

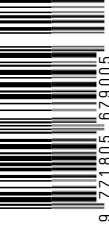
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ASPEN Review

ASPEN.REVIEW
CENTRAL
EUROPE

COVER STORIES Philipp Bagus, Eoin Drea, Mikuláš Dzurinda, Jan Sowa, Larry Wolff

POLITICS Yevhen Mahda ECONOMY Vladimír Špidla CULTURE Ben Cunningham INTERVIEW Jan Zielonka



The Face of Europe

About Aspen

Aspen Review Central Europe quarterly presents current issues to the general public in the Aspenian way by adopting unusual approaches and unique viewpoints, by publishing analyses, interviews and commentaries by world-renowned professionals as well as Central European journalists and scholars. The Aspen Review is published by the Aspen Institute Central Europe.

Aspen Institute Central Europe is a partner of the global Aspen network and serves as an independent platform where political, business, and non-profit leaders, as well as personalities from art, media, sports and science, can interact. The Institute facilitates interdisciplinary, regional cooperation, and supports young leaders in their development.

The core of the Institute's activities focuses on leadership seminars, expert meetings, and public conferences, all of which are held in a neutral manner to encourage open debate. The Institute's Programs are divided into three areas:

— **Leadership Program** offers educational and networking projects for outstanding young Central European professionals. *Aspen Young Leaders Program* brings together emerging and experienced leaders for four days of workshops, debates, and networking activities.

— **Policy Program** enables expert discussions that support strategic thinking and interdisciplinary approach in topics as digital agenda, cities' development and creative placemaking, art & business, education, as well as transatlantic and Visegrad cooperation.

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Europe's Multiple Faces

Dear Readers,

The face of Europe is changing. How many faces and what kind of faces does Europe have? Or is Europe faceless? For intellectuals, Europe's face is shaped more by the ideas of its thinkers or by the culture of its nations. For travelers, Europe is portrayed through its landscape and historical monuments. The image of Europe, for people around the world, is influenced by the goods it produces. And for its citizens, Europe is represented by its institutions, primarily those of the European Union. Do European institutions properly reflect Europe's face? Do they connect with the hearts and minds of Europeans? And what about European political leaders?

European history clearly demonstrates how the longing for the single face of a leader, endowed with unchallenged authority, has always paved the road to serfdom. Plurality in political leadership, in contrast, prevents the risk of hegemony and preserves liberty. The ongoing struggle for public attention makes it impossible for anyone to become "the face of Europe." There is no single Mr. or Mrs. Europe. The days are over when large parts of Europe were in the shadow of giant portraits of Hitler and Stalin. Europe's freedom is secured by ongoing dialogue concerning values involving multiple faces:

Angela Merkel, Emmanuel Macron, Jean Claude Juncker, Donald Tusk, Viktor Orbán and Sebastian Kurz. Today's face of Europe seems more like a Cubist portrait painted by Emil Filla or Pablo Picasso.

In this issue of Aspen Review Central Europe, we present a mosaic of views and attitudes toward today's European challenges. In an interview, former Slovak Prime Minister Mikuláš Dzurinda addresses both the questions of EU rules and institutions and the lack of political leadership among the members of the club. Thematic articles cover the tension between liberty and control, efficiency and accountability, the EU budget and the eurozone. The reviews of Ivan Krastev's *After Europe* and Fareed Zakaria's *The Future of Freedom*, two seminal books dealing with challenges to liberal democracy in Europe, place these challenges into more of a historical and global perspective.

We will continue to examine political leadership style along with the values of the free world and an open and democratic society. Stay tuned for Aspen Institute's events and publications!


JÍŘÍ SCHNEIDER
Executive Director, Aspen Institute CE

The Oldest Border in Modern Europe

One of the attractions of the Hanse Museum in Lübeck is an interactive map showing the development of cities in mediaeval Europe. With each passing century the number of flashing points on the map is growing, the colorful patchwork is getting systematically denser and extends from West to East. And yet, there is a constantly visible (although not marked) dividing line separating the East from the West of Europe.

The West is dense, the East less so; both today and 800 years ago, when the daredevils from Lübeck, in their incredibly small boats—not much larger than today’s yachts—loaded with wares up to the mast, sailed across the Baltic on their way to the fabulous treasures of Great Novgorod, joining the Euro-Asian far West (that is Europe) with the Eastern empires of the basileis, caliphs, and khans. This is the most enduring internal border of the continent—it runs roughly along the 20th meridian and south of the Baltic it crosses the territory of Poland and Hungary.





It is not only a border of wealth but also of political culture. In *The Origins of Political Order* Francis Fukuyama explores one of the greatest mysteries of European history: why did serfdom lose its validity in the West, but became highly profitable in the East? In the late Middle Ages, peasants enjoyed much greater liberty in Poland than in Hungary or in France, but in just a few years “legislative heralds of ‘secondary serfdom’ appeared with uncannily synchronized timing in Brandenburg (1494), Poland (1496), Bohemia (1497), Hungary (1492 and 1498) and Russia (1497).” While in the West peasants were becoming landowners (on the eve of the 1789 revolution in France they possessed 50 percent of all land), in the East the serfs retained only minimal rights, which distinguished them from slaves. “In practice the difference was not very big,” says Fukuyama.

The key to solving this mystery is the demographic advantage of the western part of the continent. Western Europe was much more densely populated; in 1300, its population was three times that of the East. It allowed for more rapid development of cities, which took advantage of the weakness of feudal state structures and in just a couple of centuries a significant part of the continent, from northern Italy to Flanders, was covered with a network of autonomous trade centers. It was the cities which recovered most rapidly after the demographic collapse which ravaged the West in the middle of the 14th century (the Black Death); it is in the cities that the peasants, escaping from the plague, famine, and feudal oppression, took shelter. And it was in the cities that monarchs, aiming at centralization of power and building strong absolutist states, saw their most important ally against the barons. The problem of food shortages was solved by way of trading with the East. Ships bearing grain sailed to Lübeck, Amsterdam, or London and returned to Gdańsk loaded with sophisticated products of West European crafts, and luxuries, coveted by East European landowners and their spouses—aristocracy and nobility without exception.

Thanks to the profits from trade in agricultural produce and cattle, Polish and Hungarian magnates became so powerful that they subjugated not only peasants and townspeople, but even kings, whom they elected themselves, sometimes within their own group. They deprived them of real power, at the same time making both their societies and states defenseless against their arbitrary rule. In Hungary the magnates cruelly suppressed a peasant mutiny in 1514; they burned the insurgents' leader on an iron chair and forced his comrades to eat the burnt body. Twelve years later, internally weakened and plundered by its native oligarchy, the Hungarian State ceased to exist after the lost Battle of Mohács (1526). It was divided into three parts, one controlled by the Habsburgs, one by the Ottoman Turks, and one, Transylvania, a Turkish fief. Two hundred and fifty years later, a similar fate was met by the feudal Republic of Poland.

The experience of losing their own country is shared by Hungarians and Poles. The fear of a “historical repeat” still plays a huge role in the politics of these nations, despite their NATO and EU membership. In the era of the new “migration of peoples,” many Hungarians and Poles see the greatest threats in migration and demographic challenges. NATO membership is not a safeguard against these challenges, while EU membership even exacerbates the risks—at least such is the belief of those voting for the ruling parties in Central Europe.

It is not just a matter of the events from a few years back, when “Mass immigration—the arrival of over 200,000 migrants and refugees in 2015 on Hungarian territory—triggered a trauma that the Hungarian state was unable to provide the security that society wanted,” as György Schöpflin wrote for our magazine (“Hungary, Fidesz and the EU: The Elections and After”,





Aspen Review Central Europe, 2/2018). “In a real way, the uncontrolled march of the migrants questioned the very existence of the Hungarian state, a deeply neuralgic thought in the light of history, and constituted a form of structural violence.”

1) populationeurope.org

The point is also that the whole European East—Central Europe, the Balkans, Russia, and post-Soviet countries—is becoming depopulated. Not only because of low birth rates but also—and sometimes mostly—because of migration. While the West is getting denser and younger, mostly thanks to people arriving from the countries of Eastern Europe, the Middle East, Africa, and Asia (just the number of the inhabitants of France increased in from 1990 to 2017 by 10 million,¹ the East is getting “sparser population” and older. Since 1990, the population of Lithuania and Latvia has fallen by one quarter, of Romania and Bulgaria by more than 10 percent, and in Czechia it has slightly grown only thanks to migrants (mostly from Ukraine, Slovakia, and Vietnam—currently one in six residents of Prague is a foreigner).

It is estimated that in 2050, Ukraine will have less people than Poland, also because of mass migration to Poland (which will have three and a half million inhabitants less than now). Even today there are about one million citizens of Ukraine in Poland, and the government in Warsaw encourages the inhabitants of South East Asia (Filipinos, Vietnamese) to settle there. But it is difficult to run a sensible migration policy if at the same time the ruling politicians exacerbate xenophobic sentiments and the citizens increasingly hate those they need the most—the “aliens.” And both groups blame the “West” for every possible ailing.

Also in this sense the 20th meridian still is the internal border of Europe.

ALEKSANDER KACZOROWSKI

Editor in Chief *Aspen Review Central Europe*

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JAN SOWA

COVER STORY

EU

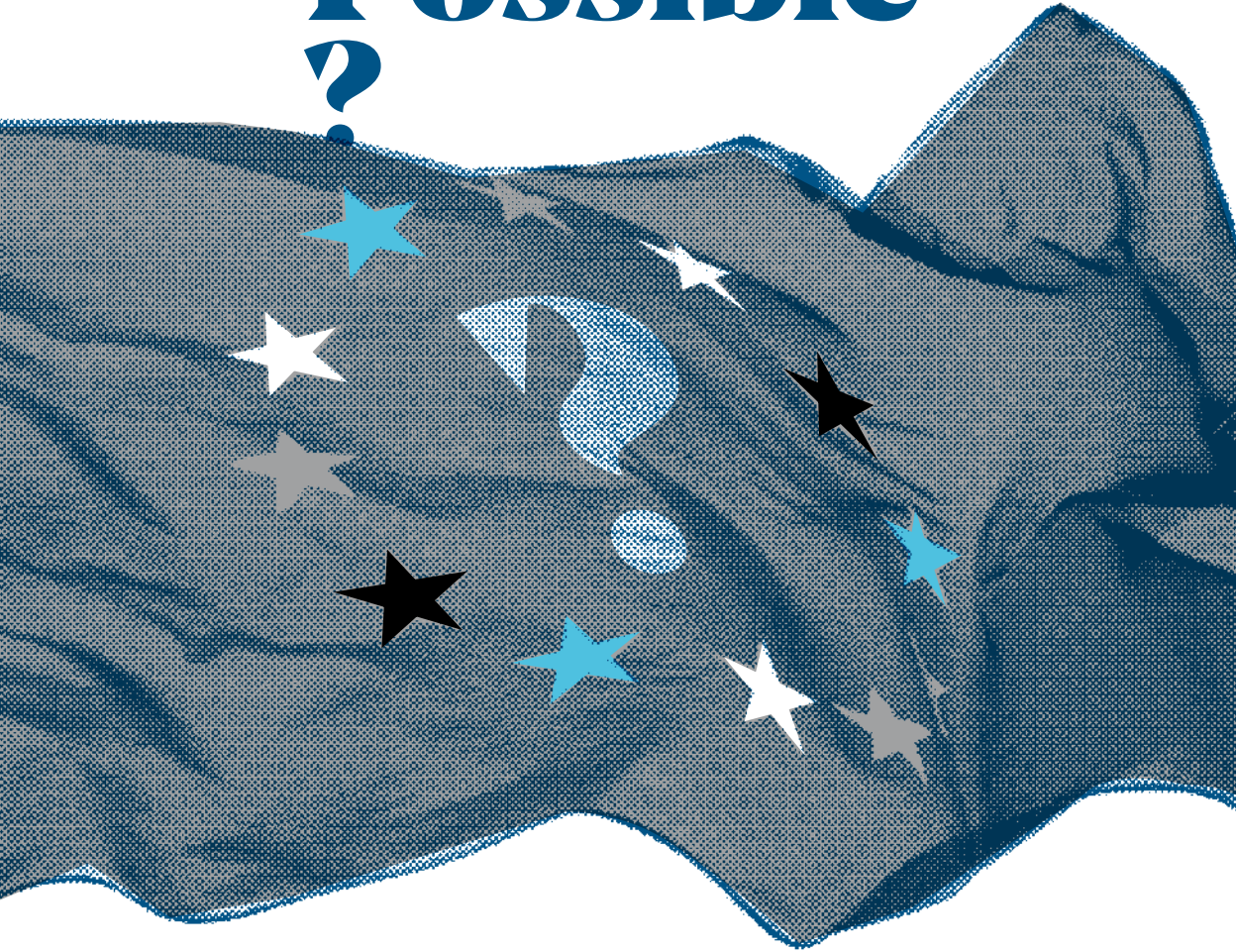
MACRON

MERKEL

INTEGRATION

POPULISM

Is Another Europe Possible ?



Whatever Macron and Merkel have in their minds brings rather less hope for the EU. Being unable to address the questions of stability and security, they have a limited arsenal of tools to persuade citizens of member countries, especially those in Central and Eastern Europe, to support deeper integration.

There was a widespread enthusiasm in the liberal circles that welcomed Emmanuel Macron's electoral victory in spring 2017. It seemed as if we had been able to turn back time and to go back to comfortable 1990s—the new French president might have been just another Tony Blair, Gerhard Schröder, or Bill Clinton. What a relief after all the Trumps, Orbáns, Farages, and Kaczyńskis that have haunted the liberal mainstream in their nightmares and daydreams in the last years.

As it is often the case with enjoyment, there was a fundamental contradiction in this triumphant outburst of joy and satisfaction. Macron attracted a lot of hopes, but three of them seemed to be the most widely shared among the (neo) liberals: firstly, that he would save Europe and the world from populism, blocking the rise to power of radical nationalists in the second largest country of the European Union, secondly, that he would rescue the European project and put it on a new track, and, thirdly, that he would curb the alleged excess of the French welfare state. The problem is, you cannot have all three at the same time.

Populism Has Not Triumphed Everywhere

The mainstream of public debate has manifested a lot of false assumptions, misconceptions, and denial in dealing with the recent outburst of populism. One of the key developments that went off the liberal radar was the fact that populism—although ubiquitous and truly global—has not triumphed everywhere nor were the places of its victory randomly distributed. It comes as no surprise, when you look at the situation from critical-materialist perspective, that populists enjoyed the biggest and deepest conquests in the countries and areas that have occupied the vanguard position during the now-fading neoliberal hegemony: UK, US, and Central and Eastern Europe like Poland (the golden child of neoliberal success) or Hungary. It surely is not the sole and only factor behind populist success and, as is always the case with social phenomena, one would not find 100% correlation between the two, nevertheless, the link seems to be there.

It is not difficult to explain: populism feeds on austerity that has been the motto of neoliberalization for the last three decades and enjoys great success in capturing the imagination of those who see themselves as the losers in the planetary capitalist casino: the crumbling working class of de-industrialized England, the more and more numerous drop-outs from the American Dream, the lower classes of the post-Soviet countries that lack material or

There is no doubt that Emmanuel Macron and Angela Merkel, in contrast to Theresa May, Jarosław Kaczyński, or Viktor Orbán, would like to see Europe integrate further.

symbolic capital—or both—required to fully reap the benefits of contemporary cosmopolitanism. It comes as no surprise that it is France that looks like a country where politics is still business as usual and where an average citizen has got enough faith in the *status quo* to support a non-regressive, non-reactionary politician like Macron.

The Electoral Victories of Macron and Merkel Produced a Great Deal of Hope

France is the number one public spender in OECD, maintaining one of the most advanced and comprehensive welfare programs in the world. It is easier in France than in most other places around the world to look into the future with audacity and confidence, because the French have their backs covered by their state in a better way than the English, the Polish, the Hungarians, or the Americans do.

What looks like a political bribe to the (neo)liberals (buying the victims of capitalism out of extreme misery) is the single best defense against populism and fascism. Expressing joy at Macron's victory together with hope that he would wind down the expansive French welfare state is a self-contradictory irony bordering on complete social and political blindness: it was precisely that very same welfare state that allowed Macron to take office in the first place.

Quite similar doubts surround the possible influence of Macron and the likes of him on the European project. Parallel electoral success of Angela Merkel—even if it is just staying in power—enticed a lot of hopes and speculation around a new phase of the European integration. Again, it is a bit like going back in time and resurrecting the famous Mitterrand-Kohl duet that

played such a crucial role in making the EU into what it is today. There is no doubt that Emmanuel Macron and Angela Merkel, in contrast to Theresa May, Jarosław Kaczyński, or Viktor Orbán, would like to see Europe integrate further.

Question remains, what kind of new integration would it be or rather around what goals and values would it proceed? Are these politicians capable of providing us with something else than a plan to benefit multinational capital and to strengthen the firm grip of the big and wealthy countries on the steering wheel of the European vessel? What could they offer to revive the enthusiasm for the EU that the East had even a decade ago and that now seems to be fading away?

Social Policy as Such Is Not Enough

There surely is a lot that a mechanism such as the EU could do for citizens of European countries, however, the ideas of austerity and flexibility that seem to animate Merkel's and Macron's mind would hardly benefit anyone apart from financial markets and its rich investors. We live in uncertain times of major political and economic earthquakes when the value number one seems to be everyday stability and safety.

It is easy to tell what the EU would have to do to provide it: rather than scaling down its welfare programs it should commit itself to striking another New Deal with its citizens, devising new ways of delivering material stability and predictability into people's life. It will surely not be achieved by stressing that the ultimate virtue in international relations is forcing a country to pay its debt despite misery of its citizens or making job market flexibility government's priority number one.

What is worse, we are facing a bigger challenge that the social-democratic welfare states of 1960s and 1970s. Social policy as such is not enough. There are huge segments of Europe's population that are afraid not only of the invisible hand of the market that can put them out of job but also of the invisible hand of a terrorist that is ready to detonate buses or trains we are all sitting in on a daily basis. The link between the terrorist threat and the willingness to support right-wing populist governments is an obvious fact across Europe. It makes local, national politics a formidably difficult challenge—every major terrorist attack committed by a Muslim anywhere in the world makes the populist parties score higher in the polls.

A European Army Would Help Support Deeper EU Integration

As if that was not enough, Central and Eastern Europe is more and more troubled by the unpredictable behavior of Putin's Russia. There is only one way to counter this threat: by creating European defense forces that would allow the EU to emancipate itself from its increasingly problematic dependence on the US. It is feasible, but would require more than just political will: it will not happen without higher spending, which means either more austerity to move funds to this new priority or a higher taxation. The former one would have devastating effect on European societies and would provoke even more support for anti-EU populists; the latter is not in line with neoliberal vision of economic policy of both Macron and Merkel.

Building a proper European army, along with a relevant defensive strategy, would help persuade Central and Eastern Europe to support deeper EU integration (if the region gives up its bizarre and misplaced faith in its alleged partnership with the US that is supposedly ready to provide a helping hand in the case of a major military threat). It would not eliminate the terrorist threat and the controversies around immigration it fuels. There is only one solution to it: radically improve the living standards of African and Middle-Eastern societies. Striking dirty deals with Turkey—the preferred solution of current EU establishment cynically referring to human rights when it is a handy tool to punish “misbehaving” EU members—will do nothing to stop the influx of migrants from those areas as long as their lives in their respective countries are a hellish nightmare.

Poland or Hungary, as sovereign states, can refuse to accept any further integration within the EU, but they cannot forbid other sovereign states from creating new international arrangements among themselves.

How to Stabilize the African and Asian Regions?

European demography endangering Europe's productive capacity creates a vacuum that helps to suck in new immigrants that arrive legally or illegally. With demography being on the rise on the other side of the Mediterranean and with wars, epidemics, and crises wrecking the lives of millions of people, the migration pressure on the EU will only rise. No level of internal security will help stabilize the situation.

Europe should rather create a massive African-Asian wealth fund that would help to stabilize the region and elevate possible refugees out of their extreme misery. That again requires more than political will (and even that is lacking)—it requires vast amounts of resources, so—again—more austerity or more taxation. What may be even worse, it would require the EU to reform its agricultural policy, especially its export subsidies that wreck the rural economies of developing nations in Africa and elsewhere.

All those factors combined render a successful deepening of European integration at least unlikely with Macron's and Merkel's current policies. Being unable to address the questions of stability and security, they have a limited arsenal of tools to persuade citizens of member countries, especially those in Central and Eastern Europe, to support any deepening of integration. We will surely see some attempts to entice it, however, with no real material means at hand, the advocates of a more integrated Europe will have limited success.

A Lack of Representation among the Working Class

What about other, more bottom-up factors that may encourage European integration. Is there a chance that the EU citizens themselves will spontaneously push for a more integrated Europe? It may happen, of course, but only if the EU undertakes internal reforms, especially if it does something to address its vast deficiencies in the field of democracy. For the time being, it has embraced too much unelected power to attract vast popular sentiment.

One of the factors behind the populist rebellion of the recent years is the lack of adequate political representation among many members of both lower and lower middle class. The degree to which the EU is alienated behind the rows of its bureaucrats that no one has ever voted for makes it unfit to face this pro-democratic element of populism. The fact that the EU has created a lot of opportunities that everyone can benefit from brings little consolation here. Opportunities are great for those who have the material and symbolic resources necessary to make use of them, for example to work and to travel in any member country. Otherwise these opportunities are irrelevant or even annoying.

What is worse, in the last three decades of the (neo)liberal hegemony the very term “opportunity” has been so widely abused that it has lost any meaning. We are surrounded by a constant propaganda of opportunities and

our freedom—or even obligation—to use them. All neoliberal reforms were supposed to create new enormous opportunities; and they have—for the very few who have amassed vast wealth thanks to them. For an average person all those opportunities mean mainly less stability, less protection, more risk, and more exploitation. It is impossible to defend the EU or attract anyone to it with the mirage of new opportunities it creates. People prefer stability and predictability, something that they feel is guaranteed and not probable: more security, not more possibilities.

The New Europe vs. the Old Europe

There is yet another way forward possible: establishing a new, more deeply integrated structure on top of the EU without the support of those unwilling to join it. It would create a two-speed Europe with a possible path to catch up for those who will not be on the wagon when it starts. Emmanuel Macron expressed on more than one occasion his opinion that the EU is facing the consequences of its overexpansion, thus suggesting that a more compact Union would function and grow better.

Building a proper European army, along with a relevant defensive strategy, would help persuade Central and Eastern Europe to support deeper EU integration.

Of course, such a project will face a fierce resistance from Central and Eastern Europe, it may, however, very well happen despite it. After all, affirming the national sovereignty is the cornerstone of politics in many populist-led countries of the region. And that is a double-edged sword: Poland or Hungary, as sovereign states, can refuse to accept any further integration within the EU, but they cannot forbid other sovereign states like France, Germany, Italy, and Spain from creating new international arrangements among themselves.

It is a scenario we may very well see. Its consequences are difficult to foresee. On the one hand, it would surely alienate and antagonize the so-called New Europe against the so-called Old one. Especially as it would mean some weakening of the existing EU, which would be detrimental to Central and Eastern Europe. On the other hand, it may have a surprising effect. Part of the crisis of the European idea is the perverse emancipation of the East which is not willing anymore to look up with awe at the West. As long as we,

Central and Eastern Europeans, were full of fantasies and dreams about our European identity and we desperately aspired to become part of European institutions, everything looked good. This Eastern awe also inspired Western minds who felt good being such an object of admiration. The problem is that after becoming the member of NATO and the EU the East has run out of fantasies.

