in sectors sensitive to national security is in order across Central Europe. Even if the race to keep technological knowledge away from the Chinese government cannot be won in any definitive way, there is no reason for a pre-emptive surrender.

The economic rise of China, which lifted half a billion people out of poverty in less than two generations, is nothing short of a miracle. It is now widely understood that the country's economic take-off is due to the scaling back of state planning in the early 1980s under the chairmanship of Deng Xiaoping. The reforms started on a modest scale in agriculture, when farmers were allowed to sell their surpluses on the open market. Later on, special economic zones allowed for the inflow of foreign direct investment into a previously closed economy. By 2001, China's opening up allowed it to join the World Trade Organization and gain further access to global markets.

This is a story to be celebrated. Furthermore, it is not a story of the wisdom of Chinese leaders and effectiveness of the country's administration—rather, it is one that shows the power of market incentives and individual autonomy. Also, notwithstanding claims made by populist leaders in the West, trade with China has hardly destroyed any jobs *on the net*, while generating extraordinary consumer benefits.

However, there is one significant blemish: contrary to the hopes harbored by many, the economic integration into the global economy has not changed the fundamental nature of China's political regime. True, gone are the days of Chairman Mao's heavy-handed industrial planning. At the same time, the economic and political model that emerged in the country is basically an autocratic one, and relies on political fiat as the main method of economic decision-making. Failed state-owned or state-connected enterprises are never liquidated but merged with others; domestic businesses have access to state-owned land and loans provided by state-run banks, making it very difficult for outsiders to compete on an even playing field; and intellectual property theft is widespread.

The tightening of the regime is obvious

Not only has China not become a market economy, but arguably the crony capitalist model has allowed for a more effective entrenchment of the Chinese Communist Party's (CCP) monopoly on power, this time under the banner of Chinese nationalism rather than communist ideology, conventionally understood. Especially over the past decade, the signs of the tightening of the regime are obvious—from the ruthless, Orwellian application of new technologies of surveillance and social control, through Internet censorship, to the appalling treatment of the country's ethnic and religious minorities, most significantly the Uighurs.

Not only has China not become a market economy, but arguably the crony capitalist model has allowed for a more effective entrenchment of the Chinese Communist Party's monopoly on power, under the banner of Chinese nationalism.

Simultaneously with heightened levels of domestic repression, China has also started to behave more assertively on the international scene. Apart from its militarization of the South China Sea, violating the basic international norm of freedom of navigation, the regime has sought to leverage—not unlike the Kremlin—its ties to ethnic Chinese populations outside of the mainland. Since the times of Mao Tse-tung, the CCP has relied on the policy of “using civil actors to promote political ends.” Those include cultural and educational activities, many under the umbrella of

“Confucius Institutes” at Western Universities. More pernicious are the CCP’s attempts to “guide” overseas Chinese in the pursuit of Beijing’s geopolitical influence.

With the exception of the religious group Falungong, pro-Taiwan, Uighur, or Tibetan groups, it is hard to find organizations of overseas Chinese that would operate independent of any “guidance” from Beijing. President Xi Jinping called such efforts CCP’s “magic weapons.” Not even Chinese-language media overseas can escape Beijing’s interest. There are numerous examples of boycotts, withdrawals of advertisement, and other activities that encourage self-censorship even among journalists working for mainstream Western outlets.

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Surveillance systems around the globe

Finally, the Belt and Road initiative seeks to foster investment connections and an infrastructure that would tie a number of countries to Beijing both economically and politically. Although the initiative provides funding for investment that is often only of marginal economic value, it is filling a real void left in Central Asia and Eastern Europe by Western powers. It is also contributing to a path dependency for poorer economies that may not be able to extricate themselves from Chinese influence in the future. Sometimes the dependency is real where the debt burdens newly incurred by relatively poor countries within the program are alleviated by the Chinese regime in exchange for further contracts or political concessions.

The “Digital Silk Road,” a subset of the Belt and Road initiative, consists of financing for purchases of Chinese telecommunication equipment, fiber-optic cables, and surveillance systems by governments and the private sector around the globe. In many countries, such purchases prompt understandable fears about importing the intrusive, Orwellian characteristics of the Chinese political system, as well as about the risks of espionage—after all, both Huawei and ZTE have been under close scrutiny in a number of Western countries, including Australia and New Zealand.

In Central Europe, the magnitude of Chinese investment is small—especially when compared to FDI flows from other major Asian economies, such as South Korea and Japan. Yet, such investment has been invariably structured in strategic, highly visible ways (think about Hainan Airlines’ direct connection between Prague and Beijing, three times a week) and accompanied by meticulously organized business fora, conferences and official visits.

Chinese economic presence is shaping the politics in Central Europe

As an illustration, the state-owned Bank of China entered the Czech market in 2015, followed by the Industrial and Commercial Bank of China (ICBC), also in government hands. Much has been written by CEFC, initially an opaque private entity later taken over by an agency of the Shanghai local government, which invested indirectly in the Czech Republic’s national carrier, Czech Airlines, took over Lobkowicz Breweries, and purchased a majority stake in SK Slavia Prague, a beloved football club. It also entered into J&T Finance Group, a private equity and banking group, and the largest investment group in Slovakia. In Poland, meanwhile, the Chinese have been pushing for an intensification of rail transport links to China under the New Silk Road initiative.

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The growing Chinese economic presence is shaping the region’s politics, starting with the Czech President, Miloš Zeman, who famously appointed CEFC’s former chairman, Ye Jianming, as his economic advisor. During President Xi Jinping’s visit to Prague in April 2016, Czech police went out of their way to clear all pro-Tibet demonstrators and symbols out of the Chinese delegation’s sight.

Not only has there been a rise of caution, if not of sycophancy, in the Visegrad countries’ statements about China, Taiwan and Tibet, the rise of China (alongside Russian influence) is tempting Central Europeans to reconsider their basic geopolitical allegiances, to the continuing frustration

of Washington. It was reported, for example, that Prime Minister Viktor Orbán had floated the idea of Hungary’s “neutrality”—a charge that the Hungarian government denies.

What should be the response of the West?

There is also a growing multilateral façade for the Chinese project of power projection. Similarly to the World Bank’s (WB) initial role, China has set up a multilateral investment bank, the Asian Infrastructure Investment Bank (AIIB) to provide a new source of financing for infrastructure investment. If the WB’s track record in promoting actual economic development in poorer parts of the world is limited, it is hard to see an organization under CCP’s tutelage equaling or bettering it.

The WB has furthermore accumulated useful technical expertise and is generally seen as a politically neutral, substance-driven organization, reflecting the consensus of the economic profession in the Western world. In contrast, the AIIB faces much more stringent economic constraints—largely because social scientists concur that authoritarianism and crony capitalism do not provide a sustainable path to prosperity.

What should be the response of Western liberal democracies—and, more specifically, of the governments of Central Europe? President Donald Trump famously campaigned on a distinctly anti-Chinese platform and his administration has taken a more muscular posture towards the Asian giant. Unfortunately, Trump’s discontent seems to be limited to the issue of a bilateral trade balance, a metric not seen as meaningful by economists.

Even if there are valid issues that ought to be addressed in US-China trade talks, the US administration’s approach, especially its reliance on tariffs, has been heavy-handed and counterproductive, harming first and foremost American businesses. At the same time, the US response has neglected the importance of cultivating alliances with Asian democracies: the withdrawal from the Transpacific Partnership has ceded ground to Chinese mercantilist interests and Trump’s seeming love affair with North Korea’s dictator Kim Jong-Un leaves Japan uneasy.

Some important common interests

The EU, in contrast, has so far avoided a collision course with Beijing. But that is not so much a result of a strategic calculus but rather of the oblivion

that reigns in many European capitals. In the eyes of Europe's self-styled pragmatists, China is a business partner and a largely responsible prospective stakeholder within the international order. The awakening of the threats posed by the regime, which are oftentimes very subtle, has only been gradual, with the ZTE and Huawei scandals playing a useful catalytic role.

True, it is important that such an awakening does not go overboard, as recent pronouncements, including by Germany's Minister of Economic Affairs Peter Altmaier, suggest. Western production chains—and indeed global prosperity—rely in significant ways on Chinese manufacturing and any large disruption is bound to produce painful unintended consequences, making everybody poorer. As Larry Summers notes in his recent article in the *Washington Post*, unlike during the Cold War when a neat economic and technological line of separation existed between the West and the Soviet bloc, such lines have become blurry in the age of the Internet, economic integration, and large Chinese student populations in the West. As a result, “keeping US knowledge out of Chinese hands for substantial lengths of time is impracticable short of a massive breaking of economic ties.” Furthermore, for all the friction, the West and China share some important common interests—finding a safe way out of the Thucydides' Trap, avoiding catastrophic climate change, and curbing nuclear proliferation, among others. There is no reason not to engage China effectively on such matters.

The rise of China (alongside Russian influence) is tempting Central Europeans to reconsider their basic geopolitical allegiances, to the continuing frustration of Washington.

Foreign policies guided by deeper moral compass

None of this should entail naïveté, either about China or about the West. Without overestimating their own geopolitical weight, small Central European countries would invariably benefit from a more circumspect approach to China. From Prague or Bratislava, China does not appear to be much of a threat. But barring a handful of prescient intellectuals and statesmen with direct knowledge of the nature of the Kremlin's regime, Vladimir Putin's Russia did not look dangerous to Westerners for a long time either—until it did. Central Europe, of course, does not have to fear direct Chinese political or military domination. Yet, policymakers in the region have to remember

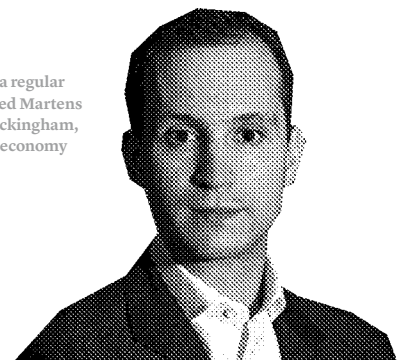
that their part of the world would be the first to suffer if Chinese government drove an effective wedge into Western alliances.

The AIIB faces much more stringent economic constraints—largely because social scientists concur that authoritarianism and crony capitalism do not provide a sustainable path to prosperity.

First and foremost, a tighter scrutiny of Chinese investment in sectors sensitive to national security is in order across the region. Even if the race to keep technological knowledge away from the Chinese government cannot be won in any definitive way, there is no reason for a pre-emptive surrender or for making the regime's job easier. Second, Central European governments ought to think twice before committing themselves to infrastructure projects that can set them on a path towards dependency on Beijing. Third, both Central Europe and the West at large need to be clear-eyed about the true character of CCP's regime and about the extent to which it relies on repression. That, of course, cannot be disentangled from a deeper moral compass that should be guiding the foreign policies of liberal democracies. Sadly, that compass has been missing as of late in too many a Western capital, including in those of the Visegrad countries.

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Will Russia Survive Putin?

Russia's misfortune lies in the fact that its stability is directly dependent on the Putin regime's stability. If the regime goes, so too, might Russia.

The writing is on the wall. A growing number of serious Russian analysts are coming to the conclusion that Vladimir Putin's regime is—take your pick—brittle, unstable, weak and/or doomed. A growing number of Russians are also coming to the conclusion that Putin's regime does not serve their interests and that they would be willing to engage in protests. The Russians may be wrong, but their views clearly suggest that a significant mood swing has taken place in Putin's realm. Russia's dictator is no longer feared and respected as much as he is mistrusted and despised.

With good reason. Putin's first ten years in office were marked by success, in no small measure due to the serendipitous rise in energy prices at precisely the time that he seized power. The last ten years—and especially the last five—have seen a series of blunders that have harmed Russia, weakened his

regime and undermined his authority. Like all narcissistic dictators prone to preening, Putin almost certainly does not appreciate the extent of the damage he has wrought. When the crash comes—sooner rather than later—Putin may be the only Russian who’s surprised by his downfall. A wise West would do well to prepare for this eventuality by developing strategies for containing the damage that regime, and possibly country, collapse will entail.

Harming Russia

Five to ten years ago, Russia and its people were respected and admired by much of the world. The country was rapidly integrating into the world economy. Its borders were secure; its neighbors friendly. Relations with the United States, the European Union and NATO were complicated, but mostly positive. No foreign-policy adventures were threatening to pull Russia into a quagmire and cost billions.

Putin’s aggressive policies have transformed Russia into a pariah, a rogue state. Russians are viewed with suspicion, as spies, hackers, assassins or wild-eyed fanatics.

