

Reassessing 1989: Lessons for the Future of Democracy

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Introduction

by RACHEL TAUSENDFREUND

Amazing events unfolded in Europe thirty years ago. The states and societies of Eastern Europe invented a new model of revolution, “a non-violent, negotiated revolution, the model of 1989 replacing the model of 1789 and 1917,” argues Timothy Garton Ash. Soon followed the almost entirely peaceful dissolution of an authoritarian nuclear power and transitions to liberal democracy across Central and Eastern Europe. There is every reason, especially in trying times, to celebrate the astounding events of 1989 and remember what societies can achieve. But there is also good reason to reassess this momentous year.

There is a version of history where there was one 1989, when democracy vanquished communism, a wall fell, and the path opened toward “Europe whole free and at peace” (in the words of President George H.W. Bush) and a “new era for democracy” (as the Paris Charter has it). But today we do not find ourselves in that world without history. This is at least in part because we were wrong about 1989, or at least guilty of severe oversimplification. There was not one 1989 story; there were four. And the legacies of all four have their traces in the world we find ourselves in now – a world where the fate of liberal democracy globally, and even within our own societies, seems a lot less certain than it once did.

Democracy Uprisings in Poland and China

There is a lot we get wrong, even about “the” 1989 that we in Europe and the United States focus on. First of all, this 1989 – the collapse of Soviet control in Europe – is remembered as a German story, but it is actually a

Polish one. As Timothy Snyder argued in the *New York Review of Books* around the 20th anniversary of 1989, the victory of democracy over communism should be commemorated as “the Polish revolution,” not as the fall of the Berlin Wall. “What happened in Poland before the opening of the German-German border was not the prologue to a revolution, but its first and decisive act. Only the Poles had engaged in recent mass opposition to communist rule in eastern Europe.” The Polish government that was formed after the resounding victory of Solidarity in the June 1989 elections “set the example that was then followed in Hungary, then East Germany, then Czechoslovakia.” What happened in Eastern Europe in 1989-1990 was peaceful political revolution on a mass scale, initiated in Poland. In our shorthand version, the authors of the story have been replaced by the events of the finale.

There were other pro-democracy protests in 1989 that did not end peacefully. In this volume my colleague Janka Oertel looks at the Chinese version of 1989. Just hours before the first round of Poland’s (and Soviet Europe’s) first free elections on June 4, in Beijing tanks rolled into Tiananmen Square to brutally quash student-led demonstrations, the last and largest after months of widespread protests challenging the Chinese Communist Party (CCP) leadership. The world watched as thousands were wounded and at least several hundreds were killed. At the time, the images of students facing off against tanks at Tiananmen Square were as iconic as the images of revelers on the Berlin Wall. It was in the years afterward that the more optimistic story of 1989 prevailed, and even colored the West’s expectations for China.

Western policymakers were so wrapped up in the certain march of democracy heralded by Poland’s 1989 that they failed to see that China’s 1989 had left very different deep and lasting marks. In securing the CCP’s power, the events on Tiananmen Square also, as Gideon Rachman has argued, assured that an autocracy would be shaping the 21st century. Furthermore, the “Tiananmen shock,” as Janka

Oertel argues, has shaped how the CCP's holds its power ever since, preventing new challenges by delivering economic prosperity and strictly prohibiting public dissent.

The reason the Beijing 1989 is so important to our world today is because China succeeded when it should have failed, and because it succeeded so exceptionally.

Economic reform without political reform was supposed to be impossible. A succession of U.S. presidents and other Western leaders assumed that an open economy would necessarily lead to an open society. As George W. Bush argued in 2000: “[T]rade with China will promote freedom.

The meaning of the Tiananmen 1989 will persist and grow along with China's influence in the world.

Freedom is not easily contained. Once a measure of economic freedom is permitted, a measure of political freedom will follow.” But political freedom in China did not follow. And even the information age did not change this. Instead Beijing now boasts an impressive technologically enhanced surveillance state. To make matters worse, economic reform did not materialize either. Nineteen years later, membership of the

World Trade Organization has not made China's economy significantly more open. Instead, China's non-market, party-driven economy is now so big and so successful that it is more likely to break the system than be reformed by it.

Thus, the Chinese 1989 has shaped today's world as much as the Polish 1989 has. As I write this, of course, the thirtieth anniversary in China has coincided with an unexpected and surprisingly potent wave of pro-democracy protests in Hong Kong. We cannot know how this will end. But, assuming it does not rewrite the near future for China and the CCP, the meaning of the Tiananmen 1989 will persist and grow along with China's influence in the world.

The Techno-Utopian 1989

In the third 1989 the heady European miracle and its repressive Chinese alternative meet in a new online world. Though less on the radar, the birth of the modern Internet can be placed in 1989. In the early years of the World Wide Web, as my colleague Karen Kornbluh explains in her contribution, “techno-utopianism” around a new technology was equal to bright-eyed optimism about democracy's “new era.”

Originally started in the 1960s as a military project to enable communication during a nuclear blackout, around 1989 a different future for the decentralized digital communication network was beginning. In that year the first commercial dial-up access connected users to the Internet, ending its early phases as first a military and then an academic network. (ARPANET, its military precursor, was officially decommissioned in 1990.) The architects of early Internet policy were a small niche group in 1990, but thirty years later the web and social media have become central to our lives and even, as we have more recently learned, our elections and democracies.

Because of its decentralized structure, the Internet was envisioned as an open, democratic, and power-equalizing force. And in its first decades, it arguably was. People connected directly with each other through email and chat, and created their own sites and blogs.

However, as Kornbluh argues, the Internet grew more centralized and more central to our lives. More and more of life is lived online, and this online life is dominated by a few very large companies that control a user's experience. Algorithms meant to keep us online longer determine what we see in our search feeds and our timelines. Even news is increasingly fed to us (and filtered for us) by platforms, while at the same time the Internet has savaged the revenue model of democracy's fourth pillar. Thus, instead of the bottom-up, citizen-driven supplement to established media that the early Internet promised, we now

contend with struggling serious media and mass-scale, bot-supported propaganda. As Kornbluh writes, “Propagandists and extremists wishing to conceal their identities fund targeted ads and create armies of social media bots to push misleading or outright false content, robbing citizens of a basic understanding of reality.”

The ambivalent aspects of the Internet are not only affecting democracies. As Laura Rosenberger outlines in her contribution, in 2011 we were still celebrating the Arab Spring as a social-media revolution and heralding technology’s power to undermine dictators. A few years later we see that authoritarian powers have learned to harness technology “for control and manipulation, developing tools to constrain, surveil, and insidiously shape the views of their populations using information and technology, bolstering their power.” China, in particular, has managed to create a national censored Internet with platforms and apps that allow the CCP to track users online activities. Meanwhile surveillance enabled by artificial intelligence tracks citizens offline. And increasingly China is exporting the “techno-authoritarian systems of surveillance and control” that it has developed and employed domestically to other countries.

Thus, thirty years after the modern Internet began to take shape, there is an unforeseen contest over its future. A rosy future is not automatic: the Internet and other new technologies will only be as friendly to democracy as we can make them be.

Yugoslavia’s 1989

The fourth 1989 returns us to Europe, where new freedoms were followed by war. As Paul Hockenos argues here, unlike for their neighbors to the north, the aftermath of the Polish revolution against Soviet-communist rule did not immediately herald profound change

for Yugoslavs, and yet it soon came – in violent fashion.

Unlike in Central Europe, there was no Soviet yoke on Yugoslavia, and Titoist communism provided greater freedoms. What is more, by 1989 political reforms had been underway for a decade. But other forces were also rising within the multinational state. Slobodan Milošević

The ethno-nationalism that turned violent in Yugoslavia was a bigger feature of 1989 than our simpler story acknowledges.

was elected president of Serbia in May 1989 and shortly afterward delivered his infamous ethno-nationalist speech by the Gazimestan monument in Kosovo. Milošević was not alone; indeed, “[m]ost Yugoslavs welcomed the new spaces and ideas that sprouted from the cracking façade of socialism, including the liberty to identify more openly with one’s ethnicity, be it as a Serb, Croat, Muslim, Slovenian, Montenegrin, Macedonian, or Kosovo Albanian.” We all know what happened

next: Slovenia and Croatia opposed Milošević’s centralizing policies, and in 1991 declared independence, starting the first in a series of territorial wars and ethnic conflicts that would last a decade, destroy Yugoslavia, and cost around 130,000 lives.

The ethno-nationalism that turned violent in Yugoslavia was a bigger feature of 1989 than our simpler story acknowledges. Branco Milanovic, a Serbian-American economist, has argued that the revolutions of 1989 should be “seen as revolutions of national emancipation, simply as a latest unfolding of centuries-long struggle for freedom, and not as democratic revolutions per se.” In Poland, Germany, and Czechoslovakia, he writes, “it was easy to fuse” nationalism and democracy: “Even hard-core nationalists liked to talk the language of democracy because it gave them greater credibility internationally as they appeared to be fighting for an ideal rather than for narrow ethnic interests.”

In Yugoslavia ethno-nationalism quelled any hints of democracy as events unfolded very differently than they did in Central Europe. As a result, in our narrative of 1989 Yugoslavia was an anomaly, a regional side-note. But in 2019 – from Viktor Orbán's Hungary to the Brexiteers' calls for self-determination for the United Kingdom, and President Donald Trump proposing to “take the country back” – the ringing of the nationalist side-note has become impossible to miss.

The Legacies of 1989

The full story of 1989 is thus rich and contradictory, as are its legacies. Our “misinterpretation of 1989,” and the naive optimism it engendered, as Thomas Kleine-Brockhoff argues here, is why we find ourselves unexpectedly anxious over democracy's future. With the gift of hindsight, we can also see that in the years after 1989, to use a memorable Ronald Reagan phrase, “mistakes were made.”

Where it all began, as our author Wawrzyniec Smoczyński writes, “the unintended and overlooked failure” of modern Poland is that “the state born out of 1989 was unable to critically assess the transition that made it.” For the “revolutionary economic change” in the country in the early 1990s, though well-intentioned and probably right, was “traumatic,” a “social transition that carried a human cost.” The residual trauma, and the decades of neglecting it, have brought Poland's democracy to the brink.

For the European Union, the legacy of 1989 is also about the cost of success. As Jan Techau argues, “when open societies and markets prevailed over closed ones, when cooperation in Europe triumphed over enmity, the EU's long trek to today's system overload began.” The EU marched ahead – especially with the euro and the eastern enlargement of 2004, both results of 1989 – and yet did not go far enough. So today the EU is “asked to produce results in areas that it was never designed to manage.”