The Best European Project That Neoliberal Money Can Buy

The European malaise is only a part of this complex phenomenon, but an important one. Once there is a new, exclusive “club” that offers to its members a heap of benefits that the outsiders do not enjoy, we, in the East, may very well collectively go back to our aspirational mode and decide that we need to change this or that to please the ones who guard the gate of this new promised land. It is not certain to happen, but it remains a possible path.

The problem is that this new exclusive club of smaller and better-integrated EU will have little to offer if it is led by the likes of Macron or Merkel. It will rather be a zone of even bigger austerity and higher exploitation, so nothing to look up to in awe. Such a new EU would not be a vehicle of Europe’s advancement and growth but rather its regress and decadence. That is yet another dangerous scenario for Europe. So whatever Macron and Merkel have in their minds brings rather less hope for the EU. Everything seems to indicate that we are already living in the best European project that neoliberal money can buy. As it is always the case with neoliberals, they have very little money to offer when it comes to public affairs. Well, as the saying goes: you pay peanuts, you get monkeys.

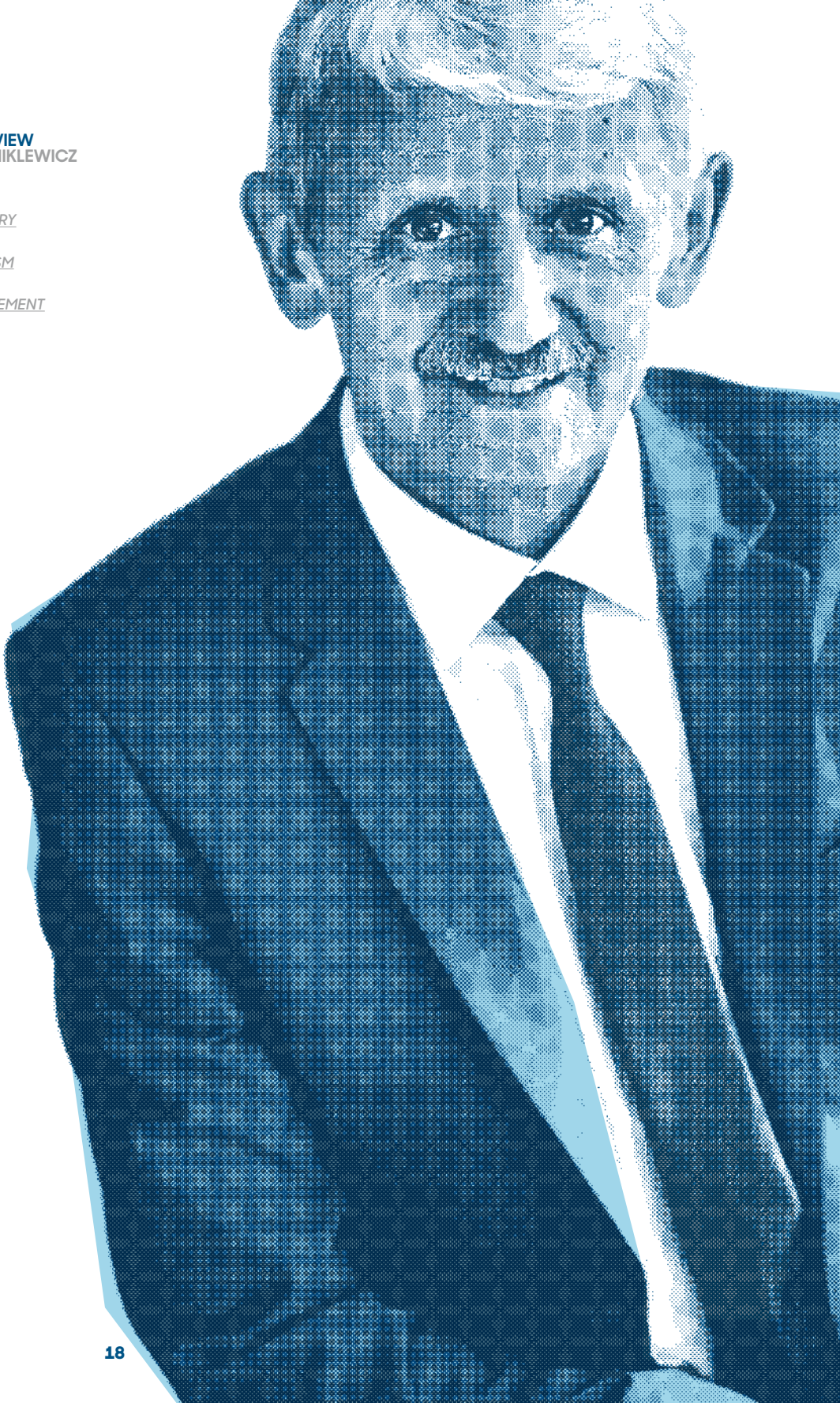
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ASPEN REVIEW
KONRAD NIKLEWICZ

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NATIONALISM
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EU ENLARGEMENT



Mikuláš Dzurinda: The European Union Needs Something More Than a Mere Face-Lift

An optimist would argue that the best medicine for populism is to let it govern. Unfortunately, a populist governance period can be very costly, and not only in terms of money—says Mikuláš Dzurinda, former PM of Slovakia and Martens Centre President.

KONRAD NIKLEWICZ: What is the direction the EU is currently heading? Will the EU as we know it, a closely-stitched community of 28 (soon 27) member states, survive in the coming years?

MIKULÁŠ DZURINDA: I believe that the internal and external developments of the EU lead to a particular modification

of our co-existence. On the one hand, our current pressure towards centralization is excessive and leads to resistance. On the other hand, our developments in the fields of defense, our high migration balance, and global competition creates pressure towards an adequate response to these challenges. This pressure cannot be countered by single countries, not even

those of the size of Germany, France, or any regional alliances. The EU will face pressures from the east, notably from Russia, and increasingly from China. From the southern, African states, the predictions of population growth threaten unseen dynamics of population shifts.

The EU needs to react to internal and external developments: In practice, this could mean abandoning further centralization efforts, particularly in fields related to culture, but also in the areas of taxes and social policies.

The EU needs to react to these internal and external developments: In practice, this could mean abandoning further centralization efforts, particularly in fields related to culture, but also in the areas of taxes and social policies. Simultaneously, we need to increase cooperation in our foreign policy, defense, and security.

“The era of liberal democracy is over,” declared Hungarian PM Viktor Orbán, kicking off his fourth term. Almost the same day, European Commission VP Frans Timmermans proclaimed that Poland should remain under the Article 7 procedure. Is Europe, already wounded by the ongoing Brexit, heading towards even bigger breakup?

The European Project is facing a challenge—that is undebatable. Migration and its

developments stand at the core of the challenges we face. The only way to withstand these pressures is to communicate more with our citizens. EU leaders need be prepared to take courageous and timely decisions in areas they tried to avoid so far. In the end, the citizens will acknowledge that our 70 years of peaceful existence, although ridden by turbulences and crises, gave us a relatively high level of prosperity and life quality. Europe’s need for courageous, truthful, and reform-oriented politics connected with strong leadership is at its top.

Why does the European project seem to break up? Why are so many people in so many countries turning their backs to the very idea of the Union? How can we explain the great comeback of nationalism and, sometimes, tribalism?

As I said, developments on the global level, especially following the events of 2008, scared our citizens. And the political leaders pushed for a policy which the former Austrian Chancellor Wolfgang Schüssel recently correctly labelled as “overpromising but underdelivering.” As an example of such a policy, Bill Clinton claimed that all American citizens deserve to live in a family house. Mortgages and retail banking boomed, and we all know how that turned out. Overpromising but underdelivering is also a sin committed at the level of the EU. People see politicians wasting time with

trivial matters while they, the people, worry about the rapidly changing conditions around them. On the flipside, a study was just recently published, indicating that levels of EU support are reaching record highs, surpassing standards since at least 1983. Poland too, although it faces Article 7 proceedings, shows a record-high EU support. The situation is similar in Slovakia. Whereas trust towards the government fell drastically after the murder of an investigative journalist and his fiancée, this effect is not mirrored in their stance towards the EU—on the contrary. Citizens of Slovakia rely on a broader engagement of EU institutions in this case. The European project has a chance, but we cannot allow ourselves to waste it.

Is the European Commission handling the case of Poland well?

Whether the Article 7 was used correctly and what might be its consequence are both matters that need to be clarified by the European Commission. The Commission should clearly and credibly communicate why this provision of the Treaty has been applied and what are the consequences for Polish citizens. Communication needs to be strengthened not only towards Polish citizens but to all EU citizens. Politicians, but also their voters, need to be repeatedly reminded of the fact that the EU is a club of states within which rules apply. These rules are

economic as well as political, since the EU is also a value-based entity. It was, and still is at present, freedom that lead the EU to peace and prosperity. Freedom

EU leaders need be prepared to take courageous and timely decisions in areas they tried to avoid so far.

leads to competition, competition and concurrence lead to prosperity. I would think that especially Polish citizens could appreciate the value of freedom.

How should we interpret the populist surge in Central Europe? It is not only Poland and Hungary: in the Czech Republic, populists won the elections too. Slovakia, shocked by the murder of an investigative reporter, is going through a political crisis, the outcome is unclear.

Populism is a current global phenomenon. It is not only limited to the V4 countries, not only to the EU. Its rise was accelerated by the global economy and (mostly) the financial crisis, perceived as a crisis caused by the elites. Unfortunately, the carelessness or exhaustion of traditional political parties have allowed or directly caused the crisis to reach that far. The perception of a meltdown was further strengthened by the unprecedented waves of migration (and its lousy management) in 2015. If we add up the consequences of globalization, massive technological progress, automation, robotization,

and the worries of the youth and middle classes—we realize that the groundwork for populism has been laid thoroughly. Instead of perceiving and reacting to these pre-conditions, the political elites across the scene continued to label those who revolted as the “losers.” That was and remains the primary catalyst for populists. Reforms can be painful and lead to a loss of political capital, which many, facing the elections, are not willing or able to give up. It is the return to politics of reform that is the best medicine for populism.

Does the Visegrad Group still exist? Or is it moribund? Should we instead speak about Warsaw-Budapest alliance and the remaining two countries, Slovakia and Czechia, playing solo?

That would not be a good idea. The V4 format comes naturally, and it is logical.

Sometimes it works better, other times

Overpromising but under-delivering is also a sin committed at the level of the EU. People see politicians wasting time with trivial matters while they, the people, worry about the rapidly changing conditions around them.

worse. At some point it is more compact, sometimes it is less coherent, as the national differences are highlighted and interests do not coincide. Let us not forget

about the mid-1990s. At that time, one of the chairs of the V4 remained vacated, and it was the Slovak one. My predecessor, Vladimír Mečiar, was excluded from this community for breaking democratic principles and rules. Nonetheless, the V4 survived—and it did well in not making rushed conclusions. I am personally more concerned about the alienation of the V4 from Germany, distancing the V4 from the EU, and about its unwillingness to share its problems. That is a short-sighted, wrong turn. We should come back to our senses before we allow the realities and developments of our surroundings to surpass us.

In Western countries, the picture is mixed too. The pro-European face of France, embodied by President Emmanuel Macron, has won. But in Italy, populists from 5 Stelle and nationalists from the League (Northern League) scored well in elections, and they currently try to forge a new Italian government.

Yes, the Italian elections did not bring that sigh of relief we felt in France and the Netherlands. An optimist would argue that the Italians have always found a way to cope with their problems, or that the best medicine for populism is to let it govern. The problem lies in the fact that a populist governance period can be very costly, and not only in terms of money. Italy is a large country and the promises of those who won the elections were at best crazy, at

worst extremely dangerous. And that not only for Italian citizens but also for the compactness and operability of the EU. So yes, we do have a problem. I believe that European leaders should communicate more—not only with governments but also with the leaders of the opposition. We need to strengthen the voice of the third sector, especially when it comes to NGO's working on European topics and public opinion.

What is your prognosis for the next European elections? Will the populist tide sweep through the European Parliament too?

I have particular concerns, especially when seeing how the populists and extremists expand their spheres of influence in large countries, in Italy, Spain, but also Germany or France. European Parliament elections take place in individual member states, with the topics predominantly revolving around domestic issues, while the EU level is often underestimated. That might have partially been caused by unrealistic expectations spurred by Brussels, sometimes even pretending it could solve all the outstanding troubles of EU citizens. We need to steadily but patiently explain to the people where EU's competencies lie, and conversely, where member states must be responsible. In the end, the result of the European elections will depend on the topics offered by political parties. If the national parties, which

congregate into European parties, can offer their voters an essential idea of a topic that is manageable only on EU level, one that evokes a positive association and resonates with the voters, they can succeed. Citizens' safety and security, protection, and the management of

Politicians, but also their voters, need to be repeatedly reminded of the fact that the EU is a club of states within which rules apply. These rules are economic as well as political.

migration, social mobility—especially of the middle class and working families—could all be relevant topics. A topic that might resonate on the emotional side is the protection of cultural identity—national as much as European.

Will the next European Multiannual Financial Framework heal the differences? Elements known so far suggest that the Commission wants to cut the Cohesion Policy. Moreover, it plans to freeze the funds for countries which breach the fundamental rules. May that proposal further aggravate the conflict between the north-west and the east of the EU?

EU funds should stimulate, motivate, and lead to further convergence of EU countries. They should not punish. I am against the funds being tied to evaluations of fulfilment or breaking of political

criteria. This connection would be technically very complicated, politically explosive, and easily abused. It would fuel populism even further, which is not the best idea. If we have imperfect rules for the punishment of those who do not adhere to them, let's improve the practices. But let us not mix the non-mixable.

If we add up the consequences of globalization, massive technological progress, automation, and the worries of the youth and middle classes—we realize that the groundwork for populism has been laid thoroughly.

If not the budget, what could be the medium or long-term cure for European woes? We used to think that the values and a commonly interpreted sense of purpose was the glue holding the Union together. Now, fundamental values are openly contested, the interests are going apart.

We need to ease the pressures of general centralization and the consequent growth of the European bureaucracy. We need to return to a careful application of the principle of subsidiarity. European Institutions should retain competences only where member states cannot assure a more effective regulation. That was expressed in a simple yet exhaustive and courteous manner by the President

of the Foreign Affairs Committee of the European Parliament, MEP David McAllister, on a recent conference in Warsaw: "Let's make big things bigger and small things smaller." On the European level, let us focus mainly on managing immigration. Let us negotiate on readmission agreements, returning people that are not refugees to their countries of origin. No EU member state can negotiate such readmission agreements (with, for example, African countries) more effectively on their own than if we act in a unified matter. Let us focus on developing the defense union, because a common defense of EU countries will be more effective and efficient than if we do it individually. According to this meter, we need to investigate each policy area, and if we stick to the subsidiarity principle, it will work. Self-evidently, we need to protect our core values, with freedom at the helm. Let us preserve what we call the European way of life.

Will the new attempt to create a German-French engine of the EU succeed? Will France and Germany find common ground for the eurozone reform?

It depends on how France imagines this reform. The French, traditionally, were inclined towards redistribution: a union of transfers. It is a trap, with potentially adverse results. It can only lead to the deepening of internal conflicts and an

even more significant resistance towards Brussels. I understand that certain solidarity within the EU is desirable, same as a specific strengthening of the convergence process, but the tools to reach these goals must be transparent. A Transfer Union would be detrimental towards the pressures on reforms, which are vital. The eurozone does not need its finance minister, nor its budget, and especially not common eurobonds. We should instead focus our energy on completing the Banking Union, on implementing the single currency in the remaining EU countries. This will unite us more than the intentions of President Macron ever could.

Is the EU enlargement a thing of the past? Why is the European Union still pretending to be in enlargement negotiations with Turkey?

I was not happy about the decision to invite Turkey to negotiate its EU membership. Together with my Austrian colleague, Mr Schüssel, but also the German CDU, we tried to push the proposal of a “privileged partnership” with Turkey. When

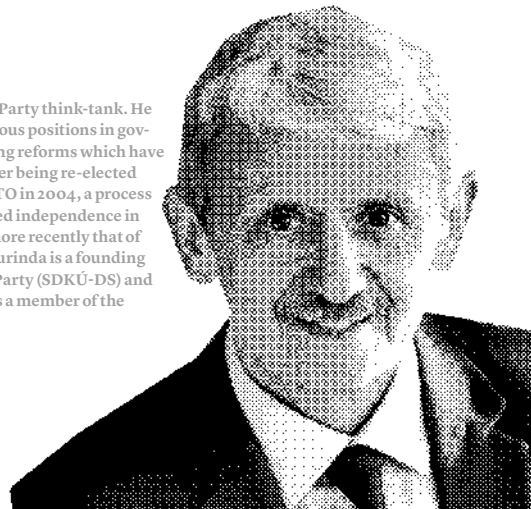
it failed, we endorsed the “open-ended process,” which means that, for the first time in the history of EU enlargement, it was possible to tell the candidate


A populist governance period can be very costly, and not only in terms of money. Italy is a large country and the promises of those who won the elections were at best crazy, at worst extremely dangerous.

country from the onset that its accession process might, but equally might not, end in their accession. This process depends mainly on the will and ability of Turkey to meet the accession criteria. We all know how Turkey is faring these days. Nonetheless, the EU has a clean slate in dealing with Turkey. I do not believe it should be us, the EU, who should replace Turkey in doing what they need to do: acknowledging that it cannot or does not want to fulfill (mainly) political accession criteria. We are primarily focused on Ukraine and Western Balkan countries.

MIKULÁŠ DZURINDA

is the President of the Wilfried Martens Centre, the European People's Party think-tank. He is the former prime minister of Slovakia (1998-2006) and has held various positions in government since first entering politics in 1990. He introduced far-reaching reforms which have enabled Slovakia to begin the process of joining the EU and NATO. After being re-elected in 2002, Dzurinda led Slovakia to become a member of the EU and NATO in 2004, a process which he actively took part in from the beginning. Since Slovakia gained independence in 1993, he has also held the position of Minister of Transportation and more recently that of Minister for Foreign Affairs (from July 2010 to April 2012). Mikuláš Dzurinda is a founding member of the Slovak Democratic and Christian Union—Democratic Party (SDKÚ-DS) and was chairman of the party from 2000 to 2012. From 2012 to 2016 he was a member of the Slovak Parliament. | Photo: Wilfried Martens Centre



A black and white photograph of a crowd of people at a protest. In the center, two individuals hold up a large white sign with the word "NO!" written in bold, black, hand-painted letters. The crowd consists of people of various ages and ethnicities, some looking towards the camera and others looking away. The background is slightly out of focus, emphasizing the sign and the people holding it.

NO!

The Dangerous March towards a European Superstate

ASPEN.REVIEW
PHILIPP BAGUS

COVER STORY
EU
CENTRALIZATION
EUROZONE
CARTELIZATION

Europe stands at a crossroads. Does it want centralization or liberty? It is the euro's future that will decide the issue.

The path of the euro is marked by the currency's inherent misconception. The institutional setup of the euro is deeply flawed because several independent governments can use one central banking system to finance their expenditures.

When a country such as Greece spends more than it receives in tax revenues, its government can simply print government bonds. These government bonds can be bought by banks, which in turn pledge these bonds as

collateral at the ECB in order to get new reserves. With these new reserves the banks can expand credits and, therefore, increase the money supply. Due to the indirect monetization of the government deficit the purchasing power of the euro tends to fall, and not only in Greece, the deficit country, but all over the eurozone. Part of the costs of the Greek deficit and government spending has been externalized on foreigners, namely the users of the euro. This setup is very attractive for politicians. They can buy votes by boosting government spending and impose part of the costs on foreigners, which do not vote in national elections.

The Highest Deficit Tends to Win Out

Greece is not the only country that can use this indirect monetization mechanism to enrich itself, any eurozone government can. In this beggar-thy-neighbor race the government with the highest deficit comes out as a winner. Imagine that Germany runs a deficit of 3 percent of the GDP and the rest of the eurozone has a deficit of 10 percent of GDP. When, due to the monetization, prices rise in the eurozone at about 8%, real German government spending may actually fall despite the government's deficit. Thus, a government can only profit from the euro's redistribution if it has a higher deficit than the average of the eurozone. The situation resembles the tragedy of the commons, where the commonly owned and overexploited resource is the purchasing power of the euro.

The dynamics of the setup are perverse and self-destructive. The problem was well known to the originators of the euro. Therefore, they imposed a quota on the use of the monetization mechanism. The Stability and Growth Pact set a limit for government deficits at 3 % of GDP. Unfortunately, the monetization quotas were only a voluntary promise by the eurozone govern-

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ments. No one could charge governments for noncompliance at independent courts. There were no automatic penalties for infringements and the infringers themselves decided if there were to be consequences, which unsurprisingly never did materialize. As a consequence, government expenditures and deficits rose especially in southern members of the eurozone. Unsustainable

state finances led to the European sovereign debt crisis. Even with the Stability and Growth Pact amounting to a failure, the perverse incentives of the euro are largely intact. There are basically three ways to solve the misconstruction of the euro.

The Fiscal Compact Aims at Balanced Budgets

First, the problem may be solved by a breakup of the eurozone. One of the more oversized states unwilling to reform and to follow the conditions that come with a bailout may be eager to devalue and therefore to leave the eurozone. Greece was close to follow this path in 2015. Movements that want

Unsustainable state finances led to the European sovereign debt crisis. Even with the Stability and Growth Pact amounting to a failure, the perverse incentives of the euro are largely intact.

to leave the euro have gained support in other countries such as Italy and France. Alternatively, a country on the losing side of the euro-redistribution could leave the eurozone. In fact, parts of the German Euroskeptic party Alternative for Germany (AfD) want to reintroduce the D-Mark and have gained some support.

Second, the eurozone could be reformed to effectively limit or stop entirely the indirect monetization of deficits. Indeed, the former has been the policy of the German government. In exchange for its support for the permanent bailout fund ESM, the German government demanded the implementation of the European Fiscal Compact, which is an attempt to tighten the Stability and Growth Pact.

The European Fiscal Compact aims at structurally balanced budgets. Only in a recession may the government deficits touch the 3% of GDP limit. Yet, these deficits must be compensated by surpluses in times of economic expansion. In normal times, deficits should not exceed 0.5% of GDP (if government debts stand below 60% of GDP, a 1% deficit is acceptable).

Less Profligate Governments Transfer Funds to the More Profligate

Moreover, the European Fiscal Compact introduces a debt brake. If government debts are higher than 60% of GDP, the excess is to be reduced by 5% per year. If, for instance, a government has its debts at 100% of GDP, it has to re-

duce its debts by 2% (5% of 40%). Unfortunately, the European Fiscal Compact seems to suffer the same fate as the Stability and Growth Pact. By and large, the European Fiscal Compact is ignored. Even though we see economic growth in many southern countries, they do not run budget surpluses. They also fail to comply with the debt break in cutting their overall debt burden. The European Fiscal Compact suffers from the same shortcomings as the Stability and Growth Pact. When political interests stand against compliance with the European Fiscal Compact, the treaty becomes a toothless bit of paper unable to effectively limit the tragedy of the euro. The next recession (at the latest) will bring to the floor the failure of the European Fiscal Compact.