The contrast with today’s Russia could hardly be greater. Putin’s aggressive policies have transformed Russia into a pariah, a rogue state. Russians are viewed with suspicion, as spies, hackers, assassins or wild-eyed fanatics. Thanks to sanctions, Russia’s economy has withdrawn into itself. Near-autarky has slowed GDP growth to a trickle, killed innovation and hastened a brain drain. The Baltic states, Poland, Finland, Kazakhstan and even Belarus fear a Russian invasion and have responded by arming or looking for allies. Ukraine, which was well on the way to becoming a vassal state under former President Viktor Yanukovich, is on the verge of leaving the Russian sphere of influence for good. Relations with the United States resemble a cold war. The European Union backs sanctions. NATO, an alliance in search of a mission, vision and *raison d’être* after the collapse of the Soviet Union, became galvanized after Putin’s invasion of Ukraine. Despite knowing about the USSR’s luckless war in Afghanistan, America’s endless involvement in Iraq and Afghanistan, and Russia’s economic incapacity to sustain expensive foreign embroilments, Putin embarked on a permanent and costly presence in Syria and, thus, in the Middle East and, more recently, leapt, eyes wide shut, into Africa.

Ironically, Putin has succeeded in creating the very enemies and the very encirclement that his propaganda always invoked as a rationale for his expansionist policies. This is blowback par excellence.

Weakening the regime

Like all dictators the world over, Putin has constructed a personalistic regime within which he wields power in conjunction with four key elites: the inner circle of his immediate cronies, the forces of coercion assembled in the secret police, national guard, and armed forces, the oligarchs and organized crime. Putin makes the decisions, they provide their support, and, in turn, he keeps them sated with material goods. The population has been demobilized and depoliticized by a combination of coercion and violence directed at individual vocal oppositionists, a vast propaganda apparatus that rests on regime control of most of the popularly consumed media and that promotes an image of a hypermasculine Putin incapable of error, a party (United Russia) that serves as a vehicle for promoting and coopting activists from within the population, and a huge budget generated by the windfall profits from high energy prices.

Ironically, Putin has succeeded in creating the very enemies and the very encirclement that his propaganda always invoked as a rationale for his expansionist policies. This is blowback par excellence.

Money made the system work. Russia's energy profits were so large that Putin and his four elites could steal billions, and enough still remained for infrastructure, social programs, and other benefits that accrued to ordinary Russians. Once energy prices fell and sanctions were imposed, money became short and the elites' only reason for supporting Putin—self-enrichment—began to lose its persuasiveness, while the people's enthusiasm for Putin and his projects began to wane. Putin has responded by promoting a military buildup and creating a powerful national guard: as a former KGB officer, he understands that his survival depends on his ability to maintain their loyalty and compel elites to obey him. As a result, the “power vertical” Putin constructed has become increasingly brittle. The hierarchy still exists; he still runs the show; and no one within the elites has-yet-dared to challenge him openly. But Russian elites, like all elites, are self-centered

and concerned above all with their own interests, the key one being survival. They are surely looking for alternatives, spinning scenarios, and considering just how they'll respond to Putin when the day comes that he faces a crisis he cannot master. That's why the growing number of Russians talking about the regime's weakness is in fact a barometer of moods within the regime and portends nothing good for it.

Undermining his authority

A day of reckoning for Putin will come because he, like all dictators who have stayed in power for exceedingly long periods of time, has run out of steam. He is stuck in his routines and is incapable of seeing Russia and its people with fresh eyes. He thinks of himself as infallible, inevitable, and indispensable. Not surprisingly, he has become increasingly prone to making dreadful mistakes. The long list of harms he has done to Russia are proof of that, as is the power vertical's decay. Consider in this light his self-defeating policy toward Ukraine with respect to the Sea of Azov and the autonomy of the Ukrainian Orthodox Church. Russia's appropriation of the sea will do economic harm to Ukraine, but also consolidate Kiev's resolve to turn its back on Russia. Moscow's opposition to Ukrainian religious autonomy and its condemnation of the Constantinople Patriarch's actions in support of Ukraine have only isolated Russia and persuaded most Ukrainians that no compromise with Russia is possible. A charm offensive toward Ukraine would split Ukrainians and activate pro-Russian constituencies, but Putin, evidently, cannot imagine such a course of action, probably because it would suggest that he is weak and that his virility is less than his image projects.

Money made the system work. Russia's energy profits were so large that Putin and his four elites could steal billions, and enough still remained for infrastructure, social programs, that accrued to ordinary Russians.

Quick, little, victorious wars that turn out to be protracted, extensive, and undecided are the most common shock that dictators unwittingly bring about, as the Argentine junta learned when it invaded the Falkland Islands. Natural disasters can also end regimes, as Anastasio Somoza discovered in Nicaragua. Assassinations can precipitate wars and topple empires.

Putin could easily be tempted to occupy Belarus, seize northeastern Estonia or northern Kazakhstan, or invade southeastern Ukraine in the expectation that victorious Russian troops would sweep in undeterred with flags waving. Far more likely, the Belarusians, Estonians, Kazakhs and Ukrainians will fight, the West will somehow get involved, and, as Russian casualties mount, both Russian elites and public constituencies will look for alternatives to Putin.

As Russian commentator Igor Eidman puts it, “the Putin regime, like a rotten tree, awaits a good kick which will leave it in rotten shards. But the dictator himself is in euphoria.”

Will Russia survive?

Russia’s misfortune lies in the fact that its stability is directly dependent on the Putin regime’s stability. If the regime goes, so too, might Russia. The immediate spark would be Putin’s inglorious departure, which would provoke a vicious power struggle between and among the elites. Given the prominence of the forces of coercion, that struggle will almost certainly be violent and bloody. Oligarchs and professionals will flee the country with their assets. People will take to the streets; rioting and looting would likely happen. Non-Russians would take advantage of the turmoil in Moscow to seize power and possibly secede; some radicals might be tempted to cleanse their regions of Russians. Ukrainians might decide to launch a counteroffensive in eastern Ukraine and the Crimea. China might feel itself compelled to protect its compatriots in Siberia. Collapse could result.

A charm offensive toward Ukraine would split Ukrainians and activate pro-Russian constituencies, but Putin, evidently, cannot imagine such a course of action, probably because it would suggest that he is weak.

Just as collapse would be the worst-case scenario, so the seizure of power by democratic forces allied to elites and publics would be the best-case scenario. In all likelihood, Russia’s fate would be somewhere in between—with the medium-term outcome being a protracted time of troubles along the lines of the one that afflicted Muscovy in the early sixteenth century. Even that would be no cause for celebration for Russia’s neighbors, as festering instability would produce streams of refugees and again raise the problem of loose nukes.

The United States and Europe must finally understand what the Eastern Europeans know—that Putin is a menace to the world and to Russia.

What should the West do?

The United States and Europe must finally understand what the Eastern Europeans know—that Putin is a menace to the world *and to Russia*. The solution to the problem of Putin was provided by George Kennan after World War II. Containment worked then, and it can work now, if directed at Putin. The difference is that, then, its goal was to weaken the USSR. Now, its goals would be to keep Putin from making a fatal mistake and thereby to *save Russia*—as well as, not incidentally, its neighbors.

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The Specter of Soros Hovers over Central Europe

In recent years, Hungary under Prime Minister Viktor Orbán has become a semi-democratic, semi-authoritarian country. A very important element of the Hungarian regime's propaganda is the demonizing of George Soros.

At the beginning of 2019, Freedom House, an American foundation that has been evaluating political systems in the world for nearly 50 years, dividing them into non-free, partially free and free, downgraded Hungary to the category of partially free states. This is an unprecedented situation in the history of the EU. Moreover, these negative trends can be expected to continue, as Fidesz, Viktor Orbán's party, who has been Prime Minister of Hungary since 2010, enjoys the support of more than half of the citizens, while the opposition is divided into several weak groupings.

The phenomenon of Orbán's popularity has various sources, including dramatic restrictions on media freedom, most of the media being a propaganda mouthpiece of the government. Mass propaganda is based on a xenophobic and anti-immigrant politics of fear. The national community is built on this foundation, proclaiming the unity of all Hungarians, but in reality it has only identified Orbán's own electorate ("true Hungarians"). It is defined as an ethnic monolith of conservative Christians, allegedly always threatened by powerful external enemies working or conspiring with the "liberal" and "cosmopolitan" fifth column.

George Soros, an American-Hungarian businessman and philanthropist of Jewish origin, is at the heart of this propaganda. He is presented as

Hungary's eternal enemy due to his long-time support for the idea of liberal democracy and rule of law. His demonizing indirectly alludes—although Orbán's regime denies it—to anti-Semitic motives. More worryingly, Soros is becoming the number one public enemy for other Central European politicians, including even Social Democrats.

An anti-immigrant politics of fear

Orbán's obsession with Soros at present is paradoxical, given that the Hungarian Prime Minister was a liberal who, thanks to a scholarship funded by the American-Hungarian philanthropist, was able to study at Oxford. Orbán was only one of the thousands of people around the world who received financial support from Soros. Soros has spent USD 32 billion to support civil society. Born and raised in Budapest, Soros treats his former homeland with special attentiveness. The Open Society Foundation and the Central European University were established in Budapest. Since the end of the 1990s, however, Orbán and his party have definitely changed, moving to the right and adopting a nationalist-populist agenda.

Soros is becoming the number one public enemy for other Central European politicians, including even Social Democrats.

The 2015 refugee crisis made Fidesz adopt the anti-immigrant politics of fear as the cornerstone of its political identity and the main tool for building public support. It was then that Soros became the target of very brutal attacks by government propaganda depicting him as a hidden demiurge provoking the refugee crisis in order to radically change the religious structure of Europe. According to Orbán, Soros's aim is to undermine the identity of genuine European Christian society—to hollow out Europe from the inside out. Soros's support for the civil society is allegedly secretly indoctrinating Hungarians in a bid to make them acquiesce to mass migration. In 2017, the government put up thousands of posters with Soros's face twisted in a diabolical smile, with the captions "don't let Soros have the last laugh" and "99 percent oppose illegal immigration". As Orbán explained in one of his speeches, "Those who do not halt immigration at their borders are lost: slowly, but surely they are consumed. External forces and international powers want to force all this upon us, with the help of their allies here in our country."

Against globalist elites and Soros-type networks

The attacks on Soros invoked anti-Semitic clichés. In March 2018, speaking during a Hungarian national holiday, Prime Minister Orbán, describing Soros, stated: “We are fighting an enemy that is different from us. Not open, but hiding; not straightforward, but crafty; not honest, but base; not national, but international; he does not believe in work, but speculates with money; he does not have his own homeland, but feels he owns the whole world.” Orbán’s nationalist rhetoric has been gradually radicalized, shading into crypto-racism. According to Orbán, “We must state that we do not want to be diverse and do not want to be mixed: we do not want our own color, traditions and national culture to be mixed with those of others. We do not want that. We do not want that at all. We do not want to be a diverse country.”

The 2015 refugee crisis made Fidesz adopt the anti-immigrant politics of fear as the cornerstone of its political identity and the main tool for building public support.

In November 2017, during a party congress at which he was elected by acclamation as President of Fidesz, Orbán declared: “This is also well understood by globalist elites, the bureaucrats who serve them, the politicians in their pay, and the agents of the Soros-type networks that embody their interests. [...] Let’s not beat around the bush: in order to implement the “Soros Plan”, across the whole of Europe they want to sweep away governments which represent national interests—including ours. In recent years, Soros’s NGOs have penetrated all the influential forums of European decision-making. They are also present in the backyards of some Hungarian parties. They operate like the activists of the Department for Agitation and Propaganda of the old Soviet Communist Party. We old war horses recognize them by their smell.” These are the words of a Prime Minister of an EU country. Associating Soros with communism is not uncommon in the propaganda of Orbán, who, using war rhetoric, stated, “What we did not tolerate from the Soviet Empire, we shall not tolerate from the Soros Empire.”

From words to deeds

The campaign against Soros has been used to harshly restrict media freedom. As Orbán frankly admitted, “We are up against media outlets maintained by foreign corporations and domestic oligarchs, professional hired

activists, trouble-making protest organizers, and a chain of NGOs financed by an international speculator, summed up by and embodied in the name George Soros.”

In 2018, Orbán moved from words to deeds. Hungary passed what the government dubbed the “Stop Soros” law. The new law, drafted by Orbán, created a new category of crime, called “promoting and supporting illegal migration”—banning individuals and organizations from providing any kind of assistance to undocumented immigrants. The government pushed out the Central European University from Budapest on grounds that it corrupted Hungarian society. The University decided to move its international section to Vienna. The Open Society Foundation also closed down its Budapest operations and transferred to Berlin.

Orbán’s ruthless anti-Soros campaign was helped by the fact that the Israeli government of Benjamin Netanyahu approved it. Netanyahu, looking for allies in Europe and taking advantage of ideological affinities, became one of the best friends of Prime Minister Orbán, despite his downplaying the responsibility of Hungarians for their participation in the Holocaust and the affirmation of the Hungarian politicians ruling the country during World War II.

