No. 01 2017

ASPEN Review

ASPEN.REVIEW
CENTRAL EUROPE

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Losing Trust in Media

Rise of State Capitalism

Trump and the New Parameters of German Foreign Policy

About Aspen Institute Central Europe

The Aspen Review Central Europe is published by the Aspen Institute Central Europe, a Central European partner of the Aspen Institute global network. It serves as an independent platform where politicians and businesspeople, as well as leading artists, sportspeople, scientists, and journalists can meet and interact. The Institute facilitates interdisciplinary and regional cooperation, and supports young Central European 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, Policy, and Public. In their implementation we focus on priorities that are critical for the future of the Central European region.

— ***Leadership Program*** offers educational and networking projects for outstanding young Central European professionals. This area's flagship event is the *Aspen Young Leaders Program*, which 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. Currently, the Institute covers primarily the following topics: digital agenda, cities' development and creative place-making, cultural and creative industries, art & business, education, as well as transatlantic and Visegrad cooperation.

— ***Public Program*** aspires to present challenging ideas at public events, such as Aspen Annual Conference that convenes high-profile guests from all over the world to discuss current affairs, and via Aspen Review Central Europe.

THE ASPEN INSTITUTE
CENTRAL EUROPE

ASPEN Review

Losing Trust in Media

No. 01
2017

ASPEN.REVIEW
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New Name,

Dear Readers,

Since its establishment in 2012, the Aspen Institute in Prague has served as a regional platform for Central European countries as was referred in the title of this quarterly.

Today our region needs more than ever a regional platform for non-ideological and non-partisan discussion that will cultivate inclusive debate on specific issues, facilitate exchange of ideas, foster open society, and promote values-based leadership. Hence, it is my pleasure to announce we have entered our fifth year of activities under new name—the Aspen Institute Central Europe.

Last year in this *Review* we reflected two important and interrelated topics: a crisis of institutions and the changing position of Central Europe on the European political landscape. Unfortunately, the concern about the growth of public mistrust that could lead to re-emergence of old stereotypes has proven justified by recent developments beyond Europe. In this issue, you may find a couple of thematic articles focusing on trust and media.

We live in a fragmented era. Technology allows for instant communication in real time. Writing an online comment or clicking a button does not require too much of time and resources. Entering a public discourse is almost cost-free. Does it bring more democracy and accountability?

Old Mission

Political and judicial institutions as well as independent media and regulatory bodies are more and more under attack. The cornerstones of our political system seem to have been badly affected by the crisis of public confidence and the plummeting of trust in representatives and intermediaries. Populist leaders pretend to address directly our grievances and wishes. The bashing of political correctness has become fashionable. A plain talk has moved a public discourse away from modesty and civility towards "calling things by its proper name." It has become dangerously close to incitement of hatred and violence sometimes crossing the line already. Should there be limits of freedom of expression in our technologically interconnected society? Does technological connectivity enhance real communication? It is easy to lose trust in distant institutions with which one has no direct contact and experience; there are fewer and fewer face to face contacts even in local politics. Maintaining trust is fundamental to good society.

Aspen Institute remains committed to building trust on national and international level by providing a non-ideological platform for a free exchange of ideas, a critical discussion searching for solutions among those who believe in civic responsibility, international engagement, and values-oriented leadership. Stay connected!

JIŘÍ SCHNEIDER
Executive Director

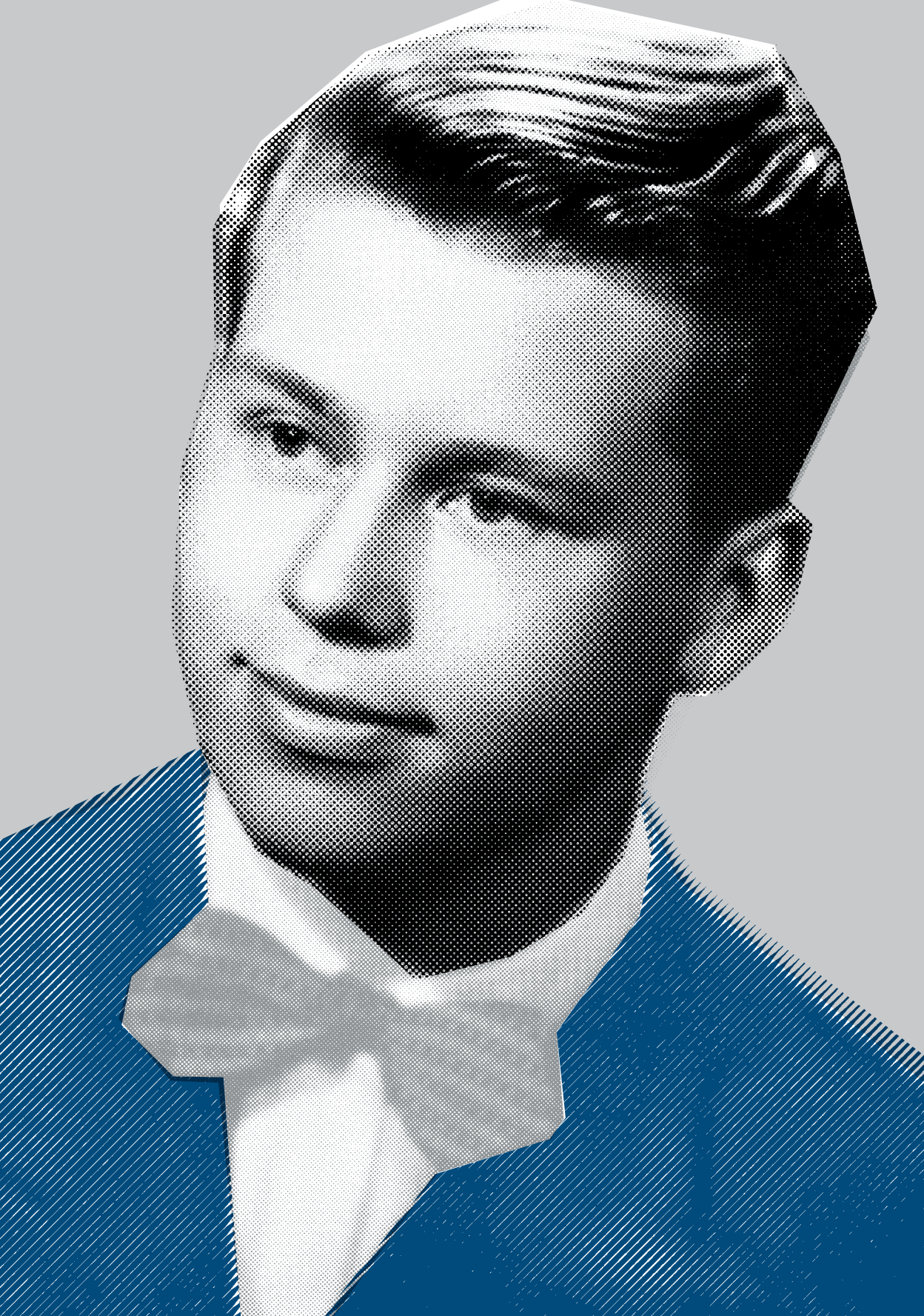
ASPEN.REVIEW

EDITORIAL
HAVEL
RESPONSIBILITY
DEMOCRACY
POLITICS

Havel's Topicality

We say Havel, we think an intellectual in politics. Against this fundamental fact the political beliefs of the author of *The Power of the Powerless* somehow fade into the background. It is not really necessary to know how they evolved in the course of a half-century. A much more interesting question is his involvement in politics itself—where it came from, what it consisted in, and what follows from it for us.

It is worth noting that Václav Havel (1936-2011) was not always an involved writer. He himself, remembering his youth spent in a small avant-garde theatre in Prague in the early 1960s, defined himself as an "expert-idiot" (V. Havel, *Dálkový výslech*, Praha 1990). Having said that, I must point out that the emergence of the political in Havel's life had nothing to do with



a sudden epiphany, conversion, or U-turn. It was a long process, connected both with his intellectual and artistic maturing, and with his lifelong skeptical—euphemistically speaking—attitude towards the Communist Party.

It has not changed in the spring and summer of 1968, when the party leadership undertook an inconsistent and ultimately unsuccessful attempt at liberalizing the system. The later Soviet invasion of Czechoslovakia and the neo-Stalinization of the country set the context in which the life strategy of the "expert-idiot" lost its ethical value: afterwards it was no longer a method of preserving inner freedom but an act of opportunism and self-betrayal. The key to preserving his inner autonomy and—in the last analysis—his own personality turned to be the most important concept in the political vocabulary of Václav Havel. That word is responsibility.

I suggested at the outset that dissection of Havel's political evolution, although evidently possible, would not bring us closer to understanding his phenomenon. Instead it is worth looking at the evolution of his philosophical beliefs. Certainly, there was an influence of Martin Heidegger on Havel, including direct references, but it must have been mediated through others and it was revised in the process.

In the 1960s Havel became interested in "the root cause of the alienation of the modern man," that is "the still increasing tension between the scientific/technological perception and attitude to reality, determining us to a larger and larger extent, and the true needs and possibilities of the human individual. We are able to learn more and more about man," said Havel in the spring of 1968, "about ourselves, about society, science is becoming more and more specialized, it extends its scope, but at the same time our overall view of the world, formed by scientific discoveries, to a diminishing extent answers our questions about the meaning of life. With less and less hope we ask questions about the meaning of our own existence, about the possibility of self-fulfillment. This phenomenon of alienation is universal, present in the whole civilized world. [...] Therefore I am not quite prepared to believe in the theory that alienation in socialism is not true alienation, that alienation in capitalism is somehow more 'alienated.'" (A. J. Liehm, *Generace*, Praha 1990).

What is striking about this fragment is the 32-year-old playwright's belief in the fundamental similarity between the capitalist West and the communist East, in the common source of social dilemmas on both sides of the

Iron Curtain, in the role played in the alarming process of alienation of man from contemporary world by the progressive spread of technology, as well as the author's belief that the world—the whole civilized world—was plunging in a crisis which could threaten its existence. These are (at that stage germinating and a bit clumsy) the most important motives of the two most famous essays of Havel from the 1970s, namely the *Letter to Husák* (1975) and *The Power of the Powerless* (1978).

Understandably, strictly political (or anti-political) themes are still absent here: reflections on the meaning of the terms "dissident" and "oppositionist," the postulate of "living in truth" and a call for a "parallel polis," that is a network of authentic communities which in the future, as Havel wrote, "would constitute the foundation for a better organization of society" (V. Havel, *Moc bezmocných*, Praha 1990), both in the post-totalitarian East, and in the post-democratic West. All these lines of thinking appeared only in the late 1970s; they were literally unimaginable without the experience of the Charter 77 and the acquaintance with Jan Patočka.

"Living in truth," one of the most famous topoi in Havel's thinking, originates from the philosophy and practice of Patočka. As Aviezer Tucker, a researcher of the phenomenological sources of the Czech dissident movement, wrote: "Patočka conceived the crisis of modernity as the destruction of the Christian-Platonic ontology of responsibility [...] Patočka thought that he discovered *sacrifice* as a mean for transcending modern everydayness without resorting to orgiastic escape. He sought to found >>communities of the shattered<<, dissidents who sacrificed everydayness and assumed responsibility through confrontation with their own finitude, death, a confrontation that this leader of Charter 77 did not survive. [...] [He] fulfilled in his life a unique integration of philosophy and practice, assuming moral responsibility and accepting consequentially a Socratic fate in a struggle for human rights." (A. Tucker, *The Legacies of Totalitarianism: A Theoretical Framework*, Cambridge 2015.)

Havel transferred Patočka's philosophical and ethical category of responsibility to political theory and practice. Today it means that wanting to fulfil the ideal of "a better society," we have to preserve democracy and civil society first.

ALEKSANDER KACZOROWSKI
Editor in Chief

ASPEN.REVIEW
IVAYLO DITCHEV

COVER STORY
MEDIA
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POST-TRUTH

Lying: An Industry

The digital turn gave rumors a technological boost. It is no longer necessary to meet someone in the café and whisper things in his or her ear. The Internet combines the durability of the written word with the anonymity of oral culture. The monster thus produced has undermined the very notion of truth, replacing it with something that is better described as post-truth.

In November 2016, the EU Parliament voted a resolution to counter Russian propaganda. Putin's reaction was immediate: he said that Western mentors had been repeating for decades that censoring information goes against democracy, and what do we see now? It is the EU Parliament itself that calls upon banning dissenting voices. Thus pluralism of opinions and open discussion, which were once used by the West against communist Moscow, seem all of a sudden to become arms of Putin's authoritarian regime.

So how does such "pluralism" operate? A couple of days before, *Russia Today* published an information "from a reliable source" that a passage had been added to the mentioned resolution, according to which Orthodox Christianity was becoming too influential world-wide, thus the EU should start fighting against it. Pro-Russian media in Bulgaria immediately retranslated the news in utter indignation, stating that even under Ottoman slavery Orthodoxy was not banned, and that European bureaucracy wants to oppose Bulgaria to its historic friend and protector, Russia. The lie was taken up by social networks, web-trolls, and political activists, and brought to a crescendo.[1]

Curiously enough, the principle "If you lie to me once—shame on you, if you lie to me twice—shame on me," no longer seems to apply. The same indignation machine was put in motion to scare Bulgarians by leaking information about the plans of the EU to prohibit tripe-soup, distillation of brandy, and even traditional dancing, for the supposed risk of spraining one's ankles. The more some liberal intelligentsia tries to denounce such scoops, the worse it is, as people simply detest those educated haughty people they call "elites."

If you think this is but an exotic phenomenon in a peripheral country, consider the election of Donald Trump, based on shameless lies (like the serious illness of Hillary Clinton) going in fact as far as declaring her dead

mid-campaign. Some of these stories were leaked by Russian sources, others by right-wing media like Fox, yet others by the supposed whistleblowers of WikiLeaks; they were then exaggerated and amplified by naïve users of social networks, web agitators, and trolls.

The indignation machine has become part of everyday life in politics, it does not even astonish us. The primaries of the French right in November were almost naturally accompanied by the rumor that Muslims allegedly organized to support the candidate "Ali" Juppé, known for being more temperate on cultural topics: it mobilized the right-wing hard-liners to vote for his opponent. Similarly, no Bulgarian voter was surprised when copies of a supposedly falsified diploma of the candidate Tzatcheva started circulating the web. Lies have become a part of normal life of modern societies. I mean, lies have always accompanied politics, but for the first time we seem to be at such a loss about them.

Under communism, rumors were used by the secret services to discredit dissidents, but not only. Consider the semi-serious legend that the dictator Zhivkov would be in fact the illegitimate child of the last King Boris III. Or that the fortune-teller Vanga had prophesized that the 21st century will be dominated by the Slavs, i.e. Russians and their allies. Too good to be true, isn't it? It is difficult nowadays to find out to how such stories spread around: to what extend there was a centralized decision, and to what individuals, maybe jokingly, furthered such stories. Consider it from a semiotic point of view: the rumor about the department of rumors—a vicious circle with no way out.

Lies have become a part of normal life of modern societies. I mean, lies have always accompanied politics, but for the first time we seem to be at such a loss about them.

The digital turn gave rumors a technological boost. It is no longer necessary to meet someone in the café and whisper things in his or her ear: you upload the story with a simple gesture, then it can circulate around the web forever, immortal and indestructible. The Internet combines the durability of the written word with the anonymity of oral culture. The monster thus produced has undermined the very notion of truth, replacing it with something that is better described in aesthetic categories like plausibility, emotional impact, viral potential. No wonder the Oxford dictionary society declared the word of 2016 to be *post-truth*.

Modern societies counter the eroding influence of non-institutional knowledge in three ways. The oldest way is censorship, as it is done in China, where you risk up to 3 years in jail if your false piece of news is clicked 5000 times or retweeted by 500 followers. Developed democracies invest in prestigious national institutions like academies or public media (e.g. the British BBC) that would be an impartial arbiter in controversial matters. Finally, a new development is the strategy adopted by regimes like Putin's: not to contain, but actually to boost post-truth by actively multiplying false stories until the audience is utterly confused, leaving the leader do what he thinks best.

The first two strategies are problematic nowadays. Censorship is ever more difficult to carry out in a world of intense global exchange, but also because it is practically impossible to control the Internet. Moreover, prohibitions actually enhance rumors, as an important part of them is denouncing authorities and demystifying official information.

As to impartial national institutions, they are suffering an unprecedented collapse of trust. The press can serve as an example. Three quarters of UK citizens no longer trust traditional media; almost half in Germany have been persuaded around the events in Cologne that the Lűgenpresse (lying press) is hiding something because of the so-called political correctness. As to Bulgaria, a tiny 12% think media are free and objective—down from 17% in 2015. There are various reasons for this catastrophic development that touches parliaments, courts, universities, and so on. Maybe the least discussed is the aspect pointed out by Frances Fukuyama: authority declines because of transparency. People see how things function and do not like it.[2] Let me put it this way: trust implies secret and distance, and in the digital world all mystery of authority is gone.

The third strategy seems to be the winning one, as if it was based on Nietzsche's principle: *Was fällt, das soll man auch noch stoßen* ("That which is falling should also be pushed"). If there is no way to stop lying, let us lie more than they do. The new propaganda is not based on censorship but proliferation, from Bulgaria to the UK and from Russia to the US it consists in amplifying digital entropy and thus making reasonable civil action and resistance meaningless.

The technique essentially redirects attention from an inconvenient political critique towards some passionate story provoking indignation. Say, put under pressure for not carrying out of the promised reforms, the last right-

1) Boyadzhiev, Yasen. 2016. "How the EU prohibited Orthodox Christianity" clubz.bg. 29th November 2016 (http://www.clubz.bg/47559-kak_es_zabrani_pravoslavieto).

2) ZDF. 2016. "Aspekte vom 1. april". zdf.de. 1st April 2016.

wing Bulgarian government would all of a sudden vote for a law prohibiting burqas, deemed to be a serious threat to national security, even if such type of head-cover is practically non-existent in the country. In other cases they will start demolishing illegal Roma houses or starting a criminal investigation of some minister of the former government. This is the world of electronic media: the new message wipes out the previous one; keeping a memory is too much of an effort for the consumer of infotainment.

Besides the new forms of "hybrid" propaganda acting in concert with the distorted image of the world produced by filter bubbles in social networks, there is a real industry that has emerged: the industry of lying.

But there is more to it. Besides the new forms of "hybrid" propaganda acting in concert with the distorted image of the world produced by filter bubbles in social networks, there is a real industry that has emerged: the industry of lying. The first person to use paid Internet trolls was Milošević, who in the 1990s employed young people to enter discussion forums and defend the Serbian cause. Today this is a trivial way to earn some money for my students: some work for political parties, others write fake customer reviews, yet others glorify an individual sponsor. Here, too, is man replaced by machines and you can buy Internet robots by the thousands to like, rate, and even produce opinions on various topics. Having shattered the advertising industry, such devices nowadays are ever more undermining the notion of public opinion.

Here are some examples. The Italian Five Star Movement of Beppe Grillo is secretly connected to a complex network of seemingly independent sites that produce the raw material of populism: indignation. For instance one of them, called *TzeTze*, regularly argues that the refugee crisis is not about people escaping war, but a strategy of the US to destroy Europe; this particular revelation has been taken from the Russian *Sputnik*.[3] A similar network of sites and media is to be found in Bulgaria, converging around the businessman and politician Delyan Peevski. He is called "Mr. Who?" because his property is hidden behind various off-shore companies and men of straw. The technique consists in launching a fabrication from one source and than reiterating it throughout the network, creating thus a wave-effect (for instance: the leader of the liberal right Radan Kanev does not travel to the US in order to discuss politics, but has a secret homosexual lover there, hidden from his wife).

NPR managed to lay hands on the biggest fake-news entrepreneur in the US for an interview, Justin Coler. Having created *Disinformedia* in 2013, today he runs 25 sites, earning 10 000 to 30 000 dollars a month, with advertisers queuing for his service. According to Coler, he started producing fake news in order to expose falsehood in the traditional media and help people get out of their filter-bubbles. Then he found out that right-wing users are eager for his stuff and forward it like mad. So he, a registered Democrat, started to produce stories to be consumed by potential Trump voters. For example, the story about the mysterious murders around the Clinton family was entirely invented by him.[4]

Even stranger than that: lying industries are nowadays outsourced, as it is done with call centers or computer services. Who do you think invented the shocking story about Michelle Obama being a man? Of Hillary pedophile? It is hard to believe. The web sites were based in the cozy Macedonian town Veles, where, as the BBC reporter was told, as many as 200 people make their living off the new industry, beyond legal control and taxation, possibly working for larger global networks. If Veles fights on Trump's side, could there be doubt he will win? To make it even more surrealist, it turns out that some of the stories are invented by 16-17 year old boys, who say that besides money, they run the sites for fun, as there is nothing to do in this dull province.[5]

Three possible endings to this depressing story:

— ***Nietzschean.*** We resign ourselves to the view that there are no facts, only interpretations. The strong ones destroy the week ones, the stronger among the strong destroy the weaker among the strong and so on, until humanity is no more.

— ***Socialist.*** States re-nationalize media and start controlling the production of knowledge by licensed operators.

— ***Liberal.*** Media information is regulated the way advertisements were in the early years of modern capitalism. Fake news come with a warning: this story has been produced for your entertainment, not for your information. Please consume with care.

3) BuzzFeed. 2016. "Italy's most popular political party is leading Europe in fake news and Kremlin propaganda" buzzfeed.com. 29th November 2016 (https://www.buzzfeed.com/albertonardelli/italys-most-popular-political-party-is-leading-europe-in-fak).

4) NPR. 2016. "We tracked down a fake-news creator in the suburbs. Here's what we learned" npr.org. 23rd November 2016 (http://www.npr.org/sections/alltechconsidered/2016/11/23/503146770/npr-finds-the-head-of-a-covert-fake-news-operation-in-the-suburbs).

5) Channel 4. 2016. "Fake online news from Macedonia: who's behind it?" channel4.com. 24th November 2016 (https://www.channel4.com/news/fake-news-in-macedonia-who-is-writing-the-stories).

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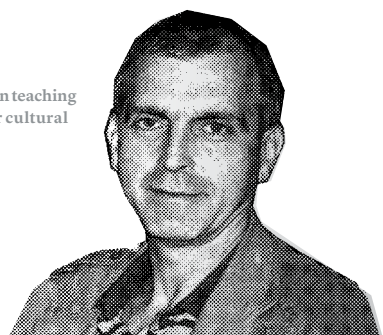

KONRAD NIKLEWICZ

COVER STORY
MEDIA
SOCIAL MEDIA
MEDIA OWNERSHIP
MASS COMMUNICATION

Taming the Beast

The disruptive power of the new media, perversely called "social," has been building up for years. Only now the Western democracies start to understand its capacity to distort the reality. It is high time we did something about it.

In many ways, the 2016 US presidential elections were unique. Not only the elected president, Republican candidate Donald Trump, got three million (!) votes less than his beaten rival, Democrat Hillary Clinton, but also something even more unprecedented happened: probably for the first time in the history of democratic campaigning, lies and untruths dominated the public debate, depriving facts of meaning.

This is not a bloated rhetorical figure. In 2016 the lies really trumped the facts. They did it online: according to the (now famous) *BuzzFeed* investigation, the 20 top-performing fake stories from hoax sites and partisan-biased blogs scored 8,711,000 shares, reactions, and comments on Facebook, the world's biggest social platform. At the same time, 20 best-performing election stories from 19 major news websites generated a total of 7,367,000 shares, reactions, and comments on Facebook.[1] Given the fact that social media, together with other Internet platforms are the most important source of information for many Americans (in fact, they are the number one medium for 18–29 years old[2]), we can only guess how decisive was the flood of falsehoods for the actual result of the elections.

The post-truth communication is not only confined to the United States of America. Online-based social platforms (Facebook, Twitter etc.) are gaining importance in Europe too. As a matter of fact, no other medium has recorded similar increase in popularity in the last years. In November 2015, the majority of EU citizens considered Internet to be the third most important source of information (just after the TV and radio), with 59 percent of them using it every day.[3] In autumn 2015, roughly half of Europeans used social media at least once a week, a whopping 15 percentage points more than in 2011.

Just like in the US, social media in Europe also swarm with untruths and deceptions. During the pre-referendum campaign in Great Britain online platforms spread the false information related to the British presence in the EU (like the false claim that UK's membership costs British taxpayers 350 million pounds weekly). More recently, in the wake of Italian constitutional referendum, online debate was poisoned by the affluence of fake news pumped by the sites linked (or sympathetic to) the populist Five Star Movement. To a large extent, the same phenomenon could have been observed

during the electoral campaign in Poland in 2015. One can wonder how distorting the fake content must have been, given the fact that social platforms are of high esteem in Poland: according to the last available Eurobarometer study, as much as 53 percent of Poles believe that they are reliable.[4]

The problem of the post-truth communication environment has been gaining in importance in recent months. Prominent political leaders—including the US President Barack Obama and the German Chancellor Angela Merkel—raised questions about the possible negative impact of the uncontrolled flood of fake news.

The question is, what can be done about it?

Two solutions seem possible. One can be applied relatively quickly, the other would require more time but, at the same time, it could yield more lasting results.

The first solution could be called "communication counteroffensive." There are many institutions and actors who suffer—directly or indirectly—the consequences of the post-truth communication context. Take the European Union as an example. Radical populist forces in Europe differ from one another, but they share one thing in common: all of them aim for the weakening if not outright destruction of the EU (like in the case of French Front National). The pre-referendum campaign in Britain is just one of the examples how efficiently social media could be used to spread anti-European propaganda based on lies. For most of the pre-referendum campaign, the "Leave" camp was able to set the momentum of the online debate with its emotional and entertaining messages (as colorful lies can be). Available research shows that on Twitter, the "Leave" campaign beat "Remain" in a staggering proportion: for every single pro-EU tweet, there were seven pro-Leave. On Instagram (one of the social platforms said to be civilized and hate-free), 35 percent of referendum-related posts were pro-Leave. Only seven percent incited to vote "Remain."[5]

Available research shows that on Twitter, the "Leave" campaign beat "Remain" in a staggering proportion: for every single pro-EU tweet, there were seven pro-Leave.

That is symbolic. It illustrates well that the "Remain" camp lost the communication battle. Lessons from this failure should be drawn by all political actors, institutions, non-governmental organizations, citizens themselves, and everyone interested in defending the truth in the public debate

and, in parallel, interested in defending the political constructs of liberal democracy (the EU is just one of the examples). Those constructs are under attack from populists. They should be confronted with the same level of engagement, with similar emotions. Pro-European campaigns must become more visible and better targeted at the same time. EU's presence in the new media should be multiplied, the content of the pro-European communication must be tailored to the expectations of the targeted publics. All this requires more resources (both human and material) spent, first on researching and then on reaching people through the well-known quartet of "owned," "shared," "earned," and "paid" media. Above all, the new communication effort must be focused on carefully-chosen resonating issues and needs to be sustained over long time. It cannot be yet another flash-in-the-pan.

The second solution would require much more time and most probably an incomparably bigger amount of political will, public discussion, and industry consultation. It would offer bigger rewards though. The solution in question is... regulation.

When the radio and, a few decades later, the TV entered the market, they provoked a deep revolution in mass communication. Unlike the "social media," both the TV and radio were subjected to relevant laws right from the outset. The US Radio Act was passed as early as in 1927, only five years after the wireless became popular in America (besides that the radio stations were also subject to licensing from the very beginning). When the first regular television broadcast went into service in 1928, the legal background had been already set and the Federal Communication Commission existed. Licenses were applied, content was subject to verification. When the TV became popular, like it did in the United States in 1950s, the "decency standards" were thoroughly enforced.

Although "social media" cannot be compared simplistically to the "old" media, they share some fundamental traits. Looking from the business model angle, the resemblances are striking: as Grzegorz Piechota has explained, they aggregate audiences and extract value by selling advertisers the access to audiences. Business-wise, Facebook is then no different from other media companies.[6] Content-wise, there are some similarities too. Facebook does not generate content of its own, but its users profit from the newsfeeds curated by the platform's algorithms, like the old-fashioned readers who profit from human-edited news and opinions.