When political interests stand against compliance with the European Fiscal Compact, the treaty becomes a toothless bit of paper unable to effectively limit the tragedy of the euro.

More direct limitations to the euro redistribution through the monetization of government deficits can, of course, be put in effect. The simplest solution would be to prohibit the ECB to buy government bonds or accept them as collateral in its refinancing operations. There is, however, no political will to follow this path today. Currently, a reform effectively solving the misconstruction of the euro is not imminent. This leaves us with the last option for the future of the euro.

Third, a fiscal union favored by many European politicians could substitute part of the destructive monetary redistribution with a more controllable fiscal redistribution. In this fiscal union, the less profligate governments (north) transfer funds to the more profligate governments (south) in order to maintain their overregulated and overexpanded welfare states. At the end of this dynamic stands a European superstate that controls and limits effectively the tragedy of the euro by redistributing funds between nations and homogenizing the exploitation of the purchasing power of the euro. The centrally managed redistribution can be used to sustain and equalize living standards and welfare systems throughout the eurozone.

The European Superstate Is the Logical End of the Setup of the Euro

As we see in this last option, the construction of the euro already contains the seeds for centralization. The euro causes overspending, higher deficits,

and sovereign debt crises. These crises can be used to introduce new central institutions or expand existing ones to manage the situation. The European superstate is a logical end of the setup of the euro. We have already seen several steps to this effect with the introduction of the permanent bailout fund ESM that effectively redistributes funds from the more responsible to the less responsible governments. Another step in that direction has been the enormous expansion of the power of the ECB. Also the banking union socializes risks across nations and redistributes savings. When Greek banks get into trouble because there is a haircut on Greek government bonds, they can tap the single resolution fund of the banking union, which is funded by banks of the whole eurozone. As a result, savings from other nations can be used to cover losses caused by excessive Greek government welfare spending.

More recently, in December 2017, the European Commission set up its “Roadmap for deepening Europe’s Economic and Monetary Union.” It contains several steps toward further centralization. The ESM is to be transformed into a European Monetary Fund. It could be used in case of asymmetric shocks and as a backstop for the banking union, thereby amplifying the redistributive range of the ESM. While the ESM is under international law, which implies a veto power for the signing countries, the European Monetary

The euro causes overspending, higher deficits, and sovereign debt crises. These crises can be used to introduce new central institutions or expand existing ones to manage the situation.

Fund would be a Union body. One could only exit the European Monetary Fund by leaving the European Union altogether. Decisions could be made with a qualified majority. The roadmap also calls for a European minister of economy and finance, adding to the centralization of decision-making.

The Struggle between a Liberal and a Socialist Vision for Europe

Moreover, French President Emanuel Macron has made additional proposals. He envisions a budget for the eurozone and defends a harmonization of tax policies such as an EU-wide corporate tax rate.

None of these developments come as a surprise. Since the beginning of the European integration after World War II, there has been a struggle between two visions for Europe: the classical liberal one and the socialist one.

The classical liberal vision considers freedom to be the most important European value. In this vision, independent and free states compete with each other, upholding liberty. In order to preserve freedom one does not need a European superstate. Quite the opposite, a European superstate is seen as a threat to individual liberty. The introduction of the four freedoms—free movement of goods, capital, services, and labor—was a great success for the classical liberal vision.

The socialist vision for Europe envisions the EU as an empire that plays an important role in world politics and competes with other big players such as Russia, China, or the United States. Europe is a fortress: interventionist to the inside and protectionist to the outside.

As we see, both visions are incompatible. France and Mediterranean countries have inclined more towards the socialist vision, while northern countries have been more favorable to the classical liberal vision. The euro has pushed Europe more towards a socialist vision of a European superstate.

Harmonization Is in Fact a Cartelization of Policies

The socialist vision of a superstate is extremely dangerous for the future of Europe. What its proponents call harmonization is in fact a cartelization of policies. It ends fiscal and regulatory competition. Once policies are harmonized, the tendency will be for taxes to increase and regulations to become more burdensome, because the competition, which serves as a check on the desire of politicians to increase state power, is deactivated—at least within Europe.

One should not forget that it is competition between political entities that limits government power and enables freedom. Indeed, it is the competition of small states that has made Europe unique and extremely successful. In the Middle Ages, Europe contained thousands of small political entities that lowered the costs of voting-by-feet. Individuals and companies could escape oppression and high taxes at a relatively low cost. States could not become too oppressive because they would lose citizens and companies en masse. Competition forced states to become freer.

Liberty was allowed to flourish in Europe, leading to great economic, cultural, and technological advances that propelled Europe to be the most advanced and powerful region in the world. In contrast, empires that existed

in China or India fell behind, as citizens could not escape their despots. From a historical perspective, an empire or superstate would be rather un-European. Without intra-European competition, taxes and state power would rise. As the size and power of the European superstate would increase, individual liberty—the basis for prosperity and progress—would recede.

Europe Stands at a Crossroads

Those who cherish individual liberty should vehemently oppose all attempts at further centralization. Champions of liberty should roll back the steps of the last years toward a European superstate. The ESM must be abolished and the banking union must end. Most importantly, people must realize that it is the misconception of the euro that has pushed Europe down the road of

The socialist vision for Europe envisions the EU as an empire that plays an important role in world politics and competes with other big players such as Russia, China, or the United States. Europe is a fortress.

the socialist vision. A European superstate can only be avoided if the misconception of the euro is corrected. The most straightforward solution is to prohibit that the ECB buys government bonds or accepts them as collateral. Only then the indirect monetization of government deficits with its redistributive effects will end. A link to gold would further strengthen the currency and make it more immune against political manipulations.

If the reform of the euro fails, as a last resort, there remains the option to exit or break up the eurozone. The breakup of the eurozone would hurt in the short run, but it would reinstitute monetary competition in Europe and prevent the rise of a European superstate. Europe stands at a crossroads. Does it want centralization or liberty? It is the euro's future that will decide the issue.

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President Macron, Germany, and the Future of the Euro: Is It Time to Get Real?

In Brussels it is as if 2018 is the new 1989. Everybody seems to be promoting some vision for the future of the eurozone and indeed for the future of the EU.

Around the imposing EU buildings in the well-heeled Schuman district, it may appear that Brexit and President Trump have combined to unite member states in a way that seemed unimaginable at any time during the past decade. However, appearances can be deceptive and the shared consensus that reform is required is exactly where the agreement ends.

A decade of economic and social crises in Europe has resulted in a fractured union. A union not only characterized by a traditional north/south economic divide but also by additional cleavages concerning immigration and the rule of law. Nowhere is the interlinked nature of these cleavages more evident than in the current debates on the future development of both the eurozone and the EU budget.

President Emmanuel Macron's soaring vision, as outlined in his Sorbonne speech of September 2017, called for the development of Europe as a global economic power built around a more integrated eurozone. Proposing a eurozone finance minister and a eurozone budget to drive investment, President Macron seeks to resurrect classical French thinking on the future of the EU, namely "converge more, spend more." Although, in this digital age his plan envisages allocating some future new EU taxes (like a harmonized corporate tax rate or common digital turnover tax) to finance this vision. However, the extent of other states' reservations to both proposed taxes hints

A decade of economic and social crises in Europe has resulted in a fractured union. A union not only characterized by a traditional north/south economic divide but also by additional cleavages.

at the difficulties of realizing any aspect of these particular goals. Ironically, President Macron, who portrays himself as the great European modernizer, proposes an economic vision of a reformed France often associated with President Nicolas Sarkozy's policy "*Travailler plus pour gagner plus.*"

German Recalcitrance as a Fundamental Question

Yet, for all his endeavor, President Macron's proposals face **two** inconvenient realities. **First**, his proposals—even if fully implemented—would do little to address the underlying causes of Europe's past decade of financial crises. Namely, severing the close linkages between member states and financial institutions thus ensuring that no bank could drag down a whole country into a financial abyss that happened most clearly with Ireland in 2010. Neither would they help complete Europe's still incomplete Banking Union nor protect citizens from losing their money in collapsing banks. Within the EU, the blowback on this issue has been sympathetic but firm. The finance ministers from seven EU member states (Denmark, Estonia, Finland,

Ireland, Latvia, Lithuania, the Netherlands, and Sweden) publicly called for the EU to focus on key imperatives such as completing the Banking Union and a refocusing on the primary importance of structural reform programs at a national level.

Second, although expected for several months, the absence of a detailed response from Germany to Macron’s vision indicates a distinct chill east of the Rhine for a deeper, more expensive vision of eurozone integration. Although a joint Franco-German proposal is due on the development of the eurozone, expectations are low. This, in reality, reflects the limited ambitions it is likely to contain notwithstanding Chancellor Angela Merkel’s recent comments on developing a European Monetary Fund and establishing a small (very small!) investment fund for the eurozone.

Although reported by the media as a case of Germany refusing to countenance any moves towards fiscal transfers (particularly towards other states perceived as less economically reliable), the issue of German recalcitrance symbolizes the fundamental question now facing the eurozone. Namely, is the euro best protected by the type of deeper political integration proposed by President Macron, or should the focus be on more pragmatic economic measures designed to safeguard the stability of Europe’s financial sector (and by extension European citizens and businesses).

The Return of Fiscal Policy to National Governments

Interestingly, prominent economists from the United States (a large, functioning monetary union with many historic similarities to the development of the eurozone) have argued that there is a specific path forward which can act as a bridge between the French and German positions. The completion of Banking Union—including a European Deposit Insurance Scheme (EDIS) and measures to limit the holdings of government bonds by banks—could be the

Italy is a potent reminder of just how fragile the prospects of the eurozone remain. Although often ignored, Italy boasts a strong manufacturing sector, high exports, and low levels of private debt.

first steps in developing a truly sustainable eurozone. A eurozone where the “doomed loop” between banks and governments is truly severed. Likewise, the development of a European Monetary Fund would help the eurozone in its path to credibly assume the responsibilities of any potential future crisis.

However, this view also holds that the EU approach to placing fiscal oversight from Brussels at the core of EMU is fundamentally flawed and ultimately unsustainable. Although anathema to true believers in fiscal union, the inconsistencies of having fiscal policy as a national prerogative, but EU level fiscal rules and enforcement is evidenced in the less than optimal operation of the eurozone over the past 15 years. Rather, what is required is the return of fiscal policy to national governments and the introduction of a credible “no bailout” rule (as is the case in the United States—a functioning, and successful, monetary union).

The Banking Union Remains Unfinished in 2018

Unfortunately—no matter what vision of eurozone development you espouse—agreement at EU level will likely be incremental, tortuously achieved, and often incomplete. Banking Union (the EU’s flagship response to the financial crisis) remains unfinished in 2018. While Banking Resolution and Banking Supervision mechanisms have been established, a fully functioning and comprehensive Banking Union remains unfulfilled. Proposals for EDIS remains a point for political discussion only, the necessity of such a policy stuck on the resistance of several northern EU member states. Solidarity, of course, is fine as a political speaking point, but rather less so if it potentially involves significant sums of actual money. Fiscal rules (the eurozone now boasts a “six pack,” a “two pack,” and a “Fiscal Compact”) remain at the center of a Brussels-based enforcement model. A model which in the mind of many “promises, inevitably, not discipline but a dangerous populist backlash.”

Italy is a potent reminder of just how fragile the prospects of the eurozone remain. Although often ignored, Italy boasts a strong manufacturing sector, high exports, and low levels of private debt. However, decades of low growth and high unemployment have resulted in stagnant incomes, rising public dissatisfaction, and the feeling that middle class security is becoming almost impossible to achieve. The second highest public debt in Europe, second only to Greece, limits the potential of any Italian government to raise public spending in an effort to stimulate growth. Domestic reforms of the Italian economy have, even in the most sympathetic reading of the situation, been piecemeal and wholly insufficient.

The Views of Eurozone Reform Are Still Based on National Interests

The reaction of Brussels, and indeed the financial markets, to the formation of the new Italian government highlights a clear understanding of how any economic instability in Rome could reverberate throughout the remainder of the eurozone. Put simply, the “doomed loop” between banks and governments remains, Banking Union remains unfinished, and any banking failure in Italy could in turn collapse the entire eurozone financial system. These possibilities should provide a renewed impetus to the EU to further develop eurozone governance as quickly as possible.

Unfortunately, as the response to President Macron’s proposals shows, member states’ views of eurozone reform are still largely based on national interests. In addition, the formation of an agreed Franco-German position on the euro will likely be a compromise on both sides, as evidenced by Chan-

Solidarity, of course, is fine as a political speaking point, but rather less so if it potentially involves significant sums of actual money.

cellor Merkel’s recent comments. Such proposals will also require support from other member states, many of whom have divergent objectives when it comes to economic governance. One can only hope that this need for consensus does not impede, rather than facilitate, a more sustainable eurozone in the future.

The decision-making process in Brussels is further complicated by ongoing negotiations on the next EU budget. Known as the Multi-Annual Financial Framework (MFF) it will cover the period from 2021-2027. However, as with all financial issues in Brussels, achieving an agreed framework is likely to take another 12 to 18 months to achieve. Although, in light of Britain’s exit from the EU, there is some hope that agreement—even broad in nature—might be achieved by the European elections in May 2019. The European Commission’s key proposals—a bigger budget (meaning larger contributions from net contributors), and a shift from the traditional areas of agriculture and cohesion policy towards external border control, innovation, and the digital economy—represent an attempt to gently nudge the EU budget into the 21st century. It also attempts to draw unity from member states on the issue of strengthening common external borders in light of the divisions resulting from the ongoing migrant crisis.

Inclusivity and Equality between EU Member States

Indeed, the legacy of the financial and migrant crises, added to the current debate on the future MMF, have brought to the fore the issues of inclusivity and equality between the EU member states. It is this fear that some members of the EU will either (a) proceed with further integration in isolation from other members or (b) that older member states will be treated more favorably than newer members that has the potential to seriously impede further reform of the EU's economic and financial governance. With the exit of Britain from the EU, many non-eurozone members feel that further integration could become solely dependent on the Franco-German axis. An axis that may or may not take full account of the preferences of smaller, more peripheral EU member states.

This issue of equality between member states has been further amplified by the contentious proposal of the European Commission to link the provision of EU funding to the maintenance of the "rule of law." These rule of law conditions include, but are not limited to, maintaining an independent judicial system and the implementation of effective national mechanisms to combat corruption and fraud. Although most obviously aimed at the current governments in Poland, Hungary, and Romania, such proposals have elicited a high degree of opposition throughout Eastern Europe. Regardless of whether such proposals are warranted, the perception among some EU members is of EU overreach and of a differing approach towards newer EU members being applied from Brussels.

Divisions Go Far beyond the Traditional Franco-German Economic Divide

Overall, President Macron has provided fresh impetus into the issue of eurozone reform, although the recent example of Italy shows that reforming monetary union is an urgent economic necessity rather than an object of grand political vision. In reality, there is a high degree of consensus regarding the overarching policies required to strengthen the euro against future crises. However, while completing the Banking Union has been a standard feature of every conclusion from EU summits over the recent past, the technical and political agreement required to complete this mechanism remains unfulfilled.

In this context, divisions between member states go far beyond the traditional Franco-German or north-south economic divide, but also encompasses a hardening east-west divide. This is a worrying development that has been greatly amplified by the migrant crisis, the ongoing MFF process, and the proposals by the European Commission to link EU funding to the rule of law. These are issues where inclusivity and the equal treatment of EU members are the bones of contention.

What are the likely next steps? Given previous history, it is unlikely the upcoming European summits will bring a “big bang” approach to strengthening the euro. It is likely that advances are limited to specific issues (such as creating the European Monetary Fund) and that this incremental approach continues in the coming years. Such an approach is, of course, dependent on a relatively benign political climate in countries like Italy and Greece in the medium term.

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What then of President Macron’s soaring vision? Expect limited concessions from other member states building on the seedlings already planted regarding a very limited investment fund for the eurozone and generalities regarding further deepening in the future. Given the current state of relationships between EU members, it is possible that the issues of inclusivity and equal treatment of member states, both east-west and euro-non euro, emerge as the real points of difficulty in the coming years.

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If Gavrilo Princip Had Lived to Be a Hundred

Larry Wolff April 1918 was one of the deadliest months of the World War I, as the Germans pursued their Spring Offensive to try to break through on the Western Front, in Belgium and northern France, before fresh American troops arrived to reinforce the armies of France and England. Unnoticed, on the other side of Europe, one twenty-three-year-old prisoner died on April 28 of tuberculosis in a fortress in the Czech lands, the very young man who had started the whole war by assassinating the Habsburg Archduke Franz Ferdinand and his wife at Sarajevo in 1914.

Gavrilo Princip, working with a team of young conspirators, was only nineteen when he pulled the trigger at Sarajevo, a teenager with a gun, as well as an ideology of extreme Serbian nationalism, deep political hatred of the ruling Habsburg dynasty, and probably some degree of adolescent mental imbalance. It was another nineteen-year-old who opened fire in Parkland, Florida, in February this year, murdering seventeen students at the high school from which he himself had been expelled.

Motivated by a Political Ideology

Princip (who had also been expelled from high school) was motivated by a political ideology, and supported by a secret society, the Black Hand, dedicated to violence and terror on behalf of Serbian national agenda, but one should not underestimate the chemical, emotional, and mental volatility of the adolescent male body and mind, and the compelling fantasy of silencing inner voices by firing a gun, in his case a Belgian semi-automatic pistol. He killed only two people in Sarajevo—the heir to the Habsburg throne and his wife—but the war that eventually ensued produced seventeen million more deaths over the next four years.

Born as a Bosnian Serbian subject of the Habsburg emperor in 1894, Princip hated the empire as the oppressor of the Serbian people, but the government that he despised was too civilized to allow for the capital punishment of a nineteen-year-old. He was imprisoned in the Habsburg fortress at Terezín, where he tried to kill himself, and then succumbed to tuberculosis before the end of the war that he had instigated. Terezín was a somewhat obscure military fortress during World War I, distant from the major battlefields, but during World War II, as Theresienstadt, it would become notorious as the concentration camp where the Nazis attempted to create the illusion that they were ghettoizing but not actually murdering the Jews of Central Europe. Terezín today is a concentration camp museum to the Jews

Princip hated the empire as the oppressor of the Serbian people, but the government that he despised was too civilized to allow for the capital punishment of a nineteen-year-old.

who briefly created a community there before being deported to their deaths, and the death of Princip in that same place in 1918 has become an almost unnoticed coincidence of history.

If Princip had lived six more months, he would have been thrilled to witness the disintegration and extinction of the Habsburg empire he hated so much; he would have seen himself become a national hero in the newly emerging Yugoslav state. Regarded as a terrorist by the Habsburg government and its allies, and more generally as the reckless instigator of the most terrible war Europe had ever known till then, Princip, a teenager with a gun, posthumously achieved political ends that went far beyond what he might have imagined.

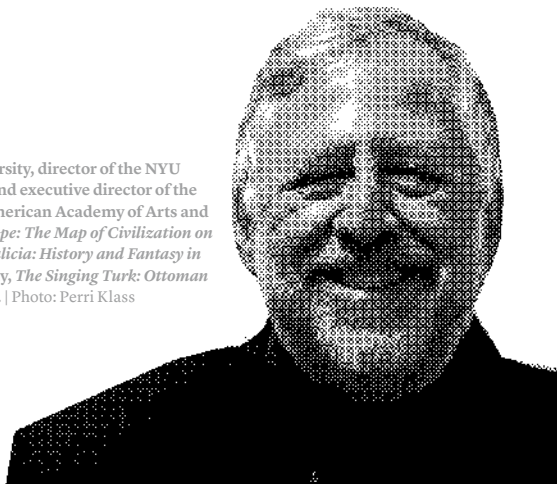
The End of a Relatively Liberal State

Josip Broz Tito, who was roughly Princip's contemporary, continued to preside from Belgrade over a Yugoslav state sixty years after the assassin's death. The youngest of the Sarajevo conspirators, Vaso Čubrilović, only seventeen at the time of the assassination, lived into his nineties, served as a minister in Tito's government, and is supposed to have regretted in retrospect the murder of the archduke, commenting: "We destroyed a beautiful world that was lost forever due to the war that followed." In fact, even the Habsburg state of Austria-Hungary—which Princip was not alone in regarding as oppressive—has come to be appreciated by historians as relatively liberal and even politically innovative in its efforts to encourage the coexistence of rivalrous nationalities. Certainly, in retrospect, it appears in a relatively favorable light compared to the various governments—including Nazi and Stalinist regimes—that have followed on the same terrain. If Princip had lived to be a hundred, he would have seen Yugoslavia itself disintegrate in national internecine violence—with resurgent Serbian nationalism playing a murderous role in the Bosnian civil war.

Princip did not live long enough to grow up and have regrets. He died on April 28, 1918, as World War I was raging on the Western front, when so many teenage boys were dying in the trenches. In the highly nationalist climate of present-day Serbia, a new bronze statue of Princip, forever young, was recently erected in Belgrade, with the president of Serbia saluting his memory: "Gavrilo Princip was a hero, a symbol of the idea of freedom, the assassin of tyrants, and the carrier of the European idea of liberation from slavery." From outside Serbia we might view him rather differently, as a troubled kid who combined aspects of youthful political terrorism and teenage gun violence that continue to render our world unstable a hundred years after his death.

LARRY WOLFF

is the Silver Professor of History at New York University, director of the NYU Center for European and Mediterranean Studies, and executive director of the NYU Remarque Institute. He is a member of the American Academy of Arts and Sciences. His books include *Inventing Eastern Europe: The Map of Civilization on the Mind of the Enlightenment* (1994), *The Idea of Galicia: History and Fantasy in Habsburg Political Culture* (2010), and, most recently, *The Singing Turk: Ottoman Power and Operatic Emotions on the European Stage*. | Photo: Perri Klass



Matúš Vallo: A Slovak Time of Trial

ASPEN.REVIEW
ŁUKASZ GRZESICZAK

INTERVIEW
POLITICS
SLOVAKIA
BRATISLAVA

I feel an energy that will bring change. These local government elections will be a test, and in two years, with the parliamentary elections, we will learn the truth about Slovakia—says Matúš Vallo, architect, urban activist, and candidate for the office of mayor of Bratislava.



ŁUKASZ GRZESICZAK: It's raining cats and dogs. How did you arrive for the interview?

MATÚŠ VALLO: I usually walk in Bratislava, I like it very much. But when it started to rain, I took a taxi. Otherwise I would've probably been even more late.

In the autumn last year I lived in Bratislava just by the Polus City Center for three months. I realized that it is not a city for pedestrians and cyclists.

I feel exactly the same. The blame goes to the huge desire, reaching back to the 1990s, for everyone to have his or her own car. The car was the symbol of luxury not only for Slovaks. Fortunately, by

now things have slightly changed in this respect. But due to this old belief almost everyone today is used to having a car and driving it. It's difficult to believe, but once the mark of social status was not to move around in Bratislava using the municipal transport (MHD)! No wonder we woke up in a city which prefers drivers and completely forgot about pedestrians. The pavements are narrow, damaged, and taken over by parked cars. They are not adapted to the needs of people with mobility problems. And our city has forgotten about cyclists. The new cycling paths are just a marketing gimmick serving as a bait before the elections. In fact, they don't exist.

Can it be changed?