The attacks on Soros invoked anti-Semitic clichés.

Leaders of the Jewish community in Hungary appealed to Prime Minister Viktor Orbán in 2017 to end the poster campaign against Soros. Orbán rejected the appeal and suggested that Hungarian Jews should do much more to oppose Muslim immigration to Europe. Israel’s ambassador to Hungary initially denounced the anti-Soros posters, stating that the campaign “sows hatred and fear”, but then Israel’s Foreign Ministry issued its own statement critical of Soros. According to the Israeli media, the change in position was ordered personally by Netanyahu. The Israeli Ministry of Foreign Affairs complained that the philanthropist “continuously undermines Israel’s democratically elected governments by funding organizations that defame the Jewish state and seek to deny it the right to defend itself”.

Left-wing politicians are also playing the anti-Soros card

Anti-Soros themes are not limited to Hungary. They are present in the rhetoric of nationalist-populist groups across the world. In Central Europe they can be found in the identity policy of the Law and Justice (PiS), the ruling

party in Poland, which treats Orbán's Hungary as the main source of inspiration. At the 2016 party congress, Jarosław Kaczyński, the head of PiS, presented a narrative about Soros which was very similar to the one promoted by Orbán. According to Kaczyński, "We are told to change radically, to create a multicultural society, to create a new identity. Anyone who knows what the situation is in many Western European countries also knows that this means a radical deterioration in the quality of life. And this is what we are being offered. There is pressure. This is about sovereignty. If we maintain it, we will defend ourselves. We must defend ourselves. The ideas of Mr Soros, the concepts of societies that do not have an identity, are concepts that are convenient for those who have billions [of dollars], because it is extremely easy to manipulate such a society. If there are no strong identities, then everything can be done with a society."

More depressing is the spectacle of left-wing politicians playing the anti-Soros card in Central Europe, which definitely makes this region distinct in the European Union. In 2018, after the murder of journalist Ján Kuciak and his fiancée, Prime Minister Robert Fico, the leader of the socialist SMER party, had to resign under pressure from mass demonstrations. Fico said that Soros, together with Slovak President Andrej Kiska, were behind the demonstrations. During a press conference in March 2018, Fico said: "I want to pose a simple question to Mr President. On 20 September 2017 in New York, on 5th Avenue, I am asking why the Head of State would pay a private visit to a person who has a questionable reputation and this person's name is George Soros. [...] Why has he not taken any representative of the Ministry of Foreign Affairs to this meeting? What happened after the murder of the journalist suggests that there is an attempt in this country at total destabilization."

Some leaders surpassed Orbán in his paranoia

The leader of the Romanian socialists, Liviu Dragnea, who had been given a suspended prison sentence for corruption and vote rigging, when confronted with huge demonstrations against changes in legislation undermining the rule of law in Romania also stated that allegations of corruption against him in the media had been spread by Soros, whom he called "a malefic character". In August 2018, Dragnea told a pro-government TV station that four foreign men had stayed in Bucharest for three weeks in April 2017 and "got close to

him”. He did not provide any further details, but stated that the four had been paid by “a very famous person in the world”. Asked by the journalist if he was thinking of Mr Soros, Dragnea replied, “I am not thinking of him, he is thinking of me.” It has to be admitted that Dragnea has even surpassed Orbán in his Soros paranoia.

In February 2019, Orbán inaugurated another huge poster campaign against Soros before the European Parliament elections. This time Soros appeared on billboards with Jean Claude Juncker, head of the European Commission. The billboard says that Hungarians “have the right to know what Brussels is about to do” and then it claims, “They want to introduce mandatory resettlement quotas. They want to weaken member states’ right to border protection. They would ease immigration with migrant visas.”

All these claims have nothing to do with reality. The situation is surrealistic, because Juncker represents the European People’s Party, of which Fidesz is a member. The poster campaign made many parties from this group demand the exclusion of Fidesz. Finally, the membership of Orbán’s party was “merely” suspended. In consequence, a continuation of his ideological evolution towards the extreme right should be expected, which means increasingly brutal nationalist propaganda, including that directed against Soros.

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Under the Hood of Recovery— Rethinking the State of Contemporary Capitalism

Without addressing the increasingly unequal experiences of growth—or lack thereof—future economic crises risk creating ever more devastating consequences for democracy and people’s wellbeing.

Capitalism is fraying at its edges. It has been 10 years since one of its most devastating economic crises since the Great Depression. While aggregate numbers suggest that capitalist economies have bounced back within a few years after the Great Recession, many people have not experienced the reported recovery. Social discontent with the unequal rewards of the capitalist system is brewing, finding an outlet in populist right-wing movements promising to bring back “the good old days”. But can modern capitalism be repaired to restore prosperity to the wider population? Or are new policy solutions needed to avoid the gathering storm?

In this article, I scrutinize the state of capitalist economies at present and look under the hood of aggregate prosperity, arguing that it hides a grim picture of unsustainable inequality and a fragile economy. Without addressing the increasingly unequal experiences of growth—or lack thereof—future economic crises risk creating ever more devastating consequences for democracy and people’s wellbeing.

Within a few years, however, major capitalist economies restored their GDP growth back to their pre-crisis levels.

A perfect storm of changing economic relations

Let’s remind ourselves what led to the Great Recession 10 years ago. No single event had been responsible for bringing about the crisis. Rather, it was a perfect storm of changing economic relations and shifting approaches to policy, reaching as far back as the late 1960s. High interest rates and inflation in the late 1960s and in the 1970s prompted non-financial companies (NFCs) to look for investment funding in financial markets instead of banks (Krippner 2005). Through issuing shares, the objectives of NFCs shifted from long-term investment towards short-term performance, boosting immediate financial profits to appease shareholders.

As NFCs turned away from banks, the latter found themselves in need of looking for new sources of revenue in the household sector. Facilitated by deregulation policies since the 1980s, loans to households—especially those financially vulnerable—became the basis of new financial products, which seemingly reduced systemic risk only to enable one of the most devastating collapses of that system in 2007. The unsustainable rise in household debt could not have happened, however, without a policy steering private markets to deliver prosperity, which increased pressures on wages and employment conditions, reinforced prior discrimination in credit markets and beyond, and raised the costs of living following labor market liberalization and privatization of public services.

Many households have not experienced recovery

While these processes were developing primarily in the USA, increasing globalization of production and financial operations generated an interrelated web among capitalist economies. This resulted in a well-documented

domino effect as economic contagion spread to Europe and other advanced economies (OECD 2013). Within a few years, however, major capitalist economies restored their GDP growth back to their pre-crisis levels.

The USA, Germany, and France recovered by 2011 (Manibog and Foley 2017), the UK by 2013 (ONS 2018), and the euro area by 2015 (European Commission 2017). Alongside GDP growth, these countries witnessed a remarkable recovery of employment. After a spike in unemployment immediately after the Great Recession, by 2019 unemployment rates have fallen to their lowest levels in decades. The pick-up of GDP growth and the near-full or rising employment levels have been cherished by many governments as a statement of support for policy choices after the 2007 crisis: private bank bail-outs on an unprecedented scale, fiscal austerity and unconventional monetary policy measures.

What these aggregate figures conceal, however, is that many households have not experienced recovery from the Great Recession. While aggregate employment rates have risen, new forms of unstable, part-time, and precarious employment have become increasingly common (ILO 2016). GDP growth in the UK has been led by recovery in the services sector, as manufacturing value added and investment remain below their pre-crisis levels (ONS 2018a). Globally, the sluggish performance of the manufacturing sector, poor productivity, and faltering investment were associated with a downward revision of GDP growth projections in the coming years (OECD 2018).

The pick-up of GDP growth and the near-full or rising employment levels have been cherished by many governments as a statement of support for policy choices after the 2007 crisis.

In the euro area, the crisis is not over in periphery countries as GDP growth and employment levels are yet to bounce back in Greece, Portugal, Italy and Spain (Manibog and Foley 2017). Regulation of the financial sector did not go far enough and has not prevented the re-emergence of risky practices: subprime lending, which was instrumental in bringing down the global economy 10 years ago, is making a comeback in the auto-loans industry (Haughwout *et al.* 2016).

The Great Recession perpetuated the existing problems

These trends reveal a deeply unequal and fragile global capitalist economy. Contrasting the recovery of aggregate employment levels, real wages have

stagnated or fallen since the Great Recession (Desilver 2018, ONS 2018b, AMECO). This signals a decline in income and wealth gains accrued by low-income households prior to the crisis, and an increasing pressure on finances of the middle classes, which fuel rising social discontent with economic policy. This has been paralleled by higher inequalities of wages (ILO 2017), income (World Inequality Report 2018), and wealth (Szymborska 2019), which have surpassed their pre-crisis levels thanks, in part, to fiscal austerity and quantitative easing (Claeys *et al.* 2015, UNCTAD 2017).

Despite improvements in recent years, unemployment rates for people of color in the USA and in the UK remain double that of white households. At the same time, racial and gender pay gaps persist and their true scale is only slowly coming to light.

Moreover, despite improvements in recent years, unemployment rates for people of color in the USA and in the UK remain double that of white households (McGuinness 2018, Lockhart 2018). At the same time, racial and gender pay gaps persist and their true scale is only slowly coming to light (National Women's Law Center 2017, McGuinness and Pyper 2018). Against the backdrop of these processes is the deeply worrying projection that the young generation is facing worse economic prospects than their parents and grandparents (Resolution Foundation 2018, Bialik and Fry 2019).

This state of modern capitalist economies suggests that many of the contradictions and injustices of the private market-based model of economic development adopted globally since the 1980s have persisted. To the disappointment of many experts, the Great Recession has not brought relief to this turbulent capitalist system, but has instead perpetuated the existing economic problems. This has led many economists to declare that the next economic downturn is in sight.

Globalization as the cause to the upcoming crisis?

The question has become not “if” but “when” and “where” that crisis occurs. Some, including the former British PM Gordon Brown, identify the source of the next crisis with the likely lack of coordinated response to potential economic downturns, owing to a global mood that is increasingly unfavorable to global cooperation. Election of right-wing populist governments in the USA

and some European and emerging economies, and the triumph of Leave voters in the Brexit referendum are not the problem, but rather a catalyst of any potential economic hiccups.

But others, including Ann Pettifor and Steve Keen, see the deepening globalization of economic production and exchange as the cause, rather than the remedy, to the upcoming crisis. Despite the anti-globalization rhetoric, global governance has seen little change after the Great Recession. Currency problems in Turkey or Argentina due to interest rate hikes in advanced economies, coupled with rising private sector debt in China and the accumulation of non-performing loans in China and periphery euro area countries may consequently ignite a crisis which will quickly spread to other economies, affecting not only advanced but also developing countries. Together with the fact that many households are still feeling the pinch of the Great Recession and that the rules of the game in the capitalist system which contributed to the 2007 crisis have not been reformed, the next crisis is shaping up to be even more damaging than the previous one.

Effective policy needs to start now; responsible policymakers cannot afford to wait until the next crisis strikes to mitigate its consequences.

Responses need to go beyond limited interventions

Policy responses to the upcoming crisis need to go beyond limited interventions which rely on profit-oriented private markets to bring about competition and growth. Market incentives under modern capitalism do not align the profit objectives of individual investors with the social goals of sustainable and inclusive economic development. This is because there are institutional factors at play which enable certain economic agents to benefit at the expense of others.

Deregulation in the financial sector is one example of such an institutional structure, together with liberalization of labor markets, lax taxation infrastructure, and belief in the necessity of curtailing public spending to balance the books. These institutions need to be challenged and reimagined in the context where an estimated \$200bn in tax revenue is lost around the world due to tax evasion and avoidance; where work is no longer a guarantee of economic wellbeing; where rising house prices make homeownership unaffordable to a growing number of people; and where increasingly stingy social welfare systems create second-class citizens who struggle to pay for healthcare, rent, heating, food or education.

Reform of taxation, predistribution policies and coordinated macroeconomic policy

Effective policy needs to start now; responsible policymakers cannot afford to wait until the next crisis strikes to mitigate its consequences. Three areas of policy action have the potential to achieve that task—national and global reform of taxation infrastructure; predistribution policies; and coordinated macroeconomic policy. The way in which taxes are collected are a reflection of the social priorities of the economy. Currently, taxation systems in countries like the USA and the UK are inherently regressive because they place a greater tax burden on low-to-middle income households by increasing consumption taxes and allowing a large part the income and wealth of the rich to go untaxed (Szymborska forthcoming).

Secondly, fair taxation is vital to supporting low-income households through redistribution in a more generous and well-targeted welfare system. But given tax avoidance and evasion, policymakers should not rely on redistribution alone. *Predistribution* measures are important to that end as they go beyond *ex post* policy action towards a more active effort to affect the distribution of market income, thereby making reductions in inequality more sustainable (Ostry *et al.* 2019). To achieve this goal, it is necessary to support workers and investment in quality public services such as healthcare, education and infrastructure. Supporting workers should also be a long-run objective, as privatization of pension schemes has threatened the stability of workers' future income streams.