1) Silverman, C. 2016. "How Fake Election News Stories Outperformed Real News On Facebook" buzzfeed.com. 16th November 2016 (https://www.buzzfeed.com/craigsilverman/viral-fake-election-news-outperformed-real-news-on-facebook).

2) Mitchell, Amy et al. 2016. "The Modern News Consumer" Pew Research Center. 7th July 2016, 20.

3) European Commission. Autumn 2015. Standard Eurobarometer 84: Media use in the European Union.

There are several aspects of the social platforms functioning that need to be regulated or at least made transparent.

First comes the urgent issue of verification of the news content (truth). No "old" medium (like the press, TV, or radio) would dare to constantly publish blatant lies—for fear of possible legal and financial consequences (not to mention lost credibility). Should for example a TV station engage in hate speech, repeated defamation etc., then in most democratic countries the media market regulator would intervene. If steps are not taken on voluntary basis, states are left with no choice—the social platforms should be obliged to inform their users that the posted content is unverified (or false). In most unambiguous situations, social platform administrators should edit or block the defamatory and dangerous content.

Of course, one could say that online platforms' terms of use, accepted by default by every user, already allow their administrators to block the content deemed illicit. The point is these rules are neither transparent nor reasonably applied. Regulating the platforms' current discretion in blocking or removing content seems particularly important in the wake of the notorious case of Norwegian daily *Aftensposten*, whose profile was censored by Facebook after it published the famous picture of Vietnamese girl Phan Thị Kim Phúc, burned by napalm in an American attack in 1972.

It is quite paradoxical that currently in Europe one cannot buy anonymously a prepaid SIM card but he or she can communicate anonymously on social platforms.

The *Aftenposten* case is a symbol of the platforms' irrational and excessive reaction to the content published. Nevertheless, there are numerous examples of insufficient reaction (or the total lack of it). The problem dates back to distant past: as early as in 2001, it took French court to order Yahoo (then a very popular web platform) to block French users form viewing Nazi memorabilia put on auction on Yahoo's online sites.[7] To sum up: proper regulation is needed to both ensure that appropriate action is taken and to stop potential abuse of the censoring powers. The increased social platform legal responsibility should also translate into easier and more transparent access for citizens (or any other potential plaintiff) to the relevant judicial mechanisms.

The other problem to be regulated is the question of anonymity. Some of the social platforms apply the "real name" policy, some do not. Again, rules are often flouted. Unsolicited impersonations pose real problems, so do

anonymous profiles spreading false and sometimes offensive content. It is quite paradoxical that currently in Europe one cannot buy anonymously a prepaid SIM card but he or she can communicate anonymously on social platforms.

The problem of "silos creation" must be urgently addressed too. Today's social platforms, especially Facebook (the biggest of them all), apply algorithms that decide what content is shown in the news feed of any given user. The exact construction and the way the algorithms function is a well-guarded corporate secret. What we know is that algorithms are responsive to the previous content choices of users and they end up with aggregating of like-minded groups of people, firmly locked in "bubbles" or "silos." To simplify: if a given user choses the particular content (radical right opinions, for example), after certain time his (or hers) news feed will be automatically showing only this kind of content. To make thing worse, at no point in time the user in question is asked to accept the automatically imposed lock-up. So, if such person is unaware of the mechanism, she or he might be genuinely convinced that social platform is dominated by people sharing her (his) views. Which is not necessarily the truth.

The list of contentious issues that might potentially require some sort of regulation is much longer. There are social platforms' relations with the "old" media or the use of users' personal data gathered while they roam the platforms. Also the usage and copyright protection of users' generated content (like the photos and videos posted on social platforms) should be addressed.

It is not going to be easy, but with time passing in becomes more and more necessary. As I said in the beginning, social media are becoming the dominant mass communication tool. Demographic trends suggest that they will overtake the "old" media in the coming days and they will achieve this while operating in a legal void.

It is not by accident that TV and radio were heavily regulated from the outset. Apparently, founding fathers of modern Western democracies understood the crucial role of mass communication better than us.

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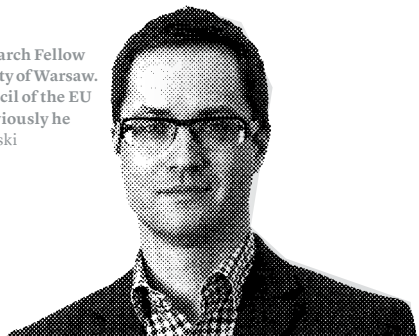

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MÁRIA VÁSÁRHELYI

COVER STORY
MEDIA
HUNGARY
MEDIA OWNERSHIP
PRESS FREEDOM
OLIGARCHY

The Takeover and Colonization of the Hungarian Media

If we accept the view that democracy is founded on the ability of well-informed public opinion in possession of the necessary information needed to take decisions about the fate of a political community, then we can say without fear of contradiction that in Hungary even the basic elements for the functioning of democracy are lacking. For the relationships in the media as they have now evolved make the existence of a well-informed public opinion patently impossible.

One of the most important demands during the change of the regime in 1989 was the dismantling of the monopoly on the dissemination of information operated by the communist dictatorship. Twenty-six years after the change of regime we are but a hair's breadth away from being able to speak of the construction of a new seamless media monopoly that maximally serves the interests and the expectations of the powers that be.

By the time of the change of Hungarian government in 2010, the well-developed right-wing media empire with links to Fidesz (serving as the fist of the party and aimed at everyone from the extreme left to the uncommitted center) confronted the crumbling liberal and left-wing press with

shaky economic foundations and in constant struggle for resources. At the time of the elections, the right-wing-to-extreme-right-wing media operated by Fidesz had already gained a significant political edge, while the majority of the political positions in the public media were gradually taken over by the right-wing party.

After 2010, the government's media policies focused on reinforcing the foundations of the media empire established earlier, the seamless siphoning off of public funds from state advertising, the complete political and economic occupation of leading positions in the media market and the public media, as well as efforts to deliberately dry up and wreck left-wing and liberal organs' sources of income. What was necessary in order to develop a "central force field" was not autonomous media but a loyal propaganda machine in the service of the party, and a mechanism that poured public funds into the media empire closely aligned with Fidesz.

Ownership relations in the media became inextricably intertwined with political relationships, and ownership of the media was overwhelmingly concentrated in the hands of oligarchs working in close cooperation with the powers that be. Fidesz technically governs in coalition with the minority

Viktor Orbán and his colleagues have understood well the nature and workings of the media and quickly learned that the way to cripple the operation of open democracy and press freedom is not by re-regulating the legal framework but rather by crudely restruct uring the ownership relations that have developed in the media and advertising market.

KDNP (Christian Democratic People's Party) and more than 90% of the media concerned with issues of civic life and politics was directly or indirectly in the hands of owners linked to these two parties. The number of independent outlets, in any case already marginalized, was diminishing by the day. Viktor Orbán and his colleagues have understood well the nature and workings of the media and quickly learned that the way to cripple the operation of open democracy and press freedom is not by re-regulating the legal framework but rather by crudely restructuring the ownership relations that have developed in the media and advertising market. The very few organs that remain independent of those in power have had their life made impossible by the manipulation of the advertising market.

The Situation of Press Freedom

Of the international human rights organizations analyzing the position of press freedom, it is the assessments of the US-based Freedom House that are cited most often and it is perhaps the most comprehensive and most trustworthy source in this field. According to its six-monthly rankings the quality of democracy, and in particular the position of press freedom, has suffered a drastic decline in Hungary. While the freedom of the press in Hungary was ranked 23rd in 2010, this figure has been sliding downwards every year, declining no less than 55 places to 78th position by 2016. Whereas in 2010 the institute regarded the Hungarian press as free, we have now declined into the ranks of those authoritarian countries where it regards the press as only partially free.

The other major international journalists' organization, Reporters without Borders, has also recorded that freedom of the press has declined in Hungary every year: Hungary has slid 42 places since the change of government in 2010. This organization ranks 180 countries according to the degree of their press freedom: while in 2010 our homeland was ranked 23rd, in 2015 it was in 65th place.

Nor is Hungarians' own view of their press any better. According to representative nationwide polling by the Publicus Institute in October 2016, 59% of the population thinks press freedom is severely curtailed and the same percentage are of the view that the media maintained out of public funds inform the public about issues of political and public life in a prejudiced, one-sided, and biased manner. To two-thirds of the public it is also evident that the media market is dominated by the government parties, and nearly half even of those who normally support the latter gave the position of press freedom in Hungary a mark of C or worse.

The Toolkit of Monopolizing Techniques

Over the past few years the toolkit of media regulation has been significantly rejigged. While following the 2010 change of government the newly governing parties sought to make the media serve their own political and economic goals primarily by restructuring the legal and institutional frameworks according to their taste and installing government party placeholders in the institutions regulating the operation of the media, today they are achieving this primarily by economic means: through brainwashing and money-laun-

dering carried out under the direction of oligarchs nominated by the powers that be. The luminaries of power rapidly realized that economic pressure is simpler and more effective than the hassle of legal procedures, not only to achieve their desired goal but also because it was more appealing since it could better shield that process from the glare of international judgement. For while the fact that some new legal instrument violates a freedom is something the international organizations can quickly appreciate, it is much more difficult to spot the process of manipulating the media market by economic means. Legal and media experts could easily establish that the media laws introduced by the Fidesz government breach EU norms, since they limit freedom of expression; however, it is hard to demonstrate to an international audience the nature of the political and economic pressure being exerted on market players.

Following the change of government the publicly funded electronic media became unequivocally the tools of government propaganda and cash cows for the oligarchs close to the government. As early as 2011 the governing parties voted to give the state media an unprecedented 72 billion HUF (24 million USD at 2017 rates), which makes a mockery of the ethos of public service and the servile nature of which is surpassed only by its dilettante nature, its operation recalling the darkest days of the journalism of the Kádár period. The suppression, distortion, and manipulation of news that showed the governing parties in an unfavorable light has become just as everyday an occurrence in the state media as it was during the period of the communist dictatorship. And although the viewing figures for all five state TV stations together add up to less than 20% of the population, the average viewing figures for the station M1 have sunk to an all-time historical low of 6 to 7%, and Kossuth Rádió has lost the leading position it has held since the change of regime, it would none the less be a mistake to underestimate the influence of the public media on public opinion.

Even today for a far-from-negligible section of the population—primarily those living in smaller settlements—these outlets provide the main sources of information, and even if their entertainment programming is hardly watched or listened to, significant numbers still regard their news programs as points of reference. M1's peak period Newsnight broadcast regularly attracts an audience of between 400,000 and 500,000 and the same can be said for Magyar Rádió's Midday Chronicle program. The billions of HUF flowing into the state media help reach precisely those strata of audience that have no

other sources of information about the events of political and civic life, are unable to double-check the information they obtain from these sources, and take what they learn from these centrally controlled organs as the truth.

In 2010, parallel with the political takeover of the publicly funded media, has also begun the homogenization of service content. The decision to make the services of *MTI* (Hungarian News Agency—the monopoly supplier of news to the Hungarian media) free of charge was such an attractive proposition to those in the media market struggling as they constantly were with financial problems that few could resist it. As *MTI* is under the sole direction of the government parties, its selective and biased news are manipulated and dominate the Hungarian public sphere. Although after 2010 there was an attempt to establish an alternative news agency, this private initiative foundered after a few months, being unable to compete with the state news agency financed exclusively out of public funds and offering its services free of charge. Using techniques perfected in the Kádár era, *MTI* not only manipulates the news for those making use of its services by suppression, delaying tactics, and deliberately misleading coverage, but also fabricates lies on political orders. The root-and-branch transformation of the structure of the state media was also assisted by the homogenization of content, as a result of which all the programs broadcast by publicly funded media can be run by the state television and radio stations from a single center, MTVA (Foundation for Funding and Supporting the Provision of Media). This is where all the assets of what were earlier the public service providers (including the incalculably valuable archives) are concentrated, and this institution exercises power

In 2010, parallel with the political takeover of the publicly funded media, has also begun the homogenization of service content.

over the workers' rights of state media employees and orders the programs from outside suppliers. The leaders responsible for the homogenized content are, to a man, political censors loyal to the governing parties. The MTVA, in addition to supplying the state media, also supplies a proportion of the commercial radio services; the firm owned by a former spokesman for Viktor Orbán supplies 27 commercial radio services with uniform compilations of news, which these channels are obliged to broadcast unchanged. These news broadcasts, chosen according to strict political criteria, reach almost half of Hungary's population.

Orbán and His Oligarchs

While the construction and operation of the entire Fidesz-linked media empire before 2010 was associated with a single oligarch, after the elections it became clear that the prime minister had decided to diversify and extend the press empire built up around the party. It was this that led to irreparably damage to his relations with the county's number one oligarch, Lajos Simicska, who was until 2015 the most influential figure in the entire media market and the owner and ruler plenipotentiary of the entire pro-Fidesz media empire. Prior to 2010 nothing could happen in the Hungarian press without Simicska's approval. After the rupture, Orbán and co. embarked on the construction of a completely new media empire independent of Simicska. Viktor Orbán is making his oligarchs, fattened on public funds, establish new media organs and making them buy up the opposition media that they had ruined earlier, turning them into mouthpieces of the government or degrading them into tabloids. Andy Vajna, controversial entrepreneur and Viktor Orbán's film czar who has made vast profits from gambling, will have the task of constructing the party's new radio and television services, while the prime minister's other favorite, Árpád Habony, is investing the surplus profit gained from the overpricing of public utilities and EU procurements in the printed and Internet media.

Radio broadcasting has become a government monopoly. In a regression to the conditions prevailing prior to the 1989 change of regime, not a single countrywide commercial radio broadcaster remains today. Using a battery of legal techniques and resorting to political machinations, the government has managed to ensure the closing down of the two commercial radio channels that came into being as a result of frequency privatization of 1996, and now also has complete control over regional and local radio channels. The last non-governmental radio broadcaster standing, *Klubrádió*, has since 2010 been deprived of all 10 of its local frequencies and even in the capital it is much more difficult to receive than previously. The media authority, totally taken over by the governing parties, had tried earlier by varied means to completely suppress this last independent radio broadcaster, but in this case failed when the still relatively independent judiciary refused to support its complete bankrupting. And parallel with the closing down of *Klubrádió's* frequencies in the countryside, the media authority withdrew frequency licenses from all

those regional and local radio stations that did not belong to the magic circle of the governing parties. The frequencies taken away from the independent outlets were without exception passed into the hands of radio stations linked to the governing parties or to the churches. The openly government-supporting *Lánchíd Rádió's* broadcasts can now be heard virtually anywhere throughout Hungary, *Katolikus Rádió* and *Szent István Rádió* have in recent years acquired 17 new frequencies and the Reformed (Calvinist) Church-linked *Európa Rádió 6* through tenders advertised by NMHH (National Media and Infocommunications Agency), while *Mária Rádió*, another broadcaster of religious programs, now reaches more than twice as many listeners as before.

The television market has also undergone significant restructuring since 2010. It was Viktor Orbán's long-cherished wish that at least one national TV frequency should be closely associated with his governing party. In 2015 this, too, came to be. Andy Vajna used credit from a state bank to buy channel TV2, which has since then become quite openly the number one forum for government propaganda. Apart from tabloid-type programs of poor quality the channel's current-affairs programs employ the most extreme manipulative techniques of the Kádár period to falsify news, from suppressing material to discrediting political opponents by the shabbiest means Vajna's media empire is also continuously expanding in the sphere of television: in recent months he has launched 10 thematic channels. The overwhelming majority of regional radio and television broadcasting is in the hands of local authorities led by Fidesz politicians, hence these serve as the instruments of government propaganda in the same way as the national channels financed out of public funds do.

Business circles are acquiring ever greater influence not only over electronic media but also the market in political dailies. The highest circulation left-wing political daily, *Népszabadság*, first became the property of an oligarch closely associated with Fidesz, and then, when this proprietor, for reasons still unknown, fell out of favor with government circles, it was taken over by a straw man from overseas, a puppet of Fidesz. Then when *Népszabadság* printed a string of investigative articles extremely unfavorable to the governing parties about abuses committed by their politicians, the owner discontinued publishing this highest quality Hungarian daily, which had been in continuous publication for 60 years.

It was also at this time that Viktor Orbán's third biggest oligarch, the mayor of the village where Orbán was born, acquired control over the majority of county dailies, which taken together enjoy a readership greater than that of all the national political dailies added together. Prior to this, the government filled the vacuum left by the daily *Magyar Nemzet*, owned by Lajos Simicska, by launching its own daily, *Magyar Idők*, financed exclusively out of public funds. And although the paper proved a spectacular flop at the newsstands, it nevertheless continues to attract large state advertising revenue as well a s subscriptions from public bodies.

The government also deliberately destroyed the daily *Metropol*, a paper previously owned by Lajos Simicska, and distributed free on public transport. From one day to the next the public transport company terminated its contract with the owner to distribute the paper and signed a new contract with the firm of Árpád Habony, Viktor Orbán's closest adviser, to distribute his newly launched free daily, *Lokál*.

In recent years oligarchs close to the government have also made substantial efforts to restructure the internet market. After 2010, new websites began to surface one after the other; no one—not even the journalists working for them—knew how these were financed. It was only when the scandal involving the MNB (Hungarian National Bank) broke at the end of 2015 that at least a proportion of the new websites were revealed to have been financed—directly or indirectly—by the MNB's reserves, just as it was with funds from this source that a company close to Fidesz had purchased the biggest internet news portal of all, Origo, which has since then been downgraded to a tabloid. The oligarchs close to the government also launched a number of new websites which are all devoted exclusively to denigrating the political opposition and are maintained by income from state advertising.

Untold quantities of advertising orders from state institutions have poured into media close to the governing parties, but multinational and private firms keen to promote good relations with the government have also been generous with their advertising spending. The tendentious placing of the state companies' advertising budget, independently of the de facto state of the market, significantly distorts the latter's structure, especially if we add to this the support from public funds which reaches the governing parties' media in the form of sponsorships, barter deals, or in other ways.

The scale of these cannot even be estimated, however, many hundreds of millions of HUF of public funds in total must be flowing through such unseen channels into these media, and they in turn function as the government parties' propaganda machine.

Private companies close to Fidesz also help to considerably fatten up the propaganda machine through their advertising, of which the most striking evidence is that in many cases the private firms advertising in right-wing media are those that public bodies and especially the state is likely to invest in (Közgép, Swietelsky, etc.) and therefore they have no market interest whatsoever in spending millions to advertise their activities in media consumed by private individuals. At this point in time, in every segment of the market, media associated with the government are the sole beneficiaries of state advertising revenues. More than 80% of the entire state spending on advertising has been channeled to media owned by oligarchs close to Fidesz, while opposition outlets have been completely shut out.

A new development in the field of the monopolization and centralization of the market is the establishment of *NMÜ* (National Media Agency—not to be confused with NMHH mentioned above) with the help of which all the advertising expenditure, sponsorships, and other support provided to the right-wing media empire by other legal means will be brought under one roof and complete state control. Although the public funds spent in the media were already basically under the informal supervision of the Fidesz oligarchs, this new institution, which will be directly controlled by the government, will bring under its complete political control the political funds flowing into the media market, a development without parallel in international practice.

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JENDA ŽÁČEK

COVER STORY
MEDIA
SOCIAL MEDIA
POPULISM
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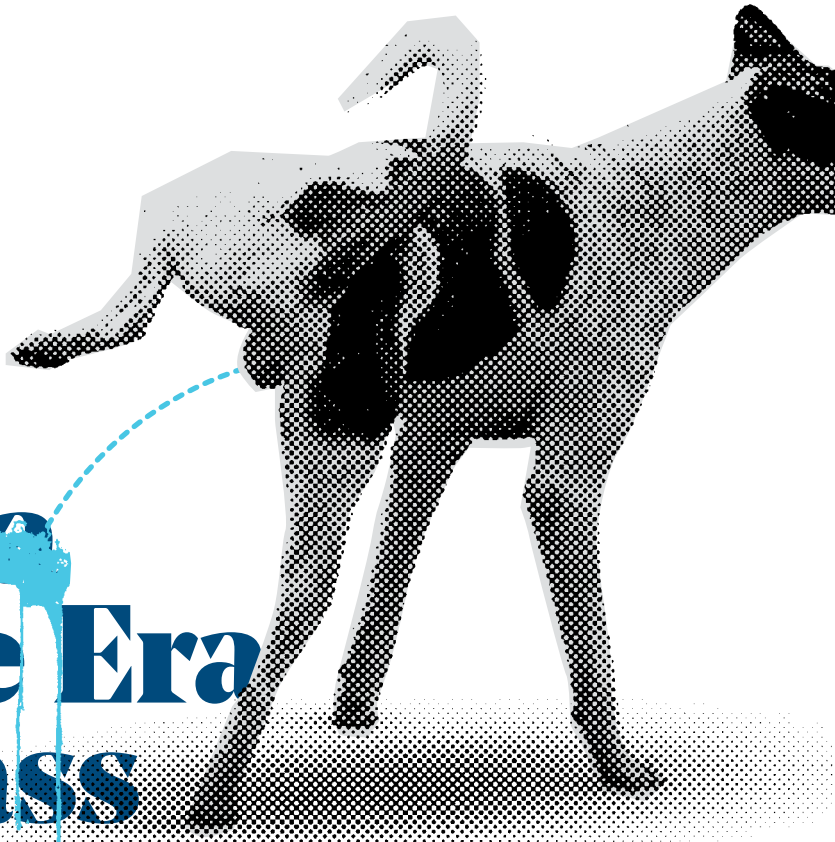

Media in the Era of Mass Consumption and Growing Distrust

What is it like to be living in a world shaped by media owners and teenagers? Polarized society, in constant change, is affected by the evolution of digital technologies, berlusconization of the media, the changing social status of family, and the marketization of politics. By encouraging social reflection, young people are opening our eyes to the impact of our era—all we have to do is understand them. The less we trust the media, the more willing we are to consume them. Bon appétit!

Since 1995, when the Centre for the Study of Public Opinion found that 70% of the respondents trusted Czech media, the Czech Republic has seen a gradual decline in this trust.[1] In an interesting parallel development, public trust in politics has also been declining since 2010. In April 2016 the print media enjoyed the trust of a mere 36% of the public. Apart from the fact that media are a reflection of public opinion and politics—any trust they enjoy necessarily being but a function of political and economic crises or global events at large—some politicians sense that media are an easy target.

All you need to control the media is a smattering of marketing skills and a familiarity with Big Data and lo and behold—a picture of a new type of politics emerges. It is politics for the present-day era, quite different from the interwar period when statesmen of Thomas G. Masaryk's stature were at the helm. Rather than politicians, the new politics is controlled by their spin doctors. In this kind of politics the recipient's opinion carries more weight than a politician's view. In this type of politics the politician himself becomes the medium, i.e. a reflection of his electorate, rather than a trustworthy leader with strong views.

Is the Post-Factual Era a Real Phenomenon?

Our society is often described as post-factual, indeed in 2016 the Oxford Dictionary picked the word "post-truth" as its word of the year. In some respects, Trump's election as US president, Brexit, the rise of populist and extremist parties in Europe, as well as the intensifying disinformation campaign from the East (often uncritically accepted by the public) might suggest that we live in an era where facts no longer matter.

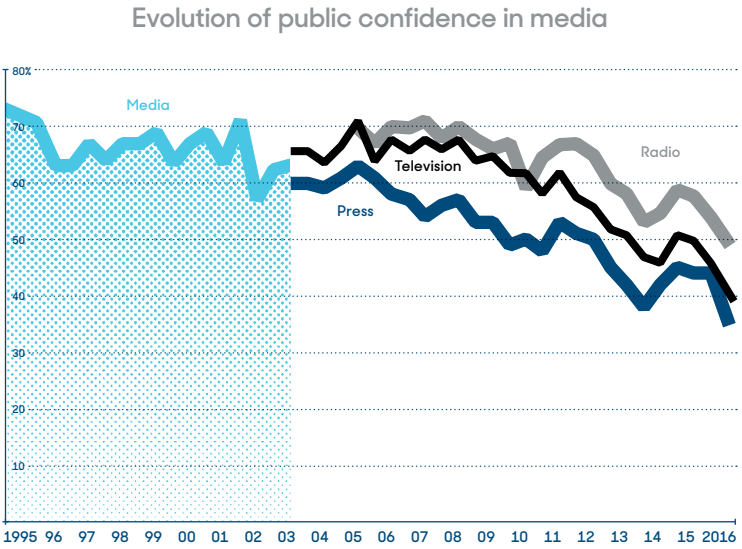

CHART 1: Evolution of public confidence in media (in percentage points).
http://cvvm.soc.cas.cz/media/com_form2content/documents/c1/a7557/f3/po160509.pdf

This may well be true, except that it is not exactly new. After all, this is not the first time that someone has tried to present information that is not truthful or fact-based, whether we look at the past century when totalitarian regimes rose to power in parts of Europe, or at the period just before the end of communism, or recall the notorious speech by Ronald Reagan from thirty years ago, in which he apologized for having misled the public regarding the Iran Contra case, saying: "My heart and my best intentions still tell me that it's true, but the facts and the evidence tell me it is not." [2]

Rather than politicians, the new politics is controlled by their spin doctors. In this kind of politics the recipient's opinion carries more weight than a politician's view.

The label "post-factual" may well apply to the way certain political figures or prevailing opinion presented historical events at various stages of human societies. The fact remains that in the era of expanding digital media and social networks, opinions are mediated in a different way—be they facts, emotions, or other output generated by spin doctors, i.e. the kind of marketers and sociologists like Michal Kosinski, whose skillful use of Big Data is said to have contributed to Donald Trump's victory.[3]

Furthermore, the marketization of politics has created a completely new environment in which media and media conglomerates operate. The minute politicians turn into media owners, they face a glaring conflict of interest. This also puts media consumers and journalists in a difficult position, ultimately affecting the transparency of the democratic system or even undermining it. The big question is whether, in cases like this, self-regulation

Children's attempts to escape the supervision of their parents, coupled with the need to spend time with their peers, have created a new media environment which starts in children's bedrooms.

can work. A study of the coverage of the most recent regional and senate elections in the Czech Republic by the daily press and some online media has shown that it is not at all a straightforward matter. At certain points the same media that appeared to present neutral information have shown uncritical bias towards their owner.[4]

Nor must we forget the situation in Poland, Hungary, and other countries where public media have become the target of political attacks. Lately, this dangerous endeavor to control the media has been, to some extent, counterbalanced by a number of emerging smaller and independent media projects across the Visegrad region. The question remains whether this model is economically viable in the long run and, more importantly, whether we should be willing to put up with this state of affairs, as this would mean damaging the general confidence in the media, their transparency, and, ultimately, also their mission. This particularly affects some social groups that are not always capable of critically assessing the situation, such as the elderly, those who are less educated and live on smaller incomes, and children.

Young People as a Feedback in a Functioning Society

These days children are growing up in an online environment, their smartphones (the prefix smart may soon be redundant) virtually part of their hands. Teenagers in Europe and the US tend to spend between 3.5 and 9 hours a day online and consuming media, accessing social networks up to 100 times a day.[5,6] Paradoxically, only a negligible number of teachers focus on digital media as part of primary education. This situation exposes the dismal state of the entire education system as it fails to adequately prepare for life individuals that will reach their productive age within 10 to 20 years, i.e. at a time

when they are likely to change jobs two or three times in their lifetime. Similarly, the education system fails to provide deeper insights into issues relating to present-day media, including the internet and social networks.

This in spite of the fact that it was the young generation that spearheaded the age of YouTube and the bedroom culture phenomenon. Only few people born before 1990 can relate to these innovations, as they reflect very different values, technological processes, and perhaps a different lifestyle: a world experienced by a child or a teenager via their mobile phone or a computer in his or her own bedroom. Children's attempts to escape the supervision of their parents, who are scared to let them out of the house on their own, coupled with the need to spend time with their peers and compounded by the evolution of digital technologies have created a new media environment which starts in children's bedrooms. This is what has spawned the most popular YouTube channels and resulted in young people being constantly plugged into social networks. Bedroom culture[7] is presented as the very opposite of TV culture, when entire families used to gather to watch sitcoms such as *Step by Step*. The young people of today experience the mediated world in a completely different way.