Interestingly, in the transatlantic security space, the problem has not been too much change, but too little. The terms of the transatlantic security partnership, as Alexandra de Hoop Scheffer and Martin Quencez write, “changed little after 1989, despite the elemental shift in the global security architecture,” instead carrying on the Cold War legacy. The imbalanced security arrangement between Europe and the United States has not been a good fit for decades, and the “time for slow and small-step approaches has passed.”

The shape and scope of U.S. leadership is also a question more than thirty years old. From the vantage point of 2019 the consensus behind a confident and robust global role for the United States that followed 1989 (and 1945 before it) seems to be an outlier. As Jack Janes notes, Americans are no longer sure they want to “bear any burden” and today's answers might need “a greater portion of humility than hubris.”

Fighting for a Democratic Future

Western hubris is an unavoidable charge of a reexamination of 1989. The U.S. National Security Strategy of 2002 opened on an unmistakably “end of history” note: “The great struggles of the twentieth century between liberty and totalitarianism ended with a decisive victory for the forces of freedom – and a single sustainable model for national success: freedom, democracy, and free enterprise.” This of course, with the gift of hindsight, manifests a glaring oversight of totalitarian China, whose sharp rise lies only a few years ahead. But there is also the issue of the “single sustainable model for national success.”

The model of Western democracy does not look as sustainable and successful as it did in 1990 or 2002. To understand why, we need to start with inequality. Timothy Garton Ash posits two forms of inequality: the inequality of wealth and the inequality of attention or respect. In her article in this volume, Anne Marie Brady looks at the former and outlines the troubling rise in inequality and precarious work within

most Western countries, but also among eurozone countries and between the EU's core and its periphery. The "convergence machine" of European integration has not materialized. Nor has improved equity been part of the progress of the last thirty years in most Western democracies; quite the contrary. The inequality of respect, the charge that elites have forgotten and ignored their less successful, less adaptive compatriots, as both Garton Ash and Kleine-Brockhoff discuss, is as well a problem within transatlantic societies and among EU states. It is a theme touched on by many of the authors here, and even the transatlantic opinion leaders who responded to our Brussels Forum Survey (p. 52) found inequality and elite failure to be the main threats to the future of democracy.

The biggest misinterpretation of 1989 may have been about the nature of the victory. The West did not defeat communism – it withstood, outshone, and outlasted it. Communism was not vanquished by a president in Washington; it crumbled because it failed. It failed to deliver peace and promise to its people. The irony of 1989, when one studies the data tied to economic reforms of the 1980s and early 1990s that Anne Marie Brady presents here, was that at the moment that the Cold War was about to be "won" a central tenet of the winning strategy was falling into neglect. George Kennan's containment strategy, as outlined in his Long Telegram was essentially two-parted: external and internal. Externally one should oppose Soviet expansion and internally one should resist the "malignant parasite" of communism by ensuring the "health and vigor of our own society." Including and beyond economics, the performance of almost all Western governments show little trace of health or vigor.

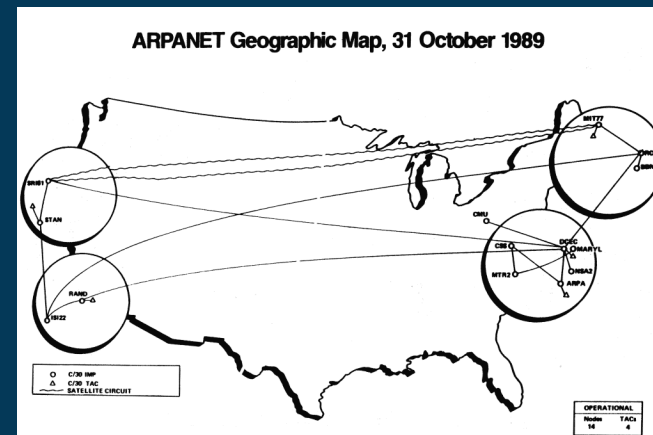
In the end, then, a reassessment of the past might lead us back to old answers. In the collection's opening article Thomas Kleine-Brockhoff, referencing historian Fritz Stern, urges liberal internationalists to resist the force of cultural pessimism in the face of neo-authoritarian and neo-nationalist gains. In 1946 Kennan made a similar entreaty,

to "abandon fatalism and indifference in face of deficiencies of our own society" lest our adversaries profit from our tepidness. Looking at the fight for the future of democracy in the final two articles of the collection, Laura Rosenberger and Lindsay Gorman point us where to start. "First," Rosenberger writes, "we need to recognize where the battle is playing out and show up" and when we do, "democracies need to present a competitive offer." Neither will be possible if short-term electoral gain and party loyalty are the only priorities of our political class. Certainly, emerging technologies are one of the places the battle is happening. Lindsay Gorman looks to the four technologies that will shape the future, and how democracies can compete. Thirty years after the Iron Curtain lifted, "a silicon curtain is descending," argues Gorman. To ensure that we do not find ourselves on the weaker side of the silicon curtain and are able to bring the persuadable states to our side, we will have to marry our morals to tech in a fundamental way.

Like the Internet, the world is not, as it turns out, an automatically democratizing place.

The victory of democracy and freedom in 1989 was not as unequivocal or robust as our original narrative had us believe, nor the future so certain. But the European revolutions of 1989 should still be inspiring. Like the Internet, the world is not, as it turns out, an automatically democratizing place. Tribalism continues to be a powerful force, even in wealthy democracies. Freer markets do not have to lead to freer people; capitalism and technology are as compatible with authoritarianism as with democracy. And yet, democracy remains a powerful idea that even today, and even against the mighty Chinese Communist Party, is driving people to the streets. Yes, democracies too can fail if they fail to deliver enough. But they need not. If we want freedom and democracy to have a future, we will have to work to ensure that we sustain them in our own societies, also by assuring that new technologies reflect and support these values.

FOUR 1989s



Liberal Overreach and the Misinterpretation of 1989

by THOMAS KLEINE-BROCKHOFF

When the Berlin Wall fell 30 years ago, many in the West dreamt of a Europe whole and free and at peace. This was back when the nations of Europe and North America agreed on the Paris Charter and its fairy-tale ending, a “new age of democracy, freedom and unity” for Europe, and implicitly, for the entire world. It turned out somewhat differently.

Three decades later, Europeans are neither unified nor do they all live in peace and democracy. In the rest of the world things do not look any more promising. Instead, the types of government that get by without too much liberal democracy have been making a comeback. A new nationalism is tightening its grip on Western countries. Its target is no less than the idea of an international cooperation that is built on norms, rules, and values. As German historian Andreas Rödder writes, today we are confronted with “the ruins of our expectations.”¹

What went wrong? What has led to the recession of democracy, the resurgence of authoritarianism, and ultimately the weakening of the liberal international order?

The small cohort of “populism experts” have placed the sources of the crisis in the domestic domain of Western democracies. They offer two related explanations, an economic one and a cultural one.

According to the economic thesis, an ever-increasing global division of labor has, over decades, prevented middle class incomes in many Western nations from rising. Income stagnation is deemed to be the cause of the feeling of being left behind, which, in turn, has caused anti-elite and anti-internationalist sentiment.² The other interpretation sees a cultural backlash against a one-world movement at work.³ As this narrative goes, globalization has made borders porous or even eliminated them, and has created uncontrolled migration, thereby

¹ Andreas Rödder, “Von historischen Erfahrungen und politischen Erfahrungen,” Speech at the Alfred-Herrhausen-Gesellschaft, September 2016, p.14.

² Branko Milanovic, “[Globalisation, migration, rising inequality, populism...](#),” Social Europe, December 1, 2017.

³ David Goodheart, “[On the Road to Somewhere, The Divide between Elites and the Populists](#),” National Review, August 21, 2017.

undermining the status of the nation state and its middle classes. This development has ultimately resulted a kind of political revolt.

These explanations are not mutually exclusive. However, their mix varies from country to country. For France, the United Kingdom, and particularly the United States, the economic thesis can help to explain what happened. These countries' industrial production has been exported to China on a broad scale.⁴ In several regions, this has led to the loss of well-paid jobs and to long-term unemployment.

Especially in the United States, income distribution is significantly more unequal today than several decades ago. Adjusted for inflation, incomes of full-time employees have not increased since 1980. In 1999, the median family income in the United States was at \$ 59,039. Seventeen years later, a typical family had just \$374 more at its disposal, again adjusted for inflation. The tremendous wealth gains that the innovation boom of the digital age has generated found their way almost exclusively to the bank accounts of the top 10 percent. Their share of the United States' gross national product has risen from 34 to 47 percent since 1980.⁵ It should not come as a surprise that people will revolt when they consider themselves the victims of globalization and stand watching a new economic oligarchy develop in their country.

The situation looks quite different in Northern and Central Europe. In Sweden, the economy has been growing since 2010, barely interrupted and at healthy rates. Growth rates of up to 6 percent are quite unusual for mature industrial societies. Consequently, the unemployment rate is decreasing seemingly without end. Germany has been enjoying its second economic miracle. Entire regions of the country report nearly full employment. The gains have not been all in precarious employments, either, as critics like to insinuate. In eastern Germany unemployment rates have been falling continuously, even if they are still higher than in western Germany. And inequality is

not rising at levels comparable to the United States. Compared with other Western countries, inequality is below average in Germany and has not increased significantly since 2005. Though recent data shows

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newly rising levels, this could be a transitory phenomenon. The German Economic Research Institute states that “net incomes have been increasing significantly for large portions of society.”⁶ When labor shortage is the most significant problem of the labor market, it is hard to argue that victimization from globalization and economic marginalization are at the heart of the anti-liberal revolt. As British historian Timothy Garton Ash put it at an event in Berlin, with regard to Germany “it’s not the economy, stupid!”⁷ He points out that economic factors simply cannot account for the rise of the populist Alternative für Deutschland (AfD),

given that four out of five AfD voters said they were doing well or even very well economically.

Inequality of Attention

This leaves the cultural thesis and the sentiment of cultural alienation and uprooting. It is remarkable how little attention has been paid to this phenomenon for years. According to Garton Ash, the ruling liberal majorities – in Germany as in other Western countries – have not only been ignoring dissenting opinions on migration and identity politics, they have also delegitimized such views. Whoever voiced what did not fall into the mainstream of liberal thinking was easily maligned as “sexist, racist, or fascist,” he says. Garton Ash attributes this behavior to an “illiberal liberalism” that will only tolerate liberal views, thereby turning liberalism on its head.

4 David H. Autor, David Dorn, and Gordon H. Hanson, “[The China Shock: Learning from Labor-Market Adjustment to Large Changes in Trade](#),” Annual Review of Economics, August 8, 2016.

5 Kenneth F. Scheve and Matthew J. Slaughter, “How to save Globalization,” Foreign Affairs, November/December 2018. See also the article by Anne Marie Brady in this volume.