Last but not least, coordinated fiscal and monetary policy should act in unison to promote wage growth through encouraging productive investment, and stabilize the financial sector to reduce the costs of risky financial investment practices. The Great Recession has shown that an unfettered financial sector poses a threat to economic stability and fairness due to its incentives to exploit economic structures in the name of short-term profitability.

The consequences of the next crisis can be alleviated

Given the mobility of capital, especially financial investment, it is essential for countries to cooperate on financial sector regulation and taxation in order to avoid regulatory arbitrage by financial institutions and prevent a race to the bottom in terms of tax rates and wages. In this sense, better

regulation of the financial sector is instrumental to reigning in inequality and promoting democracy by breaking the principle of “one dollar, one vote” enabled by lobbying from wealthy interest groups in finance and big business.

The next crisis cannot be avoided. Its consequences for people’s economic wellbeing can, however, be alleviated. National governments and international bodies must take responsibility for facilitating the rise in inequality and uneven experiences of recovery. Successful policy should focus on not merely managing the aftermath of the looming downturn, but on transforming or replacing the inherently unequal processes which lie at the core of modern capitalist economies. Nevertheless, policymakers are operating within the environmental constraints, and must respect the limits to carbon emissions committed to at the 2018 Katowice summit. For this reason, it is high time policymakers radically rethink what constitutes economic success, and go beyond aggregate measures of growth to nurture sustainable and inclusive societies.

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Heiner Flassbeck: It's the (Macro) Economy, Stupid!

ASPEN.REVIEW
JAKUB DYMEK

ECONOMY
INTERVIEW
FREE TRADE

Without a macroeconomic plan, the social agenda of European progressives simply cannot be achieved, however sensible it might be. But it is right-wing bullies who do not fear challenging the dogmas and predominant economic orthodoxy—says professor Heiner Flassbeck in an interview with Jakub Dymek.

JAKUB DYMEK: Do you think, Professor, while we're speaking of all the economic problems that Brexit, US-China relations, the uncertain eurozone budget and so on entail, that there's something we are overlooking—some bigger picture we are still unable to see?

HEINER FLASSBECK: Of course! The bigger picture here is the lens through which we look at the problems at hand. It's totally wrong! The lens of the dominant economic theory is dark and so we don't see what's happening. That's our problem. Most economists have their dogma, their

theory and they're completely unwilling to abandon it, even when everything goes wrong. And that's why we cannot accomplish anything. Many of the current dilemmas have been around for years and the mainstream economy didn't even get close to solving them.

You're arguing that even more than ten years after the crisis of 2008 there hasn't been much of a change in thinking?

Less than none... We still don't even understand what the crisis was about, that

is was a failure of financial markets—of a disoriented and misguided financial market. And right after the crisis itself we’ve started saying things like it was “a government debt crisis” or “a banking crisis”. No! The crisis arose because the financial market misunderstood the information available and proved not how effective, but ineffective, they really are. And despite that fact, the lesson wasn’t learned and the dogma of market efficiency is still with us.

However, don’t you think that the so-called “populist wave” we’re witnessing helped shift these gears a little?

I don’t like the term “populist”—I don’t think something the majority of the population wants is necessarily bad [laughs].

Well, I’m not especially fond of the term either, but that’s what we have.

Look, all the new governments—from Brazil to Hungary—are the practical results of our failure to solve economic problems in a way that’s visible [to societies]. This is clearly the case with Trump, who is a product of rising inequality and the feeling of many people that they’ve been left behind. Of course he’s not doing anything to realistically solve these problems, he’s not the guy to find the solution, obviously.

But people are desperate for change, desperately looking for something “new”, and here we are. Wherever you

look—Poland, Hungary... all these movements, call them what you like, gained traction because of the failure to address economic grievances soon enough and in a visible, concrete way. It’s a pan-European disaster! Poland least of all, actually, but elsewhere it’s a walking catastrophe.

What about trade then? We’ve seen, since 2016, the failure of TTIP and TPP, a more assertive stance on trade throughout the world generally, and mostly because of Donald Trump’s position on trade there’s been a certain shift in how international trade is perceived.

You know what? Trump’s right. I would never thought I’d agree with him on something. Sure, he’s an idiot in so many ways, but in this respect he’s right. People don’t have a clear idea what “free trade” means anymore. We still use the language of “comparative advantages” although it is Ricardian theory which is 200 years old and described conditions of the nineteenth century! Among many things we have not taken into account is that we now have massive amounts of direct investment which totally changes the equations and distorts the supposed “laws” of trade. And that’s just one of the many, many things that have changed

Most economists have their dogma, their theory and they’re completely unwilling to abandon it.

since the wonderfully simple world of nineteenth century theories. What we're made to believe and take for granted is nonsense!

Trade shows—and thank you for that question—how far the debate is detached from the real problems of today's world.

Many of the current dilemmas have been around for years and the mainstream economy didn't even get close to solving them.

But does thinking of trade as a simplistic zero-sum game, as Donald Trump seems to do, really bring us any closer to any reasonable conclusion?

Let's say I'm interpreting what Trump says in a favorable way. He's talking about "free trade" and "fair trade"—and by the latter he means a balanced trade. Trade without huge surpluses like Germany has and without huge deficits like the United States has. And in that regard this really is a zero sum game—deficits and surpluses are balancing to zero. Trade as such isn't a zero-sum game although, everybody agrees that when trade is efficient, if it works, it actually is a "positive sum game".

I'm wondering what kind of political actor should be responsible for bringing such an equilibrium back. We're witnessing diminishing results

from international bodies, so rather naturally it has to be a nation-state, right?

Maybe the era of international institutions is not definitely over yet, but the idea is in troubled waters, so to speak. We have so far failed to introduce institutions or regulations that would work as a referee or an arbiter between different countries. I myself was working for UNCTAD for many years and we've achieved very, very little. These [international] organizations lack leadership and, in the end, their efforts are blocked by politics, especially by politics on a national level. So, yes, in some sense the conclusion is it may have been a nation state that—when the right leadership assumes power—takes the lead.

It seems that the political left still doesn't have a viable answer for such a shift, do they?

It does not. And that seems to me as one of the biggest political problems we have. And that has much to do with macroeconomic thinking or Keynesianism that was adopted by the left as their dogma in the field of political economy after World War II. At the time the left had both the social program and the economic blueprint, Keynesian model. Sometime in the 1970s they gave it up and since then the left only has the social program. Regardless, however, of what that program might be, it cannot be realized

Maybe the era of international institutions is not definitely over yet. We have so far failed to introduce institutions or regulations that would work as a referee or an arbiter between different countries.

without a macroeconomic policy. And that's what's missing.

Conservatives, for example, still have their economic philosophy of prudence, austerity and savings—saying, you have to be conservative in order to be social. And so on... They, in a word, have a social program or vision of social order matching their economic program.

There's nothing the left can put forward to counter that.

And such a program exists, you believe?

Of course it does. Firstly, you have to tackle the dogma of international trade. Secondly, you have to tackle the dogma of government debt. It's simply ridiculous. The most glaring example—for the last ten years, the business sector, the companies, is a net saver. Not an investor, not a debtor. Logically, it means that it is the government who has to be the debtor, right? Because when somebody saves, somebody else has to borrow. And countries would rather refuse to be the debtor, apart from the United States. Germany certainly

doesn't want to be one. So it's creating debt in all the other countries to balance its savings. It's absurd, because it follows a doctrine, namely mercantilism, that is 200 years old...

Look at Macron, that poor guy, sitting in Paris, not knowing what to do. In order to really make some change, he'd have to challenge the German approach, and he's unwilling or unable to do it. But who is? Trump. Or Mr. Salvini in Italy, like him or not. It's these right wing bullies, only them, who are willing to take issue with German domination.

Let me shift away from Europe for a second here. "The focus on China is wrong—there already has been a lot of pressure on China", you've said in an interview with Bloomberg last year. Why is that so and do you still think the China question is still being answered in the wrong way?

The predominant view of the "problem" here is wrong. For the last thirty or more years, western countries have been investing in China like there's no tomorrow. There was total dominance of western manufacturers inside China, the majority of China's exports was actually by western companies of western products.

These people who had a great time doing business in China and who made tons of money out of it are now panicking and saying "never let China

invest in the West, no no!”. Now, when China has some money and it’s willing to invest it elsewhere, we—like in Germany—are passing laws and creating barriers not to let China anywhere near “our” companies.

It’s Sinophobia—“Oh! China is going to crush us! Oh! China is buying all of our companies!”. And this is coming from people who dominated the Chinese market for decades, owned whole production chains, who are now complaining, because the Chinese are buying a few companies here and there. A single German factory—it’s ridiculous!

The left had both the social program and the economic blueprint, Keynesian model. Sometime in the 1970s they gave it up and since then the left only has the social program.

Is it only about irrational phobias though or is there also a high-stakes political game involved?

The Chinese have been behaving perfectly rational all these years. They had a huge surplus on their accounts ten years ago and under the pressure from the West they have reduced it to a reasonable size. Only the big bilateral surplus with the United States remains—and that is why Donald Trump is fighting with the Chinese. But overall, China is not a threat to the world, it’s an opportunity. Look for

example how many German automobiles the Chinese are importing. Without them, without the Chinese market, the German automobile industry would have had a huge, huuuuge, problem from 2008 to 2010. It was the Chinese who saved them and provided a way out of the crisis. And now they’re complaining about China? Not justified at all.

Assuming that this is how it looks from the perspective of the German economy, is it safe to assume that smaller economies—Polish or Czech or Latvian, let’s say—are not in the same position. They’re not, for example, net exporters to China, and especially not in advanced, technology-intensive sectors.

But bad economic policy isn’t the fault of the Chinese entering and integrating themselves with the world market! The economic policies that failed in Poland or elsewhere in Eastern Europe are us failing to create “catching up” mechanisms. The Polish growth isn’t the accomplishment of the Polish business class, Polish businessmen as we would like people to believe, but a function of global markets—when things are going up, they’re going up, when they’re going down elsewhere, they’re going down in Poland too. And the Baltics? The Baltics are the punching bag of the world economy—they never had a chance to develop their own economies. Why? Because the idea of opening

When somebody saves, somebody else has to borrow. And countries would rather refuse to be the debtor. Germany certainly doesn't want to be one. So it's creating debt in all the other countries to balance its savings.

and doing everything to integrate into the world markets was wrong, openness and free trade didn't solve anything for these countries. And the Chinese...

Took a reverse approach?

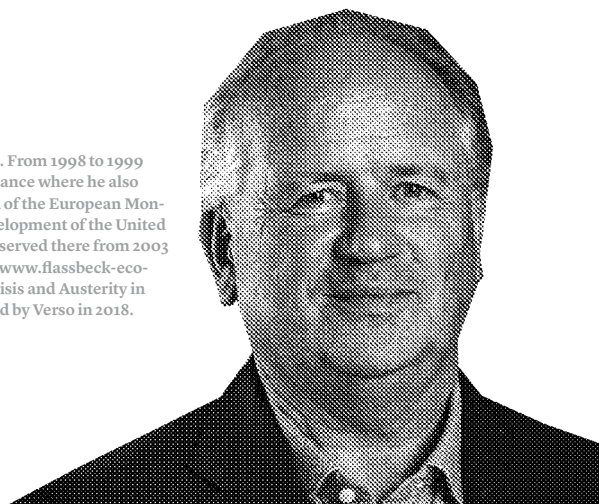
Exactly. How is that a country ruled by the Communist Party and the communist elite is the most successful in the world economy of the last 30+ years?

What a surprise that is [laughs]. This is a surprise especially for my Polish friends who believed that it is only the markets and it will always be the markets who solve the economic puzzle. They've never understood what the market is.

Unfortunately.

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Living with the Euro. The CEE Experience

ASPEN.REVIEW
BARTŁOMIEJ
E. NOWAK

ECONOMY

CEE

EUROZONE

GDP

The common currency should not be easily pictured as the cause of problems or a guarantee of success. The Euro is awarding those who are well prepared.

The twentieth anniversary of the Euro currency should be a moment for reflection. Next to the US dollar, the Euro is the second most important currency in the world, which is used—on average—by more than 70% of the citizens who live in the Euro area. This is the strongest support ever in history. Aimed at avoiding the fallacies of Europe's southern countries, the Euro has been undergoing a process of reform for many years. Sometimes called “the Euro 2.0”, although still on the development path and far from being perfect, it now creates a complex integration project that consists of the former monetary and currency union supplemented with new institutions such as the European Stability Mechanism, the Banking Union, and the Capital Markets Union. The Union of Social Standards is in the plan in the future.