If we accept that media organizations have to observe certain rules and regulations in order to be allowed to publish newspapers, we must necessarily also accept that social media—or rather, their owners and publishers—have to be subject to similar rules, too.

Bedroom Culture as the Engine Generating a New World

Children and young adults often believe their experiences in a mediated environment to be reality. In recent years this kind of experience has become increasingly frequent due to social networks and media development in general and the development of modern technologies in particular. Their recipients lack the experience to read critically or within a wider context. It is difficult, indeed impossible, to navigate this environment without reference points provided by basic education. Yet this kind of perception of reality has had a profound impact on our society. We are locked within a world of mediated reality, in its social construct, and, we, in turn, increase its impact. All this helps to drive the cycle and resets social norms.

This kind of society is much more conducive to disinformation, populism, rash reactions, and simplifications of every kind, as well as the uncritical reception of news and other manifestations of oligarchic tendencies of media owners. The best antidote is an understanding of the context, which enables us to trust media based on an awareness of their ownership relations and other affiliations, and to assess the information they provide based on this information. To ensure this, we need not just education about the context but also media education, in the sense of understanding the environment and the way information is being used. And this kind of education, in turn, affects the overall confidence in the media as an institution.

Living in a Social Media Bubble

If we accept that media organizations have to observe certain rules and regulations in order to be allowed to publish newspapers, we must necessarily also accept that social media—or rather, their owners and publishers—have to be subject to similar rules, too. Self-regulation can function only as long as we do not create an artificial system that selects on our behalf the con-

1) Centrum pro výzkum veřejného mínění. 2016. "Důvěra k vybraným institucím veřejného života" cvvm.soc.cas.cz. 9th May 2016 (cvvm.soc.cas.cz/media/com_form2content/documents/c1/a7557/f3/po160509.pdf).

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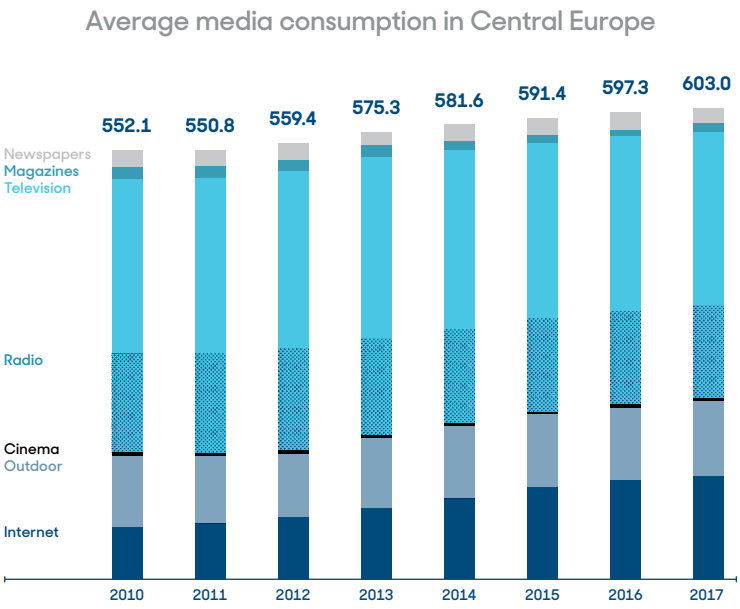

CHART 2: Average media consumption in Central Europe (minutes per day). http://communicateonline.me/wp-content/uploads/2016/06/Media-Consumption-Forecasts-2016.pdf

tent that we should see. Facebook sorts the content and selects what information it deems to be most relevant for us; it is most frequently compared with Twitter, which, in this respect, really is merely a platform for transmitting news. It is the sorting and selecting that generates profits and enhances the engagement with a particular social network while, at the same time, lacking transparency and greatly contributing to the creation of the echo chambers and bubbles that we live in. As a result, if an election is coming up, we feel that all our friends will vote for the political party that we support: in the case of Brexit we all have a clear preference for one particular future for the UK and Europe, in the case of the US presidential election it is just as obvious to us as to all our Facebook friends who to vote for and who to support.

As if it was not hard enough to escape our bubbles and confront our views with those of others, all of a sudden we are finding ourselves in an environment which, in itself, is merely virtual reality. And without understanding how this mechanism works we cannot possibly consume Facebook as a medium in a responsible way, i.e. we cannot read the information it feeds us within a context, prevent it entrenching a mediated reality in which we blindly trust. Even if this or that social network may signal a breakthrough in the history of communication, like most other media it primarily serves the economic interests of its owners, which may quite conceivably include powerful political interests.

In terms of media credibility it is our interpretation that is as fundamental as ever, for it is the only way of ensuring that whoever owns the information, and whatever spin is put on it, we will be able to identify it and critically assess it. And this is where media education can play a crucial role.

China Is Buying Facebook? A Public Social Network!

Such a situation could arise quite easily. A Chinese investor bent on acquiring a media publisher in the Czech Republic could simply direct their investment to the online environment. Just like certain media owned by a particular publishing house that reported on the Dalai Lama's visit in the Czech Republic in a distorted way, the owner of a social network could simply misuse the online environment in a similar manner. This environment is currently, in some respects, more difficult to monitor than press or TV, because a spe-

cific part of its content is displayed only to specific groups of users, based on thoroughly researched and constantly evolving algorithms. Facebook is already practicing this kind of selection although it is probably more interested in increasing its advertising sales than fighting the Dalai Lama.

It is also conceivable that someone will suggest that social networks should have the status of public service providers, along with radio and television. Indeed, they could become a multinational, say pan-European or transatlantic entity, known as WWSN – World Wide Social Network. Fans of Orwell, Watergate, or anyone familiar with the current Polish public media landscape can probably envision a script to provide material for a feature film—a three-parter at the very least.

The Paradox of Our Times: I Distrust, yet I Read

In terms of media credibility it is our interpretation that is as fundamental as ever, for it is the only way of ensuring that whoever owns the information, and whatever spin is put on it, we will be able to identify it and critically assess it. And this is where media education can play a crucial role.

What is also reassuring, given the plummeting public trust in the media, is the way media are being used. Global data shows a continuous rise in media consumption year after year. This is the paradox of the times we live in: even if we do not trust something 100 percent, it does not necessarily mean that we won't use it. And since media are nothing but a mirror of society, the trust they enjoy reflects society's trust in the society as a whole, i.e. its trust in itself. Therefore we have no choice but to persevere in our efforts to improve this small part of the whole.

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COMMENT
COVER STORY
MEDIA
SOCIAL MEDIA
JOURNALISM
TECHNOLOGY

Traditional Media Overwhelmed by the Tsunami of Social Media

Adam Černý

If the question why people have been losing interest and faith in traditional media affected only journalists, it would be solely a matter for their concern. The trouble is that what we have witnessed over the past few years is a gradual transformation not only of the media landscape but also of all of society in the West. Traditional media have been vanishing virtually in front of our eyes, losing viewers, readers, and listeners, and thus also their influence. This has been caused by three mutually interconnected factors.

The first is the economic impact: as their revenues decrease, traditional media struggle to survive, often despite being able to attract online readers.

Next, there is the technological impact: anyone can become a player on the media scene these days, a trend that undoubtedly enhances democratization but also lowers quality, as small online media lack the financial and human resources necessary to ensure (and be held accountable for) consistent research and quality control.

Last but not least, there is the political and social factor: many media outlets do not even strive for high quality and verifiable information, being under pressure to deliver on both covert and overt political goals. These media outlets are often directly linked to political actors, as was obvious in the

The role of traditional media as a platform for honing views—itself a precondition of arriving at a basic consensus—has declined, and that, in turn, has led to the increasing polarization of views in society.

recent US presidential election campaign. The fragmentation and atomization of the media is reflected in the fragmentation and atomization of society. The role of traditional media as a platform for honing views—itself a precondition of arriving at a basic consensus—has declined, and that, in turn, has led to the increasing polarization of views in society.

Paradoxically, the media space has expanded and opened up to an unprecedented degree, while, at the same time, agreed rules are being abandoned. This new media age is increasingly dominated by online media, most recently social media, which typically produce an incessant stream of a motley mix of facts and blatant fabrications, speculation and deliberate lies. Emotions are much more effective than verifiable facts. In this world truth is not what can be proven but whatever the author says or wishes to be the truth.

We shall soon have a chance to see what kind of danger journalism poses to liberal democracy, as on January 20, 2017, following Donald Trump's victory in the US presidential election, Stephen Bannon, head of *Breibart News*, will become one of the two most influential people on the new White House staff in his capacity as the president's chief adviser. This is not to say that in the country where freedom of information is enshrined in the Fifth Amendment to the Constitution, past presidents never had dealings with the media and had never used them to influence public opinion. This time, however, the boss of an influential media organization—which in the course of the election campaign distinguished itself by its exceptional aggressiveness, frequently disseminating what was quite evidently not just half-truths but outright fabrications—will assume a key post in the new administration. In contrast, while links between the White House and certain media may have been common knowledge in the past, whenever such links could be demonstrated it was regarded as a major failure.

Why is this no longer the case? Technological changes are the key factor. Running the traditional media incurred relatively high regular expenditure in order to cover the cost of printing, radio or TV production, and distribution. Among other results this used to have the effect of impeding access to the market and limiting the distribution of profits. In other words, revenues were higher because they were not accessible to all.

With the advent of the Internet the cost of disseminating media content of any kind, i.e. not only information, plummeted. At the same time, traditional media lost the revenues they used to rely on to be able to employ dozens of staff, which made it possible, indeed necessary, for individual journalists to specialize and follow major political, economic, or social stories continuously over long periods of time.

What is the situation today? In mid-2016 its financial losses forced the British daily *The Guardian* to lay off over 250 journalists, and more layoffs are likely to follow even though the online version of the liberal left-of-center paper is doing very well. In the UK, US, and Australia, its web pages receive over 40 million hits per month. The slump in advertising revenues, however, has been dramatic. Thirty years ago the Australian daily *Sydney Morning Herald* and its sister company Agem made an annual profit of roughly 100 million dollars. Nowadays, in spite of major cuts, the best they can hope for is to avoid making a loss. Nor have digital media been immune to the slump in advertising revenues. Whereas seven or eight years ago an advert seen by a thousand website visitors earned them between 40 and 50 US dollars, these days it yields only a tenth of that amount.

A brand new phenomenon has been the rise of news and information aggregators such as Facebook and Google. Their share of the advertising market linked to dissemination of information amounts to 80 percent, while their share of the cost of generating content is almost negligible. The *Financial Times* has estimated that out of every new dollar the US digital media earned in the first quarter of 2016, about 85 cents was made by Facebook and Google.

This highly disproportionate distribution of revenues puts additional economic pressure on those media that generate content and, naturally, also on quality. An experienced Czech journalist of the middle generation has aptly summarized the current state of affairs: compared with the situation of five years ago, what he sees in the present-day newsroom is half the staff,

half as old, working for half the salary. The question is whether it is possible to carry on through the changes, as attempted by the publishers in Germany. It is conceivable, but only in the unlikely case that Facebook and Google end up crowding out so many news outlets that there won't be enough left of those whose news they could carry in the way they are doing now.

None of this inspires much optimism. Nevertheless, people still do draw a distinction, if only subconsciously, between superficial and quality journalism, as surveys focusing on the popularity of print, radio, and TV in the Czech Republic have shown. This aspect becomes most obvious in moments of crisis, such as natural disasters, when people need high quality, reliable information.

In terms of Central Europe the current crisis of traditional media is more dramatically apparent in smaller countries because of their closed markets. This increases the importance and role of public media that do not generate their own revenue but are financed rather by license fees. And, as recent developments in Hungary and Poland have demonstrated, this also stresses the importance of editorial independence.

There is one key European country that provides a graphic illustration of the value and importance of traditional media. The term "Lügenpresse," which had been coined in Germany and is currently used indiscriminately to label traditional media accused of distorted political correctness, was dropped the minute Hitler took power.

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ASPEN.REVIEW
MACIEJ NOWICKI

INTERVIEW
ECONOMY
CAPITALISM
ASIA

Joshua Kurlantzick: The Rise of State Capitalism

Most Western economists claimed that state capitalism was unable to function properly in the long run. And yet in the last 30 years it has been China and Singapore that have developed more rapidly than almost all other economies. The role played by the government in the economy does not have to be bad. We cannot reject it outright—says Joshua Kurlantzick in an interview with Maciej Nowicki.

In his famous book *The End of the Free Market* Ian Bremmer claims that the conflict between state capitalism and the free market will determine the future of the world. In your *State Capitalism* you seem to reject that claim.

I don't agree with Bremmer. It is not so that our future depends exclusively on the battle between state capitalism and the free market. Let us take democracy. Democracy across the world is definitely in retreat. But is there a simple correlation between the free market and democracy? Does more of free market automatically mean more of democracy?

We have plenty of evidence that it is not true. And another thing—you have to notice the differences between particular varieties of state capitalism. So far, only extreme approaches have been

adopted: this model has been presented as the number one enemy of our lifestyle and global order or completely ignored by saying that it contained nothing meaningful and would soon collapse under its own weight. But putting all varieties of state capitalism in one basket does not make any sense. We have Russia, an inefficient predator state. We also have countries which are doing very well, such as Norway or Singapore. And China—all the reservations notwithstanding—provides a positive example. The role played by the government in the economy doesn't have to be bad. We can't reject it outright.

In 2008–2009 the Western free-market economies looked so disastrous that the attractiveness of any other model hugely increased, even if its efficiency in the long term could not be demonstrated.

We know that democracy is in retreat and that state capitalism finds a growing number of followers, while until the 1990s the main focus was on privatization. Does it not prove that there is a relationship between state capitalism and the decline of democracy in the world?

Perhaps there is, but state capitalism is at best one of the reasons for the democratic withdrawal. The sequence of events has often been different. In my book *Democracy in Retreat* I tried to demonstrate that in the 1990s democracy was in many places given too much credit, namely people argued that it was also a perfect recipe for economic growth. There is no evidence for that—no one can convincingly prove that democratization leads to economic growth in the short term, especially in just five or ten years. In addition, privatization waves usually resulted in job cuts, which in many countries created hostility towards democracy itself. It sometimes led to a retreat from democracy with preservation of the free market, e.g. in Hungary. Sometimes both were questioned, like in Russia.

And then we had the financial crisis on top of it all.

Exactly. The weaknesses of the free market are another reason why capitalism has been adopted in many countries. In 2008–2009 the Western free-market economies looked so disastrous that the attractiveness of any other model hugely increased, even if its efficiency in the long term could not be demonstrated. Moreover, in the same period foreign banks stopped loaning money to many developing countries. This drought on the financial market convinced many leaders of developing countries that an excessive dependency on the free market could be very dangerous.

In China in recent years the wave of economic growth has brought an even greater oppression.

Less freedom need not mean better economy. The most autocratic regimes, which have neither the need nor the ability to respond to public sentiment, are also the worst "state capitalist" economies. To remain effective, you have to maintain some degree of openness. Authoritarian regimes based on personality cult, such as Putin's Russia or Mugabe's Zimbabwe, are incapable of that.

Yet it also works the other way—the example of Brazil under Lula and Rousseff shows one of the greatest paradoxes of this model. When the state becomes fully democratic, it is very difficult to maintain state capitalism. A country can have an effective "state capitalism" and a certain level of political freedom. Or it can have true political freedom and less effective "state capitalism." You cannot have them both at the same time.

Why is China much more effective than Russia? It started off as a country which was much more backward, poor, with a less educated population. Under Yeltsin and Putin, big business was subordinated to the oligarchs that have close connections with the Kremlin. On top of that, there are no attempts at making these companies compete against each other. If somebody tries to enter their turf, he is simply crushed. Russia is a giant lagging behind by decades in terms of everything—technology, management, labor force. And no wonder that today's Russia has no significant start-ups. And yet Russians are very enterprising—the expats from this country play a key role in the Silicon Valley or London.

A country can have an effective "state capitalism" and a certain level of political freedom. Or it can have true political freedom and less effective "state capitalism." You cannot have them both at the same time.

China is far from perfect. However, instead of dominating on the domestic market and in Eastern Europe like Gazprom according to ad hoc rules of the game, China attempts to create its own counterparts of large international corporations. Besides, in China there is a dynamic private sector. There is no comparison with Russia here. This is one of the reasons why China is the second largest world economy and brought 300 million people out of poverty.

In many sectors—clean energy, solar energy, small appliances—Chinese companies already are major international players. And they will soon repeat the story of such Asian companies as LG, Samsung, or Hyundai, dominating today's computer or car market. I am unable to name a single Russian company which could play a similar role. All indications are that Russia will continue to depend exclusively on commodity exports. China

and Russia are so different that comparing them simply does not make sense.

Nevertheless, we have been reading for many years that China would eventually collapse. Gordon Chang was one of the people to predict that.
Chang claimed that cheap credit and state intervention in the economy must result in a rapid collapse. As we see, it was just wishful thinking. After the 2013 credit crunch, China was growing faster than all other big economies on a similar level of development. Corruption is quite big—and it poses one of the main problems. But it does not assume such proportions as to constitute a threat to the economy. It was also claimed for years that China would explode because of the growing discontent of the middle class.

The Chinese success is not solely the result of opening to the world and catching up with it. Or of the fact that the country is simply large. The Chinese growth mostly results from a sensible economic strategy.

But nothing like that can be observed. As in many other countries with a relatively high growth (excluding the West), it is the middle class which forms the backbone of authoritarianism today. After the Tiananmen Square protests in 1989, the Chinese Communist Party introduced many solutions meant to guarantee the support of the middle class. And it worked—surveys show that the support for the Communist Party is strongest in this group.

But there are many protests in China…
Yes, among migrants to the cities and in isolated rural areas where the benefits of the Chinese boom have scarcely been felt. The Chinese success is not solely the result of opening to the world and catching up with it. Or of the fact that the country is simply large. The Chinese growth mostly results from a sensible economic strategy. Although there is one thing we do not know: for how long you can remain an authoritarian state when the level of income and education is constantly growing. In a word, the main risk in China is political rather than economic.

You spoke about corruption. To what extent is it an inevitable side-effect of state capitalism?
In such countries as Russia, Venezuela, and Vietnam, corruption is closely intertwined with state capitalism. Corrupt apparatchiks are rarely punished and groups trying to monitor the abuses suffer the consequences—their members go to prison or simply disappear. But things are much more complicated. The level of corruption in China and Italy is similar. In Singapore we have state capitalism and almost no corruption. In Nigeria we have a free market and incredible corruption. You can

draw only one conclusion from that—the level of corruption depends on the political culture rather than the economic system.

Is state capitalism going to be an increasingly popular model?

Until recently, most Western economists claimed that state capitalism was unable to function properly in the long run. And yet in the last 30 years it has been China and Singapore that have developed more rapidly than almost all other economies. Copying all the elements which contributed to their success is, however, extremely difficult.

Just like in the case of free-market economies.

Exactly. And we also should not forget that in the US the private sector is extremely strong—the most powerful in the world. It has a huge influence on politics. The free market is capable of defending its interest to an incredible degree.

Donald Trump seems to be in love with trade wars. And a trade war with China even seems to be his priority. What does it mean for our future?

I do not think that the most dramatic scenario will come true. A tariff war would be good neither for China nor for the US. I don't see a way of punishing China without suffering ourselves. That is not all. We begin to understand in what way subsidies and government support help companies functioning under the umbrella of the state. It is extremely difficult to calculate the level of punitive tariffs which would be effective in the battle with the giants of Chinese state capitalism. No one will say this publicly, but in private conversations congressmen admitted that previous attempts had not been very effective. Finally, both the US and China are members of the WTO. This imposes very strict limitations on us, and it is another reason why the hard option is unlikely.

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COMMENT
POLITICS
CENTRAL EUROPE
NATIONALISM
POPULISM
EU

The Year 2017: The Nation-State on Top of the Agenda

Małgorzata Bonikowska

The Internet is teeming with comments about the political plans of the Facebook's owner. Apparently, Mark Zuckerberg is gearing up for the 2020 presidential campaign. He will be 36 then and to compete for the US presidency you have to be 35 or older. He will not run out of money, for his fortune is estimated at $52 billion. The trail is being blazed for him by another billionaire, Donald Trump, who will be installed in the White House on January 21. This will be the greatest challenge for the world in 2017. The 70-year-old businessman is not only a Republican outsider without political experience (he has not held any public office yet), but above all he has a strong, narcissistic personality, which will not bend easily to the restraints imposed by the system and by diplomatic conventions.

Trump is a serious challenge for Europe, but there are other problems. The EU has not yet emerged from the economic crisis and the turmoil in the eurozone, and it is already struggling with the migration crisis: the number of illegal arrivals grew tenfold from around 100,000 in 2014 to over 1 million in 2015. Last year it was brought down to around 300,000, but it is not the end of the matter yet. Especially since the contract with Turkey which really helped to seal off the south-eastern stretch of the EU border may be dissolved, because both parties are disappointed with each other.

The European Union will also have to deal with Brexit this year—after last year's referendum, the United Kingdom will start the procedure of leaving the community this spring, previously never used. At the same time, 2017 means three election campaigns in three most senior and important EU countries: Holland, France, and Germany. Their result may fundamentally change the balance of power within the community and thus strongly influence its future. For it is difficult to imagine any further development of the European project without French-German cooperation, and this will be hard if the populists win.

Taming the growing power of populism is not the only dilemma for Europe. Another one is what to do with Russia, which seems to ignore the West.

Taming the growing power of populism is not the only dilemma for Europe. Another one is what to do with Russia, which seems to ignore the West. Despite that, some countries would like to go back to friendly relations, as they are not discouraged by the annexation of the Crimea nor by the power politics practiced by President Putin. So in 2017 the sanctions will probably be lifted and the West will try to strike a deal with Russia: peace in Syria in exchange for stability in Ukraine on Russian terms. And a joint action to kill off the Islamic State, because it organizes terrorist attacks in Western Europe and may spread them to the rest of the continent. The deciding voice in any such deal will belong to the Americans, whose pragmatic president, not hiding his pro-Russian sympathies, very much prefers a business-like approach to the world order.

Another crack in the EU unity is Central and Eastern Europe, strengthened by the Hungarian-Polish partnership and the activity under the V4 (Visegrad Group). What the four member countries share is mostly their hostility towards receiving immigrants, but their "flexible solidarity" incites in Germans or Italians a willingness to respond in kind in matters which are crucial for the V4, such as development funds. It is worth remembering that Poland still is their greatest beneficiary. At the same time, for more than a year it has been in dispute with its European partners about the democratic standards of the rule of law.

A similar approach to Brussels is presented by Hungary. The year 2017 will be a test of intentions of the Visegrad Group countries towards the EU

and of the wider East-West relations. There is a chance of bringing together the 27 member states around a few matters crucial for all, especially security, but it may also turn out that preserving the unity among all EU members is desired by only a small number of countries.

In 2017, the European Union will try to plan its future in a situation where many lines of division have been discovered. The anniversary summit in Rome will sum up the 60 years of EU's existence and draw a roadmap for reform. The Euroskeptics, increasingly numerous in recent years, do not believe that major changes are possible and predict the "decay" of the project, looking for alternatives. The Eurorealists seek a "grand idea" in the name of which striking compromises would again be possible. And finally, the shrinking number of Euroenthusiasts call for using the crises haunting the "old continent" as a stepping stone towards creating a federation or confederation, with a strong government and a larger common budget (today amounting to just 1% of EU's GDP, while in Switzerland it is 12% and in the US about 21%). The starting year will not bring definite decisions, but it may point the way. It is still quite a lot in such a complex situation.

The most likely scenario is the strengthening of the role and position of nation states in Europe. It is their crisscrossing interests that will determine the future. At the same time, the increasingly powerful populism will strengthen such anti-systemic groupings as the Italian Five Star Movement. This may lead to deeper constitutional changes or to anarchy. If in 2020 Mark Zuckerberg really runs for the American presidency, it will be a signal that even for the creator of Facebook the community of people in real life is more important than the online community.

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President Trump and the New Parameters of German Foreign Policy

ASPEN.REVIEW
HANS KUNDNANI

POLITICS
GERMANY
FOREIGN POLICY
SECURITY
TRUMP

Germany may now pay the price for its failures over the last six years—especially in the context of the euro crisis. In particular, in order to prevent the emergence of a "transfer union," Germany refused to agree to a greater degree of debt mutualization. This in turn made it impossible to create a fiscal and political union that would have been able to collectively respond to the difficult security questions raised by the election of Trump.

After Donald Trump was elected president of the United States on November 8, a chorus of commentators immediately jumped to the conclusion that the German Chancellor Angela Merkel was the new "leader of the free world." Comforting as it would be to believe in the idea that the woman known as "mommy" could simply replace the president of the United States as the "leader of the free world"[1] and thus protect the values for which

it stands, it is an illusion. Merkel was right to describe such expectations as "absurd" and even "grotesque."[2] The differences between Germany and the United States as powers in international politics—particularly in terms of military power—make the comparison between the chancellor and the president flawed.[3]

The election of Trump dramatically weakens Germany and creates uncertainty about the conditions upon which German power is based.

In any case, talk of Merkel as the "leader of the free world" misses the way that the election of Trump threatens to radically change the parameters of German foreign policy. Most dramatically, the US security guarantee on which the Federal Republic has depended since its creation in 1949 is now in question in an unprecedented way. More broadly, many fear that the liberal international order that was created by the United States after 1945, which was already under pressure, could now unravel.[4] If President Trump does seek to "end the US-led liberal order and free America from its international commitments," as his rhetoric suggests, his election could even turn out to be a more seismic event for Europeans than the end of the Cold War.[5]

Germany is uniquely vulnerable to such a shift in US foreign policy—even if Trump does not go as far as many fear. Over the last few years since the beginning of the euro crisis, there has been renewed discussion about German "hegemony" in Europe. The election of Trump dramatically weakens Germany and creates uncertainty about the conditions upon which German power (which I have characterized as "geo-economic") is based. It is not just that Germany, like other EU member states, depends on liberal international order, but also that its power in recent years, especially in the context of the EU, has been based on two aspects of US hegemony from which it was able to benefit—or according to critics, on which it was able to "free ride."

In particular, Germany has depended on two public goods provided by the United States. First, the United States bore disproportionate costs for European security, while German defense spending remained low—even compared to that of many other EU member states. Thus Germany was accused of "free riding" in security terms—in other words of consuming rather than providing security. Second, the United States acted as a consumer of last resort while aggregate demand in Germany remained low—again, even

compared to other EU member states. Thus Germany was accused of "free riding" in economic as well as security terms.[6] During the last decade the United States has become gradually less willing to provide each of these two public goods and may now cease to do so altogether.

If this were to happen, it would dramatically weaken Germany. The withdrawal of the US security guarantee would force Germany to rethink its security policy and perhaps even its attitude to nuclear weapons—with huge consequences. Meanwhile a shift towards a more mercantilist approach in US trade policy could undermine the basis of the success of German economy, which has boomed on the back of demand from the United States even as demand from the eurozone "periphery" has slowed. Even if President Trump does not go as far as some fear on alliances or trade, the consequences of his election could undermine the basis of German power. In particular, the new uncertainty about the US security guarantee could transform relations between the EU member states.

There have been many calls for Europeans to pull together since the election—in particular to become more independent of the United States in security terms. However, there are reasons to think that, rather than creating unity among Europeans, the election of Trump could divide Europeans. The ability of the EU to reach compromises that reconcile the different interests of its member states has been badly undermined by the events of the last seven years, which have created new fault lines within it and undermined unity and solidarity. In that sense, Germany may now pay the price for its failures over the last six years—especially in the context of the euro crisis. In particular, in order to prevent the emergence of a "transfer union," Germany refused to agree to a greater degree of debt mutualization. This in turn made it impossible to create a fiscal and political union that would have been able to collectively respond to the difficult security questions raised by the election of Trump.