6 DIW Berlin, [Deutlich zunehmende Realeinkommen](#) bei steigender Einkommensungleichheit, May 7, 2019.

7 See the interview with Garton Ash in this volume and the [lecture](#) delivered at the Center For Liberal Modernity, Berlin, November 29, 2018.

Garton Ash does not primarily focus on inequality of incomes but on inequality of attention and, as he calls it, an “asymmetry of respect.” It is precisely this respect – the acknowledgment and consideration of their views – that populist rebels want to regain. The semi-authoritarian nationalists from Poland’s Law and Justice Party (PiS) have developed a battle cry from this observation: they promise the “redistribution of dignity.” They want to grant attention to all those who see themselves as victims. What sounds like an emancipatory agenda for an ignored middle class, is in fact something entirely different: it is PiS’s justification for a massive critique of the elites that – according to its playbook – shall result in a change of elites. As PiS has demonstrated when handling personnel issues in the judiciary, the public media, and cultural and educational institutions, the gloves come off when it comes to putting a new ideologically aligned elite in place.

Whatever the mix of cultural and economic drivers for the rise of populism in different Western countries, the two theories are quite similar on one important count: they are both variants of a critique of globalization. Whether people consider themselves to be economically disadvantaged or culturally marginalized, they assume that the source of their oppression originates outside their country’s borders, either from migrants or from a global cosmopolitan elite to whom the national elite is falsely loyal. It is therefore paramount for them to regain control over their own fate by controlling these forces.

The Path to Liberal Overreach

The battle between those who prefer the economic explanation over the cultural explanation is – while intellectually engaging – a bit of a distraction for there is something else that has not been sufficiently considered in the discussion. It could be called the internationalists’ original sin: the self-serving and lazy interpretation of the events of 1989 and their consequences for the international order.

In retrospect it is evident that after the end of the Cold War Western countries settled into a naive optimism about the future of the world. It was commonly believed that the triumph of capitalism over

communism would translate into the global triumph of the Western model of organizing society. Governing elites in Western countries proved themselves to be willing students of the U.S. scholar Francis Fukuyama. They adopted, repeated, and trivialized his thesis about “the end of history” and his expectation of a lasting democratic peace. Unintended by Fukuyama, his theory became the blueprint of Western triumphalism. For it was not just optimism that won out, but a belief in democratic determinism.⁸ Hope for a better future turned into certainty about the course of history. Yale University historian Timothy Snyder identifies the “politics of inevitability” as a major consequence of this view, leading to a course of action that tolerated no alternatives and left individuals with a profound sense of a lack of agency.⁹

Since the goal of all politics was predetermined, according to the teleology of the times, it seemed as if the package of liberal democracy, economic freedom, uninhibited trade, and international cooperation no longer had to be fought for, justified, or exemplified. Some even seemed to believe that it was okay to take liberties with principles, values, and rules, and that they could allow themselves double standards and even pure recklessness. The only fitting word for this behavior is hubris.

Gradually, liberal overreach emerged: a belief in a glorious democratic future and a tremendous sense of entitlement promulgated throughout the West. At the same time, the will and the means to implement the necessary policies remained limited. The liberal world no longer knew adversaries (apart from some terrorists), only partners who were on course to become like-minded friends. This new world allowed its inhabitants to indulge in self-deception when listening to sermons on Western values on Sundays, while tolerating free riders and rule breakers during the work week.

8 Damir Marusic, “[The Dangers of Democratic Determinism](#),” *American Interest*, February 5, 2018.

9 Timothy Snyder, *The Road to Unfreedom*, London, 2018, p. 7.

It was easy to turn a blind eye to the fact that there were players within the international system who only pretended to play along. There was China, for whom economic opening meant that it would eventually adopt participatory governance, perhaps even some version of democracy. Western elites repeated this narrative until it was impossible to overlook that the country's leadership considers international rules merely a product of Western self-assurance that can be taken advantage of, can be bent, and can be broken whenever it serves the cause of the rise of dictatorial China.

Secondly, there was Russia, which seemed to be on course to become a normal, perhaps even democratic nation in Europe. According to this theory, reforms would be adopted to modernize the country and move it closer to the rest of Europe. Whenever Russia strayed from liberal orthodoxy, Western mainstream thinking was more than willing to call for more patience with it. Only a couple of military interventions later did even the staunchest believers have to own up to the fact that Russia's leadership does not intend to place the country on a path toward the peaceful liberal democratic land of plenty.

And finally, there were the Central Eastern European countries. They were especially important because they were considered to have permanently moored in the harbor of liberal democracy (which is why most of them became members of the EU and NATO). But as Branko Milanovic, former chief economist at the World Bank, asserts, 1989 was not just a triumph of Western values in the countries of Central Eastern Europe, but primarily a "revolution of national emancipation" – an emancipation from Soviet imperialism.¹⁰

For centuries, Central Europeans have fought for their own nation states. Finally, almost homogeneous national states had emerged. After 1989, their citizens were ready to accept market economy and democracy, but not ethnic heterogeneity. That contradicted their spirit of national self-liberation, no matter how strongly Western Europeans

insisted that ethnic heterogeneity was the natural consequence of freedom of movement and ultimately, an open society.

Over the past years, considerable efforts have been made to re-evaluate how large or small the group of the "Western liberals" in Central and Eastern Europe really was. Back then, it appeared larger and more influential than it really was because in reality it was an alliance

For Orban and Kaczynski, as for others, liberal democracy was not the political system of their dreams but a useful tool.

of liberals and nationalists. Even die-hard nationalists, as Milanovic writes, talked "the language of democracy because it gave them greater credibility internationally as they appeared to be fighting for an ideal rather than for narrow ethnic interests." This group included Viktor Orban and Jaroslaw Kaczynski – today the strong men of Hungary and Poland. Their metamorphosis from freedom fighters to anti-liberal nationalists is illustrative, for it

did not entail as much of a change as is often assumed. For them, as for others, liberal democracy was not the political system of their dreams but a useful tool.

In 2015, when the refugee crisis swept across Europe, the latent conflict between liberal democrats and nationalists in Central and Eastern Europe erupted. Confronted with a massive critique of their seemingly cold-hearted refugee policy (and sometimes even government-supported xenophobia), citizens argued that their elected representatives were faithfully representing the views of the majority and protecting the values of their country from messianic Western Europeans who preached a form of idealistic universalism that the Central Eastern Europeans were not committed to, did not believe in, and had never signed up to.

The question of how Europe will deal with this schism remains unanswered. Will Western Europeans treat Central and Eastern Europeans like "fallen" democrats? And will Central and Eastern Europeans adopt a posture of victimhood for the long term, thus deepening the divisions within Europe?

¹⁰ Branko Milanović, "[Democracy of convenience, not of choice](#): why is Eastern Europe different," Global Inequality Blog, December 23, 2017.

Only one thing is clear: in 1989, the number of supporters of a liberal worldview was smaller than assumed. The explanations for the events of 1989 were far too monocausal. The thinking about the possible consequences was too linear.

Pessimistic Determinism

Today, we are confronted with a similar danger: democratic determinism seems to give way to populist determinism – as if it was all but decided that neo-nationalism will dominate political life in several Western countries for years if not decades. In this narrative, the reasons for the rise of right-wing populism will not disappear with the current crop of its leaders. Once they are voted out of office, their successors will toe a similar line because of the unchanged preferences of the electorate. In other words: from the end of history to endless populism. Consequently, books with titles like *About Tyranny*, *The Road to Un-Freedom*, or *How Democracies Die* are flying off the shelves.

The problem with this type of linear thinking is that it extrapolates the future from present trends and tends to overlook countervailing tendencies. The analysis of the new fatalists often ignores that neo-nationalism itself gives birth to an opposition that will eventually lead to populism's downfall. Crises of nationalism, a loss of voter confidence, ultimately failure – all of that is not in the fatalists' calculations. Thus, they underestimate the resilience and the self-correcting powers of liberal democracy.

Cultural pessimism is a powerful force that one ought to resist.¹¹ That was Fritz Stern's warning 40 years ago. He urged Americans and Europeans not to engage in endless jeremiads about the impending decline of their nations, their continent, or the West as a whole. Cultural pessimism, he argued, could easily turn into cultural despair and thus become a destructive political force.

Humankind has always lived through periods of transformation. In fact, periods of stability and self-assuredness such as the past three decades have been rare. What Ian Kershaw observed in his grand history of postwar Europe remains true: “uncertainty will remain a characteristic of modern life.”

This essay is a translated adaptation from the forthcoming book: *Die Welt braucht den Westen – Neustart für eine liberale Ordnung*. Hamburg, September 2019.

A Narrative of Democracy's Rise and Decline

Phases based on Freedom House Annual Report Titles

Phase 1:
Uncertainty in the Face of an Unexpected Democratic Moment

- May 14, 1989 • "A Debate about the Inevitability, and the Fragility, of Democracy"
[New York Times](#)
- May 24, 1989 • "Communist Wallflowers Join Democracy's Dance"
[New York Times](#)
- Summer 1989 • "The End of History"
[The National Interest](#)
- May 3, 1991 • "Still Waiting for Democracy"
[New York Times](#)
- June 15, 1993 • "Tune in to Democracy"
[New York Times](#)
- July 1993 • "Die Fragilität des Triumphs"
[Frankfurter Allgemeine Zeitung](#)

Phase 2:
Era of Liberal Ascendancy, Democratic Age

- Jan. 14, 1996 • "The Triumph of Liberalism"
[New York Times](#)
- May/June 1997 • "Westernizing Russia and China"
[Foreign Affairs](#)
- Nov. 1997 • "USA – Die Herren der Welt"
[Der Spiegel](#)
- May/June 1998 • "A Second American Century"
[Foreign Affairs](#)
- March/April 2000 • "New World, New Deal: A Democratic Approach to Globalization"
[Foreign Affairs](#)

Phase 3:
Democracy Gap, Freedom in Retreat

- Sep. 17, 2002 • "The War on Terror: One Result: The Retreat of Liberal Democracy"
[New York Times](#)
- June 26, 2005 • "Who Are Americans to Think That Freedom Is Theirs to Spread?"
[New York Times](#)
- April 20, 2007 • "In China, Talk of Democracy Is Simply That"
[New York Times](#)
- Feb. 11, 2011 • "When Democracy Weakens"
[New York Times](#)
- Dec. 26, 2014 • "Why Democracy Is Failing"
[New York Times](#)

Phase 4:
Populists and Autocrats – the Dual Threat to Global Democracy, Democracy in Crisis

- Sep. 15, 2015 • "Across the Globe, a Growing Disillusionment With Democracy"
[New York Times](#)
- Dec. 26, 2015 • "Cracks in the Liberal Order"
[New York Times](#)
- April 14, 2016 • "The Death of Liberalism"
[New York Times](#)
- June 19, 2017 • "In 'The Retreat of Western Liberalism,' How Democracy Is Defeating Itself"
[New York Times](#)
- May/June 2018 • "Is Democracy Dying?"
[Foreign Affairs](#)
- June 1, 2018 • "Is the World Done With Liberal Democracy?"
[New York Magazine](#)

The End of Techno-Utopianism

by KAREN KORNBLUH

The optimism over the future of democracy globally that dominated U.S. foreign policy circles in the early 1990s had a tech companion, similar to the neoliberal faith in markets.¹ From the beginning and throughout the Internet's first decades, its policy architects were sanguine about an open Internet being a quasi-automatically democratizing force. It would provide a voice for the voiceless and power to the powerless. Like the other parts of the story of democracy, the Internet's role in free societies turned out to be murkier. Its open architecture allowed the Internet to become a global network that has fostered extraordinary innovation and empowered entrepreneurs, consumers, and political organizers. But along the way, some of the openness was lost and darkness crept in. Today, the Internet platforms provide too many opportunities for disinformation to corrupt democratic debate and online tools for deception are increasingly being weaponized by anti-democratic forces.