I am sure it can. You simply have to give people a good alternative for how to move around the city. The alternative is walking and cycling, but the foundation has to be a quality municipal transport system. Buses, trams and trolleybuses must be cleaner and travelling must be safer. Public transport must be on time, waiting time should be shorter and the vehicles should have the right of way at intersections. In some places bus lanes are necessary, exclusively for MHD vehicles and taxis. These are obvious things which work successfully in many European cities. No miracles are needed.

Why are such ideas often approached with disbelief in Bratislava?

The fate of Bratislava and many other Slovak cities is being decided by people who are completely uninterested in urban matters. The mayors are mostly politicians who treat their office in the city as a springboard for a future career. The other type of our mayors are retired politicians, who are offered this job by their party in gratitude for their past work. They are often not professionals, the issues of Bratislava are new and unknown to them. I am not sure they are people capable of giving their hearts to Bratislava. A great reform of public transport? It will hurt. They lack the courage, the vision, and a good team. We have it all.

You are running for the office of the mayor of Bratislava. Is it the beginning of a political career?

I am not interested in politics at the parliamentary level, I am fascinated by the city. I am an architect and I have been running an architectural studio in Bratislava with a friend for 10 years, we employ 15 people. Until January this year, I worked full time for it and now I am running my election campaign. In 2008, we developed the project “Urban Interventions” in Bratislava—small

The fate of Bratislava and many other Slovak cities is being decided by people who are completely uninterested in urban matters. The mayors treat their office as a springboard for a future career.

urban interventions which can change and invigorate the space and the city. As an architect I believe that the space we live in has an obvious impact on our lives. It’s a cliché, there are whole academic libraries about that. I am interested in how cities change our lives. Since I remember, I have followed this subject and participated in conferences. One of them—the CityLab conference organized by Bloomberg and Aspen—opened my eyes. I realized that if you want to make a change, it is not enough to be an urban activist, you have to become part of the system.

Can you be in it without becoming a politician?

Of course, when I announced that I would be running for the office of the mayor of Bratislava, I became a politician. The point is how we understand this word...

I think that in Poland and throughout Central Europe it doesn't mean anything good...

That's true, I agree with you. This word has negative connotations. However, from my perspective, an urban politician is a person trying to comprehensively solve a given problem, looking at it not only from his or her specialist's point of view, but from all points of view that are needed for the change to be implemented.

You announced your candidacy two years ago. Are you not afraid that it was premature?

When I decided to run, I announced it to people. Such behavior seemed honest to me and I deprived my critics of arguments. It became obvious to all that they were working with a person who would be running for the office of the mayor. I certainly compromised some of my commercial projects in this way, but many people in my line of work congratulated me on my straightforwardness.

Why do you run?

Bratislava has huge potential. Fantastic nature, Carpathians around the corner,

close to Vienna and Budapest. A beautiful and interesting history, exceptional people gradually returning to Bratislava from abroad. I have the feeling that no one can see this potential and no one tries to make use of it. And we know what to do with it. This is the most important reason. Secondly, I want to live in Bratislava. I have lived in Rome for four years, I have worked in London for one year, and I spent almost one year doing research at a university in New York. I discovered a lot of cities, but ultimately I want to live here. But I want to live in Bratislava without compromises, as I have experienced it in other good cities.

Why did you come back to Bratislava?

I think I could be happy in London or Rome. It was very liberating for me when I discovered that I would not get lost in these cities. But when I was there, I came to appreciate our geographic location, the size and slow pace of our

Bratislava has huge potential. I have the feeling that no one can see this potential and no one tries to make use of it. And we know what to do with it.

city. This is the first reason, the other is that Bratislava is a unique city. My family lives here. I am not ready to accept that I have to spend two days travelling when I go to visit my mum as a price for living in an attractive European city.

I want to be able to visit my parents in 10 minutes. I am a proud Slovak, I was born here, I like this city, but I want to change it. I simply don't want to leave it in the hands of people who destroy it.

In your “Bratislava Plan” one can find the words that Bratislava is to be for everyone, for those who were born here, for Slovaks who came here seeking a better life, but also for foreigners. We are talking a few days after the death of a young Filipino Henry, who was beaten to death in the very center of Bratislava. It was a racist attack and the culprit kicked the foreigner, who had lived and worked in Bratislava for over a year, even after he lost consciousness.

This is a very tragic event. Bratislava is a small city and when someone murders another person in the very center, such

I am not ready to accept that I have to spend two days travelling when I go to visit my mum as a price for living in an attractive European city. I want to be able to visit my parents in 10 minutes.

an act can shock the whole Slovakia.

The victim is a foreigner. What signal do we send to the world? Unfortunately, Slovakia tolerates violence, politicians have been pursuing a consistent campaign against foreigners for many years. Someone may say that it is an

anti-refugee campaign, but in my opinion these two matters are connected.

We don't have refugees in Slovakia, in fact we don't have any major communities of foreigners. Politicians want power at any price, even at the price of inciting hatred towards other social groups. These might be homosexuals, foreigners, the Roma, Hungarians. There will always be someone, and Slovak politicians will always try to make political capital on the hatred for some social group. I know there similar things are going on in Hungary, Poland, and recently also Czechia, but it is particularly sad to see that in your own country.

In Warsaw, a man beat a university professor for speaking German. In Ostrava a Czech attacked students from Spain, for they were speaking their own language in a bus. He believes that in Czechia you can only speak Czech.

It is absurd. Fortunately, we have not come as far as that, but it is not much of a consolation. These stories remind me slightly of Slovakia from the 1990s. I have an impression that in Central Europe we have forgotten what a beautiful period we have behind us. What prosperity we have enjoyed in the last quarter of a century. It turns out that ultimately the populists win. They are people who don't care about the truth and it is not important to them that

they harm someone. A wave of populism and extremism is flooding Europe. This is a lesson for politicians who have ruled the continent for the last twenty years. But I still believe that Europe will wake up.

What is the source of the immense popularity of the neo-Nazi leader of the fascist People's Party—Our Slovakia, Marian Kotleba?

I have a band. In December 2016, in the concert hall of the Slovak Radio in Bratislava, we played a concert for 500 people which was broadcast live. And another 50,000 people listened. We play involved music, so I very much wanted to warn people against what Marian Kotleba does. And I thought that it should not be us, warning against fascism and Nazism. We found someone who had experienced it. In Slovakia there are still people who remember the cruelty of the war. We invited Lýdia Piovarcsyová, whose family was murdered in a concentration camp. Her mother was eaten by the dogs in the camp. She was telling her story for a few minutes. People were crying. Our duty is to speak about what fascism and Nazism is. You should remind people about it, teach about it in school. You can't forget. Unfortunately, people in Slovakia are starting to forget about it today.

Why?

Perhaps they themselves have a feeling that someone else forgot about them.

Perhaps they have a feeling that the state has forgotten about them. Perhaps they are simply lazy. I can't answer this question. I am reading that Kotleba's supporters didn't know they were voting for a fascist. Allegedly it was only meant as a vote of protest against the establishment. But we all know that he is a neo-Nazi, who would send people to a concentration camp if he could. Why is he still supported by 10 percent of Slovaks?

What will be your first three decisions if you win the election?

Anyone who wins the election in Bratislava will have to face a poorly

A wave of populism and extremism is flooding Europe. But I still believe that Europe will wake up.

functioning public transport, a poorly working municipality, a poorly managed city greenery, and problems with the health service. It is not that you come to the city hall and make one first step. I have been working for two years with the aim of not coming to the city hall on my own. I have a team and in that team I have people who will be dealing with specific matters. I created my program for Bratislava with them. We will go to the town hall and immediately we will make many decisions which are included in my program. My first step will be to give these people the scope to act.

You mentioned that Bratislava is close to Vienna, Prague, or Budapest. But isn't this proximity a curse for the city?

We are in the European Union. When I want, I go to a marketplace in Vienna or to a school in Brno. Bratislava is the capital of Slovakia, but it does not have to strive at becoming a great European metropolis. We can focus on other things and exploit the proximity of other cities in some areas. Vienna is 40 minutes from us: in America, Bratislava and Vienna would be one city. Because of the size of our city there are things we don't have and will not have here. But we should not be worried because of that. Thanks to it we can enjoy the size of our not too big but beautiful city on the Danube, where it is possible to have a good life. Officially Bratislava has 420 thousand inhabitants, but there are 600-700 thousand people here every day.

After the murder of journalist Ján Kuciak and archaeologist Martina Kušnírová, there were massive anti-government protests organized

by young people across Slovakia. Do you think that this energy will translate into political change?

I feel an energy that will bring change. I think that this energy will be revealed with the local government elections. We announced on our websites that we were looking for volunteers. In the first week, 120 people came to us. These local government elections will be a test, and in two years, during parliamentary elections, we will learn the truth about Slovakia. After this political murder Slovakia will never be the same country as before. We lost the illusion that we are the better Europe. We realized that the mafia has penetrated the highest echelons of power and that it kills journalists. I think that it was a huge tragedy, but it woke many young people up. Slovaks don't want to flee abroad. It is here that we want to live—in a democratic, free world, where the mafia is not a synonym for the government and where you don't kill people for writing the truth.



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

MATÚŠ VALLO

is a Slovak architect, urban activist, and member of a band called Para and was born in 1977. He will be running for the mayor of Bratislava in the autumn local elections. With a group of a few dozen experts he developed his election agenda which he named the "Bratislava Plan."



Jan Zielonka: Liberal Europe in Retreat

ASPEN.REVIEW
JAKUB DYMEK

INTERVIEW
POLITICS
LIBERALISM
POPULISM

Liberalism was able to define the notion of normality: what was rational and what was crazy. The new forces will attempt to do the same. They are by no means paper tigers. Not any longer—says Jan Zielonka in an interview with Jakub Dymek.

JAKUB DYMEK: With the electoral win of populist coalition-to-be in Italy, Poland’s right-wing surge, and the impending Brexit, many commentators struggle to find adequate term for what’s really going on in Europe. You, however, in your latest book *Counter-Revolution* are certain that this is indeed a retreat from established order and something more than just a temporary shakedown. Why this term—counter-revolution—and how do you came to this conclusion?

JAN ZIELONKA: Ralf Dahrendorf, after the fall of the Berlin Wall, wrote *Reflections on the Revolution in Europe: In a letter intended to have been sent to a gentleman in Warsaw*. My book is indeed also intended as a letter, to Dahrendorf himself. While he wrote on the liberal revolution, I’m writing on the destruction of the same liberal order he observed in its triumphant moment. So that is why I’m using the word “counter-revolution.” Of course, as then as it is now, many things are happening in peaceful manner, so to some it might

not seem as neither revolution nor counter-revolution. But make no mistake: this is a systemic shift we're talking about. We all do remember Francis Fukuyama and his definitive statements on the universal success of liberal order, right? And now we see pillars of this order crumbling under attack. We witness wholesale exchange of the elite: where liberal experts and sages are being replaced by their sworn enemies.

Where then is the line between reasonable concern about these recent political and social changes and sheer panic and liberal hysteria? Because one can feel we have a fair share of both.

Look, real life is not like a math equation or a physical diagram—you cannot simply say when you witness a moment of rupture, a definite breaking point. But there's very little doubt that parties like Lega Nord, 5 Stars Movement, or those who favored Brexit in the UK, these are the people who favor very serious rupture with politics as it was. And they do mean it. It's no accident Theresa May repeats that "Brexit means Brexit." It is the case with Italians and others: they are no paper tigers. Not anymore.

However, what they will eventually be able

Real life is not like a math equation a physical diagram—you cannot simply say when you witness a moment of rupture, a definite breaking point.

to achieve depends on the strategy, personality of the leaders, and so on. Local context matters. But these new parties, the new kids on the block so to speak, have some core agenda: they're against liberalism, European integration, free trade, diplomatic multilateralism, human rights.

Does this counterrevolution that you describe have a certain breaking point where everything falls apart and one can say "it's done, liberalism is gone for good," or do you see these processes as more gradual, incremental steps towards some new order?

You're probably familiar with Lampedusa's famous saying: everything has to change for everything to stay the same. Well, I don't believe that. I think liberalism brought significant changes not only to how we do politics but also how do we organize society and its culture. Liberalism—as every other hegemonic ideology—was able to define the notion of normality: what was rational and what was simply irrational or crazy. The new forces will attempt to do the same. I don't know to what extent will they be successful, but there will be an attempt to redefine "normal." In Poland for example, the previous government of Civic Platform (PO), the same government under which there was the biggest GDP growth in the entire EU, was time and time again saying they cannot afford any social policy, because it's simply

not possible. After them came Law and Justice (PiS) and these same things previously deemed irrational and impossible became possible in an instant. These are fundamental ideological paradigms being contested and redefined “live on air.” We’re in the period of change when we have to walk in the dark, because we do not understand what is going on. My book, however, is an effort to understand the bigger picture. Not to see the trees but the forest. What does Alexis Tsipras, Viktor Orbán, and Jarosław Kaczyński have in common? Very little, you can argue.

Exactly. What is the common denominator here?

They’re all hostile to the pillars of liberal order! Some of them are left-wing or former communists, the others are conservative or nationalist. Their personalities are different as is the situation from country to country. Greek economy contracted by 25% and Polish grew by 25%, but here and there you see the same sentiment against the ruling classes of the past decade. This is the common denominator. These people will make some concessions, of course. They’re politicians after all. SYRIZA in Greece eventually agreed to Brussels’ ultimatum in 2015 and PiS in Poland is also in the process of negotiations over the rule of law with European Commission, their core anti liberal belief, however, remains unchanged.

But you cannot argue that Greek left is as inherently anti-liberal, can you? True, SYRIZA professes socialist economic policy, but its social views are liberal.

It’s a very old conflict about what liberalism is and isn’t.

And what are the answers?

The answers lie in the biographies of two very different postwar liberals from the London School of Economics: Karl Popper and Friedrich Hayek. In his day Popper was more influential, but it was Hayek who left a greater legacy. Thanks to Margaret Thatcher and Ronald Reagan subscribing to Hayek’s

Liberalism was able to define the notion of normality: what was rational and what was simply irrational or crazy. The new forces will attempt to do the same.

vision of liberalism we have neoliberal economic policy as defining feature of liberalism worldwide and still dominant ideology and policy dogma of the day.

Or maybe rather just until recently?

Oh, I don’t see any government anywhere in the world that would seriously part ways with neoliberalism. Maybe Trump’s shift towards protectionism and his tariffs will amount to a serious step, but it’s too early to say.

How come it is then, that anti-liberal counter-revolution happens in societies and economies so different from each other?

Because it is never about one single thing. It's neither about migration, nor economics—it's about the whole package.

Witold Waszczykowski's [Polish FM 2015-2017] famous interview with *Die Welt* illustrates this beautifully: what

The answers lie in the biographies of two very different postwar liberals from the London School of Economics: Karl Popper and Friedrich Hayek. In his day Popper was more influential, but it was Hayek who left a greater legacy.

he said is that „we no longer want this Europe of mixture of cultures and races, of vegetarians and cyclists.” See? What we don't want is the whole package, not just single thing that is wrong or dangerous. People make this mistake often: thinking that counter-revolution is about reversing one policy. It is not. Coming back to economics. Many liberal pundits applauded Poland for its performance during the crisis and the GDP growth indeed was impressive. However, let's not fool ourselves: inequality grew, austerity measures were introduced, millions of people were excluded from benefitting from this growing economic output. Poland became the sole European

champion of part-time, zero hour contracts, the capital of the precariat. How many young people actually have jobs that will provide for future social security and pensions? Infrastructure investments and huge modernization efforts were similarly unequally distributed between western (already richer) and eastern (underdeveloped) part of the country. Those better off got the bigger chunk of the cake. Did you ever try to go to Lublin from Warsaw? Really, it is easier to travel to Berlin from Warsaw than to more remote parts of the country. That is the clue. There were resources to invest and spend. Unlike what liberals argue: this is not the problem of scarcity and budget discipline, this is the problem of good and bad policy choices. Alas, decisions have been made and consequences are what they are.

Do you claim that, had the liberal and mainstream parties made good decisions and some sort of socially responsible shift in policy soon enough, they would have prevailed?

This is all hypothetical. But actual dilemma at hand is different. These liberal parties that prevailed—with the exception of France—have already adopted hardline policies of the right. Majority of liberal parties in Europe have already shifted their stance on migration to either conservative one or even proposed and/or enacted policies applauded by the far right. You see

that in Italy, Austria, Netherlands... Many liberals became unlikely bedfellows with radical right. The left however cannot do the same—the ideological gap is too wide. But mainstream social-democrats failed at other task: they were ineffective in negotiations with the so-called left-wing populists and radicals. They didn't build any sort of tactical alliance that could benefit them or tame the far right. 5 Stars Movement in Italy was ready for such a deal to be struck, but Italian mainstream wasn't.

In one of your recent pieces you've argued that liberals across Europe lack strategy and policy proposals to defeat the hard right, regardless of their heated rhetoric. Are liberal parties that clueless?

Well, I think even in the absence of really new policy proposals, they could have, so to speak, clung to what they already got. Take the EU: when was the last

reform of the Union since the constitution failed? There was none, zero. What the EU was able to push, however, was the fiscal compact during the crisis in the eurozone, forced by Angela Merkel among others, and this is what people now see as the root of the problem. And yet, even then Europe was unable to enact any systemic shift, rather than pushing single policy initiatives. Look, even when austerity politics had ended to same extent, there wasn't any new vision or proposal for a new economic paradigm that would stimulate growth in the world without borders. Neither it is easy to invent new model for democracy and transnational integration. But for years those who tried to propose something were basically silenced. But remember, people who voted the enemies of liberalism in are the same people who previously voted for liberals. Time and time again.

JAN ZIELONKA

is a Professor of European Politics at the University of Oxford and a Ralf Dahrendorf Fellow at St Antony's College. His previous appointments included posts at the University of Warsaw, Leiden and the European University in Florence. He teaches European Politics and Society and directs a large international project funded by the European Research Council on the Media and Democracy in Central and Eastern Europe. He has produced seventeen books, including five single author monographs, and more than a hundred articles and chapters. His work has been published in English, Polish, Russian, Chinese, Slovak, German, Italian, Spanish and French. His main areas of expertise are in Comparative Politics, International Relations and Political Theory. His latest book is *Counter Revolution: Liberal Europe in Retreat*.



What Sort of Europe Does Czechia Need?

Aleš Valenta Czechia needs Europe to be a continent of free and responsible citizens, who are not only aware of their rights but duties as well. Citizens, who live in sovereign nation states, governed by democratically elected politicians, who in turn are governed by common sense. In all these aspects the current development, led by West European elites, is going in the opposite direction—tendencies to chaperone those deemed not in line are growing, states are increasingly becoming vassals of unelected bureaucratic structures in Brussels, and common sense, grounded in human nature, is in “European” politics indeed hard to find.

Some time ago the former Soviet leader Mikhail Gorbachev quipped why it is that the EU is establishing a new Soviet Union. Had he known history of ideas in Western Europe, he would not have had to ask. Neo-Marxist tendencies, forcefully and clearly revealed in 1968, have been dominating Western politics for decades and are gathering strength. The common denominator is equality, the opium of Western intellectuals. This drug has many faces,

and feminism along with multiculturalism are among the deadliest. There is an influential theory in political sciences that deems an extremist anybody who refuses to accept equality as a constitutive political principle.

Creeping sovietization of the EU, revealed in the ever louder calling after *unity*, is a phenomenon whose presence is probably lost on most people in the West. There are a few reasons for this, and absence of experience with communism comes to the forefront. Yet more than half of population in the Czech Republic, Poland, or Slovakia have experienced it and that is why their societies are so sensitive to growing attacks against national and state sovereignty, which are coming from Brussels and from many influential Western politicians.

Are the Nations in the West Free?

In 1989, we in Czechia believed that there were free nations and sovereign states in the West and, after decades spent as vassals of the Soviets, we wanted to be among them. Yet we found ourselves, along with them, under the yoke of Brussels bureaucrats, who are bent on settling Muslims and blacks among us against our will. Not even the communists would have dreamt up such a degree of social engineering. It only follows that it is in our sole interest that the power of bureaucrats and fanatical supporters of integration is weakened and the unification trend is reversed—the best would be if European Commission, European Court of Justice, and European Parliament ceased to exist. The framework of future cooperation

Czechia and the all of Central Europe needs an urgent rehabilitation of common sense, rooted in human nature, in daily politics.

should be the principle of free economic cooperation, which existed within the European Economic Community until 1980s. Coordination of defense and foreign policies within NATO is completely sufficient.

Czechia does not need a “strong” Europe, i.e. the EU. Czechia needs a free Europe without a maze of subsidy channels that brings massive corruption to individual countries, feeding the power of Brussels, which demands ever more authority to investigate. Czechia needs a system of international cooperation where it will be impossible to force weaker and “backward” members to accept a “progressive” agenda of enlightened members. We had had enough of Marxism in forty years under communism.

A traditional argument of Czech Euro-optimists is that we need strong Europe to counter the power of our mighty neighbor. The reality could not be more different. Ever since the financial crisis of 2008-2009 the position of Germany has immensely strengthened, not only in economic affairs. Recent journalistic probes have revealed surprisingly dominant position of German officials on the key positions in European Commission. Without EU, euro, and European subsidies, the Germans would be unable to exert so much pressure on its small eastern neighbors, be it on the migration issue or energy policies.

There Will Never Be a European Demos

A nation state is not a discarded idea, a residue of nineteenth century's nationalism, as it is being put forward by supporters of European superstate. Roger Scruton and other conservative thinkers have proven convincingly that freedom and democracy is able to exist only within the framework of a nation state, in other words, in a community defined by its common language, culture, and history. The so-called democratic deficit in the EU is a euphemism, masking the fact that there has never been a European *demos* and never will be. Yet it is a fundamental condition for the existence of any euro-democracy. Any further step toward integration means fortification of undemocratic foundations of the EU. Its architect, Jean Monnet, conceived it as a bureaucratic structure that is to replace the—in his opinion—ineffective system of national parliaments. A perfect integration in the form of EU cannot be anything else—as written by a Czech philosopher Rio Preisner—than a totalitarian system.

Czechia also needs Europe that ceases to divide itself into the West and the East (i.e. Russia), and acknowledges that there are a few nations in its midst whose mentality, shaped by their history and culture, neither leans toward an autocratic Russian model nor towards self-destructing Western progressivism. At last in 2015, during the migration crisis, it became apparent that a Central European is much different from a Western European. It is impossible to imagine that a Merkel-type politician would be elected in Czechia to assume power. It is also impossible to imagine that any Western state today would add a constitutional amendment that marriage is *solely* a bond between a man and a woman, as it happened in Hungary. It is unimaginable that, despite women quotas in politics, feminism there would grow into such a self-destructive force as in Sweden.

It is therefore in the interest of the Czech Republic that (Western Europe) respects the existence of Visegrad Group, the purpose of which should not only be defense against migration pressures but against the export of Western cultural revolution into the Central Europe.