Furthermore, in the projected following EU multiannual financial perspective 2021-27, there is a separate fund for the eurozone countries. Over time it could transform into a separate eurozone budget, which will clearly privilege those countries who are inside. Soon it may appear that the full benefits of membership in the EU are linked to membership in the euro area. This was already clearly stated by the European Commission President, Jean-Claude Juncker, in his State of the Union speech of 2017. This perspective has also begun to prevail in the entire discourse on the future of the EU.

Assuming that Brexit finally happens, the eurozone would comprise 85% of the EU GNP. Additional countries are knocking at the door: Bulgaria, Romania and Croatia. At the same time the mood in Poland, the Czech Republic and Hungary is quite contrary. None of them is in a rush to fulfill their old obligation arising still from the 2003 accession treaties to the EU and consequently implementing the Euro currency. They still view the Euro through the prism of the global financial crisis that began a decade ago. Their societies are reluctant to abandon their national currencies and are afraid of the rise in prices and a decrease in the standard of living as a result of accession to the Euro. The negative benchmark was introduced by the vivid memory of excessively indebted countries of the EU South, who experienced years of shallow economic growth and high unemployment rates.

Additional countries are knocking at the door: Bulgaria, Romania and Croatia. At the same time the mood in Poland, the Czech Republic and Hungary is quite contrary. None of them is in a rush to fulfill their old obligation.

Looking, however, at the countries who committed mistakes in economic policy and bore some heavy consequences should not be the only perspective (it is worth mentioning, that none of those countries is willing to exit from the eurozone).

Good lessons from the CEE4-ins

There is no doubt that every economy must be well prepared in order to be a solid member of the eurozone. The good lessons here are offered by the four CEE countries who are already in: Slovakia, Estonia, Latvia and

Lithuania. Let's call them CEE4-ins. They have been jumping into the euro area in different moments of time. This was Slovakia in 2009 during the outbreak of the global financial crisis, which had its roots in the US, but soon approached Europe; Estonia in 2011—in the midst of the crisis; Latvia and Lithuania just after the crisis, in 2014 and 2015 respectively.

The CEE4-ins did not copy the mistakes committed by the South of Europe. Over the long-term, each of them experienced a drop in unemployment.

A common feature of these countries was a very low level of public debt before the accession, although they all had problems with too high inflation. Lithuania, for example, failed twice with its accession due to excessive inflation. In the case of the CEE4-ins, entry to the eurozone did not trigger deterioration. The CEE4-ins did not copy the mistakes committed by the South of Europe. Over the long-term, each of them experienced a drop in unemployment (except Slovakia, where the unemployment has risen for a short time similarly to the rest of Europe in consequence of the global crisis).

After entry to the eurozone, the economic growth in CEE4-ins was moderately positive. In the case of Slovakia, since 2009, the cumulative GDP growth reached 20% while in the case of Poland, the Czech Republic and Hungary (CEE3-outs) it was 18% on average. Slovakia surely did not become impoverished due to the eurozone. Slovakia had a much stronger growth of industrial production in 2010-17, around 60%, while in the Czech Republic and Hungary it was 40% and Poland 46%. According to the recent IMF forecast, over the next five years Slovakia will be the fastest developing economy from among the entire Visegrad Group. In the case of Estonia, since the entry to the eurozone, the cumulative GDP growth hit 28%, while in CEE3-outs 19% on average. Lithuania and Latvia, since the entry to the eurozone, are growing at a similar tempo to the average of CEE3-outs.

Higher prices are not a consequence of accession to the euro

Slovakia achieved unprecedented economic success after it joined the eurozone, which resulted in a general satisfaction observable in the opinion polls. For the Baltic states, who were interested in fast accession mostly for political reasons, the entry has also contributed to a better economic situation.

Before accession, the Baltic states all had a fixed exchange rate towards the Euro. The Baltic states GDP per capita was 4 times smaller than that of the other eurozone countries in 2004. This difference is only twice as big at present. They had a meaningful inflow of FDI from the eurozone and a rise in the share of export and import with the eurozone in trade. The unemployment rate in Lithuania, Latvia and Estonia was also smaller than in the other eurozone countries. Surely, the Euro is not the only reason for this success, but the conclusion is very simple: the CEE4-ins did not copy the mistakes of the EU South. Therefore they achieved tremendous success.

Before accession, the Baltic states all had a fixed exchange rate towards the Euro. The Baltic states GDP per capita was 4 times smaller than that of the other eurozone countries in 2004.

One of the popular myths present in the public opinion is the supposedly high growth of prices in CEE4-ins in consequence of accession to the eurozone. It is simply a false statement. In 2009 (the date of the Slovakian accession to the Euro) the inflation rate in Slovakia was 0.9%, i.e. it was lower than in the past. The growth of prices in Poland reached 4%, the Czech Republic and Hungary 6% at the time. Since the accession to the eurozone, prices in Slovakia have grown cumulatively of about 12%, while in CEE3-outs 18% on average. There was also no mythical leveling of prices with Germany. The prices in Slovakia decreased relative to Germany from 65% to 61% from the moment of eurozone entrance.

The common currency is not the cause of problems or a guarantee for success

Thanks to strong performance in preparation for changing the currency, the introduction of the Euro was not followed with an acceleration of inflation. Nonetheless, the rise in prices on some goods has strongly contributed to the fact that perceived inflation was much higher than the real one. It can be explained by the so-called “cappuccino effect”. People tend to notice much stronger the rise in prices of goods that are bought by them in cash (for example a coffee in Italy). Another explanation is that people tend to observe more closely a rise of prices, not a decrease in them, while the statistical inflation rate is an average from both the rise and drop of the prices of goods.

In the public perception, the further popular “argument” symbolizing the rise in prices and the impoverishment of Slovakia and Lithuania after entry to the eurozone is the fact that their citizens prefer to shop in Poland instead of their own countries. This is, however, a rather false interpretation that arises from a misreading of economic mechanisms. The citizens of Slovakia are not poorer after joining the Euro. Since 2008 (the last year of existence of Slovakia’s corona), the average Slovak salary has nominally risen 35%, after deducting inflation 20% in real terms. It equals an additional amount of money in people’s pockets. Additionally, due to holding a strong and resilient euro, Slovak wages did not drop as they have been calculated in Euro, in contrast to the wages of Poles, Czechs and Hungarians.

The weakening of the Polish zloty in 2009 automatically triggered the drop in prices in Polish shops. While in 2008 the prices in both countries were almost identical, in 2017 the average Slovak could buy in Poland 20% consumption goods more than in Slovakia. All in all, Poles have been impoverished due to a depreciation of their currency (they had to pay more for imported goods or for all goods that were bought abroad). Slovaks also enriched themselves in comparison with Poles—in their home country thanks to a much stronger rise in wages relative to prices, and even much more on shopping in Poland as the prices were very attractive to them.

Slovakia’s performance *vis-à-vis* the Czech Republic was also remarkable. As of 2008, when Slovakia experienced the very strong effect of anticipation before joining the Euro, the average GDP growth was 1.4%, while in the Czech Republic 0.4%. The gap in GDP per capita between the Czech Republic and Slovakia has dropped from 21% in 2008 to 7% in 2016.

The experience of CEE4-ins, and CEE3-outs demonstrates that the common currency should not be easily pictured as the cause of problems or a guarantee for success. The Euro is awarding those who are well prepared. It can create problems for those countries who do not undertake

One of the popular myths present in the public opinion is the supposedly high growth of prices in CEE4-ins in consequence of accession to the eurozone. It is simply a false statement.

appropriate reforms and make grave mistakes in economic policy. Worth remembering, whether they are in the Euro or out of it, is that countries who do not commit reforms will always have difficulties.

None of the CEE3-outs reject the eurozone by principle

Thanks to the Euro, the CEE4-ins also received obvious political benefits. The Baltic states are members of the informal but highly influential “Hanseatic League” (sometimes called the Northern League), which is one of the most important groups leading the debate on the future of the eurozone. It often directly and successfully contradicts the views of Germany and France. Slovakia closely cooperates with the League. The Slovak Minister of Finance, Peter Kažimír, was one of the favorites to chair the so-called Euro group (a group of countries who hold the Euro currency), while Latvia’s former Prime Minister, Valdis Dombrovskis, as Vice-President of the European Commission, is responsible for the reforms of the entire eurozone. Furthermore, it can be easily assumed that membership in the Euro will create an additional advantage during the negotiations on the next EU multiannual financial framework.

Thanks to strong performance in preparation for changing the currency, the introduction of the Euro was not followed with an acceleration of inflation.

For the CEE3-outs, the situation is not simple. In Poland, the Czech Republic and Hungary the choice of not entering into the eurozone seems to be mostly linked to a political factor and the ideologies of the governing parties. This also strongly affects public opinion as the mood towards Euro entry is rather gloomy in all CEE3-outs. Characteristically, none of these countries reject the eurozone by principle. They all argue, however, that the Euro must reform itself as its current shape is still incomplete and does not ensure sufficient safety in times of crisis. The argument is partly true, but does not take into account how volatile the currencies of CEE3-outs are currently. Monetary sovereignty is much different today than it was in the past. The EMU is currently the largest project since the creation of the Single Market, and it must move forward. The rules clearly will be decided without the participation of CEE3-outs and one way or another it will impact them. Therefore all these three countries keep open a small window for a change of option.

I had the privilege on several occasions to exchange views with the Czech PM, Andrej Babiš. Although he by principle rejects the idea of a common currency, it seems that he would be very much pragmatic if the circumstances change. This is also the case with the Hungarian PM, Viktor Orbán, whose government has already suggested a willingness to reconsider its position. The Polish PM, Mateusz Morawiecki, has introduced the conditions for the entry to the eurozone that practically makes it impossible to project in the years to come. In all three cases the attitude would probably change if the idea of introduction of the eurozone budget becomes real and would not be small. Objectively, the eurozone needs it. It may additionally trigger a new impulse for the CEE3-outs.

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Andrzej Chwalba: Idealism and Interests

President Wilson assumed in Versailles that he would gain the gratitude of the peoples of Europe and political and economic influence in the Old Continent. It turned out, however, that Americans did not accept his idea—says Professor Andrzej Chwalba in an interview with Zbigniew Rokita.

ZBIGNIEW ROKITA: One hundred years ago, the Treaty of Versailles was concluded in June 1919. Slightly more than six months earlier, on 11 November 1918, the Germans had signed a truce with the Allies, even though no foreign soldier had entered their territory. Germany did not lose the war militarily, and in the first half of 1918 it even seemed to be just a step away from winning it: they signed the Brest Treaty with Russia and they were approaching Paris.

ANDRZEJ CHWALBA: A great Allied offensive was prepared for 14 November, and the Germans realized that they were unable to stop it, that the war was lost. They came to the conclusion that it was better to end it earlier, because with time the price to be paid would increase. Unlike the Nazis, they didn't think that you have to fight to the

very end, there was no fanaticism in them. Moreover, in the first days of November, a Central European branch of the Bolshevik Revolution erupted in Germany, which led to the collapse of the state, the proclamation of the Republic and the escape of the Emperor. So there was nothing to wait for. The Kaiser crossed the border with the Netherlands at a time when a ceasefire was being signed in the Forest of Compiègne.

Why did the Kaiser abdicate? Was there no other option?

His resignation was demanded by the chief architect of that truce, Thomas Woodrow Wilson. He blamed him morally for the outbreak of the war. However, it was not so much Wilson, but the German public that forced him to give up his crown. If Wilhelm had not abdicated, he would have been put on trial.

Was there such an idea?

Yes, the soldiers of the revolution with red ribbons were located about 30 kilometers from the place where Wilhelm and his family stayed, waiting for the permission of the Queen of the Netherlands, Wilhelmina, to enter her country. In a few hours he would fall into the hands of a revolutionary tribunal and possibly be sentenced to death.

So he could have shared the fate of his cousin Nicholas II Romanov, who was refused asylum in Britain by their common relative King George V.

The opinion of the British on the Tsar, an ally of Britain, was worse than on the enemy—the Kaiser. Russia had bad press as an autocratic, brutal and backward regime.

This influenced London's decisions.

The opinion of the British on the Tsar, an ally of Britain, was worse than on the enemy—the Kaiser. Russia had bad press as an autocratic, brutal and backward regime. This influenced London's decisions.

A ceasefire was signed in the Forest of Compiègne, but the peace treaty had to wait for another few months. At that time, was Berlin afraid that the Allies could resume hostilities?

On the contrary, it was the superpowers who were afraid that the Germans would

resume hostilities. The Allies were happy that the war was coming to an end, especially the French, who mourned 1.4 million French victims.