Large technology companies have come to dominate the online experience, constantly gathering users' personal data, often without their knowledge, and feeding it through proprietary algorithms to curate search results, recommendations, and news. Propagandists and extremists wishing to conceal their identities fund targeted ads and create armies of social media bots to push misleading or outright false content, robbing citizens of a basic understanding of reality. And authoritarians take advantage of technology to censor information and suppress dissent. It is past time for Washington to overcome its techno-utopian belief that the Internet can fix itself and instead take active steps to ensure that it is a tool to strengthen, not undermine, democratic values.

The most commonly told origin story of the Internet starts with the brilliant young entrepreneurs who invented life-changing technologies from inside their garages. In reality, the early Internet received significant help from the U.S. government. It grew out of the Advanced Research Projects Agency Network (ARPANET), a decentralized

¹ This essay is adapted from "The Internet's Lost Promise" in [Foreign Affairs](#), (Vol 97, Nr. 5, September/October). Copyright (2018) by the Council on Foreign Relations, Inc.

network created by the Pentagon that was designed to withstand a nuclear attack. The inventors of the Internet Protocol and the World Wide Web received government grants and support from government research labs.

In 1989 the first commercial dial-up provider offered access to the Internet and in February 1990 ARPANET was officially decommissioned, ending formal military involvement in what would soon be known as the World Wide Web. The U.S. government, however, continued to shape the Internet's development through policy. In the mid-1990s, when the Internet was beginning to enter people's homes and workplaces, the U.S. government aggressively

The U.S. government aggressively promoted competition, a choice that allowed the early Internet to flourish.

promoted competition with the existing telecommunications network, a choice that allowed the early Internet to flourish. The Federal Communications Commission exempted Internet service providers, such as AOL, from paying the charges that long-distance carriers had to pay and implemented the Telecommunications Act of 1996 in a way that, for a few years at least, opened the regional phone companies up to competition, stimulating billions of dollars of spending on the

deployment of broadband networks. When Congress passed the 1996 Communications Decency Act, it included a provision – Section 230 – that largely freed certain Internet companies from liability for third-party content posted on or moving across their networks or platforms. Combined with the decentralized design of the Internet, these policies promoted a medium that allowed users to exchange information freely.

The United States proselytized its pro-openness policy framework abroad. In 1997, Washington negotiated an agreement through the World Trade Organization that committed 67 signatory countries to “procompetitive regulatory principles” when it came to telecommunications, paving the way for the global Internet. And to set the rules of the road for the Internet, it endorsed a handful of “multistakeholder” organizations, including the Internet Corporation

for Assigned Names and Numbers (ICANN), which manages the domain-name system, and the Internet Engineering Task Force (which promotes technical standards). This framework promoted competition, provided new avenues for sharing information, and allowed the Internet to become a vibrant platform for free expression and innovation. The Internet seemed to be ushering in a new era of democratization and entrepreneurship. By 2011, it was being credited with causing the Arab Spring.

But by then, the Internet had changed greatly. Early on in its history, users communicated directly, and e-mail was the “killer app.” With the advent of the World Wide Web, users could easily generate and share their own content. But today's digital platforms – including Amazon, Facebook, Google, and Twitter – use algorithms to organize the user experience. Social media companies earn more ad revenue the longer they can get people to spend on their platforms and the more narrowly they can target them, and so they have every incentive to gather as much data as possible and feed it into algorithms that optimize the content their users see.

At the same time, the offline world moved online. In a 2017 survey of Americans conducted by the USC Annenberg School for Communication and Journalism, respondents admitted spending an average of 24 hours a week online. Forty percent of them said they thought the Internet plays an integral role in U.S. politics, and 83 percent reported that they shopped online. Most of the relevant government policies were designed when the Internet was just a fringe part of people's lives, but it has come to touch nearly every aspect.

News also moved online,² with more people now getting it through the Internet than from television, as did advertising. As a result, print journalism's economic model fell apart. Previously, when the future of news seemed in question, Americans publicly debated what role media should play in a democracy. Congress regulated growing forms

² Pew Research data shows that almost as many people now get their news from the Internet as from television.

of media, with the 1927 Radio Act and then the 1934 Communications Act requiring broadcasters to act in the public interest as a condition of their receiving licenses to use the public airwaves. Civil society joined the debate, too. After the Second World War, the Commission on Freedom of the Press, led by Robert Hutchins, the president of the University of Chicago, concluded that mass media must be committed to social responsibility. And in 1967, the Carnegie Commission on Educational Television issued a report on how to bring public broadcasting to U.S. households, spurring the passage that same year of the Public Broadcasting Act, which established the Corporation for Public Broadcasting. But when online news took off, no such examination took place.

In short, as the Internet grew more centralized and as its role expanded, policymakers failed to keep up. When it came to updating regulations for online activities – whether the matter at hand involved political advertising or privacy – the Internet was treated as a special realm that did not need regulation. And the bad guys took notice.

Digital Dictators

In the heady days of the Arab Spring, some observers believed the Internet gave dissidents a distinct advantage over their oppressors. But the despots largely learned to use the technology for their own ends. It turned out that even though social media and other technologies can help protesters, they can also help the state.

A 2018 report by Freedom House found that Internet freedom had declined globally for the eighth year in a row as China, Russia, and some Gulf states deployed a number of sophisticated methods for restricting access to online information and to communication tools. They have blocked virtual private networks, making it harder for users to evade censorship controls, and they have done the same with encrypted messaging apps such as Telegram, robbing dissidents of the ability to organize confidentially. In the Philippines, President Rodrigo Duterte has enlisted an army of paid online followers and bots to

project an atmosphere of public enthusiasm and intimidate his critics. Sometimes, autocrats even get private companies to do their bidding. The Turkish government, in the midst of a crackdown on opposition since a failed coup attempt in 2016, forced Facebook to remove content. (Wikipedia left the country rather than edit or remove content.) And in some countries – notably China, Iran, and Russia – governments require that citizens' data be stored in the country.

The most sophisticated effort comes from China, which, in addition to its Great Firewall, is developing a system of “social credits,” which takes the idea of a credit score to its creepiest extension. The idea is to aggregate information from public and private records to assess citizens' behavior, generating scores that can be used to determine their opportunities for employment, education, housing, and travel. China is using facial recognition and vast data to exert control over the ethnic Uyghurs in western China in a high-tech update of the mass surveillance and societal control of East Germany's Stasi and, before that, Hitler's Germany.³

The United States has struggled to respond to the online authoritarian threat. As secretary of state, Hillary Clinton championed an Internet freedom agenda to empower dissidents. The State Department devoted tens of millions of dollars to programs aimed at enhancing Internet access, fighting censorship, and creating technologies to circumvent controls. And in 2016, it established the Global Engagement Center, which was charged with coordinating efforts to counter propaganda spread by states and nonstate actors alike. All the while, the tools for surveillance and control have grown more sophisticated.

Hacking democracy

Not only has the Internet been used to strengthen authoritarian states; it has also been used to weaken democracies.⁴ As detailed in

³ Alvar Freude and Trixy Freude, “[Echoes of History](#): Understanding German Data Protection,” October 1, 2016, Bertelsman Foundation.

⁴ For more on this see Laura Rosenberger's article in this collection.

the indictments issued in February by Robert Mueller, the U.S. special prosecutor investigating Russian interference in the 2016 presidential election, Russian operatives created fake online personas aimed at spreading false information. For example, a Twitter account by the name of @TEN_GOP purported to represent the Tennessee Republican Party and posted a steady stream of content supporting Donald Trump, the Republican nominee. In fact, it was run by the Internet Research Agency, an organization linked to the Russian government that is responsible for online influence operations. A particular goal was to depress African American turnout in order to hurt Clinton's campaign. As an investigation by CNN found, one social media campaign called "Blacktivist" was actually a Russian troll operation; it had more "likes" on Facebook than the official Black Lives Matter page.

Those who organize disinformation campaigns on social media exploit commercial data-gathering and targeting systems. They sweep up personal data from a host of sources across different devices and categorize people by their behavior, interests, and demographics. Then, they target a given segment of users with ads and bots, which encourage users to like pages, follow accounts, and share information. In this way, disinformation campaigns weaponize digital platforms, whose algorithms seem to reward outrage because that is what keeps users engaged. As the scholar Zeynep Tufekci has found, YouTube's recommendation algorithm steers viewers toward increasingly radical and extremist videos.

To be fair, the big tech companies have begun to wake up to the scale of the problem. After the consulting firm Cambridge Analytica was found to have collected the personal information of 87 million Facebook users for use in political campaigns, CEO Mark Zuckerberg testified in Congress that Facebook would extend worldwide the controls it is implementing to satisfy the EU's General Data Protection Regulation. (But the company's removal of non-European data from European servers, which puts the information out of reach of EU regulators, raises doubts about his commitment.) By January 2018, Twitter had publicly identified 3,814 accounts associated with Russia's Internet Research Agency and estimated that approximately 1.4 million people may have

been in contact with those accounts. The scale of the challenge facing Facebook, as it tries to clear "bad actors" from the system, is staggering. Richard Allan, the company's vice-president for public policy, said it had taken down 2.8 billion fake accounts between October 2017 and November 2018.⁵ All these companies have taken steps to increase transparency when it comes to who has paid for a particular political ad. There are also the cases of sites like Infowars – a conspiracy theory site that has propagated the idea that school shootings are hoaxes and their victims "crisis actors" – which Facebook has allowed to operate a page with over 900,000 followers. After almost a year of controversy, Facebook finally removed the real accounts of Infowars and its director Alex Jones in May.