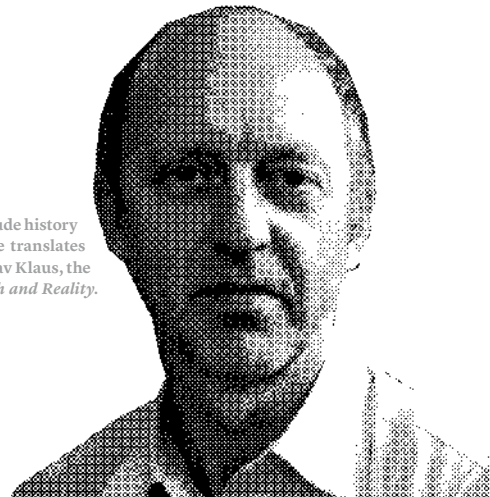
Common Sense Needs to Be Rehabilitated

And last, but not least, Czechia and the all of Central Europe needs an urgent rehabilitation of common sense, rooted in human nature, in daily politics. We need politics and policies that identify and tackle the real problems of our times. We do not need obscure ministries of regional development, sport, women, youth, or consumer protection. We do not need nonsensical ombudsmen, but a functioning system with judges not having been brainwashed by leftist liberal agenda during their studies. We do not need nonsensical anti-smoking and anti-alcohol laws, only effective protection of children and the youth against the consumption of tobacco and alcohol. We need politics and policies that respect people's privacy and do not snoop on them under various pretenses, that treat citizens as adults and not as children needing a chaperone all the time. We need politics and policies that stop humiliating women and do not destroy freedom by establishing quotas.

Unfortunately, all these conservative desiderata constitute pure utopia in today's Western political climate. Victorious march of degenerated liberalism through the West is an undeniable fact. In light of it the abovementioned query loses its factual meaning. It would be more apt to ask: What is in store for Central European nations, sandwiched between autocratic Russia and the West that is enslaved by feminism, political correctness, and drenched in guilt?

ALEŠ VALENTA

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Cyberwar and Strategy

A global cyberwar is under way. Such a cold war—or cold peace—has never happened in history.

A great war is always preceded by a long process of increasing international tension, an arms race, limited wars or proxy wars. Such warning signals do not mean that the probability of an outbreak of a world war or regional war is 100 percent, but they do mean that the probability is rising.

International groups and networks of hackers are replaced increasingly often by new, specialized sections of the armed forces and intelligence agencies of particular countries.

You can see many warning signals in 2018. Political-military signals include the war in Syria—where a thin line separates the armed forces of Russia and the United States—and the testing of NATO’s air defense by Russia. They also include the building of military bases by China on internationally disputed islands in the South China Sea, where a thin line

divides Chinese and American forces. An arms race—embracing weapons systems aimed at projecting force and strategic deterrence—develops between the US and the whole NATO on the one hand and Russia, China and other countries on the other. Regional arms races are under way in the Far East and Middle East. A political-economic warning sign is the trade war of the US against the rest of the world, even its closest allies in Europe, East Asia, and North America.

Beyond these clearly visible signals reminiscent of the past—especially the 20th century—other signals appear in a new, mostly concealed, and often underestimated strategic space: in cyberspace. This is where the tensions are the greatest. A global cyberwar is under way, with a limited, but not negligible inten-

The time has come for another great debate about strategies—about cybernetic strategies, cyberwar, and cyberpeace. You may not be interested in cyberwar, but cyberwar is already interested in you.

sity. International groups and networks of hackers sometimes serve as proxies, but they are increasingly often replaced by new, specialized sections of the armed forces—units and commands—and intelligence agencies of particular countries.

The least known publicly are probably the details of the arms race in cyber-weapons—but we know that such an arms race is going on. Publicly known and debated are strategic options and especially cyber-deterrence—based on the ability of cyber-retaliation—and cyber-resilience. Such a cold war—or cold peace—has never happened in history.

The last broad-ranging debate on military strategy regarded anti-terrorist strategies, especially since 2001. Previously, during the Cold War since 1940s through the 1980s, nuclear strategies were the subject of a long debate—the largest in the history of strategic practice and theory since the 20th century until today. The time has come for another great debate about strategies—about cybernetic strategies, cyberwar, and cyberpeace. You may not be interested in cyberwar, but cyberwar is already interested in you.

A Moderate Intensity World War

Despite its moderate intensity, the current cyberwar has large-scope targets: controlling global cyberspace and more generally global information space, and through it controlling the world, like in the Cold War and the hot world

wars. In the direct experience of NATO, these wars started in 2007 with a massive cyber-attack on the smallest state of the eastern flank—Estonia, probably treated by Russia as a testing ground. Soon after, in 2008, there was the first massive cyber-attack on the largest state of the North Atlantic Alliance—the United States.

But cyberwar is so different from all earlier wars in that its outbreak, and later development and escalation, remain widely underestimated. The parties of the global cyberwar include at present the strongest powers of the 21st century: the US with NATO and the European Union, China, and Russia. Also US allies from outside Europe and North America take part, especially Israel. North Korea attempts to join the group of cyber-powers, just like it enters the elite league of possessors of nuclear weapons and intercontinental ballistic missiles.

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The escalation of the global cyberwar accelerated in 2014—the same year when NATO recognized cyber-attacks as armed attacks, for the first time adapting its strategy to the challenges of cyberspace. The great Chinese cyber-attacks are the most systematic and intended at long-term effects; their aim is to gradually accumulate a massive amount of information about the world as one of the pillars of controlling it.

A Cybernetic Pearl Harbor

In 2014, cyber-attacks allowed China to acquire protected personal data of almost all among more than 20 million current and former officials, employees, soldiers, officers, agents of American federal authorities, and people attempting to enter such work or service. They also acquired data of employees working for companies providing the US authorities with products—for example arms and military equipment—or services, including research and consulting. So along with information about Americans, China probably also has information about citizens of other countries—especially allies and partners of America.

The intercepted data have not appeared in the media or on the market, which proves they were taken over by the Chinese state. They regard ethnicity and race, family and social life, education, economics, lifestyle, and law, they are biometric, medical, and so on. They make it possible to predict the behavior of people, communities, and institutions, steal identities, manipulate people, and destroy troublemakers. The takeover of this data by China has been called a cybernetic Pearl Harbor and a cybernetic 9/11.

Then, in 2015 and 2016, China launched the first comprehensive cyber-attack on the foundations of the Internet infrastructure—the basic servers, on the logical level located mostly (but not exclusively) in the US and on the physical level dispersed across the world. The aim of the attack was to test the resilience of the whole Internet and the method used was overflow, that is blocking access channels with the use of thousands or millions of computers and other devices (the method known as Distributed Denial of Service Attack, DDoS). The cyber-attack was not aimed at direct destruction, but at preparing for such an option, which need not but may be used in the future. It set off all the defenses, so it made it possible to discover or review their number, location, quality, and capabilities. This is a strategically invaluable knowledge about cyberspace—just as strategically invaluable is the knowledge about people acquired through controlling the cyberspace.

The intercepted data make it possible to predict the behavior of people, communities, and institutions, steal identities, manipulate people, and destroy troublemakers.

The Next Potential Decisive Strategic Sphere

The largest Russian cyber-attacks—and comprehensive cyber-campaigns—were intended at a direct and rapid effect. In 2016, Russia launched cyber-attacks with the most wide-ranging political aim in history: the takeover of power in other countries through influencing the democratic process of electing their authorities. The most important here were cyber-attacks against the elections of the US president—the most powerful political position in the world—and the elections to the American Congress. One of the methods revealed was stealing documents and

other secret or classified information in cyberspace and then their selective publication, sometimes in a distorted version. So cyberspace made it possible to greatly increase the scale and effectiveness of a method originating from pre-computer era. In 2017, Russia attacked the electoral process in a number of European NATO countries, including France and Holland, which proved more resilient to cyberwar, also because they had learned from American mistakes. The cyber-campaign striking at elections in NATO countries was of an unequivocally belligerent and military nature—it was conducted mostly by the Russian military intelligence GRU, an integral element of Russian armed forces, specialized, among other things, in disinformation.

The cyber-campaign striking at elections in NATO countries was of an unequivocally belligerent and military nature—it was conducted mostly by the Russian military intelligence GRU.

Cyberspace has become the next potential decisive strategic sphere—after land, sea, and airspace including outer space. The theory of a decisive strategic sphere, at that time the global ocean, was created in the 19th century by the American admiral and strategist Alfred Thayer Mahan in his book *The Influence of Sea Power Upon History, 1660-1783*. He proclaimed that who controlled the global ocean controlled the world. Technological and cultural changes gradually replaced the global ocean with the global Internet and other computer networks. The claim about the central and key role of information in war is not new but renewed—it was emphasized by the Chinese general and strategist Sun Zi in his *Art of War* as long as 2500 years ago. Cyberwar is the return to the origins of war.

Cyberwar and Nuclear War

Cyber-weapons have the characteristics of weapons of mass destruction. The effectiveness of cyber-weapons if not their physical destructive power, is in all probability already higher than the effectiveness of the three classic WMDs: nuclear, chemical, and biological. But there are also profound differences. In every physical space there is a high divide separating conventional weapons—using only kinetic and thermal energy—from all weapons of mass destruction. This divide makes for the uniqueness

of nuclear deterrence and increases its effectiveness. Conventional deterrence is an important but secondary and always weaker supplement of the nuclear one. In cyberspace no clear divide exists—there is a continuity between small, moderate, and large cyber-attacks. This makes an unlimited escalation of cyberwar easy.

New technologies generate new concepts and new strategies. Nevertheless, the majority of currently developed strategies of cyberwar are modified continuations of older concepts, connected above all with the strategy of nuclear war. The concept of cyber-deterrence, modelled on the basic concept of nuclear strategy, attracts most attention and breeds most controversy today. There is another concept of nuclear provenience—less controversial and more frequently used in practice: the resilience to cyber-attacks, to use NATO terminology. Absolute cyber-resilience would be a counterpart of an absolutely impenetrable anti-missile and anti-airstrike shield—the unrealized American Strategic Defense Initiative from the 1980s, meant to provide the United States and its allies with a resilience against carriers of nuclear weapons. The strategic shield project expressed a belief in the superiority of static defense over dynamic attack, contrary to the theory and history of wars.

The effectiveness of cyber-weapons, if not their physical destructive power, is in all probability already higher than the effectiveness of the three classic WMDs: nuclear, chemical, and biological.

In fact, the strategy of deterring the enemy with a retaliation threat in cyberspace is reluctantly and rarely accepted. What prevails is the fear that an exchange and especially escalation of retaliatory strikes—probably many in close alternation, without any certainty that one of them would be decisive—would cause unpredictable destruction and chaos all over the world, including victorious states and alliances.

Offensive Cyber-Weapons Already Exist

The unpredictability of the effects of cyber-retaliation—much bigger than for nuclear retaliation—makes it difficult to introduce cybernetic counterparts of such nuclear strategies as the American Mutual Assured Destruction, MAD, stabilizing the nuclear relations of the US and the whole NATO with

Russia (formerly with the Soviet Union and the Warsaw Pact), and the French strategy of proportional deterrence, also used by some other countries whose potential is unequal to the potential of their adversaries. Since NATO regards cyber-attacks as armed attacks, it can respond with any measures and in all strategic spheres and operational domains, also outside cyberspace. The North Atlantic Alliance reacted to the emergence of large cyber-threats with classic strategies of nuclear and conventional deterrence, but has not created a separate, new strategy of cyber-deterrence. It chose a strategy of defense, especially through cyber-resilience.

The majority of currently developed strategies of cyberwar are modified continuations of older concepts, connected above all with the strategy of nuclear war.

Offensive cyber-weapons already exist, and may be used for attacking first or retaliating. In 2007-2010, the United States and Israel used the Stuxnet program against Iranian nuclear facilities; the program is the first revealed cybernetic weapon in history capable of an autonomous search for targets in the global cyberspace and causing major physical destruction outside cyberspace. America is gradually becoming offensive in cyberspace—it increasingly often uses cybernetic counter-attack in response to a cyber-attack, in accordance with its strategic culture. It is more ready to take risks than the North Atlantic Alliance as a whole. Good and universal strategies of cyberwar for North Atlantic countries have not yet emerged.

A Challenge for NATO and the European Union

The North Atlantic Alliance is adapting to the new reality increasingly fast. Recognizing—at the Newport Summit in the United Kingdom in 2014—cyber-attacks as a form of armed attacks covered by Article 5 of the North Atlantic Treaty was the first major step. It was also the first-ever change of the official interpretation of this key article about collective defense. The second step was taken at the Warsaw Summit in 2016—NATO added cyberspace to its operational domains besides the land, the sea, and airspace (practically continuous with cosmic space). The agreement about strengthening cooperation in cyber-defense—as well as in many other areas—between NATO and the European Union was also signed during the Warsaw Summit. The third

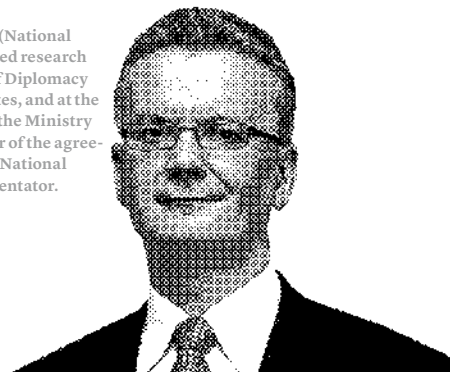
step was made by the North Atlantic Council and the ministerial meeting in the autumn of 2017: it was decided to establish the Cyber Operations Centre as part of the NATO command structure.

A continuation is needed. A strategy of cyberwar should be developed and include NATO's next Strategic Concept. The current document, announced in 2010, needs updating not only because of cyberwar but also because of Russia's new policy and strategy and many other changes in the world. Likewise, a strategy of cyberwar should be included in the future military strategy of the European Union. The current one, the EU strategy of foreign and security policy adopted in 2016, says a lot about cyber-threats and cyber-security, but nothing about cyberwar.

The European Union may not be interested in cyberwar, but cyberwar is already interested in the European Union. In the spring of 2019, there will be elections to the European Parliament, which approves or rejects the composition of the European Commission: it is yet another democratic process of choosing the rulers that is sensitive to cyber-attacks.

GRZEGORZ KOSTRZEWA-ZORBAS

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Yevhen Mahda: Moscow's Hour Has Not Struck Yet

Russia is like a registration employee in a hospital. This person has the medical documentation of all the patients and knows their weaknesses. So the registration employee knocks the patients' heads together and unleashes them on each other—says Yevhen Mahda, a Ukrainian political scientist, interviewed by Zbigniew Rokita.

ZBIGNIEW ROKITA: Four years have passed since the annexation of the Crimea and the beginning of the war in the East Ukraine, which has already claimed several thousand lives and created almost two million internal refugees. I will ask you perversely—what are the positives of these events?

YEVHEN MAHDA: The Russian aggression against Ukraine is stimulating for our country. And I mean here not only the Association Agreement or our declarations about our willingness to join the EU—the Ukrainian domestic and foreign policy has really changed due to the critical situation in our country and the Russian intervention in Syria. Obviously, having lost the Crimea and part of the Donbas, we did not start to develop faster, just as a man who had his leg amputated can't say that he is completely healthy. But after 2014, the pro-Western factor in Ukraine was

strengthened, many more Ukrainians want to join the European Union and NATO.

I will quote the data: according to the latest survey of the Kyiv International Institute of Sociology, 46 percent of Ukrainians support EU accession and 41 percent support NATO accession. Only 9 percent want Kyiv to integrate with the Russian project of the Customs Union (CU), while 32 percent want Ukraine to remain both outside the EU and the CU.

And you know what in my opinion would be an indicator of readiness to join the European Union apart from meeting formal criteria?

What?

If rational Euroskeptics appeared in Ukraine—people who would speak critically about joining the EU, who would not

demand a rushed, immediate accession. The case of our Euro-integration is a situation where the process is more important than the outcome. I believe that once we make this path and stand at that threshold of Brussels, the importance of EU accession will diminish in importance. For if we change our reality—the economy, social life, and so forth—to a degree satisfying the formal criteria, then even without joining the EU we will feel like Europeans. And this integration is progressing. We already have visa-free travel.

The Donbas and Crimea electorate, which supported (generally speaking) pro-Russian forces, has to a large measure disappeared. Many intellectuals, especially from the west of Ukraine, claim that there is an alternative: either European integration or territorial integrity. So to what extent did the new situation help Ukraine to become a more Central European country, shifting its center to the west?

It is true that the constituency of Viktor Yanukovich and the Party of the Regions has vanished. On the other hand, another process is going on: Ukrainian society is very tired of the war. In Ukraine there is a higher demand for populism, for quick fixes, than in an average European country. And there is another thing that makes us different: although our society waits for the end of the conflict in Donbas, an overwhelming majority of Ukrainians do not ask for peace

at any price. My Western colleagues say that if a conflict in their countries would claim so many victims, negotiations with terrorists would have already started. But Ukrainians will not make such a decision.

You once said that no European integration project without Ukraine could be complete—what did you mean by that?

How Europe can call itself united if one of the largest countries of the continent remains outside the EU? The V4 countries made their European choice, but so did Ukraine.

How can you be helped in this escape from the East by Visegrad countries and the Visegrad Group as a whole?

These states should be the main partners of the Ukraine in the EU. All of them, and especially Poland, have shown how to achieve success through integrating with the European Union. In Ukraine we know how big benefits it has brought—we look at them across the fence. But the attitude of the V4 countries to Kyiv has changed in recent years. If at the economic forum in Polish Krynica in the autumn of 2016 there was a meeting of the Ukrainian Prime Minister Volodymyr Groysman with prime ministers from the Visegrad Group (also Jarosław Kaczyński made an informal appearance there), today the V4 has become perhaps not an obstacle, but definitely not an area most favorable to Ukraine.

In what sense?

For Ukraine, the Visegrad countries are not a fragment of a motorway where it can achieve a higher speed of integration with the European Union. The changes we see in the rhetoric of Hungarians, to a lesser degree Poles, and to a still lesser degree Czechs and Slovaks are a problem for Ukraine.

What has this change resulted from?

From the fact that Ukraine is reforming itself. Because as long as we were weak and made some vague declarations, our neighbors were calm about it, thinking that it was just talk. But once our country started becoming more muscular, it sparked a sharp reaction among our neighbors. Our neighbors want to defend their interests and their instruments of influence in Ukraine.

So in your view your neighbors are afraid that a strong country will emerge next door?

We can't expect that our economy will suddenly shoot up like a rocket. The reforms are not always successful, the war is going on—even if fewer people are killed than, say, three years ago, they are still killed every week, sometimes every day. Ukrainian defense spending is more than five percent of the GDP—none of our Visegrad neighbors lays out so much for this purpose. All this hampers our development rate. But the potential of Ukraine is large. And the V4 countries understand that very well.

When exactly did the attitude of the V4 countries to Ukraine change?

Recently. Sometime in the late 2016 and early 2017. It became obvious that Ukraine would survive. I suspect that the Kremlin made a behind-the-scenes offer to the Visegrad countries to join the partition of Ukraine. Taking control over

The Kremlin has learned to exploit democratic procedures for its purposes.

our whole country is a hard nut to crack for the Russians, but its dismembering—it would be a triumph of Russian diplomacy. But I will tell you something that will surprise you—for Kyiv the change of attitude of the V4 countries is a good sign.

Why?

It shows that Ukraine has become an equal actor in interstate relations.

Okay, but what is there to be joyful about? The lesser support of EU members for your Euro-integration and strengthening Kyiv?

I don't believe that Visegrad countries will withdraw their support for the integration of Kyiv with the West. Especially from the point of view of Poland and to a slightly lesser degree Hungary, which have long borders with Ukraine, moving the eastern frontier of the European Union 1000 kilometers to the east is good. The countries of the region will define their positions: in some issues they will support us and in some not.

To what extent did Russia succeed in supporting the creation of a negative image of Ukraine and Ukrainians in Visegrad countries after the dignity revolution?

It is true that Russia is involved in that, but its role in the process is not decisive. Because anti-Ukrainian sentiments exist anyway: mainly in Poland and Hungary, and to a lesser extent in Czechia and Slovakia.

The two former countries have longer borders with Ukraine (the Czechs don't have it at all) and more developed economic relations with Kyiv, and this makes them more susceptible to such sentiments.

And now look—both Warsaw and Budapest have tense relations with Brussels, but they can't afford to completely destroy them. So they have to show to their voters that there is a country where it is worse and at the same time it is a country close to home. Ukraine perfectly fits this prescription.

Let's go back to the Russian influence.

Russia is like a registration employee in a hospital. This person has the medical documentation of all the patients and knows their weaknesses. So the registration employee knocks the patients' heads together and unleashes them on each other. Poland feels the presence of roughly one million Ukrainians. For an almost mono-ethnic country it is a challenge. True, migrants from across the Bug don't look like those from Africa or the

Middle East, but they still can annoy Poles by their presence. The Russians have a full menu at their disposal, containing historical problems, playing on the fear that Ukrainians will take away jobs from Poles, xenophobia and so forth. On top of it, Moscow supports various radicals and Poland and Hungary, who promote this ideology.

And in your view the Visegrad countries are aware of the threat posed by Russia?

I have an impression that from the Visegrad perspective, what is sometimes called the "dictate of Brussels" seems more dangerous than Russia. The latter generally does not make hostile gestures against Visegrad countries. The hour has not struck yet when Moscow will demonstrate to what extent it is able to influence the European Union. For I think that the EU sanctions imposed on Russia will be weakened in December 2018. In order to achieve that, the Kremlin will use the influence it has on Euroskeptics in

The attitude of the V4 countries to Kyiv has changed in recent years.

the EU, and downgrading the sanctions will show the weakness of the European Union, strengthening the populists and the Euroskeptics before the elections to the European Parliament planned for May 2019. The Kremlin has learned to exploit democratic procedures for its purposes.

A lot is said about what Visegrad countries can give to Ukraine—for example the transition experience. Less is said about what Kyiv can offer in return. But it occurred to me that it could also share a certain experience—how to run a hybrid war. You wrote two widely publicized books about it.

Yes, and we can show this experience not only to the V4 countries, but to all those which are interested. We have paid the highest price for this knowledge. For us the Visegrad countries may serve as an airlock through which European ideas, investments and business will flow into Ukraine. Who in the European Union understands what Ukraine is better than the V4 countries? And your integration experience is a lesson for us, for here not all politicians—let alone ordinary citizens—understand that Euro-integration is a difficult process.

It is not integration with Russian structures.

Integration with the EU requires unpopular decisions. There will be no more popular reforms, only the unpopular ones remain to be implemented.

And is there a feeling in Ukraine that some leaders of the Visegrad countries don't treat you with respect? Such as Viktor Orbán, who in the era of the annexation of the Crimea calls for autonomy for the Hungarian's in

Transcarpathia. Such as Miloš Zeman, who says the war in Donbas is a civil war Russia is not interfering with. Such as Jarosław Kaczyński, who reduces entire bilateral relations to history, claiming that “we will not enter Europe with Bandera”; and so forth.

They address these words mostly to their voters. You speak about Kaczyński, the same person who during the dignity revolution a few years ago shouted “glory to Ukraine” at the Maidan. Ukraine will not beg for respect. Instead it should act in such a way that this respect would simply appear.

So if there is no fundamental change of circumstances, when could your accession take place?

In some 10 or 20 years. Let's say that in a “10+” perspective.

After the revolution of dignity people started talking about a possible joining of the Visegrad Group by Ukraine as a full member. It was postulated by Petro Poroshenko and supported by the Polish Foreign Minister of that time, Grzegorz Schetyna. Do you think there were chances for that?

It is obvious that a format where four countries belong to the EU and NATO and the fifth does not, is not very realistic. Therefore in the context of the V4 cooperation a good idea would be to copy the model existing in the relations between Ukraine

and NATO—we are the closest partner of the alliance among the countries outside it.