When the Germans received the first proposals for their new borders during the Paris conference, they were not satisfied: among other things, the Allies wanted to transfer Upper Silesia to Poland without a plebiscite. This caused an incredible hatred towards the Allies and Poles. The Social Democratic German government mobilized forces at the Polish-German border region. After the occupation of Vilnius in April 1919, Józef Piłsudski halted all military action in the east and shifted the troops to the west. We were facing the prospect of a German attack on Poland.

Was the threat of war real?

A war was unlikely, a lot of this was play-acting. The French warned the Germans that in the event of an attack on Poland, France would march on Berlin. However, the English, who feared Germany's excessive weakening, benefited from the situation and obtained arguments for a plebiscite to be held in Upper Silesia.

There was also Austria-Hungary. Wilson wanted to preserve this state as a center for the stabilization of the region, but various processes tore this country apart. But was there a chance to preserve it?

If the decision had been in the hands of the superpowers, then yes. Almost up to the

end, Paris, London and Washington believed that the traditional concert of powers was still on. It was therefore believed that Vienna could be severely punished, but this did not mean that the “pygmies of Europe” were to be allowed to rule...

Paris, London and Washington believed that the traditional concert of powers was still on. It was therefore believed that Vienna could be severely punished.

This phrase was used by Churchill.

And even earlier by Bismarck. Announcing his 14 points, Wilson was clearly trying to save Austria-Hungary. He also did not prejudge the shape of the only new state he announced—Poland: he did not specify whether Austrian Galicia, for example, was to be a part of it.

If the United States had not joined the war in 1916 and Wilson’s voice had not been so important at the Paris Conference, would the chances of Poland’s independence have been lower?

If the Americans had not joined the war, it would probably not have ended in 1918, and the victory of the Allies would not have been certain at all. But back to your question: the French postulated the independence of Poland even earlier than the Americans. In 1918 appropriate circumstances occurred, which virtually forced

the Poles to create their own state. When Germany, Austria-Hungary and Russia crumbled, anyone who could built states on the ruins. The Allies, even if they wished, would not be able to halt the processes that had begun in our region. Poland and Czechoslovakia would have been created anyway. On the other hand, the Allies were to decide about the borders of the newly created states—a condition in the spirit of the Vienna Congress, where the big players decided about the shape of post-war Europe.

Austria-Hungary collapses, Germany is defeated. But what would the triumph of the Whites over the Reds in Russia have changed?

The Allies would not have agreed to the creation of the Baltic states: Lithuania, Latvia, Estonia, and it is difficult to say what fate Finland would have faced. What is certain, however, is that Poland would have been created, but within modest borders up to the Bug River at the most.

Wilson does not mention Czechoslovakia in his 14 points...

Which is a disappointment for Czechs, just like for Serbs and Croats. Czechoslovakia also emerges from a policy of *fait accompli*, but let us add here: Tomáš Masaryk and Edvard Beneš were an extremely competent tandem. From the very beginning, when active in the West, they bet on the victory of the Allies, while Poles were internally

divided. Czech emigration was effective and brought their case to light from oblivion.

Had an awareness of the Czechoslovak problem been absent in the West before?

Very much so. No one achieved as much success in Versailles as the Czechs. The circumstances were favorable to them, because London and Paris were the ones who opted for a strong Czechoslovakia. In the case of the Polish-Czechoslovakian territorial dispute, both powers supported Prague. In the context of defining the borders of Czechoslovakia there was also no conflict of interest with the German state, because Czechoslovakia was created from the lands of the collapsed Austro-Hungarian Empire.

At the same time Wilson's policy in Central and South America was...

Ruthless.

And yet we remember him in Poland as a knight in shining armor who gave freedom to the nations of the world. The ways he is perceived in America and in European images are quite incompatible. So how much idealism was there in Wilson's building order in post-war Europe?

Let us look at it from a broader perspective. Since the times of President James Monroe, that is the 1820s, South America had been Washington's sphere of influ-

ence. After the Great War, Wilson's ideas were to strengthen America's influence on Europe, especially on the countries of the so-called new Europe, such as Poland. Wilson also supported humanitarian aid for Europe through, among others, the Hoover Commission, which produced gratitude to the generous America. Wilson's ideas, including the right to self-determination of nations, were again useful to America in the period after World War II. They contributed to the launch of decolonization processes in Africa and Asia.

Supporting decolonization after the Second World War was a pragmatic move of Washington—mainly Paris and London were weakened, as they withdrew from the colonies and could be replaced by Americans.

Definitely yes. American idealism—both after World War I and after World War II—was connected with US interests. Wilson assumed that such a position would gain him the gratitude of individual nations and with political and economic influence. However, it turned out that Americans did not accept Wilson's idea—hence Washington's withdrawal from the League of Nations, and so on.

Let us also consider why this treaty was so harsh towards the Germans.

The war had lasted so long, because both sides thought that once they had won, they would impose hard conditions on the

defeated. The Allies wanted German colonies. They wanted reparations. In order to justify them, especially their scale, they had to assume that they were innocent. Only Germany was to blame.

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War as an investment.

Exactly. The French remembered well the very high reparations that the Germans imposed on them after winning the war in 1871. They wanted to take symbolic revenge. In addition, the Germans were named the main culprit of the war, which had to upset them.

Could a less severe punishment have saved Europe from the processes that led to the Second World War?

The disappointment of the German society would have been huge anyway. During the war, the German authorities had fed chauvinistic sentiments with the propaganda of success, promising that a new Germanic Europe would emerge. After all, even in 1918 Berlin formed the German European Union.

In what sense?

From the Flemish state through Poland, Finland, Lithuania, Latvia, Estonia, Ukraine

and Belarus up to Romania, Berlin-dependent states were constructed. A common time zone was even introduced in that area. It was more than Mitteleuropa. The leaders were still talking about Great Germany, about taking colonies away from the English and French after the victory, promising that the sun would never set over Germany. And suddenly German citizens, convinced that fate was on their side, lost the war.

In addition, post-war resentment was widespread in Europe. The French and English also thought that they had received too little. Italy was in the victors' camp and received a lot, and despite that Benito Mussolini came to power, who wanted even more. A less severe treaty would therefore be a weaker fuel for the Nazis, and it is difficult to say whether they would have come to power, but surely certain processes would have taken place anyway.

And who decided in Versailles, who had the most to say?

The Americans tipped the scales, sometimes supporting the British and sometimes the French. The Japanese were not particularly interested in the conference. The Italians were active, but they had much less to say than the main trio. In 1919 one could still see a balance between London and Paris. This was also due to the fact that Ferdinand Foch was the commander-in-chief of the Allied forces, with French Prime Minister Georges Clemenceau holding a strong position.

In 1920, the situation changed fundamentally. A group of politicians of lesser stature appeared in France, with pacifists and socialists growing stronger there and the alliance of Paris and London weakening. Americans, who had often supported the French, withdrew. The British became stronger.

And what was the main point in the dispute between Paris and London in Versailles?

In previous years, the English had become involved in European affairs only in emergency situations. It was a power thinking globally. The principle of a balance of power between the main players in Europe was important to them. London wanted peace and quiet on the Continent. Eastern Europe was of little interest to the British, it was not a prospective market or a supplier of raw materials for them. Only after some time it turned out that they had certain interests

in Poland. In Versailles it was important for them to participate in the dismantling of the Ottoman Empire—all the more so as the oil era had just begun. France, on the other hand, turned its sights on investment in the countries of its new Eastern European allies and still saw Germany as a major threat.

The years 1914-1945 are sometimes referred to as the Thirty Years' War II. Is it just a journalistic catchphrase or is there anything to it?

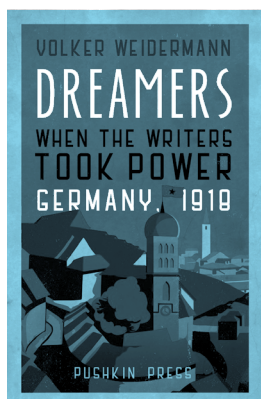
This is an exaggeration, because in the interwar period we had more than a dozen years of peace. However, we can agree that 1939 was a consequence of 1918. The Germans wanted to return to the path of war success, which they still pursued in the first half of 1918, but now they had much greater appetites. Hitler had much broader ambitions than the fathers of German imperialism at the beginning of the twentieth century.

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The Intellectual Insurrection



Dreamers: When the Writers took Power Volker Weidermann

Germany, 1918. Pushkin Press, 253 pp, 2018

It feels like this is an era opposed to intellect. The President of the United States prefers to communicate via Twitter—a medium where he has half as many followers as pop star Katy Perry—and persists in misspelling messages. Amid the battle over Brexit, UK Justice Minister Michael Gove famously told an interviewer, “People in this country have had enough of experts.” While it is still not clear if the British really do want to leave the EU, the June 2016 voting results signal that Gove was right.

But this sort of hostility to reason is long-running and the public frequently deifies men (or women) of action. In 2004, George W. Bush’s top advisor Karl Rove derided “what we call the reality based community” which he characterized as people who think “solutions emerge from your judicious study of discernible reality”.

“That’s not the way the world really works anymore,” Rove continued. “We’re an empire now, and when we act, we create our own reality. And while you are studying that reality—judiciously as you will—we’ll act again, creating other new realities, which you can study too.”

The reality that Rove and friends constructed led to some 200,000 deaths in the Iraq War, a power vacuum that almost certainly led to the formation of ISIS, and triggered events that led to civil wars in Syria and elsewhere, as well as a massive migration crisis. And yet even Rove's disdain for considered thought comes off as polite in comparison to what Napoleon Bonaparte wrote in his memoirs: "You don't reason with intellectuals. You shoot them."

What if the intelligentsia—people of reason devoid of selfish drive for power—actually ran things for once? Wouldn't things be better? For a brief period in 1918 and 1919 in Munich, they were in charge. As the German writer and literary critic Volker Weidermann notes in his latest book, "Dreamers: When the Writers Took Power," the results were well-interesting.

What if the intelligentsia actually ran things for once? Wouldn't things be better? For a brief period in 1918 and 1919 in Munich, they were in charge.

As World War I drew to a close, Germany was in turmoil. On 24 October 1918, with the conflict all but over, naval commanders in Kiel ordered the German fleet into battle with the British one for the last time. The sailors, unwilling to die just days before imminent surrender, refused. Mutiny followed and the mood of revolt spread. The revolution that would lead to the Weimar Republic began even before the ink on the 11 November Entente-Alliance armistice was dry.

Less than a half century after unification, Germany was hardly a monolithic state. Away from the Kaiser in Berlin, Bavaria was in turmoil. By 7 November, King Ludwig III had to flee his Munich palace. Amid the hysteria, Kurt Eisner, "the wild eyed theater critic who recognized his moment so quickly and seized it with such determination" found himself leading mobs through the streets. Somehow, he managed to seize power.

"Looking at the little group who were left behind in the debating chamber, did Eisner have a moment of doubt as to whether these people were really 'the people'? Perhaps not," Weidermann writes. "And there was not time for reflection now, in any case: he had far too much to do."

Eisner's time helming the ship of state did not last long. At elections two months later, his party received just 2.5 percent of the vote. It turned out he did not represent the people, but he nonetheless remained convinced of

his cause. “The fact that they have 12 million voters behind them,” Eisner said of the victorious Social Democrats (SPD), “does not mean their policies are good. The truth is not a multiplication sum.”

While the nominally leftist SPD had won the election, a good chunk of the SPD’s traditional working class base felt alienated by the party’s support for the war. Mired in material deprivation and defeat, to them the SPD began look like a corrupt establishment institution with the party’s leader Erhard Auer something of the Hillary Clinton of his day. Meanwhile, further east in Russia, communists had pulled their country out of the war and set about constructing a brave new world.

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Toller lasted just six days as minister-president before Germany’s Communist Party, led by Russian-born poet Eugen Levine, took control of the Council Republic. Within a month, he was out of office too. The SPD-led government was plotting a return, but had seen the Bavarian Council Republic draft many former soldiers, and police officers to their cause. Lacking a mass force of his own, Hoffmann allied himself with the so-called Freikorps, a group of right-wing paramilitaries (including many who would go on to become the early core of the Nazi party), and used them to retake the Bavarian capital. A year later, the Freikorps would oust Hoffmann from power and install a right-wing nationalist instead.

This rapid progression of events, and frequent changes of direction make a compelling storytelling backdrop, and Weidermann uses a number of literary techniques to keep readers’ senses on high alert (writing in the present tense, for example). Much like his previous book “Summer Before Dark”, “Dreamers” is composed like a multi-character novel. There are no divisions into chapters, rather a series of episodic snapshots stacked on top of one another. The jump from scene to scene and character to character has the effect of mimicking the disordered times.