Once again, public policy has not kept up. There is no federal agency charged with protecting U.S. democracy in the digital age, and so the only cops on the beat are the Federal Trade Commission (FTC) and

There is no federal agency charged with protecting U.S. democracy in the digital age, and so the only cops on the beat are the Federal Trade Commission and the Federal Election Commission.

the Federal Election Commission (FEC). The FTC is charged with the wide-ranging task of consumer protection and lacks sufficient staff and authority to address most of the challenges specific to the weaponization of the Internet. The Obama administration proposed an update to privacy laws that would have given the FTC more power when it comes to that issue, but Congress never took it up. And, although a draft of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act contained a provision to give the FTC rule-making authority, this was stripped out before the bill passed. The FEC, for its part, is perpetually stalemated along partisan

lines, just as it was in 2014, when a vote regarding whether to require transparency in online political advertising ended in a deadlock. For the most part, the government has left it to individuals and digital platforms to design their own defenses, and they are falling short.

⁵ The Guardian, "Inside [Facebook's War Room](#): The Battle to Protect EU Elections," May 5, 2015,

Intervention For Openness

Even though public policy played a large role in enabling the creation and growth of the Internet, a mythical, libertarian origin story arose, which fed the belief that the Internet is so open that regulation is unnecessary – indeed, that government is like Kryptonite to the Internet. This was also a convenient narrative for opponents of regulation, who fought updating rules to fit the online world for economic or ideological reasons. But Washington must act now to prevent the further weaponization of the Internet against democracies and individuals attempting to exercise their human rights – and to do so without sacrificing democratic values such as freedom of expression. The history of the Internet’s founding offers the right model: intervention on behalf of openness.

To help tilt the balance against autocrats, the U.S. government should fully fund and staff the State Department’s Global Engagement Center, which was leaderless until early 2019, so that it can coordinate support for activists abroad and counter disinformation and extremist content. Washington should also continue to support the efforts that the Broadcasting Board of Governors, the federal agency that oversees Voice of America and other broadcasters, is making on this front, including developing tools that help dissidents get online and backing the fact-checking website Polygraph.info.

There are also ways to reduce the opportunity for so-called dark money and dark data to undermine democracy. Congress should pass the Honest Ads Act, a bill proposed in October 2017 that would apply television’s rules on disclosing the funding behind political advertising to the Internet. Despite being a bipartisan bill, it has yet to make it out of committee. Platforms should be required to insist that entities buying political ads provide information on their donors, as well – and to verify the identity of those donors and disclose that information publicly in a sortable, searchable database. In order to deal a blow to microtargeted disinformation, Congress should borrow from Europe’s General Data Protection Regulation: organizations should be required to treat political and philosophical data about users as sensitive

information – so that it cannot be collected and then used to target political advertising without express permission. Users should also have more data rights, such as the ability to take their data to another platform or use it interoperably.

Digital platforms should find a way to offer users more context for the news their algorithms present. They might do so through some

The victims of the policy lag have been those who initially benefited the most from the Internet: democracies, champions of freedom, and ordinary citizens.

method of differentiating those news outlets that follow accepted journalistic practices (customs such as having a masthead, separating news from opinion, and issuing corrections) from those that do not. The platforms should be required to take down fake accounts and remove bots unless they are clearly labeled as such. The largest social media companies – Facebook, Twitter, and YouTube – need to be transparent about their content-moderation rules. Regulation might even require certain platforms to provide due-process protections for users whose content is taken down. And a narrow change to Section 230 could eliminate

immunity for platforms that leave up content that threatens or intentionally incites physical violence.

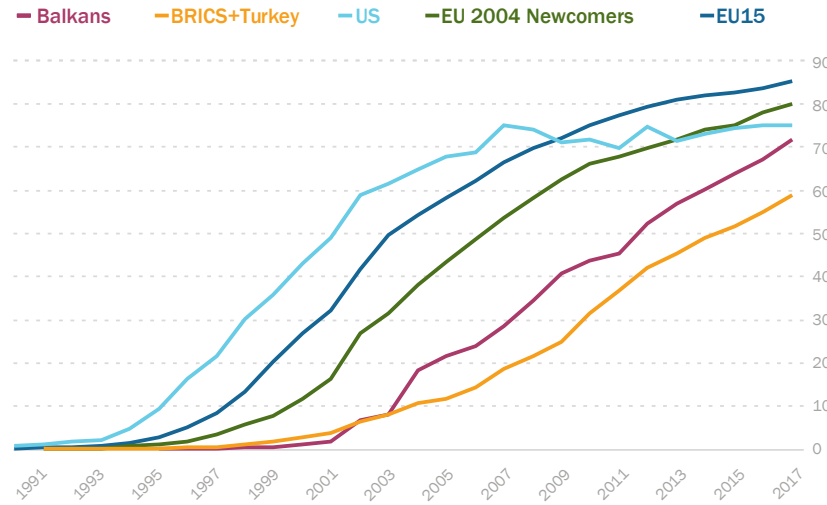
Change must come from the top. President Trump himself repeatedly refuses to acknowledge Russia’s interference in the 2016 election, despite the clear findings of the intelligence community. In May 2018, the National Security Council eliminated the position of cybersecurity coordinator and handed the portfolio to a deputy with many other responsibilities. That decision should be reversed, and foreign information operations should be treated as seriously as cyberattacks are. And at the international level, Washington should promote its approach through multilateral organizations and provide technical assistance through the World Bank.

What is needed is U.S. leadership. The European Union has begun to create policy responses, but the United States is needed to force a

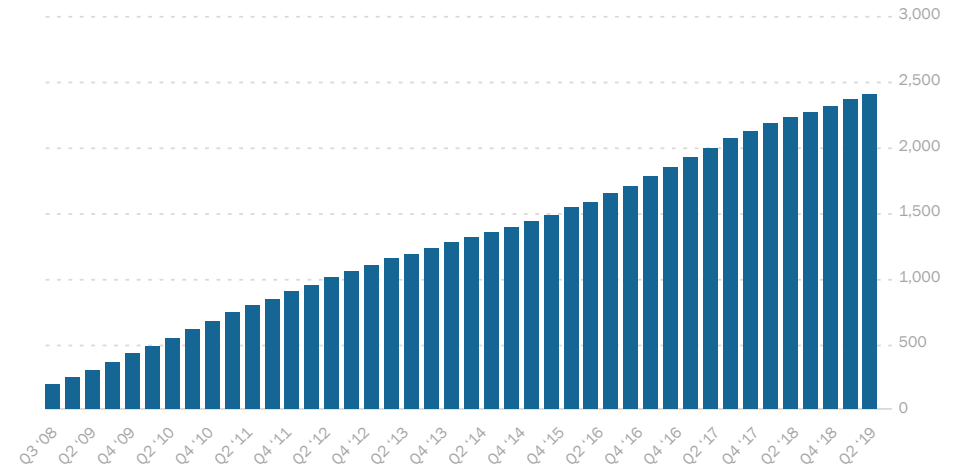
redesign of the online public square – and to build consensus around new international norms for the use of technology. The Internet would never have become such a transformational technology were it not for openness – a quality that was inherent in its design, but also nurtured by government policies. But over time, those policies did not keep up with changes in technology or the way it was used. The victims of this lag have been those who initially benefited the most from the Internet: democracies, champions of freedom, and ordinary citizens.

It is time for them to take back the Internet. The United States is uniquely positioned to assume the lead in this task. As the promoter of the key early policies and the home to many of the largest Internet companies, only it can drive the development of a framework that ensures the openness and transparency necessary for democratic debate without harming innovation. But if the United States shirks its responsibility, it will further empower the adversaries of democracy: revisionist states, authoritarian governments, and fraudsters bent on exploiting the Internet for their own, dangerous ends.

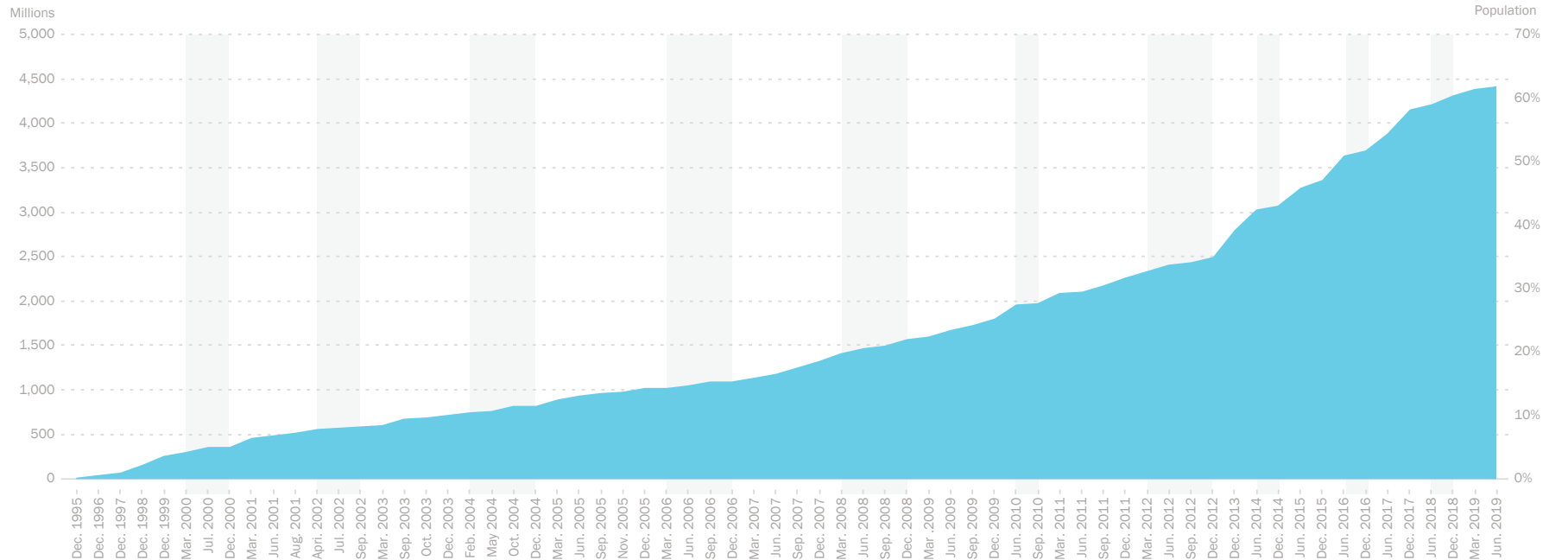
Share of Individuals Using the Internet (in % of Population)



Facebook users worldwide (millions)



Global Internet Usage



Source:
World Bank,
IDC,
C.I. Almanac,
Nua Ltd.,
Internet World
Stats

1989 with Chinese Characteristics

by JANKA OERTEL

While the 30th anniversary of the peaceful revolution that led to reunification of Germany and the end of the Soviet Union is celebrated in the West, China's leadership had hoped their 1989 would go unremembered. It did not happen that way. The world has changed enormously since the Chinese Communist Party (CCP) clamped down on protests in Tiananmen Square on June 4, 1989. China has become almost unrecognizable after decades of record growth and development of singular scale. But as the anniversary and the recent events in Hong Kong demonstrate all too well, the CCP has remained remarkably unaltered. Despite decades of change and growing prosperity, it holds fast its grip on control – now more enabled by deep pockets, unparalleled propaganda prowess, and global clout.