Polish leaders meet the French and German ones under the Weimar Triangle. Perhaps an equally good idea as the V4 cooperation would be an analogous Vilnius-Kyiv-Warsaw triangle? After all, there are more common issues between these three than Kyiv has, for example, with Prague.

Yes, it would be good to create such a format of cooperation. And we have things to build on—like the several-thousand-strong Lithuanian-Polish-Ukrainian brigade. But it would be better for the initiative of calling up such a triangle to come from Lithuanians or Poles as members of the European Union.

And what is the place of the Visegrad countries in the Ukrainian foreign policy?

United States come first, then European Union as a whole, then Germany. And the fourth place is

occupied perhaps not by all Visegrad countries, but definitely by Poland.

In Ukraine only experts are aware of the V4's existence. The soft power of this organization is also limited, it boils down to the International Visegrad Fund grants for non-governmental organizations. You will not find the V4 logo in Kyiv. Ukrainians perceive your four countries separately. And there is no channel for information flow which would help Ukrainians to get to know the V4 countries.

How could we change it?

We need an information agency, a kind of Visegrad-Info, and a mechanism for information transfer. It is important that at the level of Ukrainian districts and regions (for example through local press) we are able to learn about your Euro-integration experience, to get to know our Visegrad neighbors and to find a common language. And the best method of fighting against fake news in this context is not restrictions, but making sure that Ukrainians know more about their neighbors.

YEVHEN MAHDA

is an Ukrainian political scientist, director of the Kyiv Institute of Global Policy. Author of important books, including Гібридна війна: вижити та перемогти (Hybrid war: to survive and win), Kharkiv 2015.



Scape-Ghosting: Polish Legal Therapy to History

Poland is ethnically, religiously, and linguistically homogeneous, without minorities to scapegoat. It may be necessary then to resort to scape-ghosting, blaming ghosts to maintain social cohesion.

There was only one past. History was not made of multiple parallel universes. History, past events, cannot change. Historiography, the representation of past events, changes and historians can and do disagree sometimes.

Historiography changes and historians disagree generally for three reasons:

Historians must choose which of the many probable things they know about the past are worth mentioning and which can be left out.

First, *the discovery of new evidence* can cause historiographic revision. Progress in historiography usually follows innovations that allow historians to systematically utilize new types of evidence, such as the discovery of the archive as an evidential treasure trove in the first half of the 19th century, or the later discovery of the usefulness of non-documentary evidence such as the shapes of fields or artistic depictions of everyday life. Second, *significance driven revision and difference* results from changes and disagreements about what historians consider significant or important in history. At the very least, historians must choose which of the many probable things they know about the past are worth mentioning and which can be left out. Finally, *aesthetic, moral and political values* cause historiographic differences.

Philosophers of historiography have been debating whether historiography can and should or should not be morally or politically value laden. Isaiah Berlin for example argued that the presence of values in historiographic interpretation is inevitable, or there could be no assignment of responsibility,

If each competing state or political group promotes its own versions of the past, the result should be a plurality of inconsistent historiographic narratives.

praise, or blame to past historical agents. Be that as it may, it is surely impossible to write historiography free of *cognitive values*. Cognitive values determine what we consider knowledge. Kuhn suggested that the scientific community is constituted by cognitive values that direct scientists to choose theories that are more accurate, consistent, applicable to different types of evidence, simple, and fruitful in discovering new evidence. Cognitive values in historiography prefer historiographies that are based on critical and comparative approach to the broadest scope of evidence.

Historiography Tells Us More about Who Wrote It

Marx, Nietzsche, Foucault, and various post-modernists agreed that differences between historiographies do not reflect different evidence but different political values or power relations that may be expressed in “discourses.” Historiography would then tell us more about who wrote it than about history. If these relativist philosophies of historiography have merit, a state may want to join the power struggle, via legislation or executive action, to promote its own power and interests. For example, Bolshevik historiographies found it hard to keep up with changes in the power structures, but they tried.

If each competing state or political group promotes its own versions of the past, the result should be a plurality of inconsistent historiographic narratives. However, this interpretation of historiography runs into difficulties when compared to the actual history and sociology of historiography. There is just too much agreement among large and heterogeneous communities of historians to accommodate the kind of political reduction that relativism prepares us to expect. For example, historians of all nationalities, religious affiliations and non-affiliations, and all political shades agree on much of what happened in the Holocaust and even on some of its causes and effects. Holocaust deniers, by contrast, are a homogeneous group of Neo-Nazis whose views indeed can be reduced to political values.

Masaryk Demonstrates the Universality of Cognitive Values

The emergence of a uniquely heterogeneous consensus in historiography came to be associated with Ranke and his methods, though it had deeper interdisciplinary origins in the 18th century. This paradigm has been based on shared cognitive values. *Scientific historiography is marked by the hierarchical precedence of cognitive values to other values.* As long as the hierarchical precedence of cognitive to other values is preserved, historiography can accommodate myriad different and conflicting other values and ensuing historiographic interpretations.

Governments that attempt to subjugate the judiciary, suppress civil society, and control the mass media will also attempt to determine historical consciousness and play God in changing history itself.

Unscientific historiography, by contrast, allows *therapeutic values* that evaluate historiographic propositions and narratives according to their effect on the psychological well-being of their intended audience to trump cognitive values. Common therapeutic values in historiography include the denial of historical guilt, e.g. Holocaust denying, the promotion of self-respect, e.g. national myths, and the elimination of a sense of alienation and absurdity, e.g. through conspiracy theories. Inconsistencies between therapeutic and cognitive values in historiography manifest themselves in social conflicts between homogenous therapeutic communities and members of the uniquely heterogeneous

historiographic community that share cognitive values. During the nineteenth century, for example, various forged “ancient” poetic documents surfaced in Europe, but were then exposed despite their therapeutic value for nationalists. The universality of the cognitive values of scientific historiography is demonstrated by Tomáš G. Masaryk’s dual role as the foremost leader of the Czech national movement and as the chief opponent of the forgeries.

The sense of economic insecurity that followed the recession that started ten years ago triggered archaic mental mechanisms that were acquired.

Scape-Ghosting

The hierarchical precedence of *political* therapeutic values to cognitive values is typical of political systems where the balance between the branches of government is skewed in favor of the executive. Governments that attempt to subjugate the judiciary, fix elections, suppress civil society, and control the mass media will also attempt to determine historical consciousness and play God in changing history itself, or at least how it is perceived.

Read literally, there is not much to object to in the new Polish “Holocaust Law.” Indeed, it appears redundant. Nobody in his right mind who knows anything about history has ever claimed that Poles planned the Holocaust or ran death camps. *Without context*, the “Polish Death Camps” can mean camps on occupied Polish territory, camps commanded by Poles, or camps where victim Poles were killed. In the context of Obama’s speech that commemorated the heroism of Jan Karski, Obama obviously meant the first. This use of the expression “Polish death camps” goes back to 1944 when the existence of extermination camps began to be revealed in the mass media. It clearly meant camps designed and run by the Reich on occupied Polish territory. Likewise, everybody knows that the Polish state ceased to exist (except in exile in London) in September 1939 and that individual Poles displayed a range of reactions to the Holocaust from heroic self-sacrifice to venal robbery and murder, while most Poles were somewhere in the middle, so there is nothing to generalize about the behavior of the “Polish nation.”

It would seem then just as reasonable to enact a law that would punish anybody who claims that Pol Pot was a Pole who committed genocide under

the influence of pot, or that Polygamy is a practice typical of traditional Polish *Gminy*. Among the ignorant, the repetitive declaration of innocence may even create an impression of guilt; if you are innocent, why protest your innocence as if you are guilty?!

The Triggering of Archaic Mental Mechanisms

What is this law for then? One possible political purpose is to scare, to fan and encourage xenophobia by inventing a bogus conspiracy to frame Poland for Nazi crimes. This may be as effective as the nonexistent Moslem hoards who would like nothing better than to move to Visegrad countries once they make it to Europe, rather than to the wealthy welfare states in Northern Europe. Scared people would support politicians who promise to protect them from dangers they invent.

They bait the audience by denouncing ridiculous forms of Polish guilt that nobody advocates, and then switch the target to far more controversial historiographic issues.

We live in a pathological juncture in history. The sense of economic insecurity that followed the recession that started ten years ago triggered archaic mental mechanisms that were acquired while our ancestors lived in tribes of hunter-gatherers under extreme evolutionary selective pressures. When there was insufficient food for all, group cohesion required scapegoats. Poles and other East Europeans serve as such scapegoats in Brexit England, Mexicans were useful for Trump, but Poland is ethnically, religiously, and linguistically homogeneous, without minorities to scapegoat. It may be necessary then to resort to scape-ghosting, blaming ghosts to maintain social cohesion.

Historiographic Bait and Switch in Poland

The therapeutic politics behind the Polish law utilize a *bait and switch* tactic. They bait the audience by denouncing ridiculous forms of Polish guilt that nobody advocates, and then switch the target to far more controversial historiographic issues. Two are obvious, I will then add a third:

The German bureaucracy kept good records of the number of Jews they killed. When historians deducted that number from the number of Jews who were registered as living in Poland in 1939 and further

deducted the number of survivors in 1945, they got 200,000 people unaccounted for, a number too large to be explained away by statistical errors and inaccuracies. It is likely that most of these 200,000 hid from the Germans, especially in the Polish countryside, yet they did not survive the war.

There is evidence that at least some of them were killed in the last stages of the war by people who were neither Germans nor collaborators. Anecdotic evidence suggests that some of these Jews were murdered and robbed by peasants who promised to protect them, others were murdered earlier in communal eruptions of ethnic violence, whereas others were murdered by organized units of Polish partisans in service of a vision of mono-ethnic Poland. The bait, the fact that Poles did not collaborate with the Germans and did not operate death camps, does not exclude the switch, the reality of murder in the country-side.

The second historiographic switch is of the history of Polish anti-Semitism, especially in the nineteen thirties, after the death of Pilsudski. Polish-Jewish relations go back half a millennia and had their ups and downs. Historians distinguish between historical periods, social classes, and regions, so sweeping generalizations are usually misleading. Pre-war Polish anti-Semitism was not genocidal and not racist in its German sense. The anti-Jewish laws of the thirties were designed to encourage Jewish emigration. In the context of what would happen, to the extent that Polish anti-Semitic policies in the thirties were successful in pushing Jews out of the country, they saved lives. But they were not intended to save lives.

Pre-war Polish anti-Semitism was not genocidal and not racist in its German sense. The anti-Jewish laws of the thirties were designed to encourage Jewish emigration.

The third historical issue that seems to be suppressed on all sides is the relation between Polish nationalism and Jewish nationalism, Zionism. Polish and Israeli nationalists do not like to recognize the obvious similarities. Slavic and Middle East experts rarely cross over into each other's disciplines and languages. Anti-Israeli activists and Palestinian nationalists are stuck intellectually in seventies-style revolutionary Marxist anti-colonialism and apply post-colonialist or apartheid models

to analyze Zionism both because of the implicit teleology in the models, expecting the Israeli-Palestinian conflict to end in “Algeria” or “Zimbabwe,” because they do not know Polish pre-war history. Yet, Zionism evolved as one of the last nationalist movements in Europe, largely in reaction to other nationalist movements that affected Jews who lived initially in the Czarist and Austro-Hungarian empires, and later in independent Poland. The Zionist immigrants then treated their “Jews,” the Palestinians, pretty much as they had been treated in Europe, which gives us the “Austro-Hungarian” liberal Zionists, the “Russian” right-wing Zionists, and the “Polish” center.

Shooting Oneself in the Foot

Paranoids may be persecuted, and the world is still a dangerous place for Poland. Not because of some international anti-Polish conspiracy, but for the obvious geo-political reasons of the last quarter millennia. Poland is stuck between bigger and stronger Russia and Germany. It has always depended on forging alliances with stronger nations that can balance those powers. Today, Germany is not politically threatening, but Putin’s Russia is aggressive and imperialist. The last thing Poland needs at this juncture is to throw gasoline on the Russian century-old propaganda campaign that attempts to paint Poland and the other independent countries and national movements between Russia and Germany in SA brown colors.

If Poland’s fellow members of NATO conclude that Poland is too different and politically exotic if not weird, they just may decide to excuse themselves from involvement when Putin’s hybrid warfare gets going. Do not expect Putin to bomb Warsaw or send tanks to Gdansk, but he would move gradually to pull Poland back into his sphere of

Paranoids may be persecuted, and the world is still a dangerous place for Poland. Not because of some international anti-Polish conspiracy, but for the obvious geo-political reasons.

influence, control its government, energy supply, and foreign policy. Just look how a character like Miloš Zeman became the President of the Czech Republic, and how pro-Russian populists gained control of Hungary and, most recently, Italy.

It is understandable that many Poles find Jews interesting: though the relations of Poland with Germany, Russia, and the Habsburgs were much more important, they were mostly painful and nobody can blame Poles for wishing to forget them. The historical interactions with Poland's neighbors to the east—Ukrainians, Belarusians, and Lithuanians

Do not expect Putin to bomb Warsaw or send tanks to Gdansk, but he would move gradually to pull Poland back into his sphere of influence, control its government, energy supply, and foreign policy.

had their frictions (and sometimes the Jews were caught in the middle in serving the szlachta) but they were hardly exotic. Jews appear from the outside to be far more interesting than they actually are. Many of the Polish rabbinical discussions are of esoteric topics such as the recommended lengths of side curls, the shape of beards, whether they should wear their socks above or below their pants, and whether it is forbidden to make tea on the Sabbath because it is, or not, like cooking. It is understandable that a homogenous society would consider with nostalgia those periods when it was more diverse and pluralistic. However, the Jews cannot come back. Living, loving, or quarreling with ghosts—as anybody who reads Shakespeare knows—only ends in joining them.

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Several Notes on a Strategy for the EU Budget

Basic building blocks of future solutions must lie in the strengthening of the federal features of European budget.

The future financial perspective of the EU can be probed from many points of view. One of them is to take into consideration the European Union's budget from an overall historical perspective.

It is obvious that the EU finds itself at a watershed moment when the survival of Euro-Atlantic civilization, and possibly the human race itself, is at stake. It is crucial how the EU deals with digitalization and the rise of AI. It is absolutely clear that this upcoming change will reorganize the current economic model, that it will have a huge impact on all types of public finances, including the EU budget, and make us face plenty of substantial, philosophical, and ethical challenges. It is still not clear what it will bring for democracy—whether or not the democratic political system is in peril. It is certain, however, that human civilization will assume another shape. For the first time in the history of Earth, analytical intelligence will be connected to something else than a form of organic life. It is hard to predict the consequences, but it is clear that the part of the world that takes the lead in this area will become globally dominant and will set the rules.

Another set of issues that will have to be addressed is the construction of the EU itself. The most important part here is the eurozone and its stabilization. Seen from the point of view of monetary theories it is clear an optimal monetary zone it is not, yet there is hardly one using any of the big currencies. We cannot really consider India, China, Russia, or the USA

as examples of ideal monetary zones. Any charting of the course of common currency leads to various effects on differently developed parts of a non-ideal currency zone.

The EU's Budget Is Not Able to Carry Out the Task of Sufficient Redistribution

In order to keep a monetary zone stable in the long term, two things are necessary. First, a maximum possible economic and social coherence of the zone itself, i.e. the optimization of the zone in the widest, not only economic, sense. The concomitant of social and economic standards is a necessity. Second, as full homogeneity is not achievable, it is necessary to compensate the differences with the help of relatively robust redistribution mechanisms.

Looking at other large monetary zones, it is apparent that their redistribution mechanisms are far more potent than those in the EU. Take the USA, for example, with its twenty percent of the federal budget. The EU's budget, with its less than two percent, is not able to fulfill the task of sufficient redistribution. In the long-term perspective, a substantial increase needs to be considered. It is very difficult to come up with a specific number at this point. No doubt it will be less than twenty percent of the US federal budget, but it must be many times more than its current volume.

Last but not least, there is an issue of concomitant foreign and defense policy. Current political development clearly shows that EU cannot a priori rely on the USA when it comes to its security. The USA (along with China, Russia, and India) pursues its own superstate interests and is convinced of its special place and role in history. It only follows that unless we coordinate our own European interests we shall not possess any comparable powers.

The EU Needs a Meaningful Position in a "Concerto" of Superpowers

It is even more important now, as we find ourselves at the civilization's fault line; in times of such turmoil, everyone is bent on searching for "where the carpenter has left a hole," as one fitting Czech proverb goes, and on pursuing their own agenda at their maximum capacity. Unless we acquire a stronger position, there will simply be a "concerto" of superpowers where the EU will not play an important part. It is clear that in the global political arena, we will witness the decline of the role of United Nations.

We can say the state of international affairs established after the World War II is coming to an end and it is in our very interest to participate in finding a new form of multilateralism. It will not be possible for the EU to have a meaningful position unless it acquires, at least in some features, the capacity of a superstate.

A stronger and more purposeful joint foreign and defense policy requires the drive to build a common architecture in these areas. Common foreign policy comes first; it is being jealously guarded by the nation states, even though they are not really able—bar an exception here and there—to conduct an independent foreign policy as they lack the necessary clout. One example for all could be the Suez crisis in 1956.

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A Lack of a Common Will

In reality the EU has an arsenal of capabilities and assets at its disposal, though it lacks the ability to deploy them efficiently due to its lackluster political structure. Our economic and military potential is far from negligible, yet in reality our ability to define clear common goals falls into that category. If we were to simply add up all capabilities the nation states have we would find out the EU has the complete strategic triad available—starting with nuclear missiles equipped submarines, nuclear capable air force and ground forces. Its naval forces are comparable to other large flotillas, with the exception of the USA; its economic and human potential for defense purposes is larger than those of the USA and Russia. What we lack is a common will. Common foreign policy, apart from political changes, will require corresponding financial backing. Foreign affairs monetary budget increase appears to be a necessity.

The capacity of European defense industry and structures is extraordinarily strong, yet it is clear that simple competition and free coordination does not give any hope to reach global independence in this area or to spearhead technological development. Without an intervention on a European level, the EU becomes politically and defensively dependent. It is also clear

that the development of defense capacities needs to be addressed in the European budget. We simply cannot succeed with the current methods and financial volumes.

Establishing a Marshall Plan of Sorts for Africa

Another strategic issue becoming crucial in the horizon of few decades is the EU's ability to forge effective cooperation with Africa. It may not be obvious from the Central European perspective, yet it is Africa—not Asia—whose development has direct implications for us. To develop a new system of efficient cooperation and development aid appears to be of the utmost importance, but we hit the wall of budget constraints again. Unless we dramatically increase cooperation with African nations, it is highly likely there will be a rise in extensive conflicts with direct repercussions for us. At the same time it is clear that Africa, set to double its population in the next thirty years, presents a huge opportunity for real and effective cooperation. If we aim to maximize opportunities and minimize risks, as the saying goes, it is necessary to set a Marshall plan of sorts for Africa. Yet it will not be possible without corresponding financial and power structures in place.

The last strategic issue at stake, which will require highly coordinated efforts on the level of the EU, is climate change. Here we have to think along two lines. The first one is a political and structural reorganization of the EU so it is capable of tackling challenges presented by climate change. The other is a restructuring of the budget which would allow us to have enough financial leverage to have a global influence when addressing climate change as such. Internally it means a radical transition to renewable sources that would also provide energy independence. This transition is not feasible without “federal” interventions.

The abovementioned issues and their context make it clear that the future financial perspective—however intensively it will be discussed—is a perspective of transition. The key will not be so much what gets financed and in what volumes but its new overall structure and underlying philosophy that will see it through future challenges. It ought to be remembered that the budget itself cannot be separated from its political aspects and political legitimacy. A budget more robust on joint programs will require more robust joint political institutions. Political union is an essential concomitant of successful economic union.

What Conclusions Can Be Drawn?

The European Union does not have enough time to stand by and sort out its homework based on to the established administrative and political logic. Fundamental strategic challenges are coming and we cannot afford to play catch-up.

Essential features of future solutions must lie in more robust federal aspects of European budget. First: increasing its overall volume; second: the strengthening of political institutions; third: defining developmental “federal” projects, such as AI research and development, Marshall plan for Africa, energy transition, critical infrastructure development, or climate change challenge.

The increase of the financial volume has to come from EU’s own resources; here we can assume that it is not feasible anymore to acquire more from national states, but the real subsidiary structure must be the Union itself. Taxation of AI or digital economy as such could be mentioned here.

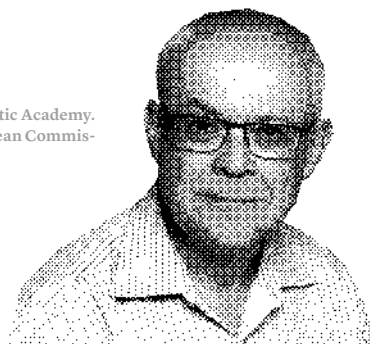
The last strategic issue at stake, which will require highly coordinated efforts on the level of the EU, is climate change.

The stabilization of eurozone will require many resources and establishment of new institutions that will drive principles of eurozone’s joint decision-making in budget planning. This could end up in a budgetary divide between eurozone and the rest of the Union itself, de facto leading to disintegration of the current structure and to a separate, independent eurozone union.

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Startups in Hungary

ASPEN.REVIEW
ILDA G. TÓTH

ECONOMY
HUNGARY
STARTUP SECTOR
PREZI

Even if it is still a one-digit figure, the impact of startups weight in the Hungarian GDP can now be measured in full percentage points. Despite certain success stories, Hungary has not found a way to utilize the brainpower of startups in a traditional economy.

Hungary's best-known startup Prezi has signed up its 100 millionth user. The presentation software maker announced this milestone at its 9th birthday along with the news that it would move into a new separate office in San Francisco thanks to its growth at the US market. Prezi.com started in April 2009 and presentations made using its software have been watched 3.5 billion times so far. Prezi's key novelty is its unique zooming effect which puts storytelling into a virtual space highlighting relationships between concepts as opposed to simply showing a linear story.

A great deal of money has been spent on the startup sector in Hungary, much more than in neighboring countries, since 2010.

Popularity and awareness for the startup sector shows Hungary at a more advanced stage than its regional peers. Except of course for Poland, a much larger market with stronger ability to attract capital. A great deal of money has been spent on the startup sector in Hungary, much more than in neighboring countries, since 2010. Between 2010 and 2015, as many as 30 Jeremie-funds (the European Union's development program for SMEs) were set up in Hungary as opposed to 2-3 in other emerging European countries.

This makes some experts say the startup market in Hungary is overfunded due to disproportional state dominance. Some put the state's share to around 75 percent of all available funding for SMEs.

The State Is Present More Than Necessary

The abundance of financing is sometimes seen as a danger for the startup ecosystem as it weakens selection by quality. Instead of investments by merit and true potential, quite a few investments are made for political fanfare only, showcasing the government's efforts. For a faster development of the Hungarian startup market, considerably more and larger-scale exits are needed so that founders and investors could reinvest the proceeds into new and successful ventures.

“The state is present in the Hungarian economy more than it is needed; the rate of state redistribution is too high, political influence is unrealistically strong,” says Peter Oszkó, founder of OXO Group, a Hungarian startup incubator, and also a previous finance minister. “This hinders the development of the startup sector, because natural selection mechanisms of the market are completely lacking, even the smallest players encounter public interference. Furthermore, the state influences how contracts are awarded to companies. We lag behind the countries where market logic prevails,” he adds.