Weidermann, the culture editor at Der Spiegel, is the author of four previous books in German. Only the aforementioned “Summer Before Dark”—which tells of the friendship between the writers Stefan Zweig and Joseph Roth during summer holidays in Ostend, Belgium in 1936—has been

translated into English. Whereas “Dreamers” is set amid a political storm, “Summer Before Dark” takes place during the proverbial calm before the storm. Three years later, World War II begins. Roth, a serious alcoholic, collapses and dies (in a link between Weidemann’s two books, it was news of Toller’s suicide at New York’s Mayflower Hotel that triggered Roth’s final drinking binge). Six years after the summer in Ostend, Zweig would also perish, via suicide, having just posted the manuscript for his sorrowful magnum opus “The World of Yesterday”.

Weidemann has a taste for literary celebrity (the Katy Perrys of yesteryear, if you will). In “Dreamers” all manner of people pass through, if not live in, Munich. The novelist Mann, sociologist Max Weber, poet and Prague-native Rainer Maria Rilke, the above-named Toller and a young Adolf Hitler all make cameos. Weidemann also dispatches the occasional burst of literary criticism and analysis. At one point in the book, all the characters are captivated by the latest bestseller, Oswald Spengler’s “The Decline of the West”.

“It is an assessment of the Western spirit that sees the world and history as we know it coming to an end,” Weidemann writes. “Downfall, humility and exhaustion are everywhere. Greatness is a thing of the past.”

Perhaps the mood sounds familiar.

This rapid progression of events, and frequent changes of direction make a compelling storytelling backdrop, and Weidemann uses a number of literary techniques to keep readers’ senses on high alert.

Clearly Weidemann has conducted a vast amount of research, in particular digging out and piecing together tiny bits of color and detail from contemporaneous diary entries by major and minor players. Even so, save for the meticulous chronology, his text feels light on actual information. Events unfold in cinematic style, but feel divorced from larger socio-historical phenomenon. The emphasis on character and setting comes at the expense of plot, and things feel more like a dramatized reenactment than a documentation of history. The book is more impressionist painting than photograph.

But Weidemann’s snapshot style has strengths too. It allows him to meander from one eccentric personality to the next. There are plenty to choose from. Among the more interesting is Silvio Gesell, a self-educated

economist and the father of the “free money” concept. As Weidermann describes him, Gesell appears as just “another man with a huge beard and dark circles around his eyes”. He stumbles into the job of finance minister for the Bavarian Council Republic (for a few days at least).

Gesell presents a innovative—if never effectively implemented—monetary experiment. So-called free money seeks to tax money by the week. This means, in practice, that money declines in value the longer one holds it. It incentivizes quick spending, meaning that cash circulates through the economy, priming growth, while also discouraging hoarding and the accumulation of liquid wealth. The latter effect combats the concentration of currency in a few hands by encouraging even the rich to spend. It also discourages lending to poorer people with interest, a practice that allows those who are already wealthy to accumulate more wealth. In short, Gesell called for giving money a shelf life like other perishable goods.

At one point in the book, all the characters are captivated by the latest bestseller, Oswald Spengler’s “The Decline of the West”.

“Picture this,” he wrote, “money will rot like potatoes, pollute the air like guano, explode like dynamite, be fed like a horse, operated like machinery. It will take up space like cotton, weigh heavy like bricks, corrode like sulphuric acid, shatter like glass.”

The longer one holds cash, and the more one holds, the more it costs to hold it. This thinking was sufficiently interesting as to lead John Maynard Keynes to predict that “the future will learn more from Gesell’s than from Marx’s spirit”. That may not have come to fruition, but Gesell does have a coastal resort town in Argentina named after him.

For every near innovation during the Bavarian Council Republic, there are dozens of instances of total madness. This is part of the fun of the story and surely made the Council Republic an unpleasant place to live. Toller’s foreign minister, Franz Lipp, spends much of his time sending telegrams to the Pope, for example. In one message, he complains that the government in exile has stolen the key to the ministry’s toilet. The Pope does not reply.

“They were the first,” Weidermann writes of the Munich revolutionaries. “They were entirely unprepared for it all, after 900 years of the Wittelsbach dynasty, after losing an unlosable war. There were no historical

precedents for them to draw on. Direct, permanent democracy; everyone having a say in everything. A government of fantasy and fictions. They wanted the best and created horrors.”

For every near innovation during the Bavarian Council Republic, there are dozens of instances of total madness.

The Bavarian Council Republic was a political failure for sure, but it also looks to have been an intellectual failure. Once in power, its leaders ceased to draw rational conclusions from the events occurring around them. Instead, they became the very same men of action they purported to despise. Like Karl Rove, they tried to create a reality rather than respond to the world as it was. Intellect is, according to the Oxford English Dictionary, “the faculty of reasoning and understanding objectively, especially with regard to abstract matters.” The world is still waiting for its first real attempt at intellectual governance.

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Time of the Quran



Archipelag islam. Czas Koranu, czas zmiany. Rozmowy bez cenzury ["Islam Archipelago. Time of the Quran, Time of Change. Conversations without Censorship"]

Jakub Winiarski, Piotr Ibrahim Kalwas

Błękitna Kropka, Nysa 2018, 457 pp.

One of the greatest riddles of universal history is the violent fall of Islamic civilization in the first decades of the twelfth century. Earlier, the Muslim world experienced a several centuries long period of extraordinary prosperity, in the eighth century stretching from the Atlantic to the Indus and practically depriving the West of access to the Mediterranean Sea. It was Muslim scholars who saved the heritage of antiquity, and local rulers created a universalist empire, where the rulers of the first Germanic, Vikings or Slavic countries, such as the Polans, sold the only commodity that Europe had in excess—people. “Even if the surplus was small, it was sufficient to accumulate the resources that made the basic investment of that time possible: the rebuilding of the Roman Empire, the renewal of the Empire by Charlemagne, the creation of the first united Europe—Western Europe,” wrote Henryk Samsonowicz in his book “Unknown History of Poland. In Europe or on the Brink of it?”

During the Crusades, the West returned to the Mediterranean Sea, which, as Fernand Braudel said, closed itself to Islam, taking away its momentum and contributing to its collapse. Western Christianity soon became a political and economic power, it experienced a renaissance of

culture, a shock caused by the sudden development of science, an eruption of rationalism and secularism, and finally an industrial revolution whose product—a product of the West—is contemporary industrial civilization, which, in the opinion of its critics, besieges the whole world, including the civilization of Islam. The tension between the impact of “global technologies and global behaviour” (Berque) and the power of religion, which wants to determine every aspect of the believers’ lives, nowhere is as strong as in the Islamic world. Which means also in Europe.

According to the authors of the book, the condition for the acceptance of Muslims in Europe and their recognition as co-citizens must be their acceptance of European values, that is secularization and privatization of religion.

Islam from an unusual perspective

The book by Jakub Winiarski, a poet, prose writer and atheist living in Dubai, and Piotr Ibrahim Kalwas, a writer, columnist and Muslim, author of *Salam* (2003) and other novels, and the reportage “Egypt: haram halal” (2015), is a record of conversations on Islam held between Alexandria, Dubai, Warsaw, London and Malta. The interlocutors are convinced that the growing number of Muslims, especially those of Arab origin, in the countries of the European Union threatens not so much with the Islamisation of the continent as with its Fascisation, with the seizure of power by the extreme right, which “took over the rhetoric of the fight against immigration and Islam, because the left staged an idiotic ‘peace & love’ show instead of fighting Muslim immigration”, says Kalwas.

According to the authors of the book, the condition for the acceptance of Muslims in Europe and their recognition as co-citizens must be their acceptance of European values, that is secularization and privatization of religion, as has happened with most European Christians. Both interlocutors declare themselves to be liberals and see the greatest threat to Western civilization in religious fundamentalism (not only Islamic) and extreme ideologies, both left-wing and—much more dangerous now—right-wing. They realize that Europeans are often ready to throw “European values” into the dustbin and vote for authoritarian leaders as long as they promise to get rid of strangers. The peculiar nature of Central Europe lies in the fact that Poles,

Hungarians and Czechs chose such politicians before they even had an opportunity to deal with actual Muslims. Those from the TV screens had been enough for them.

Kalwas and Winiarski have to do with Islam on a daily basis. They talk about its history, dogmas and heresies, as well as their own experiences from many years spent among Arab Muslims. Both are critical of the societies there, but they show respect and liking for the dissidents there. “What we can and should do is to support all democratic and liberal forces in the Islamic world with all our strength and in all possible ways,” says Kalwas. The readers of the book will therefore find an extensive discussion on the phenomena, social movements, books or authors who risk their lives so that Islam can, as Fernand Braudel wrote, “once and for all cease to be an obsolete civilization and rejuvenate in the glow of the present”. They will also find testimonies of barbaric practices such as girl mutilation (more than 90 percent of Egyptian women have their clitoris cut out) or *taḥarrush gamāʿī*, i.e. collective harassment of women.

“The Islamic Archipelago” needs to be read in today’s Poland and Europe. It shows Islam from an unusual perspective of observers who are critical of but not fanatically hostile to Islam. This is a perspective of Europeans who realize that Islam was, is and will continue to be part of the Old Continent. And that Europe will be like its religions, including Islam. This book is deliberately provocative and at the same time objective, rich in detailed descriptions and daring claims, such as Winiarski saying that the phenomenon of Islamophobia does not exist (which is strongly denied by Kalwas). Both Islamophobes and Islamophiles will find it of use to read it. If they exist.

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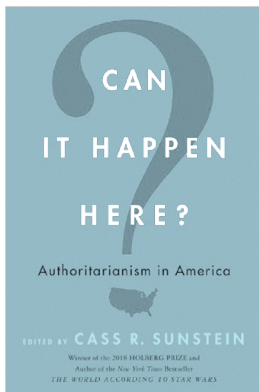


Can It Happen Here?

A continuation from the previous issue of the magazine

ASPEN.REVIEW
AVIEZER TUCKER

CULTURE
AUTHORITARIANISM
USA



Can It Happen Here?
Authoritarianism in America
Cass R. Sunstein ed.

New York: Dey Street 2018.

Two assumptions of responsibility have been missing from the discussion of post-2016 politics: *political* responsibility for policy mistakes that led to unintended

consequences and *moral* responsibility for the guilt of nations. In comparison, in the aftermath of the far greater tragedy of the Second World War, Western leaders recognized that they made serious economic and political mistakes that deepened the Great Depression and encouraged totalitarian aggression. They devised policies and institutions, the infrastructure of the liberal world order, to preempt a recurrence and prevent the expansion of the form of totalitarianism that survived the War.

Perhaps slowly changing political cultures are destiny. Democracy happens in some places rarely, between economic recessions.

Although philosophers like Karl Jaspers and Benedetto Croce had little to be ashamed of personally, they explored the guilt of their nations to try to understand the moral failure that carried them from Kant to Hitler

and from Renaissance humanism to the black shirts. Americans have failed on the whole to face the question of how a nation weaned on the family values of *Leave it to Beaver* and *The Brady Bunch* ended up tearing children from their parents and bringing a toddler in front of an immigration judge to answer for his crimes.

Different populisms resent different types of elites that use different methods to block social mobility, but they all grew on the harsh soil of social immobility.

Denial of responsibility assumes two historical inevitabilities. Obviously, the watershed that led to the current political crisis was the economic recession of 2008 and the unemployment, austerity and very slow recovery that followed it. As in the 1930s, this primary cause affected different societies through different paths and to different degrees. But arguably there was no antidote against this economic poison. Secondly, there are disturbing similarities between the map of populism in Europe today and the map of the authoritarian regimes allied with the Axis powers in the Second World War (minus North-Western Germany and plus Poland that was authoritarian but did not ally itself with Hitler), just as there is a similar disturbing similarity between the map of the Confederacy in the American Civil War and the map of states that gave Trump the presidency (minus Virginia plus parts of the Midwest). Authoritarianism may resemble alcoholism. An alcoholic may abstain with great effort and social assistance and pressure when everything goes well, but an alcoholic never stops being addicted. Perhaps slowly changing political cultures are destiny. Democracy happens in some places rarely, between economic recessions.

Alternatively, at the cost of accepting responsibility, it is possible to regain agency.

Stephen Holmes asked why disenchantment with democracy reached a level where few would be left to defend it in the West in the event of a crisis. Tacitly rejecting the exceptionalism thesis, he proposed the confluence of several global processes.

Although rapid economic mobility reached most of humanity in this century for the first time in history, it skipped parts of the developed world. It is difficult to generate mobility under conditions of slow or even

negative economic growth. The factor that seems to correlate more significantly than other economic variables with populism is absence of mobility. Different populisms resent different types of elites that use different methods to block social mobility, but they all grew on the harsh soil of social immobility. Low mobility in some countries did not start with the global recession of 2008, but it exacerbated earlier trends. Holmes noted that the social, geographical and educational segregation of social classes is exacerbated by their voluntary cognitive isolation in monadic information bubbles courtesy of social media.