The ability of the EU to reach compromises that reconcile the different interests of its member states has been badly undermined by the events of the last seven years, which have undermined unity and solidarity.

The election of Trump may well exacerbate the disintegrative tendencies within the EU. Historically, the US security guarantee was the precondition for European integration and in particular for the EU as a "peace

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project." As Josef Joffe put it in an essay published in 1984, American power "pacified" Europe—that is "muted, if not removed, ancient conflicts and shaped the conditions for cooperation."[7] The US security guarantee removed what realist international relations theorists see as the prime structural cause of conflict among states: the search for security. In particular, the security guarantee reassured France against the possibility of a resurgent Germany. Thus, as Joffe put it, "by protecting Western Europe against others, the United States also protected the half-continent against itself."[8] Economic interdependence would not have been possible without the confidence this created.

Many Europeans hoped they could eventually outgrow their strategic dependence on the United States. Some even saw the EU as a potential counterweight to American power. This was part of the thinking behind the creation of the European single currency and the development of a European Security and Defense Policy. But, as the sixtieth anniversary of the Treaty of Rome approaches, the EU remains a long way away from "strategic autonomy." Meanwhile European integration has also stopped well short of a political union. In other words, international relations still exist within the EU. The question now is whether, given that the EU has not evolved into a full political union or become independent of the United States in terms of security, the new doubt about the security guarantee could strengthen "centrifugal forces" within the EU.

The question now is whether, given that the EU has not evolved into a full political union or become independent of the United States in terms of security, the new doubt about the security guarantee could strengthen "centrifugal forces" within the EU.

Beyond disintegration, military power could even once again become a factor in relations between the EU member states. Until now, although military capabilities allowed countries like France and UK to project power *beyond* Europe, they did not give them power *within* the EU. Military capabilities could not be used as leverage in negotiations because the US security guarantee meant that other EU member states did not depend on them. However, the new doubt about the US security guarantee could change that—and may already be doing so. In the worst-case scenario, security com-

petition between EU member states could re-emerge and security dilemmas could be reactivated—as realist international relations theorists such as John Mearsheimer argued would happen if the United States withdrew from Europe after the end of the Cold War.[9]

The election of Trump has created huge uncertainty about the US security guarantee and trade policy and—because of the systemic importance of the United States—about the liberal international order. A collapse of this order would clearly be a disaster for Germany—as it would be for other EU member states. Even if Trump does not go as far as many fear in rethinking the US approach to alliances and trade, his presidency could have huge

In the worst-case scenario, security competition between EU member states could re-emerge and security dilemmas could be reactivated

consequences for Germany—including for its role within Europe. Germany has exercised disproportionate power in part because of the irrelevance of military power within the EU. But with the new doubt about the US security guarantee that may now change. In addition, a tougher US approach to trade could undermine German economic success. In short, rather than elevating the German chancellor to the position of "leader of the free world," the election of Trump may further weaken Germany—even within Europe.

6) Bofinger, Peter. "Here is one export Germany should not be making" ft.com. 6th June 2016 (https://www.ft.com/content/da5b543c-2bbc-11e6-bf8d-26294ad519fc).

7) Joffe, Josse. 1984. "Europe's American Pacifier" Foreign Policy, no. 54, 64–82.

8) Joffe, Josse. 1984. "Europe's American Pacifier" Foreign Policy, no. 54, 68–69.

9) Mearsheimer, J. John. 1990. "Back to the future: instability in Europe after the Cold War" International Security, no. 15, 1.

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ASPEN.REVIEW
COLIN CROUCH

POLITICS
EUROPE
IDENTITY
NATIONALISM

Political Identity and the New Nationalism

If there has been no convergence of CEE countries on Western identity-supported democratic participation, there does seem to be evidence of the opposite process, of the West moving towards CEE and increasingly sharing the characteristics of democracies that try to cope with weak social identities: declining electoral turnout, weak attachment to parties, and the emergence of new parties lacking strong social roots.

Abstract theories of democratic participation fail to answer the fundamental question: how do the great majority of people, who are not very interested in politics and find it hard to understand the complexities of political questions, work out how they should vote? The theory of representative democracy says that they consider which candidate will be most able to repre-

sent them, because (s)he is competent and able to respond to their concerns. However, very few voters in mass democracies know anything about the personal qualities of the candidates they vote for and may not even know their names. The theory of rational voting says that voters calculate which candidate (or, most likely, party) best represents their interests and vote accordingly. But few of us have the time and resources to make such calculations in a truly scientific way, and may not even be sure what our interests are across a wide range of issues. A less ambitious rational theory says that voters decide whether a government seems to have been competent. If so, they vote for it; if not, they vote for another party. This is becoming more realistic, but it fails to account for the fact that many people continue to vote for a party after it has demonstrated itself to be incompetent. It also cannot explain which of various parties voters will choose if they think the government has been incompetent.

Considerably closer to reality is a far rougher form of rational choice. The voters start with some idea of "who they are" in a politically relevant sense. They then work out which party seems to stand for "people like them," unless for some reason that party seems at the time to be particularly incompetent. The crucial step here is working out "who they are" politically.

"Who am I?" is a question about identity, and we have many of these. We are members of families, workers at an occupation, believers in a religious faith, residents of an area, supporters of sports teams, practitioners of various spare-time activities, lovers of various cultural and leisure activities. Most of these have no political significance at all, but they might suddenly acquire it if one party or another makes it an issue. Historically this has been most important when some of these identities have been the subject of struggles over exclusion and inclusion from political participation itself and other rights. Most European countries the 19th and early 20th centuries saw important attempts to use religion as a basis for inclusion and exclusion. When this happened, people found that their religious identity also had political implications, leading them either to be excluded or to see themselves as insiders with an interest in excluding others. Where they stood on this question would bring them to identify with particular parties and to be opposed to others. Another major source of struggles was property ownership and occupation, giving rise to class struggles over inclusion in and exclusion from citizenship and, again, leading to political identities.

Struggles over religion and class became the two great sources of political identity that enabled people to answer the question "Who am I, politically?" by working out which party or parties seemed to stand for their religious and/or class identity. Other struggles were sometimes involved, such as the sides people found themselves on during civil wars (important for Ireland and the USA); sometimes regional identities became the objects of political struggle, giving rise to sub-national parties of the kind found today in parts of Belgium, Spain, and the UK. Still, class and religion were dominant.

In Western Europe and other parts of the world where more or less stable democracies were established by the second half of the 20th century, these struggles lost their bite as universal political citizenship ended most forms of exclusion. However, the political identities that had been forged lived on, informing people of their basic political attachments, especially when the achievement of formal citizenship was not followed by a substantive change in social position. Despite their turbulent history, they became the basis of the stable and orderly forms of conflict with which mass democracy is most easily able to flourish.

With time the power of these identities declined, becoming just a memory of parents' and grandparents' struggles. Then the two great bases of social identity that themselves had conferred political meaning weakened. In most of Western Europe—though not the USA—religion declined. In all advanced economies the proportions working in mining and manufacturing–the main centers of class struggle—also weakened. New generations worked mainly in the various services sectors, often in new occupations that had no links to the past class struggles. From around the 1980s parties rooted in religious and class identities began to decline; new ones without strong roots emerged. The proportions of electorates bothering to vote at all declined, as did membership of political parties.

The story in central and eastern Europe (CEE) is different, having been cut off for decades by the spurious democracy of communist one-party states. There had been a similar experience in the three European capitalist dictatorships of Greece, Portugal, and Spain, which entered liberal democracy only in the mid-1970s. However, in these cases party structures quickly took on the form already common in the rest of Western Europe, with large parties attracting loyalties based on religious and class identities. In CEE this did not occur so clearly. One can identify Christian democratic, social

democratic, liberal, and residual communist parties, but these have rarely achieved dominance. Parties come and go and are often just based on rich individuals. It is as though communism, having in theory included everybody but in practice excluding everybody from political participation, left behind no legacy of rival identities that could be used in electoral conflict. Immediately after the arrival of democracy in the 1990s was electoral participation in most CEE countries high, but it fell away rapidly to reach low levels.

In many established democracies one social identity that can rapidly acquire political meaning has survived the general decline: nation.

If there has been no convergence of CEE countries on Western identity-supported democratic participation, there does seem to be evidence of the opposite process, of the West moving towards CEE and increasingly sharing the characteristics of democracies that try to cope with weak social identities: declining electoral turnout, weak attachment to parties, and the emergence of new parties lacking strong social roots.

The New Nationalism

In many established democracies one social identity that can rapidly acquire political meaning has survived the general decline: nation. Since the most important level for democratic politics is the nation, political leaders have always needed and liked to stress its importance and their attachment to it. However, since Nazism and fascism demonstrated how violent and destructive nationalism can be when unleashed as a political emotion in conflict, the great majority of politicians have been restrained and quiet in their appeals to it. Occasional individuals who departed from this consensus were quickly ostracized as reversions to fascism.

This is now changing rapidly. Not only has national identity been left strong, if quiet, while those of religion, class, and the memory of past civil wars have declined, but major developments in the contemporary world have given it new salience: the globalization of the economy, which takes important decisions beyond the reach of national democracy; extensive immigration, which confronts people with unfamiliar cultures; a rise in refugees from conflicts in the Middle East and North Africa, which produce even starker cultural confrontations; and the growth of Islamic terrorism, which has connections to the refugee crisis.

If national identity can be used for partisan political identity only when external and internal enemies of the nation can be identified, globalization provides the former and population movements the latter. The latter provide new groups for ostracism, enabling the majority population to feel a new comfort of inclusion. Then those members of the nation who resist its political use can be branded as not true members, even as traitors, providing new candidates for exclusion and increasing the comfort of those "inside."

So far the most important expressions of this new role for national identity have been the votes of a majority (52%) of British people who decided that the country should leave the European Union (the so-called "Brexit") and the election of Donald Trump as president of the USA (albeit with a minority of the votes cast). Both campaigns identified an external threat to the nation (the EU in the former, and a variety of foreign countries and international organizations in the latter). Both depicted immigrants, refugees, and Muslims in general as undesirable—the Brexit campaign did this last even though the Islamic population in the UK has nothing to do with the country's membership of the EU.

Other examples are gathering, predominantly in France where the Front National, once marginalized as a fascist movement, has become one of the most powerful forces in a politically fragmented country; in Austria, where a far-right party, once seen as the continuation of Nazism, has become the single biggest party; and Hungary, where the governing party has combined hostility to existing ethnic minorities, such as Jews and Gypsies, with that towards Islam.

Very few European countries have not seen a rise in parties and movements stressing various forms of hostility to globalization, the EU, the settled ethnic minorities, the immigrants, the refugees, and the Muslims. These movements are concentrated in prosperous countries of north-west Europe: the UK, France, the Nordic lands, Netherlands, Austria, though in Germany the phenomenon is concentrated in former East Germany. They are found in Greece and Italy but weaker; very little in Portugal and Spain.

The role of national identity in CEE countries is more complex. One might have expected national liberation movements to have been prominent in opposing Soviet domination and then to have become established as dominant parties, in the same way that such movements had done in earlier campaigns in several of these countries against the Austro-Hungarian Empire, or

against colonial rule in other parts of the world. However, the only clear cases of this kind were Estonia and Latvia, where hostility towards the large Russian minority populations left behind by the Soviet Union certainly played a part in consolidating democratic politics. Matters elsewhere were different. The Civic Forum movement in what was then Czechoslovakia and Solidarność in Poland performed something of the role of national liberation movements, but both split soon after the end of Soviet domination. In general and outside Estonia and Latvia, nationalism did not appear as a powerful force in creating political identities in CEE until more recently, with the turn in Hungary and the more recent opposition in several countries to the attempt of the EU to make CEE countries help share the burden of Greece and Italy in receiving large numbers of refugees from conflicts in the Muslim world. This event has now provided a base for those envying the success of the Hungarian governing party, Fidesz, particularly in Poland. These movements are, paradoxically, encouraged by Russian President Vladimir Putin, who also has connections to Donald Trump. The Russian government itself pursues a strongly nationalist policy in order to integrate its population, seen most strongly in the conflict in Ukraine.

After decades of resting dormant following the defeat of fascism and Nazism in the Second World War II, national identity is re-emerging as a major source of political identity in a world where other social identities have been becoming featureless. An important question for the future is the form that opposition to it might take. Is it a matter of national identity politics against those who reject having such an identity imposed on them, either because they reject being defined by hostility to people from other cultures, or because they see themselves as individuals with no collective attachments? And do these non-identities have the capacity to become identities (another paradox), driven by a passion similar to that from which nationalism draws its strength?

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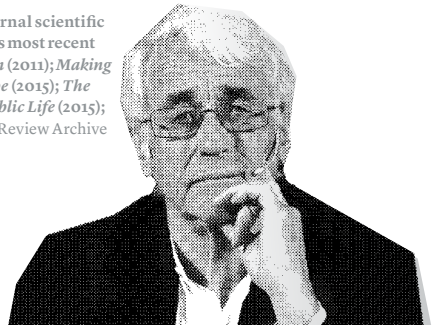

ASPEN.REVIEW
TOMASZ GRZEGORZ GROSSE

POLITICS
EU
V4
CENTRAL EUROPE
TWO-SPEED EUROPE
REFORMS

The European Union: A Challenge for Central Europe

Central Europe has so far been an evident beneficiary of the European integration. Nevertheless, the transformation of the regional order in Europe seems to undermine the previous advantages more and more.

The European Union entered the 21st century with a common currency and strengthened by new members from Central Europe. It seemed that the integration has reached a new scale and pace. This was, however, only a temporary state. The high ambitions have not been accompanied by adequate institutional reforms, particularly fiscal, political, and democratic ones. Then came a wave of crises which were topped by the Great Britain's decision to leave the EU. Notably, none of these serious European crises has been solved in a systemic manner; they were merely alleviated. This holds true in regard to the dysfunctions within the eurozone, the migration crisis, and the geopolitical crisis on the eastern outskirts of the EU. It shows the weakness of the political management within the EU.

Furthermore, Europe in the time of crisis is characterized by significant internal changes. The importance of intergovernmental institutions rises, and so does the role of the largest countries, particularly Germany. It might be an exaggeration to call Berlin's position hegemonic, but without a doubt neither Paris nor the EU's institutions are able to counterbalance it. Technocratic institutions have become politicized, meaning that their decisions are influenced by the largest member states. These institutions may now also serve as the instrument of regulatory or political pressure aimed at countries which are smaller, peripheral, or which challenge the direction of changes within the EU. At the same time the asymmetric character of European policies intensifies, especially in regard to anti-crisis measures. These policies are more favorable to the European center and less for the peripheries. One such example was the common currency crisis, during which the weakest peripheral countries of the eurozone shared the main burden of the macroeconomic adjustments.

Central Europe has so far been an evident beneficiary of the European integration. The EU membership guaranteed access to the capital and investments, and also to free trade within the internal market. Central Europe has been the beneficiary of the EU's funds for infrastructural projects and improvement of living standards. The former realities of the integration also allowed for a relative autonomy of national authorities and a geopolitical stabilization. Simultaneously, Central Europe was able to draw profits from its geographical location i.e. the proximity of different economical system behind the eastern borders of the EU.

Nevertheless, the transformation of the regional order in Europe seems to undermine the previous advantages more and more. The autonomy of the smaller and more peripheral countries is being reduced; one example of that was when Central European countries were outvoted over the controversial issue of mandatory refugee quotas (2015). Changes in the integration processes may result in an increased political and economic dependency of Central Europe on Germany, mainly due to the economic influence of this country within the region, but also because of the further integration within selected policies of the EU, concerning such fields as climate, energy, and defense.

The rules of the internal market change gradually and they more and more negatively affect the competitiveness of the countries of Central Europe. For example, there is a pressure to harmonize the taxation of enterprises

among the member states and to set the wages of employees delegated from countries of Central Europe to the levels of Western Europe. At the same time the mechanisms compensating the weakest countries and regions for the dysfunctions of the liberal internal market may be reduced. This concerns especially the cohesion policy, whose resources will surely be limited by Brexit, the growing redistribution needs in the eurozone, and the migration crisis.

Changes can also be seen in the organizational structure of this policy, as non-returnable national subsidies are turning into loan funds available through open contests. Such changes have particularly negative consequences for the less influential countries from Central Europe. Furthermore, due to the migration and Ukrainian crises, safety level has significantly dropped within the EU, and most of the countries of Central Europe lost many of their trade opportunities offered by the markets outside the EU's eastern border.

Nevertheless, the transformation of the regional order in Europe seems to undermine the previous advantages more and more. The autonomy of the smaller and more peripheral countries is being reduced

In this situation, it is important for our region to actively participate in the discussion on the future of the European integration, which has been initiated during the EU summit in Bratislava (2016). A number of scenarios of the proposed changes can be distinguished here, however, it is important to remember that some of them may take place simultaneously.

The first scenario has been outlined in Bratislava and is promoted by the German diplomacy with French support. It focuses on further integration within the selected policies of the EU—primarily defense, internal security, and migration. A key feature of this scenario is to stop the disintegration tendencies within the EU through strengthened cooperation in the least controversial fields. Another important goal is to end the "two-speed Europe" divide, resulting in separation of the Western and Eastern parts of the EU. The discussed scenario could result in a greater interdependency of the EU member states and a further strengthening of German political influence in Central Europe.

The second scenario aims at increased intergovernmental management, that is a strengthening of the European Council and the Council of the European Union while limiting the role of the Commission, which has

been recently proposed by German Finance Minister Wolfgang Schäuble. It is a scenario in which the rule of the strongest member states is further increased, as those countries have an upper hand in the decision-making procedures of the EU. In this scenario, the countries of Central Europe would have a limited political influence unless they manage to gain the support for particular decisions in other countries or trigger the change of decision-making rules in the Council of the European Union (which from a current perspective seems rather unlikely). This is a scenario favorable to the advancement of German agenda, and can also be fulfilled simultaneously with the scenario proposed in Bratislava.

1) Stiglitz, J. E. 2016. *The Euro and its Threat to the Future of Europe*. London: Allen Lane.

The third scenario is about the restriction of the rule of technocratic institutions (especially the Commission), the EU Court of Justice, as well as limiting the scope of the EU's powers and transferring some of the competences back to the member states. Another proposition included here is a greater role of national parliaments in the Union's politics, inter alia by establishing a veto power on the legislative initiatives of the Commission, as was recently proposed by the Speaker of the Sejm, lower house of the Polish parliament. A restriction of the Union's technocracy would increase the role of intergovernmental institutions in the politics of the EU, which makes this solution similar to scenario number two. A strengthening of national parliaments would make the current administration within the EU more difficult, the implementing of new regulations quite challenging, and, to a certain degree, slow down future integration or development of efficient anti-crisis measures. For these reasons the mentioned solution will probably be marginalized in the negotiations concerning the future of the EU.

The fourth scenario proposes a deepening of the division between the EU center and its peripheries, it would result in a closer integration within the eurozone or even a smaller group of Western European countries. The "outsiders" would not participate in the future integration of the center, although it would without a doubt still be obliged to follow legal regulations developed by the center. Such scenario is supported mainly by French and Italian politicians. Polish authorities have so far been against such solutions because they would marginalize Central Europe. It seems that the German diplomacy also attempts to block such proposals since they would mean a decrease in Berlin's influence within Central Europe.

The fifth scenario underlines the tendency of some countries to distance themselves from further integration and even disengage from particular EU policies, such as the Schengen Zone or the migration policy. Such actions might be a result of the inability to negotiate favorable solutions by the less influential countries. In a way it is complementary with the fourth scenario, as it assumes that countries left in the second (peripheral) integration zone would be prone to limiting their participation in the EU's policies, since their political impact on the center's decision-making would be significantly limited. Consequently, the "two-speed Europe" division might be deepened, and some countries might eventually consider leaving the EU, following British lead.

Countries of the Visegrad Group have a dual challenge to face. On the one hand, they need to find an answer to the ongoing changes in the integration processes. On the other, they have to take a stance on further potential changes in the EU. It is clear that the V4 countries do not agree on all issues. While Warsaw and Budapest call for radical changes in the European treaties, aiming at a restriction of the EU's technocracy, at limited regulations, and at supporting the empowerment of national parliaments in decision-making processes of the EU, Prague and Bratislava distance themselves from these postulates. The views on Germany's role in the European integration and Central Europe itself—which are crucial to choosing one of the discussed scenarios—also vary within the V4 group. That is why a deepened discussion on the possible scenarios and specific institutional reforms is currently necessary among the countries of our region.

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The Turkish Effect in German Politics

ASPEN.REVIEW
ROBERT SCHUSTER

POLITICS
GERMANY
TURKEY
DOMESTIC POLICY
COMMUNITIES
INTEGRATION

Never before have so many seats in the German parliament been held by politicians of Turkish origin. There are thirteen of them, representing every political party. Nevertheless, the Turkish community has yet to be fully integrated into majority society.

Perhaps in no other European country has the failed coup attempt in Turkey in mid-July 2016 held such resonance as in Germany. As soon as it became clear that the coup had failed and the Turkish President Recep Tayyip Erdoğan had fully regained power, Turkish communities in cities across Germany staged demonstrations in support of his government.

This was not the first time mass rallies of these proportions had taken place. Most recently people went out into the streets in June, after the German parliament adopted a resolution recognizing the 1915 Armenian massacre by the Ottoman Empire as a genocide.

Public demonstrations by the representatives of the Turkish community in German cities epitomize their growing confidence. In a word, they no longer feel they are just descendants of former *Gastarbeiter*, i.e. a potential source of cheap labor whose life is confined within their own ethnic group, and they are by no means reluctant to give a public voice to their preferences, albeit at the cost of a confrontation with majority society. This, however, also raises the issue of their loyalty to the country that accepted them years ago and is for some of them their place of birth.

The change in their behavior is, to a large extent, linked to the figure of the current president of Turkey, who in his homeland derives his popularity primarily from his contribution to the country's recent economic growth, which has under his watch extended also to the Turks living abroad. Erdoğan himself became aware of this potential five years ago. This was when he

organized the first public meetings in Germany in the run-up to the Turkish parliamentary election, aiming to garner the vote of the sizeable Turkish minority that had been left to lie fallow in the past.[1]

Around half of the three-million-strong Turkish community in Germany have retained their Turkish citizenship and are therefore entitled to participate in Turkish elections. The last three elections (one presidential and two parliamentary) in which they were able to take active part also resulted in their increased mobilization in Germany. An important contributing factor was the fact that the Berlin government allowed them to cast their votes at Turkish consulates in Germany, saving many potential voters a trip to Turkey.

Erdoğan and his party scored very well among the Turks in Germany. For example, 570,000 Turkish voters in Germany took part in the snap election of November 2015, with 59.7 percent voting for the Justice and Development Party (AKP). In no other European party did the ruling party score as high as in Germany.[2]

However, this strong showing in the diaspora would not have been possible without several years spent on systematic forging and strengthening of ties between Ankara and the Turkish diasporas abroad, not only in Germany and other European countries but also in the United States. Initiated by the previous lay governments, this effort has further intensified since the conservative Islamist AKP came to power in 2002. Ankara's policy vis-à-vis the Turkish diasporas has aimed at strengthening the role of Turkish associations, making them readier for action and able to have a greater impact on public discourse in their host countries.

In Germany it was the Union of the European-Turkish Democrats (UETD) that soon started playing a key role. The organization is regarded as an arm of the current ruling party (AKP) abroad. Its representatives were the formal organizers of the election rallies in support of Erdoğan and they were the ones calling on the German Turks to come out into the streets in condemnation of the attempt to oust Erdoğan's government.

The second lever Ankara has used to exert its influence in Germany is the Turkish-Islamic Union for Religious Affairs (known as DiTiB), a base for numerous Muslim activities in Germany. A branch of the Ankara-based Presidency of Religious Affairs, the DiTiB sponsors a number of mosques and organizes the teaching of Islam in Germany. Its head also serves as

a counsellor for religious and social affairs at the Turkish embassy in Germany. In the past, when Turkey was ruled by governments that championed the country's lay character, the DiTiB stood for a moderate, state-tolerated Islam and the mosques it sponsored often provided a counterweight to radical Islamist movements such as Milli Görüs (National Vision).

However, since the rise to power of AKP—which initially also presented itself as a moderate Islamic party—the DiTiP has undergone a gradual transformation along the lines of the ruling party. Following the recent events in Turkey, some German politicians, including the co-chairman of the Greens Cem Özdemir, himself of Turkish origin, expressed their concern that that there was a risk that the current Ankara government might inculcate the Turkish community in Germany with their authoritative understanding of democracy through institutions affiliated with the DiTiB.

The more the current Turkish leadership strives to mobilize and politicize the Turkish community in Germany, the more the German political establishment struggles with its response to these attempts. It tried to ignore

The more the current Turkish leadership strives to mobilize and politicize the Turkish community in Germany, the more the German political establishment struggles with its response to these attempts.

Erdoğan's first pre-election rallies, but had to abandon this policy once the Turkish prime minister, addressing one of these rallies, questioned the key postulate of Germany's immigration policy—the necessity to learn the German language. He appealed to his fellow-countrymen not to assimilate, and he recommended that their children learn Turkish first and German only later.

Reports that emerged a few weeks ago of the German intelligence service MIT running a larger network of informers in Germany than the Stasi (East German state security) had run during the Cold War further complicate this ambivalent picture. According to information from the German media, the Turkish informers are primarily focused on the country's Turkish community. An unbiased observer might have expected this information to cause an outburst of indignation in Germany, or even a protesting diplomatic note addressed to the Turkish ambassador to the country. In fact, the opposite has happened, with intelligence experts such as Erich Schmidt-Eenboom putting the record straight in an interview with the daily *Die Welt* when he stated that "In Germany the activities of Turkish intelligence have always

been tolerated." However, he also warned that the intelligence service has already moved to carrying out "intelligence repression" within the Turkish community.[3]

Despite the long-term political and economic partnership between Germany and Turkey, the relations between the two countries have never been straightforward. During the past year in particular, these relations proved to be extremely unstable on a number of occasions, their frequently-cited importance and mutual benefits notwithstanding. Most recently this has been evident in the discussion about the treaty the European Union has signed with Turkey, aimed at resolving the refugee crisis. German Chancellor Angela Merkel, the treaty's main champion, has been repeatedly rebuked for having turned a blind eye to violations of human rights in Turkey and to the increasingly authoritarian tendencies of President Erdoğan's government, all because of the key role his country plays in dealing with the refugee crisis.

In fact, Merkel has always supported close links between the EU and Turkey. At the same time, however, she has always openly admitted that when it comes to deepening these links in future, discussion has never been about a fully-fledged membership but, at most, a so-called "privileged partnership."

Despite the long-term political and economic partnership between Germany and Turkey, the relations between the two countries have never been straightforward.

In this she has basically remained true to the policy of one of her predecessors, Helmut Kohl. In the 1990s, when Turkey was under military rule, the country's membership in the EU was not on the agenda. With the advent of democratic governments, Turkey's calls for Europeans—especially Germans—to change their negative attitude grew louder. However, this was out of the question for Kohl's government, fearful as it was of the potential impact of Turkey benefiting from the free movement of people as a result of the country gaining full EU membership. When in December 1997 the European summit in Luxembourg adopted a resolution which determined which candidate countries would be invited to begin EU accession talks, Turkey, unlike the countries of Central and Eastern Europe, was not included on the list, even though it had applied as early as 1959.

The then Prime Minister Mesut Yılmaz was furious and in interviews in the German media he vented his frustration at being constantly overlooked by the Germans. He compared this behavior to the Nazi era, when Hitler's government ruled in the spirit of "securing 'Lebensraum' in the East." Yılmaz argued that Germany was indebted to Turkey for having formed a buffer zone between the East and the West during the Cold War, and its huge military expenditure having contributed to West Germany's stability. However, after the fall of the Iron Curtain, the Turkish prime minister claimed that Berlin changed its priorities, pivoting towards Central and Eastern Europe, leaving Turkey trailing the list of Germany's interests.