It is well worth reexamining the lessons of 1989 vis-à-vis China. First, because the Tiananmen shock reverberates until today within the CCP. But also because the West did not pay close enough attention at the time, and for too long afterward allowed false assumptions to shade its perception. The West believed CCP control could not survive economic revolution, but it did. And the party has gained new tools, ushering in a twenty-first century version of technologically enhanced authoritarianism. And yet, there are also fissures in the picture of total control. People are again taking to the streets in massive numbers to challenge the party's power and to demand civil rights and democracy. However closely 2019 ends up mirroring 1989, this time the West needs to pay closer attention.

In 1989, just a decade into the reform and opening-up process initiated by Deng Xiaoping, China was still a negligible economic power. The CCP leadership had begun to experiment with price liberalization and attempted to slowly move away from the state-planned economy of the Mao era to a greater market orientation. In the 1980s, this resulted in economic growth, but also in inflation. Paired with discontent with the CCP leadership, due in large part to rampant corruption, unrest sprouted throughout the country. This culminated in mass protests in Beijing, led by students and supported by many workers and ordinary citizens of China's capital.

After the brutal crackdown in Tiananmen Square, a political cleanse followed. Progressive elements within the CCP leadership who had been driving liberalization were marginalized. For the party, the lessons of 1989 dictated firm control. Until today, continuous economic growth and increasing prosperity are seen as crucial to prevent public disquiet, and political liberalization is viewed as a threat to one-party rule.

Capitalism with Chinese Characteristics

The events at Tiananmen Square only temporarily derailed China's economic transformation. Market-opening reforms resumed shortly afterwards and China eventually became a member of the World Trade Organization in 2001, not because it had suddenly transformed into a full-fledged market economy, but because it had great potential. An overconfident West, inebriated by its own dominance, firmly believed in the power of capitalism to bring about change – and economic gains.

Within the restraints of the CCP's written and unwritten rules, the Chinese people managed to engage in unprecedented economic activity, which led to a stunning output and made China the prodigy of global growth. In 1989 China's GDP was around \$350 billion, roughly the size of South Africa's today. In 2018, its GDP was \$13.6 trillion (PPP), making China the second-largest economy in the world. Even as China took an ever larger position in the global economy, policymakers in the United States and Europe, convinced of their own 1989 narrative, remained certain that Chinese communism would soon be a thing of the past.

Western economic elites, caught in the gold rush of the China business, were happy to buy into the "change through trade" notion.

Western economic elites, caught in the gold rush of the China business, were happy to buy into and reinforce the "change through trade" notion. Western companies benefited enormously from trading with and producing in China, as did Western consumers who soon became

accustomed to low prices for their most wanted consumer goods. CCP leaders in China, however, held tight to the political lessons of their own 1989 experience, pushing firmly against the political change that the West anticipated.

The China Challenge

The international system that emerged after 1989 was favorable to China's stability and development. To this day, the country's leadership, now under Xi Jinping, has every reason to defend existing multilateral mechanisms. Over time, the CCP learned how to work within these structures while subtly altering them, hollowing out liberal principles to favor its own form of governance.

But the existing order is reaching its limits, as is the patience of European and U.S. officials, who have been lobbying for greater market access and reciprocity for decades. China is reinventing the rules of the game and challenging traditional economic and political assumptions. The state continues to play a dominant role in the Chinese economy, and the party calls the shots.

The United States has decided that the Chinese system is irreconcilable with the principles of free and fair trade and that it will no longer tolerate China's aggressive state capitalism. A broad consensus across party lines has emerged that views China's rise as the greatest challenge to U.S. prosperity and security. The incumbent and the emerging superpower are in strategic competition for power and influence in the world. President Donald Trump targeted China and its "unfair trading practices" during his election campaign, and conflict in the form of tariffs and counter tariffs has become the new normal of Chinese-U.S. relations. Talk of "decoupling" the two economies and a new Cold War has emerged, a great-power confrontation reminiscent of the 1980s. It does not seem reasonable, but it also seems nearly unavoidable.

In Europe, some still harbor hopes that China will come around and move further into a market-economy direction. Perhaps nowhere is

this wish more pronounced than in Germany. German businesses and politicians have put even more of their eggs in the Chinese basket than those of other countries. Having always boasted a close relationship with Beijing, Berlin now finds itself in a key role. China's leadership recognizes this and is keenly campaigning for German favor. Turning away from the China business is not an option for many of the major German companies, as some of them generate almost half of their turnover there. Yet developments may be beyond their control. The economic disruptions that result from the confrontation between China and the United States could have a grave effect on Germany's prosperity.

What makes things harder for Europe is that the rivalry between the United States and China is not limited to economics. For Europe's most important ally, Beijing has become not just an economic but a military challenge. China does not constitute a direct military threat to Europe currently, but that could change faster than Europeans think. And this at the same time as the U.S. security guarantee no longer seems immutable.

The concurrence of transatlantic tensions and the confrontation between China and the United States has put Europe yet again on the frontlines of a systemic competition. Neutrality is not an option, but neither is unconditional transatlantic allegiance in today's world. Thirty years after the end of the Cold War, the China challenge is forcing Europe to figure out where it stands.

Do Not Underestimate the Moment

It is worth reflecting on the events of 1989 to inform decision-making in the present. As Gideon Rachman has noted, the events on Tiananmen Square had greater significance for the future of global order than initially recognized. Civic protest led to revolutionary change in Europe, but was crushed to assure continued CCP rule in China. That the party could resist the pull of political liberalization for three decades seemed impossible to too many in the West for too long.

Thirty years later, a new and surprisingly strong uprising against the CCP is unfolding. The citizens of Hong Kong have taken to the streets at this historic moment, protesting Beijing's increasing grip on power on one of the last bastions of independence – the judicial system – demonstrating that there is limited tolerance for China's subversion of

The next domestic battle for power will likely not be won or lost by tanks and machine guns, but in the digital space.

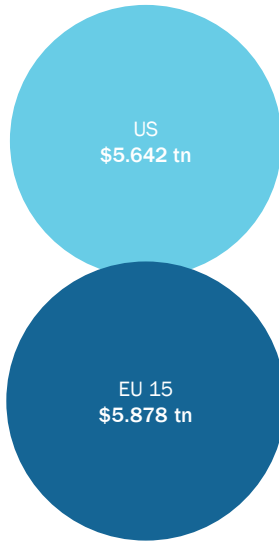
the rights guaranteed by Hong Kong's Basic Law, especially among the young. They are also demonstrating that tech savvy demonstrators armed with laser pointers and cell phones can challenge even sophisticated surveillance networks.

The economic super power cannot afford another Tiananmen. But the next domestic battle for power will likely not be won or lost by tanks and machine guns, but in the digital space, for better or for worse. The scale of protest in Hong Kong is drawing attention to the existing cracks in the Communist Party's carefully crafted narrative of economic power without the nuisance of independent courts and democratic control.

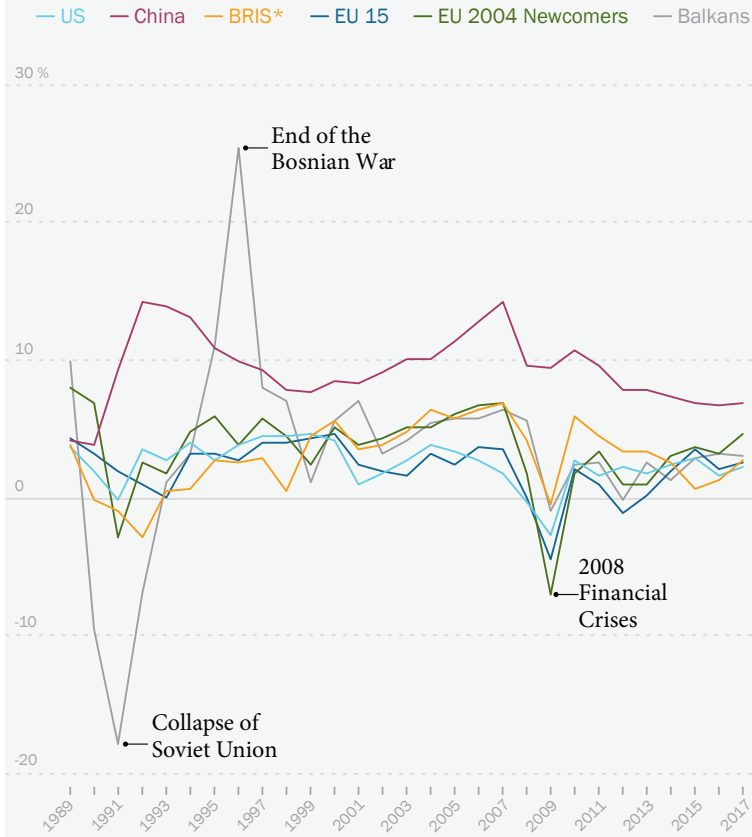
At the moment (September 10) it seems unlikely that the protests will have a lasting effect beyond Hong Kong's borders, but it is indicative of Beijing's policy priorities. Europe will have to step up its game quickly and wake up from its strategic slumber of the post Cold War era, redefining its relations with both Beijing and Washington. What happens in China now will shape Europe's options for the years to come. Underestimating another historic moment in East Asia could have devastating consequences.