Hungary has not found a way yet to utilize the brainpower of startups in a traditional economy.

However, the startup scene provides an escape for entrepreneurs who want to avoid non-transparent schemes and nepotism. Even if it is not fully intact, this sector is still as far from politics as it can be.

In other countries of the CEE region, states tend to be present in the startup market through funds of funds. They do not invest directly into companies, but pick the best performing capital funds and trust state money to them. Or if public funds invest directly, they typically co-invest with private investors under their terms and valuation. In Hungary, however, angel investors often experience that if they make an offer to a startup firm, a state-owned fund appears and tries to lure away the target company by offering more funds and more favorable terms. This is not meant to be the role of a state institution; state funding should not distort healthy market procedures, adds Oszkó.

A Regional Startup Powerhouse?

As if to underline just that, a few weeks ago it was revealed that the latest tranches of Jeremie-funds were allocated to tycoons friendly to the government. MKB Bank, held by Prime Minister Viktor Orbán's friend Lőrinc Mészáros, savings cooperatives' bank Takarékbank, also a favorite of the Premier, and Sándor Csányi and Zsolt Hernádi—two of Hungary's richest men—were among the winners.

It is certainly not a mere coincidence that the most lucrative Hungarian-born startups, such as Prezi, NNG, and Ustream, did not use state funds and they did not start up on the Hungarian market, but their founders aimed at global markets and served global needs. These examples show that since the Hungarian market with its 10 million souls is too small, startups should have larger-scale plans even at the start.

The Hungarian government has proclaimed a plan to make the country a regional startup powerhouse, but only few deemed this a realistic goal. "It seems ambitious enough to connect Hungary to the international trend of startup development as small, emerging, and fast-adapting companies with brave ideas are playing increasingly larger roles in the economy and its growth," Oszkó says.

ICT plays a dominant role in the Hungarian economy, accounting for 10 percent of GDP. 90 percent of this however, comes from the operations of multinational companies operating in Hungary. Even if it is a one-digit figure yet, the impact of startups weight in the Hungarian GDP can be measured in full percentage points already. This figure lags behind the numbers in the US, where emerging companies financed by venture or private equity produce 20 percent of GDP. Part of the issue is not just size but also mentality: a lot of companies are being kicked off with hopes built on landing a few state contracts to start with. In nearby Slovakia and Romania, entrepreneurs understand better what it takes to set up a company and business plans do not tend to be built on working for the state.

A Solid Background for Biotech Firms

Due to the small consumer market in Hungary, companies offering B2B solutions have better chances than those nurturing B2C products. For example, biotech firms enjoy solid background from the country's tradition in pharmaceuticals and related R&D. Although the local public is

less familiar with these companies, their success has been demonstrated by a few deals recently.

Started off from a college dormitory in a provincial university town in Hungary, defense software maker BalaBit was acquired by a US-based software giant Quest in January. In a surprise transaction in March, the founders of Solvo, a biotech startup from the southeast of Hungary, sold 89 percent of the company to France's Citoxlab Group. The banking software and web developer IND made a successful exit in 2014, when a global tech giant MySis bought the company from its founders. They have since then become active angel investors in their native northeast region in Hungary.

As an exception to the rule, some B2C startups have tapped international markets. Some of them operate in a sharing economy model which has become especially popular in Hungary, the country where Uber has been banned. Rendi that connects freelance cleaners with private households has received state funding to expand in Poland and the Czech Republic. Airport car sharing app BeeRides—which helps you earn money by renting out your car while you travel abroad—is now present in Dortmund, Germany, its first location outside Hungary.

Young Companies Could Create Inventions for the Agriculture Sector

These success stories are only the tip of the iceberg, Hungary has not found a way yet to utilize the brainpower of startups in a traditional economy. While its startups are strong in biotech, Hungary's health-care system has not benefited from their inventions as much as in the neighboring countries. Screening and diagnostics could be the first such area. Considering Hungary's strong tradition in food and agriculture, young companies could play a role in inventing new technologies for the sector.

Further opportunities in Hungary may emerge from eco-friendly technologies. A group of young entrepreneurs have invented a zero-emissions house called Noah, which only uses renewable energies. "Despite distortions in the local market, these promising examples could thrive in international competition," says Oszkó, whose group also supports a Hungarian venture targeting the US consumer market

with smart bracelets that can change color in line with the wearers' outfit, offer fast identification solutions, and track physical condition while also connecting to other smart devices.

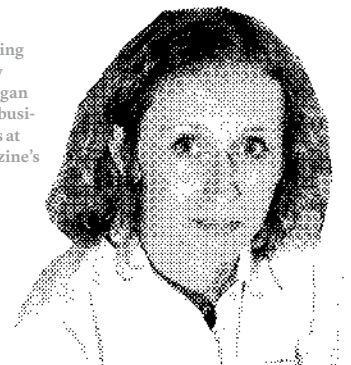
Apart from the plethora of state and EU funds, Hungary's startup scene is receiving support from certain large corporations whose future heavily depends on technology. Large Hungarian banks and key international companies present in the local market have started incubation and startup programs and there is more and more talk about cooperation between young enterprises and large corporations. Economic and technological changes have come so fast that the large mammoths cannot keep up with the pace. Their innovation teams are slower and more expensive to keep than picking up knowledge from small and agile startups or absorbing them completely.

Apart from the plethora of state and EU funds, Hungary's startup scene is receiving support from certain large corporations whose future heavily depends on technology.

The financial sector players are increasingly often launching accelerator programs as the previous crisis made the banking executives aware of the importance of innovation and adaptation. With their sector being highly regulated, banks have more time to pick up pace. Besides Hungary's leading OTP Bank, other players such as K&H, MKB, and CIB have invested heavily in startup programs. Aside from banks, energy companies and telcos are also active in seeking and supporting successful young ventures in their own fields. Experts say that such initiatives make sense only if they are utilized by the large corporations in their everyday operations.

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Polish Capitalism against Global Processes: Successes and Dilemmas

The declared goal of the government is to consolidate institutional resources in order to move Poland from the periphery of capitalism to a level of development characteristic for the center. Costly social programs have become, however, a priority. Investment is not growing and is lower than in other countries in Central Europe.

The global financial crisis of 2007 again produced new ways of interpreting capitalism (similarly to the Great Depression of 1929-1933 and the commodity crisis of 1973). The changes concern particularly such countries as Poland, forming a variety of the system based on principles which recently have been subject to fundamental criticism. A crisis in the context of European Union (EU) membership is for the countries of Central and Eastern Europe (CEE) a kind of test of the new capitalism which had emerged after the collapse of communism. Social perception of both successes and failures of economic and institutional development has changed. The EU started to be perceived as a source of crises, financial, economic, migration, etc. The discussion concerns the foundations of political economy in CEE.

In 2015 in Poland, anti-systemic parties of protest gained support, especially Law and Justice (PiS), which won the presidential elections and then achieved a parliamentary majority—for the first time since the downfall

of the communist system. The winning party had long been criticizing the general shape and direction of the post-communist transition as well as the foundations of the economic and social order based on the principles of economic liberalism. PiS attracted voters mainly with promises of an increased state intervention and of radical changes to social policy and labor relations.

In order to show the systemic nature of these problems, the slogan “Poland in ruin” was used during the campaign, similar to the anti-establishment slogans of Donald Trump in the US. In the new political situation, data showing that after 1989 Poland had achieved the highest level of income, standard of living and well-being in its history, were eclipsed by historical reckonings and new definitions of development challenges. The narrative of the nationalist-conservative right, invoking the need to rebuild the national community and sovereignty, met with a positive response amongst the majority of voters.

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The “New” Polish Capitalism

Here I attempt to formulate a number of general comments regarding selected aspects of the “new” Polish capitalism under the right-wing government, including a description of the new political economic policy against the backdrop of global processes.

According to the OECD, Polish economy has become one of the leaders of growth in the region and in the EU; the annual GDP growth in 1992-2016 was 4.1 percent, compared to 3.9 percent in Slovakia, 2.9 percent in Estonia, 2.4 percent in the Czech Republic, 1.9 percent in Hungary, and -0.4 percent in Slovenia. According to the estimates of the International Monetary Fund, Poland is now richer than Greece and in 2019 it will surpass the Portuguese GDP per capita corrected for purchasing power parity (PPP). Like in most CEE countries, the economy since the 1990s is based on modernization implemented by foreign capital, on the markets of Western Europe, and on the EU cohesion programs. Characteristic features of this development version have been the shortage of domestic capital and management know-how,

employment of educated but relatively cheap workers, weak public institutions and a fragile civil society, and a large influence of international economic organizations and the EU.

As a result of the crisis of global capitalism and the eurozone, not only successes but also negative sides of the transition started to be noted. Right-wing parties are internally focused the low effectiveness of government, the low quality of public services and labor market standards, the disparate development rate of agglomerations and the rest of the country, and dissatisfaction and exclusion of a significant part of the society (young people entering the labor market, families with many children, and so on).

A Break with the Existing Economic and Social Policy

In the external context, right-wing politicians emphasized Poland's low capacity for creating strategic development resources (innovation, research and development, competitiveness of domestic companies) and its dependence on the countries of the European "core," especially Germany. They also differently interpret the very origin of systemic reforms, as well as their causes and consequences. In these interpretations, the neoliberal reforms paid too little attention to institutions and interests of the state, and to Polish identity and traditions of community. The ruling nationalist-conservative narrative proposes a breakup with the main directions of the existing economic and social policy. In the sphere of values it speaks about bolstering national sovereignty and launching a "cultural counterrevolution" aimed against liberal and leftist tendencies. New goals were formulated and institutional changes supporting them were started.

Right-wing parties are internally focused on the low effectiveness of government, the low quality of public services and labor market standards, the disparate development rate of agglomerations and the rest of the country.

Due to the intensity of the political conflict and for the first time since 1990, interpretations of Polish economic policy are now a radically different and incompatible discourses, drawing on different political and ideological resources. They also focus on different time horizons. The government's opponents, both liberal and left-wing ones, more frequently point at contradictions, limitations, and long-term negative consequences of the

reforms implemented. The regime emphasizes the positive implications of the changed political and social situation in a populist way, avoiding a debate on future consequences. Meanwhile, opposition leaders and critics of the government underline the discrepancy between the growing costs of social policy (for example of lowering the retirement age) and the possibilities of financing development. Nevertheless, they rarely present rival proposals.

The regime emphasizes the positive implications of the changed political and social situation in a populist way, avoiding a debate on future consequences.

Asiatic Theories of the Development of the State

Supporters of the government place an emphasis on the virtues of the current political economic policy. It is in these terms that they reflect on the search for new economic and institutional solutions, including ones drawing on Asiatic theories of the development state (for example, J. Yifu Lin's new structural economics), new concepts of industrial policy (D. Rodrick, M. Mazzucato), and experiences of the Hungarian economy (like reindustrialization, banking tax, or pro-family policy). They regard the introduction of the new social policy, aimed at scaling down exclusion and income inequalities (the "Family 500+" is the largest program aiding families with many children after 1989, it has embraced almost four million children and reduced absolute poverty among children by more than 30 percent), as particularly successful. These measures and the pro-worker policy (raising the minimal wage, reducing temporary forms of employment, launching the program of apartments for rental) politically mobilize lower classes for PiS as the first party that fulfilled its principal campaign promises after electoral victory.

So far, the new government is distinguished by a stable macroeconomic policy. Economic indicators have improved: GDP growth increased to 5 percent, VAT collectability and budget revenues are growing, inflation is kept low, public finance deficit has decreased, unemployment has fallen to the lowest level since early 1990s, and foreign debt is stable. However, critics point out that economic policy since 2015 shows inner contradictions and limitations. The policy of centralization of power (modelled on Victor Orbán's Hungary), enlarging the public sector and regulatory changes extending the functions of the state, sometimes at the expense of local government, private sector, and civil society, is clearly statist.

Shifting Poland from the Periphery to the Center

The declared goal is to consolidate power and institutional resources, which should allow the shifting of Poland from the periphery of capitalism to the development level of the center. It is to be done through creating large companies modelled on Korean champions (for example, through merging government-owned companies), strengthening Polish capital (repurchasing PKO BP from UniCredit), creating new financial institutions (Polish Development Fund), aiding start-ups and technological innovation (production of an electric car), launching huge infrastructural (Central Communication Port) and industrial (rebuilding shipyards) projects. Meanwhile, however, costly social programs have become priorities, while investments, in the long-term intended to reach as much as 25 percent of the GDP annually, are not increasing and are lower than in the other countries in Central Europe.

Liberal opposition also underlines the limitations of the government's economic policy resulting from centralization of power and extending the public sector. Statist experiments in the interwar Poland ended in moderate success, and in the whole CEE region they ultimately led to the collapse of centrally planned economy. Also in Poland after 1989, state-owned enterprises are rarely well managed, they became spoils for political parties and they usually develop less well than the private sector. Statist tendencies can be particularly counter-productive in the context of personalized authoritarian rule and the supremacy of party leadership over government administration, which is emerging in Poland after 2015. They will result in an asymmetric dualism in management, manifesting

A departure from a meritocratic criteria in the management of the state may bring about institutional pathologies, such as increased corruption and undermines the feasibility of the “developmental leap.”

itself, among other things, in subordination of the government to the prime minister and also to the party leader. In such a model, decisions are arbitrary and discretionary, which violates the principle of checks and balances (especially the independence of the prosecutor's office and the judiciary). This is accompanied by a chaotic exchange of the elites, dysfunctional for the efficiency of public institutions intended as the main instrument of systemic change.

Rival Orientations and Interests Are Lowering Government Efficiency

A departure from a meritocratic criteria in the management of the state may bring about institutional pathologies, such as increased corruption (like in Hungary), and undermines the feasibility of the “developmental leap.” Some critics also point at clashes within the wide spectre of economic tendencies and philosophies in government—from centralist statism to new industrial policy to liberal and even libertarian views. The multiplicity of rival orientations and interests becomes an additional factor lowering government efficiency (for example, pro-business projects of economic ministries are often blocked by the restrictive policy of the Ministry of Justice).

The right in Poland draws on the support of the lower social classes, rallied against the elite. This means sidelining a major part of the competent, experienced, and internationally grounded communities.

Increasing political divisions (resulting from the populist methods used by the government) undermine the possibility of consolidating the majority of the society around development goals. The right in Poland draws on the support of the lower social classes, rallied against the elite. This means sidelining a major part of the competent, experienced, and internationally grounded communities. And without a wide-ranging social support, chances for a developmental leap are compromised. Contrary to the declared aspirations of Polish citizens, the implemented model does not provide for an active part of the civil society in the announced development leap. Numerous protests of various communities show a clash between the goals of the government and the methods of their implementation, for instead of consolidating Polish society, the government, through its authoritarian style of ruling, antagonizes the society and breeds group conflicts. One example is sidelining the Social Dialogue Council, political divisions among employer organizations and trade unions, or cessation of the work on the new labor code.

The Current Relations of Poland with the EU Generate New Risks

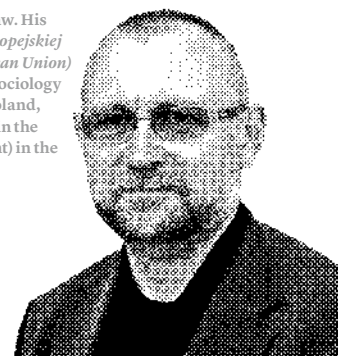
Yet another time Poland exhausted a certain model of extensive development and it tries to reach a higher level—intensive development. It introduced a new

economic policy in 2015, but it is too early yet to credibly assess the implementation of the goals defined. The country is not functioning in an international void. The changes are part of a global turn towards strengthening the systemic role of the state in the economy. They are a reaction to the crisis of neoliberal globalization, the model examples of which are Hungary in the EU and, in a more radical form, Turkey and Russia outside it. Authoritarian and paternalist style of government appears especially in countries with dependent or peripheral capitalism, where right-wing elites seek a way of strengthening their position in relation to the main countries of developed capitalism.

Current relations of Poland with the EU generate new risks (the conflict about the rule of law, the questions of immigrants, the issue of joining the eurozone) while the main economic interests tie Poland to Western Europe, especially to Germany. New versions of such dilemmas are produced by the growing conflict between the United States and the European Union, which faces Poland with fundamental strategic choices. In such circumstances, the conception of development proposed by the right-wing government produces more doubts, threats, and question marks than positive answers.

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The Beginning of the End

ASPEN.REVIEW
BENJAMIN CUNNINGHAM

CULTURE
KRASTEV
POPULISM
EUROSKEPTICISM
MIGRANT CRISIS



The Beginning of the End

Ivan Krastev

After Europe, University of Pennsylvania Press, 120 pp, 2017

Not so long ago, the European Union was touted as a model of aspiration. Member states were consolidating cooperation and integration via the Treaty of Lisbon and Turkey still wanted to join. The EU was so cool that rapper Jay Z flashed his cash in euros, not the standard hip hop dollars, in a music video. In 2006, Mark Leonard, director of the European Council of Foreign Relations, authored a book called *Why Europe Will Run the 21st Century*. “Imagine a world of peace, prosperity, and democracy,” he wrote. “A world where small countries are as sovereign as large ones.”

If only Europe operated that way, never mind the world.

In the years since, Europe sat idle as Russia invaded Ukraine, the global economy collapsed, and liberal democracy receded in places as diverse as Hungary, Poland, and the UK. Small EU member states like Greece found that sovereignty is a word that can have multiple meanings. Now, even as Donald Trump openly mocks the EU leaders and unilaterally imposes trade tariffs, Europe's private sector rushes to adhere to his sanctions on Iran so as not to offend the capricious American president. In short, times and the mood have changed, so much so that serious people—no longer just Euroskeptical propagandists—wonder whether the EU will last.

In his latest book, *After Europe*, the Bulgarian intellectual Ivan Krastev cites the usual suspects of refugees and populism as the centrifugal forces pulling Europe apart. He goes on to point to a series of paradoxes that expose the difficulty of bridging the EU's many divisions. In today's Europe, a "paralyzing uncertainty captures people's imagination" and people are "torn between hectic activity and fatalistic passivity," he writes. The continent's problems go beyond the practical, Krastev says, to raise questions about whether the core Enlightenment values that defined the European project still hold. "[S]ocieties sometimes do commit suicide," he warns.

What It Means to Be European

At just 120 pages, *After Europe* reads like a long newspaper op-ed piece. Rather than a comprehensive analysis of Europe's politics and future, it feels as if Krastev is working out his thoughts on the page. To do so he weaves together studies and observations from other scholars (John Rawls, Ken Jowitt, Tony Judt, etc.) with allusions to literature (Joseph Roth, Jose Saramago, Michel Houellebecq, among others) to illustrate his points. This seeming lack of coherence might be problematic, except that watching Krastev think things out is interesting in its own right. The main argument—so much as there is one, and it is not particularly original—is that Europe is under strain for two reasons. The first is the refugee crisis, which Krastev describes as "Europe's 9/11." The second is the growing dissonance between liberalism and democracy.

"The inability and unwillingness of liberal elites to discuss migration, and contend with its consequences, and the insistence that existing policies are always positive sum (i.e., win-win), are what make liberalism

for so many synonymous with hypocrisy,” he writes. Though it is hard to see how anti-EU forces, for example the leaders of the Brexit campaign, are not at least as hypocritical.

Times and the mood have changed, so much so that serious people—no longer just Euroskeptic propagandists—wonder whether the EU will last.

More than a mere test of tolerance or openness to diversity, the refugee crisis has prompted a reconsideration of what it means to be European. Krastev cites the Hungarian philosopher Gáspár Miklós Tamás, who argues that Enlightenment values also logically demand universal citizenship. If all men (and women) are created equal, then regardless of their nationality they should have the same rights, the argument goes. Taken to its logical conclusion this means that people either need the right to migrate wherever they want, or standards of living in all countries need to be roughly the same. In practice, of course, neither is true.

“How can our universal rights be reconciled with the fact that we exercise them as citizens of unequally free and prosperous societies?” Krastev asks.

The Absence of Willingness to Aid Fellow Europeans

While he goes on to call migration “the only genuinely pan-European crisis,” Krastev does not differentiate the degree to which different EU member states experience the crisis. To say nothing of the attempted quota policy, Italy (where 130,000 people from Africa and the Middle East applied for asylum in 2017) and Poland (where there were 5,000 total applications, 4,200 of which came from Russia and Ukraine) did not have anything like the same experience. While true that migration fueled political tensions in

Europe is under strain for two reasons. The first is the refugee crisis, which Krastev describes as “Europe’s 9/11.” The second is the growing dissonance between liberalism and democracy.

virtually every EU member state, to compare imagined trauma or paranoia with the actual burden of coping with hundreds of thousands migrants washing up on your shores is tantamount to having equal sympathy for a hypochondriac and a cancer patient.

On this issue, the most ominous indication that the EU is in trouble is not that the migrants have unearthed a latent fear of foreigners or Islam, but rather that most member states were not willing to aid frontline states—fellow Europeans. Not only did most Europeans choose fear and political expediency over aiding people fleeing war zones, they were also unwilling to help other Europeans who—because of an accident of geography—had no choice but to deal with the issue head-on.

In the book's second section (there are only two chapters, plus intro and conclusion), Krastev points to the mounting tension between democracy and liberalism, especially liberal economics. He paraphrases the Harvard scholar Dani Rodrik in outlining the complexities confronting contemporary democratic leaders—none of which are limited to Europe. “We can restrict democracy in order to gain competitiveness in international markets. We can limit globalization in the hope of developing democratic legitimacy at home. Or we can globalize democracy at the expense of national sovereignty,” Krastev writes.

The Central European, Western European, and Brussels Paradoxes

In a striking comparison, he notes that while the Chinese and Russians can change their economic systems but not their governments, the inverse is true in Europe—here governments frequently change but economic policy is restricted by common EU rules on budget deficits and, in the case of eurozone members, the inability to conduct independent

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monetary policy. Along with practical difficulties, there is public animus over the realization that politics is no longer capable of playing any role in economic policymaking—and hence the increased emphasis on identity issues in the political arena. Worse yet, Krastev contends, there is a trio of contradictions, which he labels as the Central European, Western European, and Brussels paradoxes, that hinder efforts to overcome such impasses.

While Central Europeans remain overwhelmingly pro-EU in surveys (earlier this year a poll found 92 percent of Poles support EU membership), they nonetheless support anti-EU governments, Krastev notes. His interesting explanation is that Central Europe pursued EU membership and democratization in parallel, and thus countries in the region failed to develop their own political (read: democratic) identities. As they do so today, populist nationalism has surged. Rather than representing the public interest, politicians strive to affirm common experiences. This generally requires juxtaposing those commonalities to some real or imagined “other.” In a typically colorful example, Krastev points to a 2003 study in the UK that young Brits felt better represented by contestants on the television show *Big Brother* than they did by their elected officials.

Central Europe pursued EU membership and democratization in parallel, and thus countries in the region failed to develop their own political identities.

“Political identities proposed by populist parties are not much different from the identities constructed by reality shows,” he writes.