From this perspective the change of German government in the autumn of 1998—with the Social Democrat Gerhard Schröder assuming the post of federal chancellor —quite naturally raised high expectations in Ankara. In less than a year these expectations seemed to have materialized. In December 1999 at a European summit in Helsinki Turkey received the status of an official candidate for membership in what was generally regarded as a diplomatic success for Schröder and his Foreign Minister, the Green Party's Joschka Fischer. The official negotiations did not start until October 2005, by which time, ironically, a return of the Christian Democrats (CDU) was again on the cards. Nevertheless, the new Chancellor Angela Merkel acknowledged the fact that the negotiations had begun and did not press for them to be abandoned immediately, even though this was something her party had promised in previous election campaigns.

In terms of future Turkish-German relations, however, another legacy of Schröder's seven-year reign is worth bearing in mind: the reform of the German citizenship laws, which have weakened the previously key principle of "ius sanguinis" (right of blood). As a result, not only residents who could prove their ethnic German origin were eligible for citizenship, but also, among others, descendants of foreigners born in Germany. The second and third generation of German Turks were the hottest candidates, provided at least one of their parents had lived in Germany continuously for at least eight years on an unrestricted residence permit.

The Red-Green government had hoped that the introduction of dual citizenship would facilitate the Turks' integration into majority society. Critics of the plan were quick to warn of the opposite effect: that the dual passport would cause more confusion and make integration more difficult.

They were particularly concerned about a provision envisaging that young German-born Turks had to decide between the ages of 18 and 23 whether they wanted German citizenship in addition to the Turkish one.

At the time the introduction of dual citizenship caused one of the greatest domestic political crises in Germany of recent years. Christian Democrats in the Land of Hesse launched a petition against the plan—it garnered over a million signatures. Although this helped them win the next regional election, they were unable to stop the law from being adopted.

Against all expectations the Christian Democrats' return to power in 2005 failed to bring about any dramatic changes in the relations with Turkey. This was partly because the CDU had to form a grand coalition with the Social Democrats, who prevented the reversal of key policies of the Schröder era, including a liberalization of the citizenship law as well as the EU accession negotiations with Turkey. At the same time, a younger generation of leaders with a more pragmatic attitude to Turkey emerged within the CDU: from the new Chancellor Angela Merkel, through such regional prime ministers as Christian Wulff and Peter Müller, to prominent MPs such as Peter Altmeier or Norbert Röttgen.

It was Christian Wulff who, in his capacity as prime minister of the Land of Lower Saxony, appointed Aygül Özkan as the country's first minister with a Turkish background. Later, when Wullf became the country's president, in a speech marking the anniversary of the country's unification he declared that "Islam was a part of Germany," a sentence that for years to come was quoted in nearly every debate on the integration of Muslims into German society. After all, Merkel herself reiterated the sentiment on various occasions, indicating that it had her support, and it caused a great resentment among the conservative faction of her party as well as its Bavarian sister party, the Christian Social Union (CSU).

Within this logic it is hardly surprising that in 2014 Chancellor Merkel's government went even further in liberalizing the original dual citizenship legislation, revoking the requirement for people to choose one of the two passports on reaching the age of 23. Migration experts such as Klaus J. Bade of the University of Osnabrück raised the alarm: "If a German acquires Turkish citizenship in addition to the German, it's not a problem and it won't affect him. If, however, a Turk acquires German citizenship and keeps it, it will cause an identity crisis."

The issue of dual passports is now, perhaps unexpectedly, back on the table, partly as a result of a series of terrorist attacks in July 2016. The discussion on tightening the security in the country quickly turned into the issue of the integration of Muslims into German society, or rather the question of whether the approach to enhancing integration used hitherto was working or not. At the same time the idea of dual citizenship as a way to easier integration has been called into question in light of the fact that a great many young people, likely owners of both Turkish and German passport, took part in a rally in support of Erdoğan, not only hailing the president and his government but also calling for the reinstatement of the death penalty, a demand regarded as incompatible with the social and constitutional order introduced in Germany after 1945.

At their conference in December 2016, CDU has agreed on a resolution calling for a stop to the practice of issuing dual passports. This happened despite the opposition of the party leader, Chancellor Merkel. Many things now indicate that this demand will become CDU's crucial theme in the elections in autumn.

From here it is but a short step to the opening of a new front in the already fraught relations between Berlin and Ankara, should Germany seriously consider restricting the rules for dual citizenship or indeed abolishing it altogether in the future. Although it may appear unlikely, this is a much more explosive issue than the easing of visa requirements for Turkish citizenship, the Bundestag resolution on Armenia, or *Erdoğate*, the satirical poem by Jan Böhmermann that mocked and offended Turkey's president.

Although Germany and Turkey do not have a common border and are thousands of kilometers apart, the two countries are like communicating vessels, with tension and pressure in one vessel immediately affecting the other, and vice versa.

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3) Die Welt. 2016. "Erdogans Agenten bedrohen Deutschtürken" 21st August 2016.

4) RP Online. 2016. "Türken in Deutschland: Die Doppelmoral beim Doppelpass" rp-online.de. 7th August 2016 (http://www.rp-online.de/politik/deutschland/tuerken-in-deutschland-die-doppelmoral-beim-doppelpass-aid-1.6166430).

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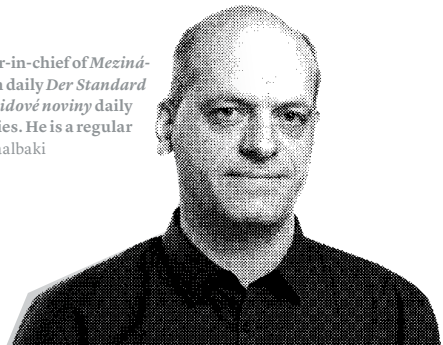


Polish Eastern Policy under the Law and Justice Government

Olena Babakova

Many Polish and foreign experts expected that after the parliamentary victory of Law and Justice (PiS) in November 2015, Warsaw would become more active on the Eastern front: that it would strengthen the partnership with Ukraine, take a firm stance against Russia, and actively support the European dreams of Georgians and Moldovans. After one year of Jarosław Kaczyński's party in power we can conclude that that these expectations proved futile.

The new Polish government not only has not created a strategy to strengthen the Polish influence in the East, but also has led to some risky moments in Polish relations with Ukraine and undermined the principles of the Eastern Partnership program without offering an alternative. While criticizing Western allies for their money-first approach in their relations with Moscow, Poland applies the same principle in its relations with Minsk. Instead of criticality rethinking the heritage of Jerzy Giedroyć, the beacon for the entire Polish Eastern policy after 1989, Warsaw puts it aside, leaving the question of "what next?" unanswered.

During his presidential campaign in 2015, Andrzej Duda talked about the Intermarium project—an economic and energy union of the countries lying between the Adriatic, the Baltic, and the Black Sea, which are much more sensitive to the threat coming from Russia than anyone in the West. Implicitly, the Intermarium was to become an instrument for the weakening of Germany's influence in the EU and among its Eastern neighbors. This concept was also mentioned a number of times during the parliamentary campaign in 2015. However, this project—controversial yet ambitious in every respect—has so far clearly given way to strictly Polish matters: working with Polish na-

tionals in the East and the struggle for historical truth in relations with Polish neighbors. At the beginning of 2017 it seems that historical questions and issues of the Polish community abroad have become the essence of Poland's Eastern policy, while other problems are of secondary importance.

The easiest way to summarize PiS policy towards Russia is to say that Polish relations with Moscow are under a thick layer of frost. Besides replacing the former ambassador with Professor Włodzimierz Marciniak and occasional appeals to Russians to release the wreckage of the crashed airplane from Smolensk, not a lot is going on in Polish dealings with Moscow.

At the EU arena, Poland is consistently reminding Western politicians about the annexation of the Crimea and the role of Russia in the war in Donbas. The Prime Minister Beata Szydło and Foreign Minister Witold Waszczykowski are unequivocal in their conviction that economic sanctions against Russia must be maintained at least until the time when President Putin implements his part of the Minsk-2 agreement. Warsaw could compensate for the lack of cooperation on the government level through dialogue with the Russian civil society. Nevertheless, no significant initiatives can be seen here. PiS seems to be resigned to the fact that Putin and his regime will stay with us for a long time. You can occasionally hear from experts connected with PiS that there is a need to open a Russian language station to counter Moscow's propaganda. However, this idea has a lot more followers on Facebook and Twitter than in the Foreign Ministry building.

Polish relations with Ukraine under the Law and Justice government should be considered as correct. Ukrainian post-Maidan elites invested a lot of hope in PiS victory, but the illusion quickly vanished. At first the Ukrainians

At the beginning of 2017 it seems that historical questions and issues of the Polish community abroad have become the essence of Poland's Eastern policy, while other problems are of secondary importance.

were unable to understand why the government withdrew the nomination of Ambassador Marcin Wojciechowski, a former journalist of *Gazeta Wyborcza* and press secretary of the Foreign Ministry very much liked by Ukrainian politicians and experts. And although he was replaced by Jan Piekło, who is sympathetic towards the Ukrainians, a bitter aftertaste remained. And then the people in Kyiv realized that because of its internal problems Poland had started to lose its position in Brussels, and having "an advocate of Ukraine

in Europe" is what Kyiv is most concerned about. Moreover, Ukrainians became more sensitive to the statements of PiS politicians, who never lose an opportunity to remind its electorate about the Polish Eastern borderlands.

And it is this historic theme which led to a crisis in Polish-Ukrainian relations. In July 2016, the Polish Senate and a few weeks later the Sejm defined the events in the Volhynia in 1943-1945 as an act of genocide against Polish people perpetrated by Ukrainian nationalists. Many Ukrainians perceive this resolution as a stab in the back—the subject of OUN and UPA has long been exploited by the Russian propaganda to discredit the Ukrainian state. Although the author of the resolution, PiS deputy Michał Dworczyk, repeatedly claimed that the subject of Volhynia was closed on the political level, an unpleasant sensation in Kyiv remained.

Both President Andrzej Duda in Kyiv and Petro Poroshenko in Warsaw said many pretty words about the partnership and plans for the future, but nothing much follows from that. Warsaw still does not care about the problem of the Polish-Ukrainian border, where having to wait half a day has already become a shameful tradition. Poland is gradually reducing the funding for NGOs involved in programs to support democracy in Ukraine. The only segment where Polish-Ukrainian cooperation keeps flourishing is the contacts between the defense ministries.

Warsaw is most successful in its dealings with Belarus. Slightly later than Germans or Swedes, the Poles saw an opportunity for warming the relations with Minsk. Last year the Belarusian capital was visited by Polish prime minister, foreign minister and speaker of the Senate. The latter's visit received a wide coverage in the media—upon returning to Warsaw, Speaker Stanisław Karczewski called Lukashenko—quite recently regarded by Polish politicians as a dictator—a warm person. There is no denying the fact that Belarus increases the imports of Polish food (although, as everyone knows, some products later travel on to Russia), Belarusian companies take loans in Poland and local business tempts Polish companies with privatization opportunities. All this certainly serves Polish interests.

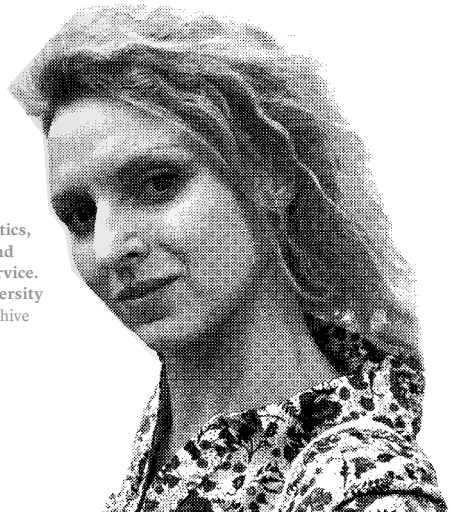
At the same time, Warsaw is significantly reducing its support for Belarusian opposition. An example of that was the attempt at reducing the grant for the only Belarusian language television Biełsat by two thirds. Foreign Minister Waszczykowski suggested that Biełsat would be turned into a Belarusian section of TVP Polonia, which could obtain Lukashenko's permis-

sion to broadcast in Polish (according to Waszczykowski, Belarusian people could quickly learn the language of their Western neighbors). In the end, Prime Minister Szydło made a promise that the station's budget would not be reduced. Still the whole situation revealed a fundamental problem—Poland has no long-term strategy for its Belarusian policy and is ready to sacrifice contacts with opposition—developed over the years—for the sake of illusory bonuses from Minsk.

PiS has abandoned any ambitious projects in the East. Relations with Russia can be reduced to the question of the airplane's wreckage, with Belarus to apples, and with Ukraine to Volhynia.

Poland under the Civic Platform (PO) also had no clear vision of what it wanted to achieve in the East besides such general terms as "democratization" and "security," but under PO rule at least there were ambitions. PiS has abandoned any ambitious projects in the East. Relations with Russia can be reduced to the question of the airplane's wreckage, with Belarus to apples, and with Ukraine to Volhynia.

If Poland previously managed to build its soft power on the myth of the Polish transition, PiS gave up this approach. Leaving aside all the defects of the transition, it was an important point of reference for Poland's Eastern neighbors, a positive stereotype which the PiS administration is rejecting without offering anything in return. In order to weaken the influence of Germany, PiS in fact pushes Poland's Eastern neighbors into Berlin's embrace. At a time when Donald Trump becomes US president, the UK leaves the European Union, and Marine Le Pen is getting ready to move to the Élysée Palace, it is Berlin, rather than the self-preoccupied Warsaw, which seems to be an anchor of stability.



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PRZEMYSŁAW WIELGOSZ

ECONOMY
USA
GLOBAL ECONOMY
MULTIPOLARITY
TRUMP

Donald Trump as a Weather Vane, or Where Global Capitalism Is Headed

It seems that president Trump is better than the experts from Washington in recognizing America's place in today's world. For him, the US is no longer the center of the global system taking responsibility for the planetary order, but just one of its components.

It is in the nature of economic forecasts that they are usually excellent in predicting the weather for yesterday. But perhaps, ironically, their importance grows in a time when the world we have known for over two decades is crumbling. The number of possible scenarios—economic, geopolitical, social—has increased so much that pointing at one of them as the most likely one seems to be largely unfounded. In such circumstances, producing visions about the future is an altogether different undertaking, becoming an appeal meant to spur us to action—according to the formula that if we do nothing then one of the possible disastrous scenarios may really come to pass. And such a look into the future of the global economy seems very sensible today.

Crisis without End

In the past two years the general sentiment across the world has worsened. The EU crisis, Brexit, Kaczyński, Trump, the Islamic State, constitutional coups in Brazil and Argentine, or the "refugee crisis" do not give grounds for optimism. It should be noted, however, that these events are not the cause, but a symptom of widespread unease. The key to understanding the processes shaping the global economy in the coming years is the failure of Western political and economic elites in the face of a deepening structural crisis of global capitalism and the accompanying climate change.

The IMF forecasts for 2017 confirm that the crisis is in full swing. Since 2008, on both sides of the Atlantic we are continually haunted by low growth, sluggish investments, aversion to credit and risk on the financial markets. The financial markets keep going only due to continual injections of public money. Stagnation drags on with all its negative social and political consequences. In 2015, Brussels and Berlin rejected an alternative (proposed by the Greek Syriza) to ineffective austerity measures. In this way, they opened the door for the extreme right, which cleverly feeds on the anger caused by the cuts, transforming it into hostility towards refugees. The hallmark of 2017 and perhaps also 2018 in Europe will be the march of the extreme right to power.

One of the reasons European public opinion is opposed to them is that they will not result in GDP growth, but above all in strengthening the position of large corporations at the expense of democratic states.

There is no reason whatsoever for the EU austerity recipe to increase its effectiveness. Also the quantitative easing policy, used by the EBC against its most sacred principles, will not produce major changes. First, it is very belated, and second, economic problems in Europe are not limited to monetary issues, so this is not the area where we should look for solutions. "Too late and too little" also summarizes the Juncker plan (€315 billion until 2018), focused on infrastructural investments in a time when investments in society are most needed.

The situation will not be ameliorated by such ersatz measures as the two free trade the projects (TTIP, CETA). One of the reasons European public opinion is opposed to them is that they will not result in GDP growth, but above all in strengthening the position of large corporations at the

expense of democratic states. Historically, ever more unequal distribution of wealth has never brought permanent economic growth. Neither will it do so this time.

Europe is only a piece of the global puzzle. Looking at the economy, we have to abandon the Euro- and America-centrism. From 2008 to 2015, when the so-called global crisis ruined the lives of tens of millions of people in Europe and the States, dozens of millions of others came out of poverty in Brazil, Ecuador, or China. This process is equally important for the future of global economy as the breakdown of Euro-Atlantic neoliberalism. The dynamics of the countries of the South is responsible for the fact that the global GDP growth is today around 2.5% rather than 1.7% as it was in the 1980s and 1990s. In the last eight years, both Europe and the US have been the drag in this process.

The fear of the US withdrawing to their backyard is irrational also in the light of the experiences of Latin America, which in the first twelve years of the 21st century benefited a lot from the loosening of the imperial muscle.

Now the results of the depression in the North Atlantic basin are reaching the global South. The demand for the products of Chinese and Indonesian assembly plants is falling. This also means reduced demand for raw materials and their decreasing prices. The situation of the countries of Latin America, Africa, or Russia worsens, which means that a truly global crisis is perhaps still to come. Its negative effects would be exacerbated by climate changes and the new wave of armed conflicts. Global warming and natural disasters produced by it have already evicted dozens of millions of people from their homes and in the coming decades another 200 million others may join them. Owing to these processes, the political destabilization of large areas of the Middle East and sub-Saharan Africa will be felt sooner. To the six million refugees from Syria and more than one million from Yemen we must already add 15 million people fleeing from war zones in Africa, and this number may grow significantly in the coming years. The remilitarization of the international order launched by Bush Jr. fifteen years ago has been producing new wars (with the "unlimited war on terror" in the lead) and further growth of the refugee number (from 40 million in 2006 to 70 million today).

The Specters of Multipolarity

Contrary to appearances, the existence of a global policeman does not make the world a better and safer place. The EU would look different today if Washington did not divide it during the dispute around the war in Iraq.

The fear of the US withdrawing to their backyard is irrational also in the light of the experiences of Latin America, which in the first twelve years of the 21st century benefited a lot from the loosening of the imperial muscle. Preoccupied with the wars it was losing in the Middle East and Central Asia, Washington left its traditional hinterland at the mercy of its inhabitants, which produced a historically unprecedented emancipation of the countries of the region in the sphere of international relations, but also in social and economic policies. The weakening of the empire, which for two decades held Latin America in a neoliberal stranglehold, brought such countries as Brazil, Argentine, Uruguay, or Bolivia to a historic development leap. The economy, quality of life, and democratic standards have never fared so well here. The huge reduction of poverty, virtual elimination of undernourishment, and the growth of social transfers were accompanied by a significant increase of GDP dynamics and a reduction of debt.

Africa seems a likely stage for the most important battle in the Sino-American rivalry. If we add to that the strong presence of Arab and European (mostly French) interests, both in the form of investments and the military, in the current situation of Africa we may perceive some similarities to the 1880s.

On the other hand, we see how counterrevolutions and wars crushed the wave of democratic changes in the Middle East. The disastrous evolution from the hope brought about by the Arab Spring to the nihilism of the Islamic State was not prevented by the major military, political, and economic presence of the superpowers in the region. There is plenty evidence to defend the claim that it was the other way round. Today the possibility of democratization and economic reconstruction is overshadowed by the smoke hovering above Aleppo, Mosul, and Sana, by the terror of Marshal Sisi's regime in Egypt and President Erdogan in Turkey. But we must remember that in 2003 there were few indications that the Iraq invasion would spell the end of American supremacy in the Middle East.

The growth of Chinese power remains a key phenomenon on the global arena. China is already the second largest economy in the world (in terms of the GDP). Moreover, China has taken the lead in purchasing power parity. The declining growth in this country has been caused by the stagnation in the West, but most of all by the huge economic transformation. Its aim is to build the internal market and demand. Hence we will observe a continued shrinking of the share of industry in Chinese economy and a growth of the services sector, already generating more than 50% of Chinese GDP. Capital and direct investments will also grow. From 2008 to 2015 have Chinese direct investments increased from $10.3 billion to $118 billion.

Trump's economic program excellently reflects the crisis of the American hegemony. A mix of economic nationalism, archaic ultra-liberalism, and protectionism not so much produces a coherent vision but gives an insight into the high-strung sentiments of the new administration.

What is good for China means a growing trouble for other economies of the South dependent on commodity prices. Latin America has been experiencing problems since 2012 and the return to power of neoliberal oligarchies in Argentine and Brazil does not bode well for the local economies. Sustained fall in oil prices, due in part to the Chinese slowdown and the US shale boom, hits at the OPEC countries, pushing the richest of them towards diversification of their economies through such measures as seeking new investment areas and purchasing farmland abroad.

One of their objects of desire is Africa. The role of this continent has been growing for some dozen years and this trend is likely to continue. Since the beginning of the century six sub-Saharan countries are among the ten fastest-growing economies in the world. In 2010-2015 these were Zambia, Ghana, the Democratic Republic of Congo (DRC), Nigeria, Ethiopia, and Mozambique. What attracts multinational companies and foreign powers to Africa are no longer only commodities and land, but also investment programs. In 2015, 300 large infrastructural projects worth $375 billion were implemented.

Therefore, Africa seems a likely stage for the most important battle in the Sino-American rivalry. If we add to that the strong presence of Arab and European (mostly French) interests, both in the form of investments and the military, in the current situation of Africa we may perceive some similarities

to the 1880s. In that decade Africa also became the battleground for the great game of competing colonial powers. Today's neo-colonialism seriously threatens the economic development of the continent, which in the last decade fascinated many observers.

Trump, or the Same Thing All over Again

It seems that president Trump is better than the experts from Washington in recognizing America's place in today's world. For him the US is no longer the center of the global system taking responsibility for the planetary order, but just one of its components.

Trump's economic program, or, to be more precise, his collection of one-liners on the economy, excellently reflects the crisis of the American hegemony. A mix of economic nationalism, archaic ultra-liberalism, and protectionism not so much produces a coherent vision but gives an insight into the high-strung sentiments of the new administration. Even if these ideas did not contradict each other, we would have to remember that wishful thinking does not change reality, for reality abhors the vacuum, and places where America reigned just forty years ago have been long taken by others.

The most likely scenario is that part of the more and more impoverished American people will have to settle for the fact that another part will be even worse off. This will be achieved by dismantling Obamacare and again depriving 15 million people of the right to health insurance. Patriotic pride will perhaps be fed by spectacular roundups of illegal immigrants, building a wall along the Mexican border, and an economic war against China. Meanwhile, true benefits will flow to the friends of the new president: corporate and business elites will be happy to collect big lumps of money going

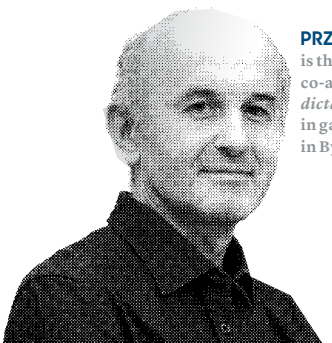
One of the reasons European public opinion is opposed to the two free trade projects (TTIP, CETA) is that they will not result in GDP growth, but above all in strengthening the position of large corporations at the expense of democratic states.

their way thanks to revoking the Dodd-Frank act, new tax cuts, and generous public subsidies for extraction of raw materials. Even the implementation of reasonable ideas such as abandoning the ITTI or pumping $1 trillion in the economy will not necessarily bring positive results. First, protectionism by itself is not likely to revive the US economy. Protecting domestic business may

worsen the position of employees. Second, printing dollars while at the same time deregulating the financial sector will channel public money towards speculative markets and produce new bubbles.

The same solutions will lead to monopolization of global capitalism. Even today, 30% of production, 70% of exchange, and 80% of investment is controlled by just 500 largest corporations. Their share in the global GDP has doubled since the 1970s (from 20% to 40%) and there is no indication that this trend will be reversed. Instead of growth of innovation and development we may expect an intensified struggle for the division of the global pie. And therefore it is "monopoly" and practices characteristic of it rather than "market" that will be the keyword opening the sesame of correct economic analysis in the future. The world undoubtedly stands at the threshold of great changes. It is impossible to predict the direction of the evolution, although good recipes have been on the table for years. For, paradoxically, there are not purely economic solutions to the greatest economic challenges. The key factor here is the distribution of social forces, as that creates the framework for economic activity. It depends on the dynamics of these forces whether we are headed towards an even greater collapse and chaos, or towards a more just and rational world. In the States and in Europe, as much as in Brazil or China, the problem lies not in the choice of the right economic policy, but in the political and social transformation creating the conditions for a more or less democratic management of the economy.

Trump's economic program excellently reflects the crisis of the American hegemony. A mix of economic nationalism, archaic ultra-liberalism, and protectionism not so much produces a coherent vision but gives an insight into the high-strung sentiments of the new administration.



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Improperty and the Rich

ASPEN.REVIEW
ANDREW SAYER

ECONOMY
INVESTMENT
WEALTH
KEYNESIANISM
SMART MONEY

How-to-get-rich books and videos show no sign of going out of fashion. Their consistent message is that you are unlikely to get rich just by working hard. What you need is "passive income" based on control of assets like shares, land, and buildings. This is where the smart money goes—and comes.

Of course, it is much easier to get hold of these assets if you already have plenty of money, but the message is basically correct. Many countries have seen the rich, particularly the top 0.5%, taking a much bigger share of total national income in recent decades by boosting their passive income. In my own country, the UK, the top 1% now get over 12% of national income, whereas 40 years ago they only got 7%. Wealth has concentrated at the top to an astonishing degree: at £576 billion, the combined wealth of the richest 1,000 people in the UK could fund its beleaguered National Health Service for over 4 years.[1] But then, in a world in which the 62 richest people have as much wealth as the poorer half of the earth's population (all 3.5 billion[2] of them), perhaps we should not be surprised.

We are encouraged to admire the rich and to see them as especially talented wealth creators, as "high net worth individuals" (HNWIs), but as I argue in my book *Why We Can't Afford the Rich*, if we take a closer look at what passive income entails, we can see this is a gross mystification.

So what is passive income, and where does it come from? It is a neutral sounding name for *unearned* income, gained by controlling existing assets that others do not have but need or want, and who can therefore be charged for their use. Those who receive it are "rentiers." The simplest case is land. As it already exists, there are no costs of production, so rent is not a payment for anything the landlord has contributed. As Adam Smith said, landlords "love to reap where they have not sown." [3] So unearned income can only be at someone else's expense. If someone receives £1,000 in unearned income, that sum of money can only have any value if there are goods and services produced by others that it can buy. There is no such thing as a free lunch. As John Stuart Mill argued:

"Landlords grow rich in their sleep without working, risking or economising. [...] If some of us grow rich in our sleep, where do we think this wealth is coming from? It doesn't materialize out of thin air. It doesn't come without costing someone, another human being. It comes from the fruits of others' labours, which they don't receive." [4]

The get-rich-quick books do not encourage you to think about where the unearned wealth comes from: it seemingly comes out of thin air, provided one makes "smart" decisions.

The same applies to rent for the use of buildings. Anything the tenants pay in excess of construction, maintenance, and management costs is unearned income for the owner. Likewise capital gains: if some assets that you own happen to inflate in value, as housing and shares have done for many years, and you can realize those gains, this too is a free lunch at others' expense. In 2015 many Londoners' houses increased in value by more than their annual earnings. They may have congratulated themselves on their smart "investments," but they had basically siphoned off wealth produced by others. Capital gains produce hidden transfers of wealth from the asset-poor to the asset-rich.

Interest on loans is money's rent—a payment for the use of an existing asset. Unless the loan funds investment that creates something new, the interest is a deadweight cost, something for nothing. Most bank-lending in

Britain and many other countries is not for investment in new productive ventures but merely against existing property, so the interest does not compensate for the creation of anything new. The massive increases in private debt that the financial sector—encouraged by the governments—has created since the 1980s has further swollen the flow of unearned income going to rentiers and rentier organizations.