Gross Domestic Product

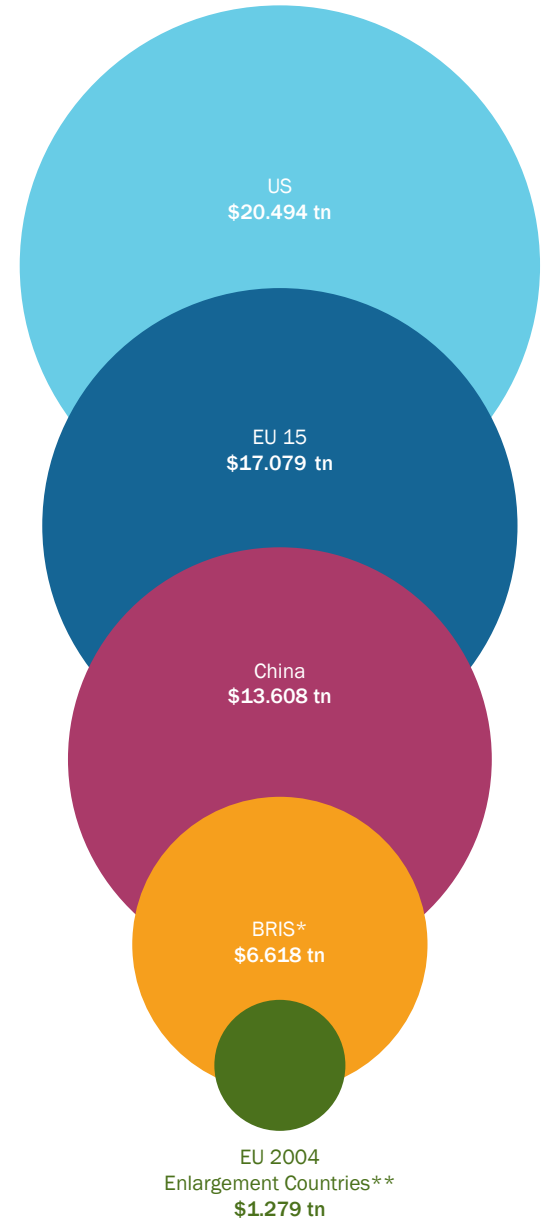
1989
Avg GDP



GDP Growth
Annual Avg



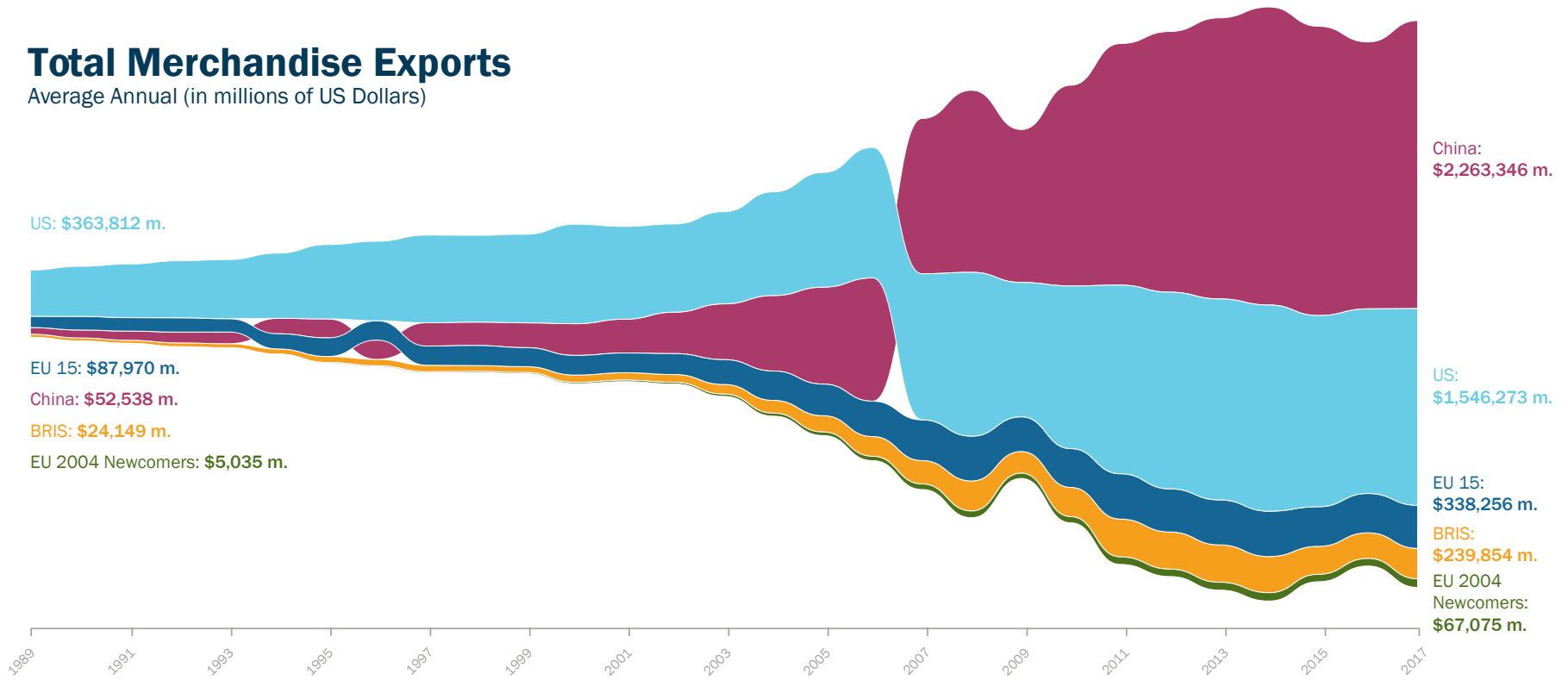
2018
Avg GDP



*BRIS: Brazil, India, South Africa, Russian Federation
 **EU 2004 Enlargement Countries: Czech Republic, Cyprus, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia

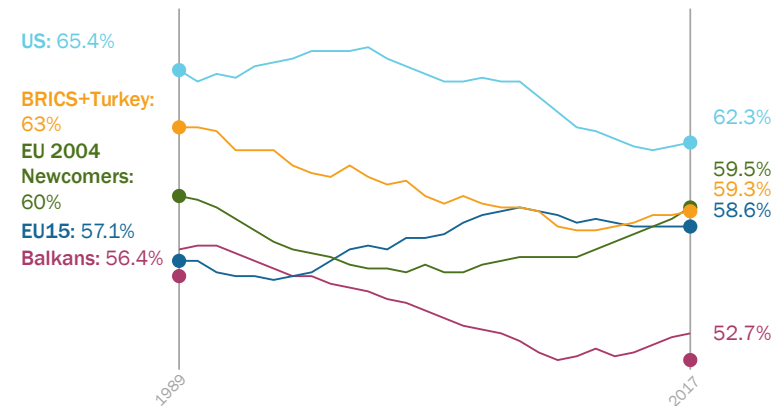
Total Merchandise Exports

Average Annual (in millions of US Dollars)



Labor Force

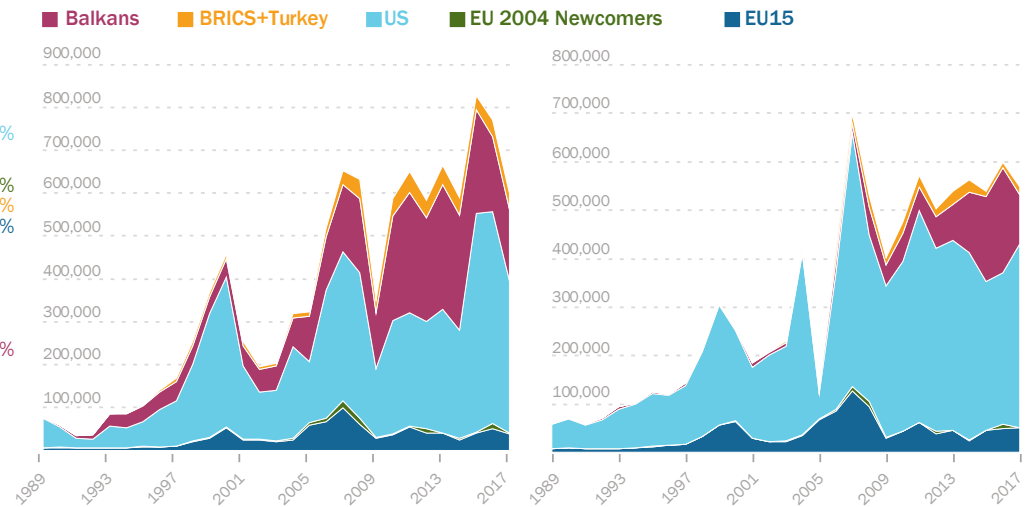
Average Participation Rate (in % of total population 15+)



FDI

Average Net Inflows in trillions of USD

Average Net Outflows in trillions of USD



Yugoslavia 1989: A Story of Unfated Events

by PAUL HOCKENOS

It is tempting to look back into the history of socialist Yugoslavia and see the bloodshed of the 1990s as the culmination of an inexorable march of history. But in 1989 very few Yugoslavs saw the wars coming – and, indeed, options presented themselves that could have led the multinational state of 23 million people in other directions.

For many of the peoples of Yugoslavia, 1989 was a year of change and hope. Socialist Yugoslavia was a soft version of “democratic centralism,” so far from that of its Central European cousins that the ruling ideology even earned its own label, namely “Titoism,” after its leader from 1945 to 1980, Josip Broz Tito. Since the 1970s, the peoples of Yugoslavia’s six constituent republics had enjoyed ever more significant but not absolute freedoms, such as the ability to travel abroad, a high degree of artistic liberty, and a lively but still-censored press.

The situation for Yugoslavs in 1989 did not change dramatically from one day to the next as it did for the Central Europeans, even though the nightly news programs were dropping one bombshell after another: power plays in the party, historians violating postwar orthodoxy, trade wars between republics, demonstrations in faraway Kosovo, an outspoken Serb politician named Slobodan Milosevic on the move.

Social and political reforms had been stopping and starting for nearly two decades, and they quickened pace with Tito’s death in 1980. By 1989, independent-minded reformers inside the communist party were pushing up against old-school traditionalists – and nationalists of a variety of stripes in the republics were cranking up the rhetoric against centralists as well as the other republics. Throughout 1989, and even well into 1990, critics and discontents challenged much in the system but, critically, not the legitimacy of the idea of Yugoslavia itself, a patchwork state of peoples and ethnicities that had somehow, despite all of its shortcomings, managed to provide its peoples – though more so in the north than the south – with a standard of living higher than ever before and a relaxing stretch of peaceful

coexistence. (Central to what happened in 1989, this living standard was by then plummeting while foreign debt had skyrocketed, unemployment rose to 17.5 percent, and inflation topped 120 percent.)

Most Yugoslavs welcomed the new spaces and ideas that sprouted from the cracking façade of socialism, including the liberty to identify more openly with one's ethnicity, be it as a Serb, Croat, Muslim, Slovenian, Montenegrin, Macedonian, or Kosovo Albanian. In Slovenia and Croatia, associations that looked a lot like proto-parties popped up in the course of the year. Long before the Central Europeans imagined that they would overthrow Soviet-style communism, in Yugoslavia the possibility of multiparty pluralism and even elections flickered on the horizon.