Young Cosmopolitans Do Not Campaign for EU Reform

As for the Western European paradox, Krastev wonders why a young, cosmopolitan generation does not actively campaign for EU reform. Amid a surge of populism, why is there not something like a pro-EU populist movement, he asks? While many call on the EU to be more democratic and representative, young people tend to be skeptical of institutions—including the elected bodies, Krastev notes. Furthermore, while the Internet is useful for organizing large groups of people, Krastev argues that this means social movements now tend to gain attention and momentum too quickly, before they are mature enough to take coherent action. This leads to a feeling of “participation without representation,” and breeds further discontent with the system.

In fact, there is a nascent pan-European movement to reform the EU, though it is unclear how much Krastev would agree with its goals. The Democracy in Europe Movement 2025 (DiEM25), was founded by Yanis Varoufakis, the former Greek Finance Minister, and Srećko Horvat, a Croatian philosopher, but has ample support among leftists in the EU’s so-called “old

member states” as well. DiEM25 purports to support a “full-fledged democracy with a sovereign Parliament respecting national self-determination and sharing power with national Parliaments, regional assemblies and municipal councils.” In short, they wish to politicize European politics. Two parties associated with DiEM25, the Czech Pirates and Denmark’s The Alternative have seats in their respective national parliaments.

The Leadership Class Has the Option of Fleeing Faster Than Ever Before

As for Krastev’s Brussels paradox, he argues that meritocratic nature of EU administration—on the surface a good thing—also breeds resentment. Meritocracy, Krastev writes, is a system where “inequality is justified on the basis of differences in achievement,” a system that leads to the “loss of political community.” While many elites today insist they have reached their status through hard work, studying for and passing exams that others do not, the best predictor of someone’s lifetime income remains their place of birth, Krastev notes. Furthermore, most elites today have chances to travel or work abroad that the average person does not. This preys on fears that at the first sign of trouble, the leadership class has the option of fleeing the country faster and easier than ever before. Bankers go to London, bureaucrats to Brussels, and Eastern European doctors to Germany. “Unlike a century ago, today’s insurgent leaders aren’t interested in nationalizing industries,” Krastev writes. “Instead, they promise to nationalize their elites.”

While many call on the EU to be more democratic and representative, young people tend to be skeptical of institutions—including the elected bodies, Krastev notes.

Similarly to his discussion of the migrant crisis, Krastev seems to give equal standing to people who carry imagined grievances with those who are systematically denied access to advancement to elite status. Imagined grievances may well have consequences for the political system, but the solution is not to do away with meritocracy, rather to make sure that it is genuinely meritocratic. Krastev does not say as much, but if he is arguing that the Brussels meritocracy is not, he is right. Any system that claims to be founded on objective effort and achievement-based standards, but nonetheless perpetuates multi-generational inequality, is equal parts dishonest and unjust and meritocracy in name only.

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In the end, Krastev's provocative title *After Europe* is misleading. While the fact that someone as serious as Krastev is beginning to ponder an "after" at all is cause enough for alarm, he presents no real proposals here for what might come next or for what do to avoid the disintegration of the EU. He hopes a series of compromises will allow liberalism to outlast populists, exhausting their hollow rhetoric. While he says that the "smart money" is betting against the EU, recent years show us that we do not understand politics nearly as well as we once thought we did. "Survival is a little like writing a poem: not even the poet knows how it's going to end before it does," he writes.

If survival and endurance are all the EU project can now offer Europeans, this is indeed the beginning of the end.

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From Euphoria to a Reality Check



Flucht—wie der Staat die Kontrolle verlor.

Christian Ultsch, Thomas Prior,
Rainer Nowak

Molden, Wien 2017, 205 pp. ISBN 978-3-222-15005-0

The one political theme that has been dominating Europe for the last several years, the migration crisis, is usually being linked with Germany, as it has admitted in the biggest number of migrants. Its government has also asserted, at least publicly, that it is not acceptable to cap the number of these people. So it has transpired that the events there overshadowed the struggles of other countries which have also had their hands full with migrant influx since 2015-2016. First we need to mention Sweden, which, per capita, has taken in the biggest number of migrants. It is closely followed by Austria, also being overlooked, as focus has been on Germany. Yet it was the agreement between German and Austrian governments concerning the migrants' transit, struck at the end of summer of 2015, that set the course of events on its current tracks. Had the agreement not been so readily found, it is highly likely the migrants' story would be very different today.

There is one more thing that sets the events in Austria apart: in no other European country has the political establishment been more shaken by the migrant crisis. It almost determined the outcome of presidential elections and resulted in the resignation of the prime minister. A new breed of political leaders has emerged; younger, untethered by traditional party structures or the classical left-right divide.

In no other European country has the political establishment been more shaken by the migrant crisis. It almost determined the outcome of presidential elections and resulted in the resignation of the prime minister.

A book by a trio of journalists of Austrian conservative daily newspaper *Die Presse*, Rainer Nowak (editor-in-chief), Christian Ultsch (editor of foreign affairs), and Thomas Prior sheds light on the ins and outs of events that managed to alter the country's profile. Its sources include off-the-record interviews with diplomats, police officials, and mainstream politicians and paints a comprehensive picture of the seismic events there.

If their view on Austrian contribution to European migrant crisis is to be reduced to a couple of main points, it could be summed up as a story whose main protagonists completely failed to communicate with each other in time of crisis. Some of them got convinced that theirs is a role in history, only to find out, way too quickly, that they were in over their heads and had to scramble to pull the emergency stop.

A Chancellor with Merkel's Views

The central figure was Chancellor Werner Faymann. In 2015, the social democrat had been in office for seven years, a veteran of EU politics, along with Angela Merkel. The German chancellor, dubbed "the most powerful woman in Europe," did not initially see eye to eye with her Austrian counterpart. Among her advisors she was heard describing him as someone who "comes without any opinion and leaves with mine."

Despite the initial disdain, or perhaps because of it, a certain bond was forged over the years. Faymann eventually took on the role of a liaison with other European social democratic prime ministers and conveyed her stance on current affairs. In 2014, he was even rumored to become a President of European Council, though in the end he turned the offer down and a Polish candidate Donald Tusk was elected instead.

That special relationship between Merkel and Faymann ought to be remembered when pondering Berlin's decision to take in Syrian refugees in the summer of 2015. At that time they had already been camping for several months in Hungary and their situation seemed to be untenable. Orbán's Hungarian government wanted to get rid of them. He had set accordingly restrictive policies in place since the spring of 2015, the most visible attribute of which was erecting a fence along the border with Serbia. Budapest simply argued that migrants want to go to Germany and it is not their job to stop them. A tweet from the German Office for Migration and Refugees (BAMF) dated August 25, 2015, proved to be a catalyst of events: it asserted that when processing Syrian refugees the rules of Dublin Asylum System would not be taken into account. Thousands understood this that Germany would take in anyone who manages to get there and set out to march towards the Austrian border.

"Germany is only doing what is morally and politically necessary to be done. No more, no less," was Merkel's reaction to Hungary's criticism claiming that German officials "practically invited" the migrants in. During this time, Fayman was daily on the phone with Merkel and sought assurances that Germany would indeed take the migrants in. Seemingly safe in Merkel's wake, he went on to also push for humanitarian approach. This opened a possibility to lecture Orbán on humanitarian worldview, an opportunity that was not lost on him.

The central figure was Chancellor Werner Faymann. In 2015, the social democrat had been in office for seven years, a veteran of EU politics, along with Angela Merkel.

"Open the gates to humanity," was his slogan when his country was faced with thousands of new refugees on daily basis. Austria was swept by a wave of hospitality and solidarity. Nevertheless, authors prove that nobody from the top echelons was interested in keeping the migrants there. They quote an official of a large international humanitarian organization claiming that Austria indeed possesses a know-how necessary to process and register a large influx of people—a feat repeated daily at the Vienna Airport. With a registration, however, a record of it would show in the Dublin Asylum System, leading to a responsibility for processing the asylum claims.

The Rise of the Young Talent, Kurz

In the meantime, another story plot began to unfold, according to the authors. Conservative coalition partners in Faymann's government did not share his enthusiasm. At the forefront was the young Foreign Minister Sebastian Kurz. He sensed an opportunity not only to challenge his mightier coalition partner but the populist Freedom Party (FPÖ), which has been riding a wave of fear, as well. Bleak situation in the largest Austrian refugee camp Traiskirchen (a refuge for many Eastern Europeans escaping communism before 1989) came to his aid. The news reels during an otherwise uneventful summer were dominated by footage from the absolutely overcrowded camp with hundreds of people sleeping on bare ground.

Austria was swept by a wave of hospitality and solidarity. Nevertheless, authors prove that nobody from the top echelons was interested in keeping the migrants there.

The Freedom Party was successfully playing the fear card, claiming it was going to be Austria's responsibility to look after the newly arriving migrants, at the expense of its own citizens. Conservative Kurz avoided such simple xenophobic approach and even reminded media during several interviews how his parent had taken in refugees from Bosnia during Yugoslav wars. However, as the foreign minister his actions spoke louder than words. He immediately contacted his fellow ministers in the EU and, above all, set off to Macedonia, a state at the threshold of the so-called Balkan route and thus kicked off his political rise.

All this was happening while social democrat Faymann counted on Germany sticking to its part of the deal and keeping the incoming migrants. Kurz went on to set out a five point plan for the solution of the migrant crisis, later to be accepted by general consensus. Among his demands was an increased protection of EU borders and establishment of asylum centers as close as possible to war zones from which people are trying to escape.

Two weeks after the first train with migrants crossed the Austrian-German border, Austria's migrant policies suffered a major blow. In the middle of September, Berlin decided to establish border checks. Faymann began to worry that in time it would lead to a complete border closure and migrants, still coming to Austria, would be forced to stay there. His government declared a dramatic about turn. If yesterday it sharply criticized the

border fence between Hungary and Serbia, well, today it started erecting its own barriers at the border with Slovenia. New motto, albeit never fully declared, became to decrease the number of migrants on Austrian soil as much as possible. One way was to protect the southern border with Slovenia, the other was to speed up the migrants' transit to Germany, even if it involved, to Germany's dismay, Austrian police escorting the migrants to the German border and pointing out the weak spots in border control to enable trouble-free (understand: illegal) passage to Germany.

The Closure of the Balkan Route

Austrian Chancellor Faymann had completed his about turn in January 2016, when his government set out a cap for the number of migrants admitted to the country and his foreign minister managed to close a deal with Balkan countries that effectively closed the so-called Balkan route to migrants. The risky maneuver paid off as the number of newly arriving migrants fell sharply. The relief was also felt in Germany, even though Berlin officials sharply criticized the Austrians. Yet Kurz was in direct intensive contact with some members of German government (Defense Minister Ursula von der Leyen, Finance Minister Wolfgang Schäuble) and kept them up to date. The latter even asked him, during an informal meeting in Brussels, if Merkel had thanked him for stemming the flow of refugees to Germany from the Balkans.

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Merkel's position, after a fall during the peak of the migration crisis, has stabilized again. She kept her appearances and claimed she could not have acted differently, although in reality her government has been tightening its migration policies. The German chancellor has invested a lot of energy and political capital into a deal between Brussels and Ankara. Turkey has then taken on a role of a "bouncer" for the EU, keeping the refugee issue at bay and protecting the top European politicians from the necessity to comment on "ugly pictures" documenting daily struggles to survive taking place at the gates of Europe.

Merkel's former ally Faymann was not so lucky and did not politically survive his about turn. In May 2016, between the first and second round of Austrian presidential elections when victory of Freedom Party candidate seemed possible, he resigned and made room for Christian Kern. Faymann, relatively unpopular even before the refugee crisis, then became a universal scapegoat for all the failures of his government.

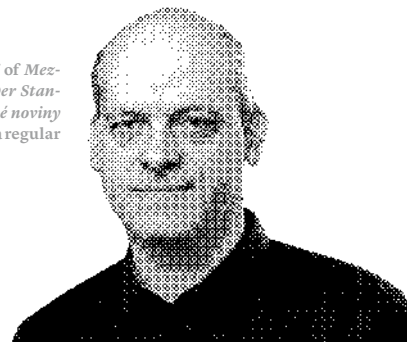
Two weeks after the first train with migrants crossed Austrian-German border, the Austria's migrant policies suffered a major blow. In the middle of September, Berlin decided to establish border checks.

Kern personifies a politician who landed the top job at social democrats thanks to refugee crisis as well. As a former CEO of Austrian State Railways he took credit for his company's ability to ensure more-or-less smooth transit of migrants through Austria to German border.

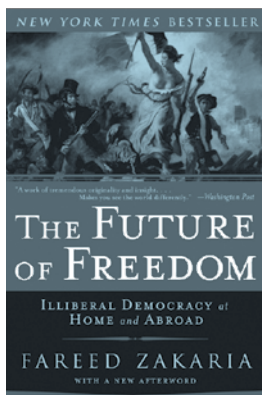
The man to benefit from the struggles of refugees the most is without a doubt Sebastian Kurz, in 2017 at the age of 31 the youngest prime minister in Europe and the new leader of Austrian conservatives. That, however, is an altogether another story.

ROBERT SCHUSTER

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What Guarantees a Good Future for Freedom?



The Future of Freedom: Illiberal Democracy at Home and Abroad Fareed Zakaria

It is quite paradoxical that Fareed Zakaria's *Future of Freedom* got published in Poland only when, its praise for the country's democracy turned out to be an overstatement. To be sure, Central Europe is not the main topic of the book. Nevertheless, it is shown as an example of successful transition to fully-fledged liberal democracy, which allegedly only great dose of contingent luck could be replicated in other parts of the world. "The line that separated Western and Eastern Christendom in 1500 today divides successful liberal regimes from unsuccessful, illiberal ones. Poland, Hungary, and the Czech Republic, which were most securely a part of Europe, are furthest along in consolidating their democracies," goes once a cliché argument, put in doubt since the book was written. Zakaria is more nuanced than Huntington and when he writes about the parts of the world he knows better (take India), he steers clear of cultural determinism. Still, the journalist polymath fad did not serve well the promise made in the title: a few years on, the future of freedom looks much

different than he expected—better in the post-Soviet area (Ukraine, Georgia, Armenia), worse in Turkey, not so obvious in Europe, much more complicated in the Arab countries of the Middle East.

The area where predictive capabilities failed the then editor-in-chief of *Newsweek* to an even greater extent is economy. The Great Recession hit only a few months after *The Future of Freedom* was written, putting in peril the comfortable stability of Western middle classes. This has been of great

It is worth remembering that the latter ominous transition began with the Popolari slogans of empowering the “ordinary people” at the expense of the self-serving elite.

importance for the prospects of individual freedom and liberal democracy: for centuries it has been the middle class who have carried liberal values. However, it did so only while optimistic: the economic downturn of 1870s led to the rise of European nationalisms and anti-Semitism, the debt crisis after WWI ended the liberal period in Italian politics and brought Mussolini to power, the Great Depression of early 1930s did the same to frail Weimar democracy and for Hitler.

The Democratic Spirit Cannot Be Taken for Granted in the US Either

Compared to those precedents, the impact of the Great Recession is not yet as catastrophic. Still, the rise of reactionary populism in Europe—from Brexiters to French Front National to neo-fascists in Slovakia—is a fact, and even in the United States the durability of democratic spirits and republican institutions cannot be taken for granted. After all, ancient Rome made it from monarchy to exemplary republic and then back to bloody despotism. It is worth remembering that the latter ominous transition began with the Popolari slogans of empowering the “ordinary people” at the expense of the self-serving elite.

The relation between economic trends and democracy has been a subtle one and often went against the widely held beliefs. The illiberal turns meant closed borders and beggar-thy-neighbor policies which, while compromising overall efficiency, pleased nationalistically-minded electorates (Zakaria rightly points out that Otto von Bismarck’s extension of suffrage was meant to boost support for monarchy and keep urbanite liberals at bay).

By contrast, the periods of fast economic growth which resulted from global openness and free trade policies created envy (“Why the Joneses are getting richer and not me?”) and anxiety (Oswald Spengler started to write *The Decline of the West* in 1911, at the apex of European domination over the planet).

The popularity of liberal governments never lasted long—more often than not they were denounced for real or imagined corruption, lacking ideals, or being oblivious to the fate of “the common man.” The “glorious thirty”

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years which followed WWII appear as an exception to the rule—one which can be easily explained. In Western Europe the liberal messages were accompanied by protectionist policies which were dismantled only slowly and very carefully. On the other side of the Atlantic, the American working class was free-riding on European protectionism and the autarchic policies of the Soviet Union, China, India, and the Third World. To use a metaphor, once all your neighbors have built strong fences, your sheep (in this case: the capital) is not going to escape.

Americans Became Less Satisfied with Their Political System

The situation began to change with the neoliberal revolution of 1980s. In the quarter of century before Zakaria wrote *The Future of Freedom*, the US gross domestic product increased by \$5 trillion, or 50% *per capita*. Yet the Americans did not become any happier, and in any case they became less satisfied with their political system. Zakaria finds this surprising, but it is enough to have a look at one graph in Branko Milanović’s *Global Inequality* to understand what has happened: between 1988 and 2008 the real incomes of virtually all people in the world rose, except for those who started in percentiles 79 to 81 and whose earnings in real terms remained at the same level.

This group—better off than the bottom 78 percent of humanity, but poorer than its top 19 percent—includes the working class Americans. So, even though the overall impact of globalization was Pareto optimal (no one lost while some—in fact, great majority—gained), the lower strata of the US society had all reasons to consider themselves losers, especially in

comparison to the proudly cosmopolitan elites who ended among top winners. This explains not only the unhappiness of the seemingly invidious American voters but also their turn towards chauvinistic populism.

In Systems with Proportional Representation the Position of Lobbyists Is Weaker

In the same period, the measures meant to democratize American politics turned out to have perverse effects. As Zakaria rightly points out, the greater transparency of the lawmaking process indeed increased control over the members of Congress. Unfortunately, the people who seized this control were various interest groups and not the public at large. Knowing the details of proceedings in the committees made it very easy for lobbyists to map the most vulnerable members. And then an all-out hijack of the federal budget started, further increasing the dissatisfaction with “Washington.” The calculus has been banal: “If a group of 100 farmers got together to petition the government to give them \$10 million, the benefit to each farmer is \$100,000. The cost to the rest of us is about 4 cents per person. Who is more likely to form a lobby, them or us?” asks Zakaria. In systems with proportional representation (and what goes with it—stronger and better disciplined parties), the position of lobbyists is weaker than in the US, but the mechanism of asymmetric incentives remains the same, benefitting the organized few at the expense of the public good.

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The greatest merit of *The Future of Freedom* lies, however, not in explaining what went wrong with America, but in reminding us of the inherent tension between the majority principle and the rule of law. In a brilliant excursion into ancient history, Zakaria reminds us that the best-remembered decision of the Athenian popular assembly was to kill Socrates. The much-cherished Greek “freedom” was not about personal autonomy, but about ability to participate in the decision-making that would affect the entire polity. Those are two completely different things and only the cursory reading of ancient texts in 19th and 20th centuries led to merging them in a single confused concept.

The Dispersion of Power Arrangements Produces Free Societies

Zakaria gets a glimpse into this connection at the very beginning of the book, saying that “it all started when Constantine decided to move” and then claiming that “European history was marked by continual strife between church and state. From the sparks of those struggles came the first fires of human liberty.” Unfortunately, he gets carried away by this particular example, elevating church and its democratizing role way too much—while missing the point that virtually any dispersion of power is beneficial for the freedom of individuals. In the classical Montesquieu conception it involves the independent judiciary and mutual checks and balances between executive and legislative branches.

Other aspects of the dispersion of authority are equally important: the local, regional, and state levels in multilevel governance systems such as US, EU, or India; the clear separation of religious and political spheres; the solid and enforceable property rights, including possibility to use this property as means of production; political parties with clear axiological footing, strong enough to provide their members with self-esteem even during long periods in opposition. And election rules which make all those institutions independent of each other and space over time the transitions of power so that not everything can get carried away by a sudden ideological fad.

The beauty of the dispersion of power arrangements is that they produce free societies a liberal democratic order even if none of the actors competing for power are deeply passionate about such an outcome. Take Poland, where Zakaria rightly points to the role played by the Catholic Church during democratic transition. Contrary to the widely spread but ungrounded beliefs, by no means did the Church want a fully-fledged Western liberalism.

A Functioning Republic Does Not Need to Be Populated by Angels

This is best evidenced by the admonitions issued in the summer of 1988 by Józef Glemp, then Primate of Poland, to his own advisors who dared to recommend laic state and praised a pluralist society. Nevertheless, the Round Table contract of the next year paved a way for exactly such kind of political order—which lasted uncontested for a quarter of century, until an illiberal concept of democracy, based on a notion of primordial spiritual

national community and strongly influenced by the peculiar ideology of Polish Catholicism, grew strong enough to become a real alternative.

Another illustration comes from Russia. Zakaria goes to great lengths lamenting all the opportunities for democratizing and liberalizing the country which Boris Yeltsin missed. This is naive. Yeltsin was a Soviet-trained politician, not a moral philosopher. No wonder he was a democrat only for as long as it was necessary and turned back to the old tested ways as soon as competitors for power weakened. In fact, it is not improbable that the best opportunity for establishing a liberal democracy in the post-Soviet space was to keep alive the federal USSR institutions which would counterbalance the national strongmen from Minsk to Moscow to Tashkent. Zakaria would probably agree, since he comments on his native India that its “semiliberal democracy has survived because of, and not despite, its strong regions and varied languages, cultures, and even castes.”

The beauty of the dispersion of power arrangements is that they produce free societies and a liberal democratic order even if none of the actors competing for power are deeply passionate about such an outcome.

All in all, the future of freedom seems pretty much similar to its past. Already in 1795, Immanuel Kant hit the nail on the head by explaining in the First Supplement to the *Perpetual Peace* that a functioning republic does not need to be populated by angels. Quite to the contrary—it should be built as if it were to be populated by the devil race, arranging the powers of each selfish inclination in opposition to each other. What matters is that the selfish devils be many and counterbalance each other.

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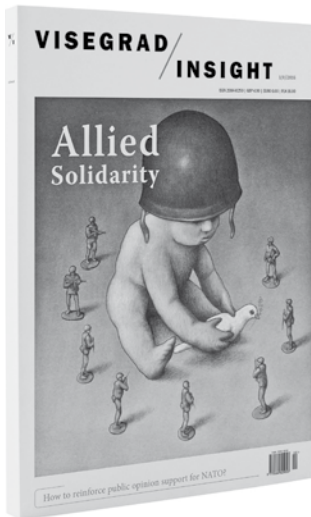


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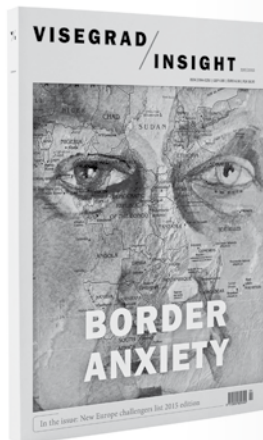
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We don't have refugees in Slovakia, in fact we don't have any major communities of foreigners. Politicians want power at any price, even at the price of inciting hatred towards other social groups.

MATÚŠ VALLO

With the exit of Britain from the EU, many non-eurozone members feel that further integration could become solely dependent on the Franco-German axis.

EOIN DREA

Europe is under strain for two reasons. The first is the refugee crisis, which Krastev describes as "Europe's 9/11." The second is the growing dissonance between liberalism and democracy.

BENJAMIN CUNNINGHAM

If each competing state or political group promotes its own versions of the past, the result should be a plurality of inconsistent historiographic narratives.

AVIEZER TUCKER