Then there are transferable shares. Shareholders may like to think of themselves as investors, but the vast majority of share transactions in any given time period take place in the second market, and so the money paid for them goes to previous owners, not the company. No capital has been provided, no real investment has taken place. All that has happened is that the new owners have bought an entitlement to a stream of unearned income (dividends) and the possibility of getting gains from buying and selling the shares.

Economic rent can come from other sources than land or building: any asset whose supply can be controlled by a small number of owners offers this possibility. Intellectual property has become a huge source of economic rent. So are such internet-based platforms as Google, Uber, or Facebook, which have become "natural monopolies." [5] Asset markets in general are a major source of rent because they behave differently from markets for everyday products like bread. When the price of shares rises, it tends not to prompt an increase in the supply of shares, for this goes against the interest of share owners, indeed share buy-backs have become a common source of unearned income as a way of pushing up the price of shares. "Financialization" is heavily based on rent-seeking.

The word *investment* covers two very different things that needn't go together. First, it can refer to wealth creation, second, *investment* may merely mean anything that yields a financial return to the owner.

The term "investor" has an impressive aura: who would not want investment? Surely the investor is a kind of social benefactor, and therefore worthy of respect and gratitude? But note how the word "investment" covers two very different things that needn't go together. First, it can refer to wealth creation, where the investment funds new ways of doing things, new infrastructure, new technologies, products, and training. Second, "investment" may merely mean anything that yields a financial return to the owner, that is,

1) Sunday Times Rich List. 2016.

2) Oxfam. 2016.

3) Smith, Adam. 1776. *An Inquiry into the Wealth of Nations*. 1, 5, 56.

4) Mill, J.S. 1848. *Principles of Political Economy*. 5, 2.

5) Standing, G. 2016. *The Corruption of Capitalism*. London: Biteback Publishing.

6) Hobson, J.A. 1937. *Property and Improperty*. London: Gollancz.

7) Tawney, R.H. 1920, 2004. *The Acquisitive Society*. Mineola, NY: Dover Publications.

a wealth *extraction*. Often an investment in the first sense will also give the investor a return, but it is also common for investment in the second sense to have no connection to wealth creation, and merely be parasitic. The use of the same word for these two very different things is a brilliant source of mystification.

Here is the key point: mere ownership produces nothing, and so any return to an owner merely for access or use is a deadweight cost on the economy. A rentier economy is not only unjust but dysfunctional. Most people, by contrast, can only get an income by *working*—by contributing to the production of goods and services that users want and that do not already exist, whether it is a loaf of bread, a computer app, or tomorrow's school lessons. Merely having "human capital" is not enough: it has to be put to use to earn anything.

Rentiers have flourished since the 1970s, gaining enormous political power; neoliberal policies from the World Bank downwards promote rentier capitalism.

Passive or unearned income comes from what John Atkinson Hobson, writing nearly a century ago, called "*improperty*," that is, assets that are held not for use by the owner but for extracting payments from those who lack but need or want to use them.[6] By contrast, *property* refers to possessions that are used by the individual or group owning them, such as a person's home, a self-employed worker's tools, or a cooperative's equipment. A similar distinction was made by R.H. Tawney, who used the term "property without function" for improperty.[7] Property is a good way of enabling people to live well, giving them control over what they need; improperty allows the strong to take advantage of the weak. In the UK, rampant house price inflation coupled with the promotion of buy-to-let landlords has reduced home ownership and produced "generation rent" and soaring numbers of young people having to live with their parents.

It might be objected that John Stuart Mill's reference to rentiers getting rich in their sleep does not fit with the fact that many of today's wealthy belong to the "working rich," with most of their income coming as salary rather than in rent or interest or dividends. However, the working rich in the top 0.1 percent mostly either work for *rentier organizations* that collect and seek rent, interest, dividends, capital, and speculative gains, or control key posi-

tions where they can determine their own pay and inflate it with economic rent. This is most obvious in the financial, insurance, and property sectors where many rich people work, but companies in the non-finance sector have made an increasing share of their profits in finance by "investing" in securities as well. In the UK in 2008, 69 percent of the 0.1 percent worked in finance and property, and 34 percent were company directors. Twenty-four percent of those in the rest of the 1 percent were company directors too.[8]

During the postwar boom, workers' share of the gains from labor productivity remained roughly constant, but over the last 30 years in most OECD countries, labor has got a declining share of such gains, with an increased share going to those at the top, particularly the 1%.[9] Some commentators wondered if this was an effect of new technology favoring higher-paid workers, but as Thomas Piketty noted, if this were the case one would expect wage shares across the top 10 or 20 percent to have increased too.[10] Rather, it is a consequence of the weakening of organized labor by globalization and the shift of power to capital, shareholders, and other rentiers. In the US in the postwar boom, CEO pay was "only" 24 times that of the average worker. By 2005 it had reached nearly 300 times as much, and by 2012, 8 CEOs in the US were getting over 1,000 times the average pay.[11] These increases reflect not some remarkable improvement in their performance but merely their increased power.

In 1936, Keynes called for "the euthanasia of the rentier, the functionless investor,"[12] but rentiers have flourished since the 1970s, gaining enormous political power; neoliberal policies from the World Bank downwards promote rentier capitalism. Later this month, in Davos, we will have to endure the annual meeting of the World Economic Forum, where plutocrats meet with fawning politicians to extend their rent-seeking, while reassuring the public that they have the world's best interests at heart. It is time to challenge them and to make Keynes' expectation come true. We truly cannot afford the rich.

8) Brewe, Mike, Sibieta, Luke and Wren-Lewis, Liam. 2008. "Racing away: inequality and the evolution of top incomes" *Institute of Fiscal Studies*, note 76; Bell, B. and van Reenen, J. 2013. "Bankers and their bonuses" *Economic Journal*, 124, F1-F21.

9) Peters, J. 2010. "The rise of finance and the decline of organised labour in the advanced capitalist countries" *New Political Economy*, 16, 1, 73–99; Kristal, T. 2010. "Good times bad times: postwar labor's share of income in 16 capitalist democracies" *American Sociological Review*, 75, 5, 729–763; UNCTAD. 2012. "Trade and development report"; ILO. 2008. "World of work report"; IMF. 2007. "Spillovers and cycles in the global economy"; OECD. 2011. "Divided we stand: Why inequality keeps rising" Paris.

10) Piketty, T. 2014. *Capital in the 21st century. Cambridge*, MA: Belknap Press.

11) Stanford University Centre on Poverty and Inequality. "20 Facts About U.S. Inequality that Everyone Should Know" standford.edu. (http://www.stanford.edu/group/scspi/cgi-bin/facts.php); Smith, E.B. and Kunt, P. 2013. "CEO pay 1,795-to-1 multiple of wages skirts U.S. law" bloomberg.com. 30th April 2013 (http://go.bloomberg.com/multime-dia/ceo-pay-ratio/).

12) Keynes, J.M. 1936. *General Theory of Employment, Interest and Money*. London: Macmillan.

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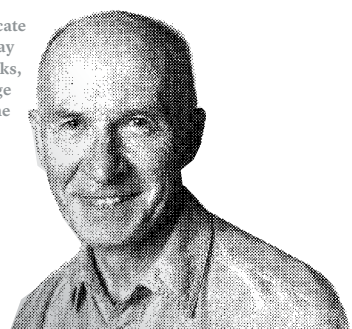

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ECONOMY
UKRAINE
REFORMS
IMF

The Ukrainian Economy: A Slow Recovery and Much More to Be Done

Economic stabilization is a big achievement of Ukraine's post-Maidan government. In 2016, for the first time since 2012, all main indicators grew up, including GDP rise by 1.5 percent. In spite of these positive trends, the Ukrainian economy is still fragile and its long-term growth will depend on systemic reforms.

In recent months, the long-awaited good news on the Ukrainian economy started coming. Although the economic crisis had begun two years before the outbreak of the Revolution of Dignity, the war with Russia and the loss of a large part of the industrial Donbas along with the access to the Russian market (traditionally crucial for Ukrainian exports) led to a breakdown of the economy. GDP fell by 6.6% in 2014 and by 9.9% in 2015, while industrial production dropped by 10.1% and 13.4% respectively. Exports, always the lifeblood of the Ukrainian economy, dived by 13.5% in 2014 and 30% in 2015. These declines produced a dramatic reduction of budget revenues, increased unemployment, and led to great impoverishment of the Ukrainian society. In the face of such a serious crisis, an obvious expectation was that the authorities would manage to stabilize the economic situation.

Signs of improvement in the macroeconomic situation have been visible since the second half of 2015, but only in the first quarter of 2016 they translated into GDP growth, by 0.1% compared to the same period of the previous year. In subsequent quarters, this index began to rise: to 1.4% in the second quarter and to 2% in the third quarter. The aggregate for 2016 will probably be in the region of 1.5%. Domestic investment also started to rise after many months of decline, by almost 10% in the first half of 2016. The return of the Ukrainian economy to the growth path is very good news, especially given the persistently adverse external conditions, i.e. the ongoing war in Donbas and restrictions on exports to Russia.

The renewal of economic growth has become possible thanks to macroeconomic stability. First, the dive of the hryvna exchange rate has been stopped and inflation lowered to 10% from several times this figure in 2015 (the highest rate, 61%, was recorded in April 2015). Second, a reform of the banking system was started, with the aim of removing quasi-banking institutions from it. As a result, 80 out of 177 banks disappeared from the market. The largest operation was the nationalization—in December 2016—of PrivatBank, controlling a quarter of Ukrainian banking assets. This set off the "healing" of the banking system and led to the growth of customer trust, reflected in the increase of bank deposits by 14% in just over a year. Third, foreign exchange reserves of the National Bank of Ukraine started to be rebuilt: from the critical level of $5.6 billion they grew to $15.3 billion by November 2016. They are still lower than before the Euromaidan Revolution (18.8 billion in November 2013) and significantly lower than in the first period of Victor Janukovych's rule (30 billion in mid-2012). Fourth, public finance deficit was successfully reduced, from more than 10% in 2015 to 2% in 2016. Reining in budget expenditure is all the more remarkable in the face of the increased cost of maintaining the army, surpassing 5% of the GDP. At the same time, it would not be possible without removing subsidies on gas and electricity prices for private consumers and the public sector, previously absorbing as much as 7-8% of the GDP. Reform of the gas market, without which the repair of public finances would have failed, was also successful. Another success is that such a significant growth of energy prices has not led to social tensions (this was achieved also thanks to the introduction of a subsidy system for private households).

The stabilization of the economic situation would not have been possible without the support of international financial institutions and Western partners. From 2014 to 2016, Ukraine received almost $17 billion in the form of various types of loans and loan guarantees. The key creditor is the International Monetary Fund, which loaned Ukraine a total of $12.1 billion under its aid program, 5.1 billion of which was spent on repayment of older Ukrainian debts to this institution. The importance of Ukrainian cooperation with the IMF goes far beyond loans, as the Fund has been able to enforce key reforms on the Ukrainian authorities (including the energy sector reform, the bank reform, and the fight against corruption). Without the IMF pressure would many changes certainly be much more difficult and lengthy.

Despite these successes and a 2.5% growth forecasted for Ukraine in 2017, it would be definitely premature to say that the Ukrainian economy has entered a path of permanent growth. Although it does seem that the hardest part is already behind it, achieving rapid GDP growth will not be possible without further structural reforms. And it is important for the future of Ukraine if the annual growth rate is 2-3% or 5-6%. Recent months have confirmed a significant slowdown in reforms. This is among the reasons why in 2016 Kyiv received only one tranche of aid from the IMF ($1 billion). Stabilization of the financial situation meant a decreased significance of the Fund for Ukraine, hence the reduced readiness of the authorities in Kiev to introduce further structural reforms. The payment of the next tranche ($1.3 billion) is significantly delayed and successive reforms required by the IMF are

The importance of Ukrainian cooperation with the IMF goes far beyond loans, as the Fund has been able to enforce key reforms on the Ukrainian authorities. Without the IMF pressure many changes would certainly be much more difficult and lengthy.

lagging behind. It particularly concerns a more robust fight against corruption (including the extension of the powers of the National Anticorruption Bureau), the reform of pensions, and the privatization of state-owned enterprises. Out of eight key points of the IMF program for 2016, Ukraine implemented only one (launching a website for financial declarations of politicians and officials; it was also an EU requirement for the liberalization of the Visa regime).

There is an evident growth of resistance on the part of some government leaders and the bureaucracy uninterested in systemic reforms. This also means a delay in the implementation of changes already adopted by the parliament and in the preparation of new reforms (e.g. of the energy sector). The reason is that the planned reforms hit at the interests of oligarchic groups, which remain important players in Ukrainian politics and economy. The relationships between the government and the big business show that politicians have to reckon with the interests of the oligarchs controlling important sectors of the economy. This is clearly reflected, for example, in tariff preferences for DTEK, the largest Ukrainian power company controlled by Rinat Akhmetov, or in the nationalization of the PrivatBank, carried out in a way benefiting Ihor Kolomoisky, and leaving in his hands the control over Ukrnafta, Ukraine's largest oil company (the government holds 51% of its shares).

It may be expected that the IMF will keep up its pressure on Kyiv to continue the process of reforms. Maintaining cooperation with the Fund is important for the reconstruction of Ukrainian credibility among investors and on the capital markets. Although the financial situation no longer requires successive IMF loans and Kyiv could start selling Eurobonds, the interest rate would be about 9% per year, which is still a very high rate. It is worth remembering that in the next three years the budget will be burdened with the necessity of repaying as much as $14 billion of foreign debt (which amounts to 14% of the Ukrainian GDP), and the repayments will systematically grow: from 2.6 billion in 2017 to 3.9 billion in 2018 and as much as 7.5 billion in 2019.

If Ukraine is to achieve a consistently high GDP growth rate, the following steps must be taken:

— A successful fight against corruption, which still remains the fundamental problem of Ukraine, the most corrupt country in Europe. Establishing anticorruption institutions is an important change, but there are evident attempts at restraining their effectiveness on the part of some government representatives to whom they pose a threat;

— a continued reform of the corrupt justice system and providing better protection of private property, as well as removing the limitations on trading in farming land;

— improving the business environment for small and medium-sized companies, including a tax reform and further liberalization and deregulation.

Although Ukrainian labor costs are among the lowest in Europe, it is not sufficient to guarantee an influx of foreign investors. No less important is providing independent economic courts, securing property rights, and reducing corruption.

Without real improvements in these three areas it is difficult to expect that Ukraine may successfully attract foreign investors. The aggregate value of direct foreign investments in Ukraine fell from $58 billion in late 2013 to $45 billion. This situation is well illustrated by photographs from the November International Economic Forum in Kyiv, where you can see that at least two thirds of the seats were empty. Although Ukrainian labor costs are among the lowest in Europe (the average salary is currently around €150 per month), it is not sufficient to guarantee an influx of foreign investors. No less important is providing independent economic courts, securing property rights, and reducing corruption.

Another problem is the so-called corporate raiding, that is illegal takeovers of property with the aid of bribed judges and notaries. Ukrainian authorities take measures to attract foreign investment (for example, National Investment Council was established in August 2016), but they have not produced the expected results so far. Even Ukrainian businessmen are afraid to make larger investments, and billions of dollars of domestic capital which escaped abroad after the Euromaidan Revolution have still not returned to Ukraine. And yet the authorities estimate that if the Ukrainian economy is to develop more rapidly, $8-14 billion of annual investment are required until 2030. On the one hand, the ongoing war keeps discouraging potential investors, and on the other hand more robust measures aimed at improving the business environment are needed. Although in the *Doing Business 2017* ranking Ukraine went up from 87 to 80 in the world, recording an improvement in 5 out of 11 categories studied (in six categories it fared worse than before), it is still a bad result. In the most recent *World Economic Forum's Global Competitiveness Index* rating Ukraine went down from 79 to 85. Lack of improvement in the business environment is exacerbated by repeated delays in the planned privatization process.

Ambitious aims assuming $700 billion of revenue from privatization in 2016 remain unfulfilled (the sale of state-owned assets brought around $40 billion).

Another condition for entering the path of rapid growth by the Ukrainian economy is rebuilding exports, traditionally one on the engines of GDP growth. Data for the period from January to October 2016 show that Ukrainian exports keep falling—by 8% compared to the same period in 2015. The cumulative value of exports was just $29.1 billion. In the same period imports amounted to $31.2 billion (down by 0.1%). This means that Ukrainian producers have still not recovered from the shock of losing the Russian market, which previously was getting one third of exports. In the first 10 months of 2016, exports to Russia fell by 28% and were worth just $2.9 billion, that is, less than 10% of the entire Ukrainian export. This is an effect of politically motivated tariff barriers and sanctions introduced by Russia. As a result, the exports of Ukrainian goods to Russia decreased by 75% since 2013. The loss of the Russian market has so far been only marginally compensated by an increase in exports to the EU. The share of EU countries in Ukrainian foreign sales increased from 31.8% in 2013 to 35.7% in 2016. This is facilitated by the implementation of the DCFTA, although we have to wait a few years for the full effect of this agreement to become visible.

Ukrainian economy is in the process of structural remodeling. If Ukraine uses the opportunities provided by the agreement with the EU, the authorities continue the process of reforms, and the conflict with Russia does not escalate, we may optimistically assume that Ukrainian economy will have a good chance of achieving a stable growth. Given the currently still difficult economic situation of Ukraine, it should be stated that the future of this country largely depends on the realization of this scenario.

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JERZY HAUSNER

ECONOMY
DIGITAL ECONOMY
SOCIAL IMPACT
GLOBAL MARKET
RESPONSIBILITY

Firm-Idea as a Vehicle of the Transition from an Opportunistic to a Relational Market Game

We can see more and more clearly that the concept of corporate social responsibility has its limitations. Its promotion does not significantly prevent market opportunism. The problem is increasingly serious given the fact that in the digital economy negative social consequences of market opportunism can be much more severe than in the industrial economy.

Examples of global service platforms clearly demonstrate that the countervailing power of the market and competition is now much less visible. Monopolization of the economy moves from the sphere of production to the sphere of distribution. Distribution monopoly is much more dangerous than manufacturing monopoly, also because economic regulation is capable of dealing with material property, but it turns out to be not very effective in the case of intellectual property. This is why global service platforms are formed much faster than global manufacturing corporations used to develop. Capitalization of the former is rapidly growing, it allows them to swiftly take over smaller technological and manufacturing companies and to block the access to the market for their competitors.

I am therefore convinced that a necessary condition for stopping economic opportunism and reducing the negative consequences of transactional market game are firms-ideas[1], which in order to develop independently

and acquire their own agency have to shape their surroundings in a relational way based on partnership. They cannot remain isolated islands, they have to work with other organizations (not only businesses) forming an archipelago. They must have an idea for themselves, but this idea must be implemented in particular relations with other organizations.

This kind of archipelago is today necessary to prevent the monopolization of the market and to generate a relational rather than transactional gravity field the for the market game. Educational and regulatory support is essential, but especially necessary is a non-opportunistic approach of the companies. This will not happen without firms-ideas. They can abandon opportunistic behavior when they decide that it is not profitable, that they can act differently, that they cannot abuse trust, on the contrary, they have to strengthen it, for it will bring more benefits—they have to develop the manufacturing process rather than just maintain the sales of a particular product or service.

Every company needs its idea, not only to utilize its resources more effectively, but above all to recognize new possibilities for achievement and production. And this requires going beyond the existing patterns, adopting a different cognitive perspective. This empowers the company in its development, but it also requires entering into relations with other entities, relations which go beyond the transaction, which are based on partnership, and which generate circular interaction and management.

Circular management cannot be imposed. It emerges in a gradual change of relations between different kinds of organizations. Let us take a schematic look at two examples of development circularity which are particularly important for my city—Kraków, with its development potential based above all on science and higher education, as well as culture.

The first circular (development) processes I am interested in can be presented in the following manner:

An extensive university structure/a large number of students/offshore location/business centers. These links already exist, but we are still far from circularity. On the contrary, in the present arrangement we are dealing mainly with exploitation of the existing resources, with very little multiplication and qualitative transformation of them. For that to become possible we need other links: corporate research centers/their cooperation with universities in research and development/joint production of knowledge/higher

level of educating students/higher quality of graduates/higher quality of various manufacturing processes. Such a circular process spreads around and leads to a systematic raising of the city's development potential.

The second area of interest to me is culture. The starting point here is cultural heritage understood as a component of the city's development potential. In this case, the circular process runs as follows:

Every company needs its idea, not only to utilize its resources more effectively, but above all to recognize new possibilities for achievement and production.

Cultural heritage/high level of cultural capital/cultural activity of residents/creativity of residents/intense business activity in the creative industries sector. Unfortunately, circularity encounters a bottleneck here. There is a continuation, but too weak to multiply the resources and raise their quality. The links which must be reinforced are cultural education/artistic education/artistic creation. If these links were strengthened, the entire process would lead to a creative development and interpretation of heritage and to a systematic raising of cultural capital, which would mean increasing the city's development potential.

It is easy to see that in the case of the first process its formation and intensification depends above all on the behavior of international corporations which place their business in the city in search of qualified and cheap labor. The key question is what could encourage them to form and facilitate partnership-based relations with universities. Of course, this to a large extent depends on the readiness and ability of universities to undertake such a mutually beneficial cooperation. The role of government structures is important yet only supportive. Some role can be played by the media, but more so by the education system, shaping the aspirations of future university students. We can see that the development process in question occurs only when relations between various actors stimulating it are established.

Without these actors nothing will happen, however, it is not enough for them just to be there. Things happen not because the actors are there, but because they enter into specific relations, create adequate links. The essence of circularity lies in the social mechanism of communication and cooperation rather than in individual factors. In this case, development reaction occurs when specific actors (wanting to achieve their development aims) deliberately

enter into relations with other kinds of actors. Actors-particles and a favorable environment are the initial conditions, but the reaction will not take place if specific multilateral ties are not established.

In the case of the other process under discussion the situation is slightly different. Here much more depends on the behavior of government structures, and specifically on the municipal cultural policy.

The idea of a company contains the answer to the question of "what is it for?"—the problem is that for this answer to make sense, it must be internalized not only by the owner or owners of the company, but also by its key stakeholders.

One manifestation of thinking about shaping a circular economy is the verdict of the German constitutional court on the question if operators of nuclear power plants should receive compensation due to the introduction of a statutory deadline for closure of these power plants in Germany. The tribunal ruled that this law did not violate the federal constitution, but protection of property demanded that the legislative and executive provided an adequate compensation to investors. At the same time, investors and federal government are heading towards an agreement that investors would pay a total of €23 billion to the German budget, while the German government would take upon itself the responsibility and cost of storing radioactive waste until the end of time.

What we see here is a deliberate action of the judiciary preventing the occurrence of socially disastrous externalities and a parallel cooperation between businesspeople and the government aimed at neutralizing these effects. This demonstrates that for a circular economy to develop, certain rules must be formulated and respected, and also there must be partnership-based cooperation.

The idea of a company contains the answer to the question of "what is it for?"—the problem is that for this answer to make sense, namely to provide the firm with an operational mode and development direction, it must be internalized not only by the owner or owners of the company, but also by its key stakeholders. In this case the idea is to become a project for organizing the company and its specific manufacturing process. We may cite here the concept of "design thinking," only not in relation to the company's product but to the company itself, as an agent creating a certain economic value.

Implementation of such a project is based primarily on shaping specific relations between many kinds of actors who are stakeholders of this particular company. These relations regard especially communication and cooperation. And they cannot be established once and for all, they cannot be rigidly imposed, turned into an algorithm, be purely routine. They must be flexible and malleable to a significant degree. Otherwise the firm could not develop. So their shaping is a constant and unending task.

It should be noticed that designing a company, especially when moving on to the next development stage, various points of view, various social and professional perspectives must be superimposed. So the company may and should be understood and interpreted also as a specific social and cognitive space where its stakeholders act and cooperate. Otherwise the idea of the firm could not be shaped and modified. Such a space emerges from intense social and communicative relations occurring in the business as an organization. And it is these relations which create the institutional (axiological-normative) dimension of its functioning.

As a result, on the one hand individual actors jointly create the institutional order of the company, on the other hand they act within this order. Fulfilling the company's idea also means that its stakeholders deliberately form the social space of the company through generating new meanings and forming new points of reference and relations. Coming back to design, we can metaphorically say that a company functioning in this way not only creates specific products and services, but also shapes its distinctive style. This style constitutes the production process of the company, becoming a component of its idea.

Lester C. Thurow wrote: "Our future does not depend on the stars, but on understanding the paths we set for it." [2] It is significant that in this sentence, used as a kind of motto for the book, Thurow talks about understanding the paths we set and not just about setting them. We may assume that setting paths is obvious for him, as if heading towards something was natural and not necessarily accompanied by reflection. Only when reflection is turned on, the future is defined. In that case we not only act, but also make a deliberate, premeditated choice of our behavior and we modify the selected path in accordance with the changing circumstances. Which means, among other things, that we reflect on further consequences of this choice. We not only realize what they are, but also assume (co-)responsibility for them. Reflection on development is not simply planning.

With such an interpretation, the line from Thurow's book would illustrate the essence of agency and development. The thing is to understand where we are heading and what path we take to arrive there, and to assume responsibility for the consequences. The idea of a given company is expressed in that. Understanding the paths which have been set shapes the company's future and empowers it to determine its development trajectory.

One component of agency is the ability to problematize the situation of a given actor—individual or collective, in our case a company—which means both defining problems and identifying ways of solving them. This ability depends not only on the knowledge possessed, but also on experience, that is, on the ability to learn. Without that the company can effectively respond to various changes, both external and internal. Still, they will be opportunistic, ad hoc reactions without a strategic edge. Even if they produce good results, such reactions inevitably deprive the company of its agency, that is, the ability to define its development trajectory. It starts to resemble a drifting sailing boat, for which even the best winds are of little help since the crew does not know where it should sail.

The distinguishing mark of the firm-idea is not declaring its values in the form of a code of ethics or a code of good practice. This could be a helpful tool, but the point is whether the company produces any values and what they are. It is not enough to say that we want to build on trust, what matters is whether trust is systematically produced. It is easy to undermine and difficult to sustain. In addition, generating trust within the company must be specifically associated with producing other values, because only then trust is permanent, it becomes a component of the firm's axiological-normative order. If you treat trust in an instrumental way, you conceive it shallowly, in terms of efficiency, it becomes brittle, and might as well be used for destruction rather than producing other values.

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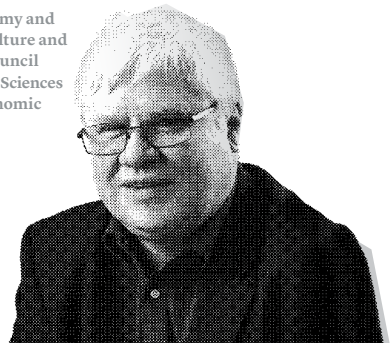

ASPEN.REVIEW
DAVID KAŠPAR

ECONOMY
CITIES
DEVELOPMENT
PUBLIC SPACES
LOCAL GOVERNANCE
ENVIRONMENT

Partnership and Cooperation——a Challenge for Democratic Cities in the 21st Century

Miami, Florida. My colleague Matúš [1] and I have a few minutes to spare, so we set off to explore the renowned "art district" not far from downtown Miami. We hail a yellow taxi and the driver confidently navigates the route to the nearby neighborhood: evidently he is used to driving curious tourists there. We get out of the cab but immediately rush back to ask the driver if this is indeed our destination. He assures us that we have arrived in the right place and drives off. We look around, not really convinced. We

The pursuit of the American Dream in the form of a large suburban house with a garage and the adapting of the infrastructure of cities as much as possible to car traffic has resulted in an emptying of public spaces in US cities, displacing the inhabitants to the periphery.

are in a wide empty street, surrounded by narrow sidewalks, brightly painted single-storey buildings and not a pedestrian in sight. On closer inspection, however, we detect on the graffiti-covered walls the outlines of closed gates, suggesting that the properties are in use. We walk around, looking in vain for

any sign of life. Eventually we find an open entrance. We walk in and suddenly everything becomes clear—the life of the art district is taking place inside! Its closed compounds harbor cafés, galleries, landscaped spaces, open-air sculptures, children's playgrounds, and people.