Political revolutions did not result in social revolutions

In post-Communist countries the political revolutions did not result in social revolutions. The late Communist elite traded its political power for economic power and then used it to affect politics by incorporating politicians of all backgrounds from all political parties. Timid and unreformed judiciaries did not check that power and blocked attempts to institute retributive justice. The Hungarian and Polish populists were credible anti-elitists because they were staunchly anti-Communist and did not seem to have been incorporated by the late Communist elite through corruption like other politicians.

In my opinion, in post-Communist Europe, the judiciary and adjacent legal professions should have been entirely replaced before populist parties finally replaced the judges.

In East Germany, the economically mobile natives immigrated to former West Germany and depopulated cities in the East. Those left behind almost by definition were not mobile. In Italy, negative demographic growth and low rates of migration kept a family patronage based senescent social system in place in a system where loyalty trumped merit. In the United States, the elites outsourced elite reproduction, the hoarding of opportunities for their scions, to private universities. American elite universities have attempted to maintain a cognitive dissonance, at once making a claim for being the meritocracy of the best and brightest by encouraging creative research while at the same time maximizing profits by preferring scions of wealthy and well-connected families who pay above the asking price in money and connections.

Lustrations could expand to positions in the economy

The Trump administration demonstrates in many ways the external costs this system imposes on society, not just in generating resentment against “rigged” class structure, isolated elites, and biased expertise, but in the simple fact that the Trump dynasty and its associates, even members who are clearly fluent in no more than half a language, ignorant, and semi-literate, received their entry pass to the American elite from elite private universities. “The system is rigged,” as Trump said. In my opinion, in post-Communist Europe, the judiciary and adjacent legal professions should have been entirely replaced and overhauled by rapid expansion of law schools and appointments to the judiciary of newly minted lawyers, before populist parties finally replaced the judges, but with another dependent and politically loyal cadre.

Lustration, the exclusion from elite economic, social and political positions of former employees of the totalitarian secret services, militia, and top officials in the Communist Party could have then been enforced and it would have been possible to expand it to from politics and the civil service further to managerial positions in the economy to open mobility channels to people who were not associated with the Communist elite.

Italy and Austria could have opened up careers to talents even of citizens without political patronage by depoliticizing their state supported civil and social services. Heavily regulated European labor markets could have been deregulated to allow the absorption of young, immigrant, and other unprotected workers into the labor market. Universities in the United States could have made the admission process open, transparent and meritocratic or could have been forced to do so by law.

Post-Communist countries went through much worse when they restructured in the 1990s. But then we believed in a credible eschatology that promised convergence with the wealthy West along the proverbial J-curve of economic growth.

The prospects of falling down are too vivid

Even better, radical increases in the sizes of elite universities would have made the selection process less important and reduced the significance

of mistakes such as certifying the merit of the Trump dynasty and its associates, by diluting the levels of social exclusion. This is something universities should have accepted not just for the greater social good, but for their own long term enlightened self-interest. Rigorous qualifying exams of professional associations could have opened up channels for proof of excellence to young people who did not have the cash or connections to pay for a elite certificate.

Trump, Silvio Berlusconi, and Andrej Babiš voters are not, however, confused national socialists. They identify with billionaires. Their fantasy is not of an egalitarian utopia, but of becoming successful.

Holmes did not go much into the social rather than economic reasons for stolid social hierarchies. As Holmes argued, the economic explanation for the decline in democracy is insecurity and fear of downward mobility, not egalitarian resentment of inequality. The lower middle classes cannot imagine moving up in immobile economies, but the prospects of falling down are too vivid. Post-Communist countries went through much worse when they restructured in the 1990s. But then we believed in a credible eschatology that promised convergence with the wealthy West along the proverbial J-curve of economic growth.

Cleavage between a nativist underclass and a global mobile class

Holmes' explanations for the cleavage between a nativist underclass of people who lack geographical or social mobility and a global mobile class (that can come at both ends of the economic spectrum) are not as convincing. He suggested that nativists lost leverage over the elite when conscription and the Cold War ended and the elite did not require the loyalty of the lower classes. Democracies with conscription were not spared, however, the class cleavage and the consequent rise of populism. To take opposite examples, the current Israeli government recently adopted many of the populist themes that dominate East-Central European politics, attacks on the judiciary, scorn for educated cosmopolitan elites, and disrespect of the rights of the Arab minorities and African immigrants, albeit without gerrymandering.

In Switzerland, the populist Swiss People's Party is the largest party with 30% of the votes. Citizen workers, claimed Holmes, lost their bargaining position with the elites due to automation and outsourcing. This may be true for American blue collar workers, but in post-Communist Europe blue collar workers gained bargaining powers. They did, however, start comparing themselves to German workers and lost patience waiting for their salaries to converge. Holmes was right that ordinary citizens lost their leverage over elected elites. If all competing political elites are self-serving and unconcerned with the interests of ordinary people, there is no reason for them to vote except to protest.

As much as the Spanish Civil War was a general rehearsal for the Second World War, the Russian interventions in Europe's politics was a general rehearsal for the Russian intervention in the elections in the Western core.

Neither a democratic voice nor a geographic exit

Holmes retreated from his important insight that populists are not egalitarians, in attributing populism to frustration from lack of control over the "puppet masters of global finance" like the managers of Goldman Sachs who cannot be voted out of office. Steve Bannon, a disgruntled former employee of Goldman's, attempted to use this theme towards the end of the presidential campaign, and such themes are traditional in the European far right where they merge sometimes with anti-Semitism. Trump, Silvio Berlusconi, and Andrej Babiš voters are not, however, confused national socialists. They identify with billionaires. Their fantasy is not of an egalitarian utopia, a kibbutz with Bernie and Jean-Luc Mélenchon, but of becoming successful in a fantasy unreal show like *The Apprentice* and joining Trump at the top of the tower. The political significance of *The Apprentice* and its international franchises as launching platforms for political careers demonstrates that the utopia of these voters is to work under a tough but fair boss who rewards merit and hard work with mobility. They want to join rather than hang the international capitalists.

Holmes explained that those who have neither a democratic voice nor a geographic exit resent perceived elites that have both. This creates an opportunity for demagogues to exploit the resentment. The obvious

question is why do the natives fall for obvious crooks who capture the state to steal it? Holmes' answer was the demagogic constant distraction that augments and plays on the pathological passions of voters, xenophobia and resentment of elites and technocratic regulatory institutions. These distractions are particularly ridiculous in Eastern Europe where there is no immigration but massive emigration to other EU countries that in turn caused Brexit in countries that are net recipients of EU funds.

An arduous task to restore the Western alliance

The missing theme of responsibility and agency is most salient in the article by Samantha Powers, Obama's last ambassador to the United Nations. Powers recounts the history of Russian interferences in elections through disinformation, leading to the intervention in 2016, probably the most successful disinformation campaign since the Second World War and the most cost-effective disinformation operation in history. The article misses, however, an analysis of the failures of the Obama administration to understand Russia and its mixed warfare and covert disinformation tactics. It also failed to evaluate correctly the level of threat and then preempt it. The article lacks an appreciation of the critical mistake of retreating from Europe that allowed the Russians to fill in the vacuum and develop and refine their tradecraft of backing radical anti-liberal movements from all the political extremes irrespective of ideology to break down the Western democratic alliances and magnify internal cleavages within and between European countries.

Viktor Orbán's second victory in 2010 and the democratic backslide that followed, Miloš Zeman's election as Czech president as a populist with Russian backing in 2013, and the financial support of Russia to extremist parties such as the French National Front, took place not just without U.S. intervention, but with marked U.S. disinterest. As much as the Spanish Civil War was a general rehearsal for the Second World War, the Russian interventions in Europe's politics during Putin's second term as president was a general rehearsal for the Russian intervention in the elections in the Western core. The whole adventure must have cost the Russians a few million euros. The United States could have afforded to more than match it by supporting opposite political forces, from the center-right to the center-left. It could have also put pressure on Orbán's patrons in Bavaria to

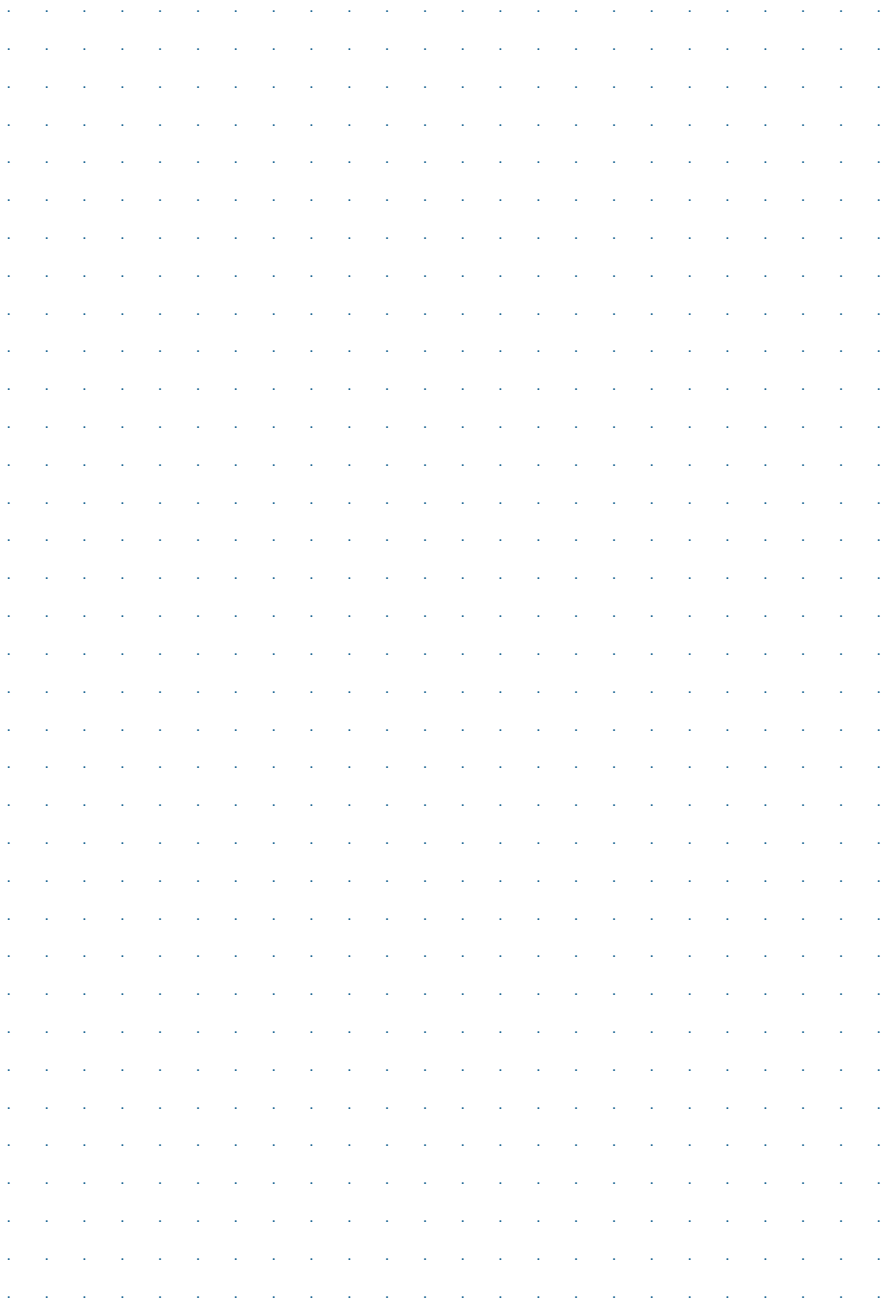
stop protecting Hungary from EU sanctions. There is no need to go into what the CIA and the NSA could have done with their covert capacities and resources. The story that Powers tells has only a single active agent that employs active measures.

It is still early for a political theoretical analysis of the “it” that happened. Yet, it is impossible to overestimate the importance of such analysis. Even if this unfortunate episode in American history passes by 2020, a new American administration will face a fractured nation and international alliances. Restoring the republic and reconstructing the Western alliance facing Russia and its anti-democratic fifth columns will be arduous and grueling tasks. Without understanding the mistakes that brought us here, it will be impossible not to repeat them.

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Partners



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IVAYLO DITCHEV

I think it would be too ambitious to believe that 100% protection of some kind against cyber and information threats can be developed—for that we would have to return to the pre-internet era.

PETR PAVEL

Social media, especially YouTube, serves as the main platform for expression, taste-making and production of identities.

MARLENE LARUELLE

The challenge between Politics and Technology remains crucial for geopolitical hegemony in the twenty-first century. In the West, the ideological battle raging over computers, the web, social media, AI, blockchains, fake news, and the power of large corporations and central governments over data is going to end up blinding our strategies.

GIANNI RIOTTA

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