After a while we leave the art district and head back to our hotel downtown, a short walk away. We walk a few blocks and are suddenly taken aback. The style of the buildings has not changed but the bright facades are gone. We pass a few more streets, turn a corner and nearly collide with a sizeable group of people hanging around. Soon we realize they are not just hanging around but most likely spend the nights here. We quicken our pace, feeling somewhat uneasy. Luckily, a few streets further down we hit the main drag. Our heartbeat slows down and soon we are within reach of the InterContinental Miami hotel. This is the venue of CityLab 2016, the conference Matúš and I are attending, organized by the Aspen Institute, the Atlantic publishing house and Bloomberg Philanthropies. It comprises three days of intensive exploration of new and innovative ways of enhancing links among key city life players to enable them to work together on developing better, open, and creative spaces for life.

The participants included representatives of past, present, and future administrations of various towns and cities. The conference was opened by former New York City Mayor Michael Bloomberg. Also in attendance was Amanda Burden, former director of the NYC Department of City Planning and a great advocate of walking in cities; Enrique Peñalosa, the man who succeeded in inspiring trust in public spaces among the inhabitants of Bogotá; and Richard Florida, who took part in a panel on children and creative approaches to life. Held up as an example throughout the conference were cities that prioritize people over cars, are based on a partnership between the local governments and local residents, and regard public spaces as a key condition that guarantees a happy life for the local population. To be honest, American cities have been dealing with these kinds of issues since the 1960s. The pursuit of the American Dream in the form of a large suburban house with a garage and the adapting of the infrastructure of cities as much as possible to car traffic has resulted in an emptying of public spaces in US cities, displacing the inhabitants to the periphery. Thus the reality of early 21st century in Miami includes a derelict neighborhood taken over by the homeless people just a stone's throw from downtown.

Amsterdam, Netherlands. A female shop assistant in a small shop in a busy street close to the city center has been murdered. It was a gratuitous crime for a few euros. However, most local residents knew that something like that was bound to happen one day. Street gangs, gambling clubs, seedy bars, and night-time clamor—this was the reality of their street. Nevertheless, a murder was too much even for this seedy neighborhood. It galvanized a group of active local residents who weren't indifferent to their street's fate, and since most of them were educated people, before long they came up with the idea of forming a cooperative. They collected seed money and set themselves a straightforward task: to improve the state of the busy and dangerous street.

They started taking leases on empty shops and looking for tenants willing to provide quality services that were scarce in the area, on preferential terms. And since their concept proved to be viable and profitable for the cooperative, the number of their activities increased. They took to leasing and transforming more properties belonging to the city, and buying and refurbishing some of them; they also started to run tenements providing social housing with additional services. At the same time they focused on working with delinquent youth, offering them better-quality leisure activities like apprenticeships, work experience, and skills as an alternative to self-realization in street gangs. What used to be a dangerous neighborhood soon became an exciting and inspiring area offering a wide range of services, firms, and vibrant public spaces, while the cooperative developed into a well-functioning company that is now an active and responsible partner of the local government.

My colleague Milan [2] and I heard this story during a visit to one of the cafés mentioned above, directly from one of the original cooperative's founders, a modest middle-aged chap, formerly a high-ranking manager in a Dutch corporation, for whom work in the cooperative turned into a full-time job and offered meaningful purpose to life. We dropped by during the three-day City Makers Summit 2016, a conference whose participants—experts, activists, artists, and representatives of European city councils—jointly explored ways of dealing with the challenges of the 21st century. The overriding idea of the conference was the belief that the complex issues faced by our society can be solved only by involving the public and other actors and that the problems of present-day cities cannot be effectively resolved solely at local government level.

The difference between Miami and Amsterdam is enormous. The vicinity of Miami offered sufficient space for anyone wishing to build a family home and the city center suddenly stopped being attractive. People moved away, depriving public spaces of their users and thus of natural regulation. The city became dangerous. The art district mentioned above is a bold ray of hope that life can return to downtown Miami. So far, however, the revitalization is taking place behind high walls. You would be ill-advised to walk there, as the public space is not yet quite safe.

1) Vallo, Matúš. Vallo Sadovsky Architects, Bratislava.

2) Brlík, Milan. Head of the Participation Office, Prague Institute of Planning and Development.

If we want to build functioning, vibrant, and safe cities, we must convince mayors, along with local governments, that they have to initiate direct cooperation with local residents, build partnerships based on trust, and take joint responsibility for developing their shared city environment.

The inhabitants of Amsterdam did not have the option of building on the outskirts. The city's specific shape curbed growth and a principle emerged, whereby local residents had to learn to find consensus regarding the use of land (i.e. the city's development). Participation thus became the basis of their thinking, a pillar of their culture. The city administration models currently in use in the Dutch capital represent a higher level of cooperation between local government and local residents, whose partnership is based on mutual trust and respect. This is the only way cooperation with the local residents can contribute to solving serious problems facing the cities.

If we want to build functioning, vibrant, and safe cities, we must convince mayors, along with local governments, that they have to initiate direct cooperation with local residents, build partnerships based on trust, and take joint responsibility for developing their shared city environment. Amsterdam is a great example for us to emulate.

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COMMENT
ECONOMY
EUROPE
STARTUPS
ENTREPRENEURSHIP
INNOVATION

Smart Policies?

Maria Staszkiewicz

A recent set of surveys that the Aspen Institute Prague has conducted with partners in Poland and Slovakia attempted to describe the start-up ecosystem in the region. Apart from establishing a profile of an average startupper and deciphering their business models, the studies also sought to answer the questions of how start-ups in the region are financed, the extent of innovation they bring about, or the challenges they face. Most of the replies confirmed the expected.

Central European start-ups operate in software businesses, providing mobile and web services, SaaS, or e-commerce activities. Slightly above fifty percent of them offer entirely new products, while one third on average upgrades or adapts already existing solutions. Entrepreneurs do informally consult their products with universities or research centers but rarely are spin-offs themselves and less than a third has a patent or trademark. While financing is always a challenge, one of the most important handicaps turned out to be the sustaining of a well-functioning team. Majority of the surveyed start-ups are in the early development stages where the company or project is heavily financed from own resource. Only about half of them bring in stable revenues. In need of growth capital, most of the start-ups plan to attract an angel investor, strategic business investor, or benefit from a venture capital fund. Popularity of public financial showed most variance among the three countries: roughly one in five Czech and Slovak entrepreneurs see it as an option, while public subsidies are much more popular with their Polish peers, more than half of whom intend to induce growth with the help of the state. This interest may well be due to an increased activity of the Polish government in designing programs for innovative entrepreneurs. And Poland is no exception.

After innovation-driven SMEs, now it is start-ups that came to epitomize the promised engine of economic growth so much looked for in the post-2007 EU economy. Nevertheless, their position is already being threatened by another buzzword, namely the scale-up, start-up's older brother. There is virtually no EU member state where at least one ministerial unit or agency would not be working on the start-up support agenda, not to mention the EU-wide initiatives such as the recent *Start-ups and Scale-ups Initiative* released in November 2016. These political efforts are motivated by the premise that—in order to remain competitive in the world where innovative products multiply—Europe has to optimize conditions for the creation and commercialization of inventions.

Yet, to incubate innovative entrepreneurs is merely the first step in the process of boosting the economy, where the EU countries do not in fact lag behind that dramatically behind other regions such as the often-cited America's West Coast. The real question is how to keep successful companies at home so that the state, and thereby the society, can profit not only from taxes and employment but also from tertiary benefits these companies create.

Such indirect advantages include the engagement of innovative companies in public life through the support for non-profit activities, education, or playing a role model for other entrepreneurs. What, if anything, can public agencies do to help innovation thrive?

Let us look at the modes of stimulating business ventures in the past. State or wealthy families and individuals have been for centuries the major source of capital for companies whose economic value or success was impossible to predict. Stock exchange, for long a rather dormant way of raising capital, is even today a suitable option for companies, which try to conquer the market, not for ones in the exploratory phase. For them the situation changed significantly with the introduction of the limited liability law in 1811 in New York and its successive global adoption. Relaxing the regulation on companies enabled the influx of capital to entrepreneurs, as shareholders did not vouch for the company with their entire property anymore.

Later, scientific advancements and consolidating capitalism prompted the mindset of adapting military and industrial technologies to commercial usages. Those who embraced it were often researchers, academics, and technology managers, leaving their expanding (thus less and less flexible) institutions to establish own ventures. This was happening intensively in California's Santa Clara County, where among others Stanford University was conducting research for the military.

Such new ventures still could rarely obtain capital from traditional financial institutions and had to rely on savings and wealthy individuals. But again, one state "intervention" helped install an instrument fit to finance risky innovative businesses. Namely, the adoption of the Small Business Investment Act in 1958 led to creation of Small Business Investment Companies (SBIC), meant primarily to aid veterans and other disfavored open their own businesses. Themselves not successful, SBICs assisted in the formation of a working model for the financing of innovative starting companies: the venture capital fund as a limited-liability company, whose general partner (motivated by prospective interest from successful exits) does their best to fundraise for promising entrepreneurs *and* helps the project grow by non-financial means such as advice or networking.

This brief summary of capital instruments was meant to demonstrate three points. First, the successful state engagement was when it created environment conducive to channeling private capital into innovative enterprises.

Second, different financial instruments are helpful at different growth stages of innovative businesses. It may be important to grant state aid to centers conducting basic research, whereas applied research requires the support of risk-seeking angel investors eager to see a new product. Then, if we want start-ups to remain in (Central) Europe, they need more of wealthier European VC funds, which will motivate them to seek scale-up capital on the old continent. Just to put this into perspective, according to a study by Thomson ONE in 2014 the gap in investment funds available in the US and the EU was €21 billion in favor of American ones. Moreover, VC funds and their general managers must be genuinely interested in the growth of companies, not merely in rent-seeking from the carried interest they would receive at the end of fund life. And when a company is ready for initial public offering, it should have the incentive to do so on the local stock exchanges, which in Europe is often not the case. Governments can enact plenty of instruments to mobilize growth capital that go beyond the establishment of own funds for start-ups.

Third, the state administration should not be straining to blindly copy-paste the success of Silicon Valley. As with all ecosystems, it was the result of historical conditions that were turned into entrepreneurial advantages. Why not do the same in Europe? Let us think of the European heterogeneity, welfare system, education models, and other idiosyncrasies as motivators, not obstacles, and capitalize on them. This is not only a task for the entrepreneur, who is used to finding his way towards new business, but for the state administration, provided it takes its pro-startup policies seriously.

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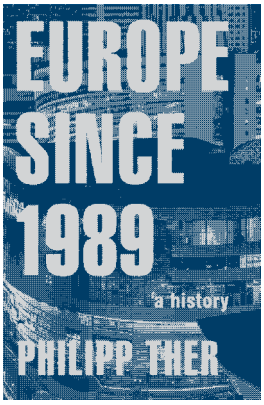

Europe since 1989: A History

Philip Ther *(Princeton University Press, 2016)*

By now you have heard that history did not end in 1989, yet for nearly a quarter of a century there were plenty of people who behaved as if it had. Whether it be the expansion of NATO, the European Union, multinational corporations, global trade, or the integration of technology in our daily lives, there was something of an inevitable feel to many of the trends that followed the collapse of Communism in Central and Eastern Europe. Some of these phenomena came off with relative success, but to varying degrees each of them—and the means by which they were carried out—contributed to the feelings of alienation that now sees voters looking to reject anything that resembles the status quo.

When Republicans and Democrats, Labour and the Tories, Christian and Social Democrats, all agree—as they did for decades until recently—that taxes and spending should drop, unions should weaken, and banking be deregulated, the choice at the ballot box really does mean less. Just as a monopoly on a particular consumer good is a recipe for unsatisfied customers, the lack of competition in ideas breeds complacency. There are sensible cases to be made for many of the post-89 economic policies, but their application everywhere, in perpetuity, and sans debate gives rise to the tangible feeling that citizens are no longer part of the public policy process. In many cases that appears intentional, with governing elites feeling little need to make their case to the public.

"One might ask whether in the current situation there is any possibility of gaining broad acceptance at all — but one cannot simply assume that the majority of the population would have understood the sense and consequences of [reformist Deputy Prime Minister Leszek] Balcerowicz's policies in the first place," the Polish intellectual Adam Michnik wrote in a November 1992 editorial arguing that market-friendly changes be carried out with or without public acquiescence.

Not only does the very title of Philip Ther's *Europe since 1989: A History* belie Francis Fukuyama's now recanted assertion that linear human progress—and thus history—concluded with liberal democracies with market economies, but Ther sets about demonstrating how damaging the ideologically charged hyperbole, and the real world policies based on it, has turned out to be. Though nominally a work of history, Ther casts a skeptical eye—as well as placing heightened emphasis—on post-1989 economic trends. "[B]lind belief in the market as an adjudicator in almost all human affairs, irrational reliance on rationality of market participants, disdain for the state as expressed in the myth of 'big government'... have had grave side effects," he writes.

With aftershocks of the 2008 financial crisis still reverberating, one-size-fits-all reforms implemented in the post-communist world (and later in Western Europe too) now look less benevolent. Ther's analysis gains strength from the benefits of hindsight and early on in this new English edition of a 2014 German-language book, he pays tribute to the late Tony Judt, noting this volume could serve as a postscript to Judt's *Postwar*, which concludes in a pre-crisis 2005. Like Judt, a committed social democrat, Ther probes the

economic dogma that set-in during the immediate post-communist period. However, the added years and increased data mean his dissection of neoliberalism comes across as less political and more empirical.

If today's hostile political climate is partially explained as a backlash against the neoliberal era, it remains curious why this angst did not more clearly manifest itself in the intellectual and policy circles earlier. Not unlike the recent post-Trump epiphany of American media, which realized they had done a poor job of documenting the concerns of people beyond the coasts, this has a lot to do with who sets the narrative. In the Central and Eastern European context, many of the experts and analysts writing about the success of reforms in post-communist Europe in the 1990s were simultaneously working as the advisers on those same reforms.

In other words, neoliberal reformers were touting the success of neoliberal reforms in a textbook case of confirmation bias (at best) or dishonesty (at worst). Dubbed the "Brygada Mariotta" in Poland for their proclivity for lodging at the Marriott hotel, these globetrotting consultants and their on-the-ground allies made essentially the same recommendations no matter the country: privatize, liberalize, and deregulate. Ther points to the American Jeffrey Sachs as the archetype of this group. Whereby Sachs and company attribute Poland's years of continued growth—including the distinction as the only EU member not to enter recession after the 2008 financial crisis—to the potency of their shock therapy reforms, there is an equally compelling case that by maintaining a strong hand in certain economic sectors (like coal) the state aided stability. "It could also be explained by the decision to moderate reforms and the (largely continuous) economic policy of the post-communist government that came to power in 1993," Ther writes.

In a comparative example between the Visegrad states and former Soviet republics, it is the Visegrad states' higher—not lower— welfare spending that aided structural reforms, Ther notes. "The history of the transformation period also disproves one of the central neoliberal theories: that higher social security spending curbs economic development," he continues, noting that Central Europe's elevated spending as compared to the Baltics has translated into increased prosperity, more consistent growth, and an improved ability to weather the 2008 financial crisis.

Even though something close to a standard set of reforms were applied across the board, they have produced varied economic models and results

(scholars Dorothee Bohle and Béla Greskovits make a distinction between neoliberal capitalist, embedded neoliberal, and corporatist economies that emerged in the post-communist EU members). Ther fleshes out many of the standard theories for disparate results; be it geography, early 20th century history, or nascent entrepreneurship in the 1980s. Nonetheless, the commonalities are unmistakable. "Every post-communist country in Europe attempted liberalization, deregulation, and privatization, often with unintended consequences and ripple effects," Ther writes. "The one common outcome in all countries prior to Europe enlargement was growing inequality on a social and spatial level."

Ther divides Europe's implementation of neoliberalism into two distinct waves, the first immediately after 1989 and the second starting in the late 1990s. Whereby wave one was driven by organizations like the IMF and World Bank, the second more subtle wave was driven by private think tanks.

Ther divides Europe's implementation of neoliberalism into two distinct waves, the first immediately after 1989 and the second starting in the late 1990s. Whereby wave one was driven by organizations like the IMF and World Bank, the second more subtle wave was driven by private think tanks, consultants, and media conglomerates. In an effort to appear more favorable on prestigious global rankings that might help draw foreign direct investment, governments raced to implement investor-friendly policies like flat taxes. Ther's exposition of this latter era shows how standardized this neoliberal thinking had become by the turn of the millennium. He uses *The Economist's* Emerging Market Index as a prime example. "The very title of this weekly column is remarkable, because it equates countries and their populaces with markets," he writes.

While the first half of the book tracks the implementation of neoliberalism in Europe, the second maps out the consequences. One section analyzes the socio-economic discrepancies between urban and rural populations. In general, big cities and the most geographically westward portions of post-communist countries fared best. Later on, a full chapter compares various cities from the region including Vienna and Berlin. The Visegrad capitals do quite well in comparison. For example, between 2000 and 2005 GDP per capita grew by 38.5 percent in Warsaw, 72 percent in Prague, and 88 percent in Budapest—compared to a 3 percent decline in Berlin.

Indeed Germany generally proves an interesting test case, and even people living in Central Europe tend to forget the tremendous divide that remains between the old East and West Germanys. A study conducted by the Berlin Institute for Population and Development for the 25th anniversary of reunification found that out of Germany's 20 most prosperous cities just one, Jena, is located in the former DDR. None of the 30 largest German companies listed on domestic stock exchanges are based in the East. Real estate is worth half as much in the old East and salaries are just two-thirds what they are in the old West.

Ther uses the country as his prime example of "cotransformation," whereby "'East' and 'West' are not inflexible units and that the states and societies within these wider areas have diversified both in relation to each other and internally." He argues that this is emblematic of a larger European trend, and though the exposition on Germany is another strength of this book, beyond the occasional anecdote, the analysis of Western Europe is generally thin (though Ther does delve into the struggles of Southern Europe in more recent years). While Ther contends that he is writing a "historiography of neoliberalism" that "moves from East to West," in fact most of it remains firmly focused on the East with the West serving as something like a controlled variable for gauging the East. In this way, and despite his best efforts, this remains something like a soft Occidentalism. It also means that the book's title is slightly misleading, as the text does not comprehensively address all of Europe.

That said, Ther's depth and insights on the topics he does take on are impressive. It is clear the author is passionate about Central and Eastern Europe and the occasional references to his own recollections from travels in the region before, during, and after the collapse of communism give the book added personality. Ther, a professor at the University of Vienna, probably could have included even more of these without detracting from the book's academic rigor. Though Ther clings to a direct writing style, there are a few places where something like a knowing sarcasm seeps through. "Berlin and Brussels may try to create a national and European identity on the basis of a myth of 'peaceful revolution,' but scholarly inquiry must go further," he writes at one point. It is possible more of this comes across in the native German original, but as a leisurely reader, I would have enjoyed more charismatic flourishes like this.

Ther ends the book trying to spin things forward, a dangerous game for the historian but one that is unavoidable given the breakup of Europe's post-89 consensus in recent years. Neoliberalism looks to be dead, but there is no general agreement on what comes next, and this leads to a schizophrenic approach. "While the German government is consolidating the welfare state internally, it is prescribing a debilitating austerity policy to Southern Europe," Ther writes. Greece, Italy, Spain, and Portugal could benefit from a development plan comparable to the structural funds that have flowed into Central and Eastern Europe in recent decades, but there is little political appetite for providing such aid. Amid a crisis of political legitimacy and the splintering of mass parties, consolidating public opinion around a new way forward looks complicated. "But before the continent's future is left to 'the markets,' the wealthier countries of Europe should conduct an open political debate about potential consequences," Ther writes.

It is hard to recall any similar such debate occurring about neoliberalism, making it all the more important now. Though Mr. Michnik may well have been right that the average Pole in 1992 had little desire to learn about the long-term benefits of flexible labor markets or the intricacies of austerity, bypassing that discussion contributed to the rise of the Law and Justice party decades later. Today, it risks undoing the good of political and economic reforms along with the bad.

Such supreme confidence has bred plenty of unintended consequences, or as the American writer Mark Twain once put it: "It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so."

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ALEKSANDER KACZOROWSKI

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Czech Matters in Gustaw Herling–Grudziński's *Journal*

Gustaw Herling-Grudziński (1919-2000), eminent Polish novelist and essayist, author of a testimony about Soviet labor camps called *A World Apart (1951)*, and a long-time contributor to the magazine *Culture* published in Paris, belonged to those 20th-century Polish writers who were very much interested in the fate of the nations conquered and enslaved by the Soviet Union. In his diary called *Dziennik pisany nocą* ("The journal written at night", 1971–2000) he also devoted much space to Czech (and Czechoslovak) matters.

He was particularly interested in the Soviet invasion of Czechoslovakia in August 1968, which led to the ultimate collapse—both in the West, and in the East of the continent—of the myth of the Soviet Union as a socialist state. The involuntary gravedigger of this myth was Alexander Dubček, while Milan Kundera was the writer who most vividly described the funeral of this myth. And this is why Herling wrote about them most extensively in his *Journal*, devoting much more attention to them than, for example, to the signatories of the Charter 77.

The theme of the invasion appeared on the first pages of the book, in the opening fragment called "From the old diaries." The author quoted the opinion of the Yugoslav dissident Milovan Djilas, who told him in November 1969 in Belgrade that Czechoslovak leaders could have avoided the Soviet invasion, if they had found the courage to "thoroughly clean up the top echelons of the party, the government and the military of pro-Soviet elements, as the Yugoslavs had done in 1948; and then, in the critical moment of the conflict, they could have announced a general mobilization."

Herling repeatedly comes back to the conversation between Dubček and the Yugoslav leader Josip Broz-Tito on August 9, 1968; when asked by Tito when the Czechs intended to announce a general mobilization, Herling claimed that "Dubček's face expressed such astonishment and indignation that Tito flew back to Belgrade earlier than planned, saying to the members of the Yugoslav delegation: `There is nothing left to do for us here.'"

Herling also repeatedly cited Dubček's declaration made during the last meeting of negotiators from Moscow and Prague in Čierna nad Tisou: "In any case, comrade Brezhnev, we are not going to shoot at Red Army soldiers." It is quite likely, commented Herling, that this sparked a "click" in Brezhnev's mind: "We may come in."

Herling's skeptical attitude towards the leader of the Prague Spring should not surprise us. "I never liked Dubček, I saw him as a cross between good-natured cunning and cowardice." Even so, he closely followed his career. When in August 1983 Jiří Pelikán revealed in an Italian TV station that after Yuri Andropov had been elected Secretary General of the Soviet Communist Party, Dubček send him his congratulations and best wishes (and Andropov acknowledged them), Herling confessed that he had listened to Pelikán's words "with sadness rather than annoyance."

Five years later he noted "a great stir caused by Dubček's long interview for *Unity*, the organ of the Italian Communist Party, his first public statement after almost 20 years of enforced silence and virtual house arrest."

Only in the 1990s, after reading Dubček's memoirs called *Hope will die last*, Herling slightly softened his evaluation of this politician: "He was a nice, honest, truthful and sincere man (for a "top rank" politician, of course). Dubček belonged to a numerically sparse category of communists who had not been poisoned by the taste of power (as described in Ladislav Mňačko's novel), who respected the principles of ordinary human decency

and who took their socialism very seriously, rather than voraciously treating it as a source of various perks. They were in a minority, but they did exist."

Herling's attitude to Milan Kundera could not be more different. For the first time Kundera's name appears in the *Journal* in August 1980. "Several important European dailies and weeklies" published "a very interesting conversation" between Michel Foucault and Kundera, at that time already living in France and deprived of Czechoslovak citizenship. Herling quoted a fragment of this interview devoted to the Prague Spring, interpreted by Kundera as a social movement whose greatness "lies not in politics (which was incompetent and in the end lost everything), but in culture."

Soon after that Herling read most of Kundera's books in translations into Western languages. He especially valued *The Joke*; he appreciatively noted how the author "bravely defends the importance of the novel and its chances for further flourishing." With time, however, he started having second thoughts about the work of the Czech writer. Just a few months later, in October 1980, after reading *The Book of Laughter and Forgetting*, he refrained to comment. Just as he did years later, having read *The Unbearable Lightness of Being*. In 1983 he distanced himself from Kundera's view that perceiving Kafka's novels as religious parables was wrong, and from his suggestion to "narrow down Kafka's visions to a social and human premonition of totalitarianism." And finally, in February 1987—at the height of Kundera's international career—he launched a frontal attack.

It was triggered by Kundera's attitude to Russia. After reading the essay called "The introduction to variations," where the Czech writer expressed his aversion to Dostoyevsky (and, implicitly, to the Russians), Herling wrote:

"Kundera's accusatory tone smacks of a travesty of common sense. [...] You may like Dostoyevsky or not. [...] But to look at Dostoyevsky through Soviet tanks on the streets of Prague or vice versa?"

In the same entry in his *Journal*, Herling distanced himself from the idea of Central Europe popularized by Kundera:

"I am also somewhat distrustful of the nostalgic banner of Central Europe suddenly spread by Kundera, for I sense here a method for ignoring the Russians in the name of 'our ties with the West'. For the nations conquered and enslaved by the Soviet Union it would be a heavy, if not mortal sin of myopia."

From then on, as it seems, Herling ceased to believe in the artistic and intellectual value of Kundera's late works. He simply mocked his next three books. This is how he wrote about *Immortality*:
"As the author of the excellent *Joke* entertains a taste for eroticism bordering on 'immodesty', *Immortality* becomes an obscenely long and obscenely boring session of literary masturbation, to use the Latin word abhorred by Polish language purists. [...] After the brilliant *Joke* [Kundera] did not succeed [...] in overcoming a quite serious problem, namely what was his further writing to be about."

As for *Jacques and his Master*, Kundera's variation about Jacques the Fatalist, it was "his three-act tribute to Diderot, horrible, pathetic, straight out of boulevard theatre".

And this is what he wrote about *Slowness*:
"*La lenteur* is Kundera's first novel written in French, a horrible novel, clumsy, incredibly trivial, a dustbin of themes or episodes glued together by a trivial narrative and a large dose of dirty talk (tasteless and graceless); Kundera regards, and apparently always regarded, dirty talk as a necessary ingredient from the point of view of the 'publishing ticket office'. [...] The novel contains fragments which would never have come from under Kundera's Czech pen. And he is probably proud of them, taking French salons by storm."

Gustaw Herling-Grudziński
Photo: Bohdan Paczowski (†)

But the most scathing criticism came in 1990, when Herling wrote:
"The French quarterly *Gulliver* unearthed the Kundera-Havel duel from the turn of 1969 and supplemented the dossier with a fragment of Havel's *Disturbing the Peace*, also containing an argument with Kundera. It is very much worth reading, not as particularly revelatory, but simply instructive, for 'the people's democracies' used to be rife with

intellectuals of Kundera's ilk, while righteous and reasonable people like Havel were harder to find. [...] In the 1950s Kundera belonged to the darlings of the regime: squabbles did sometimes occur, but the rulers generally valued the young writer, promoted, prized and awarded him. In the editorial introduction *Gulliver* compares his situation in Prague to the situation of Yevgeny Yevtushenko in Moscow. Although Havel participated in official Czech literary life of the period, in *Disturbing the Peace* he recalls the *malaise* he always felt whenever he got himself caught up by the organizational machine of the Writer's Union."

It was only short before his death that Herling devoted to Kundera two brief entries kept in a slightly more favorable tone. On the other hand, his statements about Václav Havel were invariably approving. The first mention comes from September 1975 ("Yesterday I was shown a letter by the Czech playwright Václav Havel to [Gustáv] Husák"). We have to wait until 1990s for the next ones, but they regarded the presidency and never the writings of Havel. The author of *The Power of the Powerless* is "a great president, whom we can only envy the Czechs," reads a typical assessment from March 1995.

Herling idealized the Czech setting of accounts with communism; he claimed, for example, that "after the downfall of the regime an immediate process of lustration and decommunization was necessary (only the Czechs did that in the entire bloc of 'the People's democracies')." In May 1995, on returning from his only visit in Prague, Herling wrote:

"But I will never change my positive assessment of the Czech style of transition from communism to democracy—with a constitution, a law about the deposed regime, a wise president, a weak Left Front (a Czech counterpart of Polish post-communists), without the hypocrisy of *alternance democratique*. At the meeting with readers in the Polish Institute, after my speech kept in this vein, a Czech listener supposedly leaned towards his Polish neighbor and whispered: 'What a dreamer!' "

Herling had long wanted to go to Bohemia, not only because of his fascination with the writings of Franz Kafka, but also under the impact of *Magic Prague* by Angelo Maria Ripellino, a close personal friend of his. In June 1976 he put down in his *Journal* a fully realistic description of his visit in Prague on the anniversary of Kafka's death: he took part in a ceremony at the US embassy, he attended a lecture by "a former professor of the Prague University" who "published some of his works on Kafka under the penname Gregor Samsik."

An inspiration for this witty literary hoax was a brief note in *Le Monde* on the unveiling of a commemorative plaque to Kafka on the wall of the Schönborn Palace, the seat of the US Embassy in Prague.

In addition to these politicians and writers the *Journal* mentions such figures as Jaroslav Seifert, Bohumil Hrabal, Josef Škvorecký, Ivan Klíma, Otomar Krejča and the actors from Divadlo za Branou, Ota Filip, Arnošt Lustig, Eduard Goldstücker, František Kriegel, Josef Smrkovský, Jiří Pelikán, Antonín Liehm, Ivan Sviták, Zdeněk Mlynář, Karel Kosík, Jan Palach, Petruška Šustrová, Helena Stachová (the translator of a selection from *The Journal* into Czech), Pavel Tigrid, Jiří Lederer, Marketa Fialková, [Viktor] Stoilov, as well as "a young Prague lawyer Peter" [Petr] Pithart, "jellylike" [Jan] Masaryk, "double-faced" [Ludvík] Svoboda, "doddery socialist careerist" [Bohumil] Laušman, [Zdeněk] Fierlinger "aka Quislinger," Edvard Beneš, who "capitulated in February 1948," Ota Šik, Gen. Jan Šejna, Antonín Kapek, and two anonymous diplomats whom the Italian Prime Minister Giulio Andreotti supposedly meant to expel from Italy for their connections with the Red Brigades.

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In total, on more than 3,000 pages of *The Journal* several dozen important figures from Czech (and Czechoslovak) culture and politics are mentioned. It will be no exaggeration to say that among Polish writers from the second half of the 20th century, Herling was one of the closest observers of Czech matters.

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PRAGUE SPRING

The Decline of the Communist Foreign Intelligence Service

Czechoslovakia's Foreign Intelligence and the Prague Spring

Jiřina Dvořáková, Zdeňka Jurová, Petr Kaňák

(Institute for the Study of Totalitarian Regimes, 2015)

Although more than twenty-five years had passed since the fall of the communist regime in Czechoslovakia, not a single comprehensive scholarly study focusing on the history of the country's foreign intelligence has yet been written. Last year the Institute for the Study of Totalitarian Regimes published a book entitled *The Czechoslovak Secret Service and the Prague Spring* written by Jiřina Dvořáková, Zdeňka Jurová, and Petr Kaňák. The book consists of three parts and is furnished with a vast number of footnotes, with nearly half of the volume comprised by facsimiles of documents from the late 1960s and early 1970s.

In the opening chapter, "Organizational development of the foreign intelligence service and its place within the system of State security," the authors give a concise summary of the agency's development from 1960 until the advent of the Prague Spring. Throughout this period, despite being restructured several times, the agency had functioned as a separate entity within the State security apparatus and was known as "First Administration," scoring its greatest successes in the 1960s. Following the bloody fifties, when the foreign intelligence service was involved in a number of kidnappings and several murders, the situation gradually changed. (The last known

murder committed by a Czechoslovak intelligence agent on KGB orders dates back to 1961, when Alfréd Petrovič, the agent codenamed *Alpe, Duda, 135,* and *Květen* [May], an officer of Stapo, the Austrian state police, assassinated a Hungarian counter-intelligence defector, Béla Lápusnyik, by dimethyl sulfate poisoning. The last known case of kidnapping carried out by State Security took place one year later.)

The intelligence operatives were adept at exploiting the gradual political liberalization of the 1960s. In talking to potential contacts they constantly emphasized the communist leadership's endeavor to turn Czechoslovakia into a second Yugoslavia or even Finland, i.e. to break free of direct control and dependence on the USSR. Even though this was a ploy aimed at deceiving their chosen victims, it did work in quite a few cases. The 1960s can be regarded as the "golden" era of Czechoslovakia's foreign intelligence, as the agency managed to catch in its web a number of key Western politicians, journalists, and scholars. Individuals recorded in the files as agents include French politician Claude Estier; *Libération*'s deputy editor-in-chief Albert Lentin; high-ranking officer of the Paris prefecture Gérard Lecond; and left-wing German politician Alfred Gebhardt. However, the book's introductory essay focuses on the internal transformation of the service's structure, completely ignoring its key instrument—the intelligence network.

The following chapter revisits the reasoning some intelligence officers gave as grounds for separating the foreign intelligence from the State Security. Its main motivation was an attempt to draw a line under the unlawful activities of the State Security in the 1950s, which later became subject of rehabilitation court proceedings. Unfortunately, the book's authors fail to point out that most intelligence officers had started their careers in the ranks of State Security counter-intelligence and that many of them had themselves been implicated in unlawful killings committed in the course of the 1950s.

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In their account of the Ministry of the Interior 1968 Action Plan, the publication's authors provide a detailed list of officers who supported the Prague Spring and highlight a conservative pro-Russian faction within foreign intelligence that was completely loyal to the KGB. Nevertheless, they

fail to explain the contradictions entailed in these documents. For example, they present Deputy Commander Jan Paclík as a reformist. Yet, only a few pages further on, in their account of the dismissal of the intelligence agency's conservative Chief Josef Houska (an honorary KGB officer), they say it was he who nominated Jan Paclík as his successor, with the proposal seconded by Viliam Šalgovič, another pro-Soviet officer who became federal minister of the interior after the suppression of the Prague Spring.

In the final part of the publication the authors focus on developments within the intelligence service after the Soviet-led invasion of Czechoslovakia in August 1968. The agency's leadership was taken over by Stalinists, marking the end of attempts to create a professional intelligence service in communist Czechoslovakia. In fact, this attempt had been doomed to failure from the outset. Not for a moment had the communists considered a pluralist political system or abandoning the leading role of the communist party. It was therefore a foregone conclusion that, wherever the agency would have been placed, it would have always been completely subject to the dictates of the communist party.

The advent of what is known as "normalization" was followed by purges in the entire state apparatus including foreign intelligence. Whereas in 1968 only three officers had left the agency, a year later the number rose to 50, and the following year as many as 147 officers lost their job. Even though only 27 percent of the agency's staff had university degrees, 55 percent of those dismissed had higher education. The department of scientific espionage was most affected by the purges while the lowest number was fired from departments dealing with ideological diversion and emigration (the authors gloss over the fact that none of the people involved in illegal intelligence operations had been fired). The departments engaged in operations aimed at exile organizations were often staffed with comrades who were completely devoted to Marxism-Leninism but entirely incapable of learning any foreign languages.

What posed a more serious problem were the defections of several operatives to the West, who provided information to intelligence agencies in democratic countries. Following the defection of Ladislav Bittman in September 1968, foreign intelligence operations ceased altogether and a commission was set up with the task of identifying all the information Bittman could have passed on to Western agencies. Since he had been involved in

several key disinformation operations and, as a high-ranking officer, he had helped to shape the activities of the entire agency, the extent of his knowledge was considerable. The agency terminated its cooperation with all agents whose identity was known to him. Individuals that were at risk of imprisonment due to their involvement in kidnappings or murders were recalled to Czechoslovakia.

The intelligence network gradually started to disintegrate. Most agents turned down contacts with new controllers on the grounds that they were not willing to cooperate with an agency that served an occupying power. Several promising future agents or agent prospects were directly taken over by the KGB. In Italy, for example, Soviet "friends" took over control of Ingeborg Mašatová, codenamed *Ago*, who worked in the Vatican, as well as of promising young conservative politician Giuseppe Ferrarini, recorded in the files under the code name *Docent*. He later served as personal secretary to three ministers of interior and had access to highly sensitive information while his wife worked as a secretary of one of Italy's presidents. A further key source of information in Italy, with whom the Czechoslovak intelligence had to severe contacts, was Emo Egoli, formerly Jiří Pelikán's deputy in the International Student Union and chairman of the Italian-Arab Friendship society, a man completely devoted to the KGB.

After being painstakingly built over twenty years, further defections were the last nail in the coffin of the agency. The most significant was probably that of Josef Frolík. Having served in London in the 1960s, he knew the local agents and their sources. The publication quotes Frolík's testimony before the US Senate Justice Subcommittee in November 1975 where he named several associates of the Czechoslovak intelligence. In his memoir *The Frolik Defection: The Memoirs of a Czechoslovak Intelligence Agent* he gives detailed information on agents active in Great Britain and in spite of some inaccuracies his assertions are surprisingly comprehensive. The text evidently contains some disinformation, primary aimed at influencing the communist security apparatus: as an experienced intelligence man he knew that his book would be scrutinized on the other side of the Iron Curtain, not just in dissident circles but especially by the State Security.

The publication includes the facsimile of several key documents that depict the state of foreign intelligence in the late 1960s and early 1970s, including "Proposed Measures within Czechoslovakia's Intelligence" dating

from 1969. What makes this remarkable is the speed with which with hollow phrases familiar from the 1950s had found their way back into key policy documents: "Imperialism as a social system has been and remains the main obstacle on the path of mankind's inevitable progress to eliminating exploitation..." The second part of the document gives an assessment of intelligence operations over the past year: "Another significant factor was the fact that the extensive development and fallacious claims of greater benefits of education compared to an individual's political and moral profile resulted in disrupting the education of cadres." Professional standards of the entire agency were undermined by the tendency to appoint "politically reliable individuals." For instance, the deputy resident officer in London in the early 1970s was a politically reliable comrade who, due to his lack of linguistic skills, could not even read local daily press.

The document mentioned above further recommended an expansion of illegal activities, i.e. using individuals deployed abroad under a false identity to control agents and gather information. However, this was an extremely complex procedure since a secret agent could not possibly maintain contacts with intelligence officers who were deployed in a given country under diplomatic cover. This made the passing of information inordinately difficult; furthermore, a thorough probe would have been likely to detect most illegal agents, which meant they could not infiltrate institutions with access to confidential information. Illegal agent Bohumil Gottwald is a case in point. In the mid-1960s he worked for the French intelligence service under a false identity (as Pierre Cardot), only to be exposed and arrested within a few months. Another illegal agent, Jan Kondek, who had defected to France a few years earlier while on a business trip to Switzerland, helped to convict Gottwald. A few weeks after Bohumil Gottwald was exchanged for a French student arrested in Czechoslovakia on suspicion of espionage, Jan Kondek was found dead from gas poisoning.

Probably the most fascinating part of the whole book is a 1972 document detailing the vetting of political intelligence agents working for the First Administration of the Federal Ministry of the Interior and problems of running the agent network. Summarizing the state of the network the document states that it comprised 268 agents, confidential and "ideological" collaborators. This figure would have been quite impressive, provided these people were an interesting source of information. However, as it turns out the cate-

gory "ideological collaborators" was applied to Czechoslovak citizens who had been working abroad for a long time, while "confidential contacts" was a label designating individuals who had shown willingness to meet with intelligence officers but were not covered by rules of conspiracy. Only 51 out of the total 268 recorded were listed as agents, in addition, in 35 cases the Western secret services were aware of these individuals' contacts with Czechoslovak "diplomats." A mere 24 people were employed by an institution of interest to communist foreign intelligence; moreover, not a single agent worked in an institution that was under surveillance by the intelligence agency in the USA, Federal Republic of Germany, and France. This was one of the reasons why in the early 1970s individuals listed as "confidential contacts" were moved to the category of "agents." In this way the local intelligence officers met their quotas, the foreign intelligence chief could boast of a newly recruited agent to the ministry of the interior, and two years later the file would be switched back to the original category or quietly archived.

Communist Czechoslovakia's foreign intelligence had lost the confidence of the KBG and was gradually reduced to a travel agency for the offspring of nomenclature families, who preferred to spend time in Paris or Rome rather than in Moscow.

Communist Czechoslovakia's foreign intelligence never recovered from the personnel and professional upheavals brought about by the Prague Spring. It had lost the confidence of the KBG and was gradually reduced to a travel agency for the offspring of nomenclature families, who preferred to spend time in Paris or Rome rather than in Moscow. Current research has revealed the identity of at least ten State Security officers who cooperated with Western intelligence services after 1968. The State Security had no chance to defend itself against this level of penetration, and foreign intelligence gradually gave up competing with Western intelligence agencies, increasingly turning into political police whose main focus was monitoring Czechoslovakia's democratic exiles.

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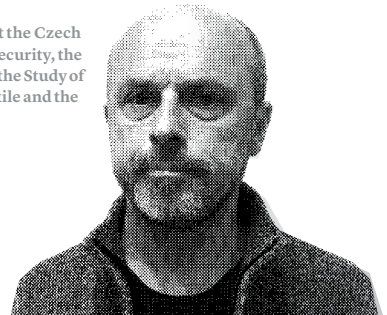

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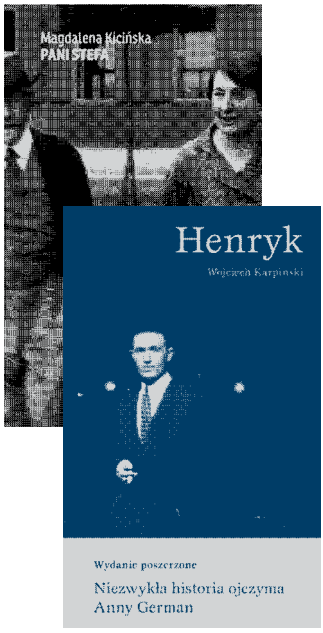

Pani Stefa
Magdalena Kicińska
(Wydawnictwo Czarne, Wołowiec, 2016)

Henryk
Wojciech Karpiński
(Fundacja Zeszytów Literackich, Warszawa, 2016)

Stefania Wilczyńska and Henryk Krzeczkowski were divided by thirty years of age, gender, temperament, vocation. What they shared was the experience of the world war, the mill of totalitarianisms, the Holocaust, the Jewish roots combined with a full immersion in Polish culture and identity. What they also had in common was separateness: a tendency to entrust their thoughts to paper rather than friends, a distance to the insti-

tution of the family. Was there something more they shared? They were too discreet for us to know that with any certainty. They will remain like pebbles from Herbert's poem of the same title: "equal to themselves/guarding their borders/thoroughly filled/with sense made of stone".

What is the source of the intense temptation to juxtapose these two excellent biographies published in Poland last year? Wilczyńska and Krzeczkowski never met, they were not active in even remotely similar areas, and in the Warsaw whirlpool of people and groups it would be difficult to find any common friends: perhaps priest Jan Zieja, the Warsaw combination of Lev Tolstoi with St. Francis and a person about whose peregrinations and conversations we still know too little? But these are just conjectures.

Most of the people who have ever heard about Stefania—Pani Stefa from the title—Wilczyńska (there are not so many of them) really know only two hours of her life: this is what it took to walk on August 6, 1942, from today's heart of Warsaw, Sienna Street 16, where the Germans had moved the orphanage, to Umschlagplatz, a railway ramp by the Gdańsk Station and a starting point for transports to a death camp. We know nothing more: the timetable for the summer of 1942, produced by the General Directorate of Railways "East," only specifies that "the empty train headed back from the Treblinka station" at 7 PM. No traces in the lime strewn on the floor of the railway car, no secret messages, no teddy bears: the figure of Stefania melts in the glow and we are left with our despair.

Henryk Krzeczkowski was not presented with an opportunity of sacrificing his life for the lives of his friends. Yes, he was brave, with a masculine or military trait of contempt for adversaries and adversities: he had it in him to abandon his job in the communist military intelligence (this kind of escape can be more difficult than a breakout of a defendant or prisoner), slap down his party membership card, and take the subsequent harassment with a shrug. The best-known episode? Perhaps the calm with which he took the decision of the Communist Party leaders to disband the *Europe* monthly co-edited by him, which meant the end of the post-Stalinist thaw.

Of course, clipping someone's biography down to a heroic still frame always means its depletion. The long and busy life of these two could also be cast in bronze: Stefania Wilczyńska started working in the orphanage run by Korczak when she was just 23 and apart from a few diseases and two longer journeys to Palestine she had not abandoned her post for one moment: day

in, day out, Sunday or Shabbat, she was always on her feet, with sometimes 70 and sometimes 130 bibs to tie, lessons to do, persistent angina, or incurable typhus. Time for herself, in a room two by three meters, starts at eleven o'clock in the evening, when she can write a few letters brief like Napoleonic instructions.

Henryk Krzeczkowski had plenty of free time and made good use of it. In the Polish culture, still insufficiently respectful of translators, he remains one of the few recognizable ones even when some of their translated works are no longer so avidly read. But this sad fate has befallen very few books translated by Krzeczkowski: the court translator of the State Publishing Institute translated James Fraser, William Hazlitt, and Robert Graves, as well as biographical novels by Irving Stone for fun and entertainment. Already in independent Poland it transpired that under a pseudonym he had translated and published in samizdat a large part of Isaiah Berlin's legacy and *Russia in 1839* by Marquis de Custine (the fact that the censors would not allow these titles to be published says a lot about the limits of Wojciech Jaruzelski's liberalism).

It is all the more significant that the influence of our two protagonists on the people around them was not constrained to tangible achievements: children brought to adulthood or books listed in every decent biography. They were wise people in the mode of Socrates, although none of them aspired to this title and I very much doubt if they would regard it as an honor: they influenced people through their example and by talking to them. "She gave me such a thing," said Szlomo Nadel, one of the last surviving pupils of Stefania Wilczyńska, "such a thing... that later I have never been alone."

Alumni and friends of Krzeczkowski belonged to the intellectual elite of Poland in the 1980s and 1990s: Aleksander Hall, Marcin Król, or Wojciech Karpiński were architects of political breakthroughs leading to freedom and authors of sophisticated essays. They would certainly be able to describe the gifts they had received from Henryk more eloquently than the old and worn kibbutz worker, but they did not try to name them (more about Krzeczkowski was said in a book-length interview by his friend Paweł Hertz, the doyen of Polish essayists and translators). It was only last year that Karpiński, author of many excellent biographical investigations, decided to reveal his many-years-long struggle with the secret of his teacher, publishing reflections-cum-essay modestly entitled *Henryk*.

The first thirty years of Krzeczkowski's life could fascinate any scriptwriter, but readers more familiar with the meanders of Polish 20th-century fate may have felt disappointed. From a number of books and monographs we had already known something about the life of Herman Gerner, son of a Polonised Jewish middle-class family from Stanisławów, who on the eve of the beautiful summer of 1939 graduated from high school and after three carefree months was exiled in winter to Kyrgyzstan. Like thousands of others, he was saved by the recruitment to the Polish army of Gen. Berling, subordinated to Moscow, and then for a few years he kept being sent to the worst places possible: courses for officers, General Staff, and finally militarily intelligence. Admittedly, he did not murder people himself, he did not use torture, perhaps he didn't even interrogate the suspects: extremely brilliant, he took part in operational games, captivating Anglo-Saxon liaison officers, Polish political exiles, and progressive Western intellectuals who in 1947 arrived in Poland for the Peace Congress in Wrocław. But there is no hiding the fact that his colleagues in the canteen and his department were people who remain in the Polish memory as counterparts of Vlad the Impaler or perhaps Hannibal Lecter: the cruelty of the so-called Military Information was legendary, this institution was feared more than the Security Police.

Wojciech Karpiński consistently and regretfully did not write a word about it: nothing about the achievements of the young Herman Gerner (sometimes using an aristocratic name "Henryk Meysztowicz" as his alias), nothing about his disentanglement from these dungeons, nor his transformation into "Henryk Krzeczkowski," the name under which he entered Polish culture.

Even if we know that the essayist for years writing about Van Gogh, Józef Czapski, or Witold Gombrowicz is more interested in turns of phrase rather than turns of the party line, that he is more interested in analyzing syntactic structures than chains of command, it is impossible not to bemoan this omission. Description of the entanglement and disentanglement of Henryk Krzeczkowski remains a task for another historian, while Karpiński's dislike for "vulgar political themes," so ostensibly vaunted, seems to be something frivolous, childish, and incomprehensible: we would look with similar astonishment at an experienced surgeon who suddenly declared that he would not open a suffering patient's abdomen, because the view of guts made him sick.

Wojciech Karpiński gave us something else instead: long quotes from miraculously surviving diaries and notes, put down by Krzeczkowski primarily in the lean 1960s, when the resident of a small studio cluttered with books had a long time ago ceased to be a "comrade from security," but had not yet become a legend of humanities and lived a life of a flaneur and a loner in Warsaw under Gomułka. With extraordinary skill, but also with delicacy, Karpiński analyses recurring phrases, the rhythm of alternating depression and euphoria, as well as Krzeczkowski's games with himself and people around him, such as covering bookplates with his previous name (Herman Gerner) with pages bearing the signature of "Krzeczkowski." By doing that, Karpiński reveals the efforts of a man who does not give a damn about Gomułka, communism, Military Information, and perhaps even James Fraser, of a man who is close to neurosis in his continual focus on one issue: how to "be himself" and how to remain steadfast in this fidelity to himself in the face of so many possible paths, temptations, incarnations.

Both Wilczyńska and Krzeczkowski descended from Polonised Jewish bourgeoisie, and this "acculturation" took place in the generation of their parents, as it were before their eyes.

Magdalena Kicińska, one of the most talented reporters of the younger generation with a degree in politics and theatre studies, was faced with a research task which seems as difficult as that undertaken by Karpiński—and approached it very professionally, which meant she discovered a lot. Future students of journalism, even if they remain indifferent to Korczak's legend, will read her book as a manual on navigating the "sea of ashes:" copies of pre-war academic journals, scraps of reports for the Ministry of Education, a handful of letters, and a few old people in remote kibbutzim reveal very much. They show the greatness of the life of a woman for many years carelessly reduced to "Korczak's assistant," merged with the background, who in fact took half a step back into the background, not because of any "misogynous structures of power" or "dominant discourse," but because the withdrawal and freedom achieved in this way were part of her nature. She behaved in this way ignoring the truth which was alien to her: that "the last shall be the first"—although ultimately her life and death confirmed the truth of this verse from the sermon about vineyard laborers.

I allow myself to be slightly sarcastic, invoking such phrases as "dominant discourse," clichés of today's humanities, for I am filled with relief at the thought of the shallows which the authors of both biographies navigated around. Both Wilczyńska and Krzeczkowski descended from Polonised Jewish bourgeoisie, and this "acculturation" took place in the generation of their parents, as it were before their eyes. It would be all too easy to consider the withdrawal and distance of them both as a testimony of previous traumas, as a sign of resistance to "the nationalist narrative of the majority," and as attempts to conceal, protect, repent their "Jewishness."

It was not so: they both treated their "dual roots" with a naturalness and openness of truly free people. One of the most moving images from Stefania's life in the carefree (compared to the Shoah) pre-war years is the moment when in the En Charod kibbutz (where she travelled in the 1930s, reflecting on the possibility and sense of emigrating to Palestine) she sits down with tightly cropped children from across the world and, ignoring language barriers, chooses the Polish anthem as the first song they will learn to sing. For Stefania, who sympathized with the Polish Socialist party, it was as obvious as the participation in the defense of Poland during the Bolshevik offensive in 1920 was obvious for her brother and the participation in the Warsaw Rising was obvious for her sister-in-law. A quarter century later, Krzeczkowski also did not intend to hide his Jewish roots or to blackmail others with them—although it is true that he sometimes went on a rhetorical spree and joked about these jumbled biographies, at the same time leading Król and Karpiński towards re-interpreting and bringing back the Polish insurrectionary 19th-century tradition—the most "arch-Polish" and "noble" under the sun.

Followers of Foucault's cult of the "Other" and "Otherness" could also take the easy way in another area, trying to definitively resolve the issue of the most personal orientations of both protagonists. In Krzeczkowski's case it would be less difficult: there are reports speaking about his fascination with other men and about at least fleeting relationships with them. Magdalena Kicińska, both cautious and courageous, does not write anything conclusive about this aspect of Wilczyńska's life, only asks questions: about the unusual nature of her decades-long collaboration with Korczak, literally and figuratively arm in arm, but which never achieved the stage of personal closeness or perhaps even partnership; about two friendships, very important for her, with younger women; about her loneliness. There would be nothing simpler

than to present the educator of generations and the haughty essayist as victims of intolerance, condemned to loneliness or even to banishment for their homoerotic orientation.

Nothing of that kind. Wilczyńska, incinerated in Treblinka, and Krzeczkowski, buried in the cemetery at the Tyniec monastery existing continuously since the 11th century, had all the courage necessary for any possible coming-outs. Their staying apart had not grown out of shame, secrecy, or a sense of inferiority. It was just that "separateness" was given to them in much larger quantities than to most of us—and this is why, when we look at them outside the historic frame, they appear to us like protagonists of Böll or Beckett.

Their biographies, published last year, are valuable primarily because they show that in the most dramatic and epic times—in the interwar period, during the Holocaust, under Stalinism—the individual may focus on something else than a heroic gesture. The most important task for many is what both the eponymous "Pani Stefa" and "Henryk" practiced in their small rooms: working on staying faithful to yourself. As Herbert wrote:

pebbles cannot be tamed
they will look at us to the end
with a calm and very clear eye

WOJCIECH STANISŁAWSKI
is a historian and a columnist. His main topics of interest include Polish intellectual history in 20th century and nation-building processes in Bosnia, Macedonia, and Kosovo. Until 2017 he was the editor of *Plus Minus*, the weekend edition of *Rzeczpospolita* daily. Recently he joined the Polish History Museum. In 2016 he published the translation of Solomon Volkov's *Magical Chorus: A History of Russian Culture from Tolstoy to Solzhenitsyn*. | Photo: Aspen Review Archive

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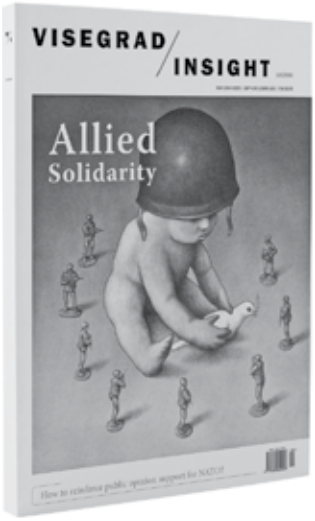

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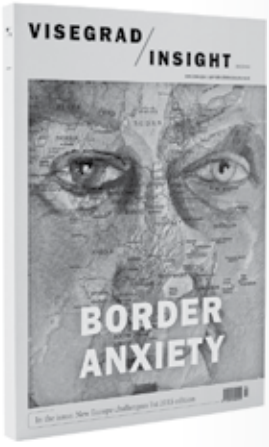

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PUBLISHED BY

Aspen Institute Central Europe
Palackého 1, CZ 110 00 Praha
e-mail: Office@AspenInstituteCE.org
AspenInstituteCE.org
Year VI
No. 01/2017
ISSN 1805-6806

Lies have become a part of normal life of modern societies. I mean, lies have always accompanied politics, but for the first time we seem to be at such a loss about them.

IVAYLO DITCHEV

Trump's economic program excellently reflects the crisis of the American hegemony. A mix of economic nationalism, archaic ultra-liberalism, and protectionism not so much produces a coherent vision but gives an insight into the high-strung sentiments of the new administration.

PRZEMYSŁAW WIELGOSZ

It is quite paradoxical that currently in Europe one cannot buy anonymously a prepaid SIM card but he or she can communicate anonymously on social platforms.

KONRAD NIKLEWICZ