There were prominent, popular figures in the country, such as the forward-thinking Prime Minister Ante Markovic, who saw the fluid moment as right to reform Yugoslavia for the better: to modernize

Most Yugoslavs welcomed the new spaces and ideas that sprouted from the cracking façade of socialism, including the liberty to identify more openly with one's ethnicity.

its stalled economy and institute liberal political reforms that would democratize the state without destroying it. The force of Titoism had perished along with its progenitor leaving a vacuum that begged to be filled. While socialist Yugoslavia's day was over, a different, more democratic, loosely organized Yugoslavia may well have stood a chance, had more prominent persons in the country, as well as international powers such as the EU and the United States, more resolutely backed it instead of waiting until it shattered. In 1989 there was no popular consensus that the country be divided into

ethnically homogenous nation states. I can remember friends in Belgrade showing me a map of one of the six republics, the triangle-shaped Bosnia Herzegovina, and explaining to me how impossible it would be to separate its ethnic hodgepodge of peoples. In some form, Yugoslavia had to survive, they told me. But there was not time or peace of mind to openly discuss the alternatives.

Markovic's idea of reworked Yugoslavia as a democratic federation was one option – and a popular one, particularly in urban centers, in 1989. The economist Bogdan Denitch argued that Yugoslavia had the best prospects of any Eastern European country to transition smoothly to democratic socialism or social democracy.

What Might Have Been

But in a region with weak democratic traditions, the odds were long, especially with the northern republics of Croatia, Slovenia, and Serbia furiously agitating against one another on issues of trade, tax revenues, and control of the federal presidency, the country's foremost governing body. The nationalist shouting match grew ever more raucous as some prominent intellectuals endorsed a fierce ethnic nationalism that echoed wartimes past and precluded reasonable cooperation to redesign the multinational country. In February 1989, for example, the nationally minded historian and former Yugoslav general Franjo Tudjman made a public appearance at the Writer's Association of Croatia in Zagreb, where he spoke of a new nationalist party that looked out for the interests of Croats alone.

In the largest republic, Serbia, Milosevic – a former banker and communist party loyalist – became president in May. Two years prior, he had tasted the power of nationalism firsthand in Kosovo, where he spoke with the minority Serbs in the ethnic-Albanian-populated province and promised to protect them. As Serbian president, Milosevic stripped Kosovo and the northern province of Vojvodina of their autonomy and set about procuring Serb domination of the country. His machinations served to ramp up nationalist passions across the country and greatly diminish the possibilities for a collectively negotiated, all-Yugoslav way out of the crisis.

Looking back at the year 1989 in Yugoslavia, it is understandably taxing to imagine how events could have taken an entirely different course than they did, which was ending in the terrible wars, millions of refugees, and over 100,000 casualties. Perhaps Markovic's democratic federation was a chimera, but there was nothing inevitable

about the descent into such violence. The lateness of Western Europe's response, which was never unified, and the irresponsibility of the region's national populist politicians, literati, and returned exiles ensured that Yugoslavia's disintegration would be a bloody one.

The region is still paying for those choices today. Fragmented and stuck in transition, former Yugoslavia is now comprised of two EU states, two international protectorates, two EU accession countries, and one still struggling to become an accession country. The scars of the war and ethnic hatred inform everything and hold all of these countries back, and together with the persistent corruption they chase the smartest of the younger generations to more promising futures elsewhere in the world. To its detriment, Western Europe and the United States failed to pay sufficient attention to Yugoslavia's fragility in 1989; at the very least they should not repeat that mistake today.

Freedom's Legacies

“Ideological competition is actually good for us.”

Interview with Timothy Garton Ash

by Rachel Tausendfreund

RT: You were on a panel at Brussels Forum where you discussed 1989 and I’m going to ask you to start there. You said 1989 was the best year in European history. Tell us why.

Garton Ash: That’s quite a claim, isn’t it! I put it out there as a challenge and I haven’t yet had anyone come back and say: “What about 1783?” So why do I make that bold claim? Because an extraordinary set of things happened or started to happen then. The peaceful, almost entirely peaceful dissolution of an enormous nuclear-armed, post-totalitarian empire. Empires don’t normally collapse peacefully; this one did. The invention by the states and societies of Eastern Europe of a new model of revolution, non-violent, negotiated revolution, the model of 1989 replacing the violent revolution model of 1789 and 1917, freedom and life chances for more than a million people, transitions – difficult, imperfect transitions – but nonetheless transitions to liberal democracy all over Central and Eastern Europe. And in a way the most remarkable bit, the peaceful extension of the Western transatlantic order, which we had built only between Western Europe and North America, post-1945, to virtually the whole of Europe, not entirely, but most of Europe. We got pretty damn close to a Europe whole and free in President George H. W. Bush’s great formulation. That’s quite a lot to happen in one year.

RT: If we got pretty close to a Europe whole and free soon after 1989, when do you think was the closest we got? When did the decline start, if you had to pinpoint a year?

Garton Ash: So, I’m told that in California one can now be cryogenically frozen. And if I had been cryogenically frozen in 2004 I would have gone to my temporary rest a happy liberal European. That was the high point. Most essentially Eastern Europe coming into NATO, and either into the EU or just about to come into the EU. The euro seemed to be going well, and Europe was going to get a constitution, remember that? What is more, I witnessed this first hand, the Orange Revolution in Ukraine. I will never forget standing on the Maidan, freezing cold, in a sea of Ukrainian and European flags. So successful did the liberal European model look that the people around it still wanted to join.

That's also in my view the start of what I call the anti-liberal counterrevolution. As the Russian journalist Konstantin Von Eggert once said, the most important event in Russian politics in the last 20 years happened outside Russia, and he meant the Orange Revolution in Ukraine. That's when Putin woke up and found the West coming to his door, in his backyard, as he sees it. That is when you get the anti-liberal pushback. And then of course we, the West, in our hubris and liberal overreach, crash our own financial system. The reverberations of the financial and economic crisis still linger, the damage it's done to the soft power of the West, we are still paying for that in 2019.

RT: There are two currents in the story so far. On the one hand, the anti-liberal counterrevolution you mentioned, which started in earnest around 2004. And then, on the other, the financial crisis and the problems with the eurozone, all of the crises that begin to make Europe lose its luster and look less like a positive model. Do you think these are separate streams, the external and the internal, that were both running along and just collided? Or do you think one fed the other?

Garton Ash: Hegel says somewhere, "the true is the whole." I don't quite buy that. There's a great temptation to see all of this as being some vast interconnected system. But there are some interesting connections. For example, one might think the euro crisis and the situation today in Poland and Hungary are quite separate, but actually the euro was effectively born in the month after the fall of the Berlin Wall. The project was already there but in response to the prospect of Germany's unification, François Mitterrand of France and Giulio Andreotti of Italy pinned Helmut Kohl down to a timetable for a European Monetary Union, and that's why, because it was an eminently political project, we get the deeply flawed and much too large eurozone that we have today. So, there are interesting connections back to 1989. But on the other hand, some of the phenomenon we loosely call populism, which after all you see in the United States, as in France, as in Poland, as in the United Kingdom, has to do with larger developments of globalized, financialized capitalism.

RT: Populism is a slippery term with many different working

definitions, but at its core it involves a revolt against "the elite" and the idea that there is a division between the people and the elite. In a poll of transatlantic opinion leaders that we did ahead of the 2019 Brussels Forum, we asked respondents what they thought the biggest threat to the future of democracy was, if it was populism, inequality, societal division, external foes, or the failure of governing elites to solve problems. Failure of the elites was the top choice, and this from respondents who could be considered elite or elite-adjacent. I wonder if the rise of populism we've seen in recent years is partly justified because elites really didn't do the job they should have done, didn't do right by their societies.

Garton Ash: To adapt Tony Blair: tough on populism, tough on the causes of populism. We have to be both. We have to understand there are a bunch of legitimate grievances in the other halves of our society. To put it at its absolute simplest, you can say what we liberal internationalists got wrong in the last thirty years is that we spent a lot of time on the other half of the world and not enough time on the

"What we liberal internationalists got wrong in the last 30 years is that we spent a lot of time on the other half of the world and not enough time on the other half of our own society."

other half of our own society. And if you are white working class, poorly educated in a post-industrial town of northern England, or in the rust belt in the United States, or in rural south-east Poland, you can feel you've got a raw deal from what could be called the liberal golden age.

And it's not just economic inequality, employment, and so on; it's also cultural. It's what I call the inequality of attention and respect, the fact that people in small towns, in villages, in old Rust Belt places, felt that not

only were they getting a raw deal in life, but they were being completely ignored and disrespected by liberal metropolitan elites that turned their backs on them. And I think that's a justified concern. So we have to make the analysis, understand the legitimate causes of populism, and address these in our efforts to renew liberalism, which is what we need to do.

We have to address economic inequality, above all the inequality of wealth, as opposed to income inequality. There are two kinds of young people in the United Kingdom today: those who can afford to buy their first house and those who cannot. And what makes the difference is the bank of mommy and daddy. That's not a good place for a modern liberal democratic society to be. And then we have to look at the inequality of attention and respect; we have to pay more attention to those who are left behind in our own societies.

RT: To jump to Hungary because I know this is a country that you've been watching closely, and it's an interesting case. In 2009, people would have considered it a pretty consolidated democracy. And now, it's the biggest "problem" for Europe, seen as the leader of this challenge to the European model. Victor Orban has said, as you quoted in a recent article, "Thirty years ago, we thought Europe was our future. Today, we believe we are Europe's future." What does he mean and is he right?

Garton Ash: Hungary is very close to my heart, I spent a lot of time there in the 1980s. It was one of the leaders in the emancipation of East-Central Europe from communism; it was a pioneer. I wrote about it at length in my book *The Magic Lantern* on the revolutions of 1989. And for a time it seemed to be this great success story. In 2009, Alfred Stepan, the political scientist, said Hungary is a model of consolidated democracy. Amazingly, in the decade since 2010, this democracy has been so far eroded and dismantled that I would now argue Hungary is no longer a democracy. A member state of the European Union is no longer a democracy. Take a moment to think about that. And what's more, the dismantling has been done with the help of European tax payers' money, EU funds being used to build the system of control. It's a real shocker. And Orban can have his cake and eat it – by the way also using Russian money and Chinese money – cashing in from all sides, giving him the self-confidence to proclaim that this is the new model of what he calls illiberal democracy.

"We haven't found the formula, or the party structures, or the leadership yet to translate a new liberal agenda into election winning politics."

However, first of all, illiberal democracy is a contradiction in terms. Either a democracy is liberal, or it isn't a democracy. Second, I don't actually think that's the way history is going, though it may look that way. Hungary is in many ways an exception; it's the only country inside the European Union which Freedom House classifies as partly free, a rare dismantled democracy. In Poland, in Slovakia, in the Czech Republic, they have very worrying populist illiberal tendencies, but still elections are there to be won. I think there's going to be a very significant pushback by a more liberal Europe and, now, by a greener Europe. I think we've seen that in the European Parliament elections as well as in individual countries.

RT: So, you're an optimist.

Garton Ash: I am a cautious optimist, I would say. I think analytically things look pretty bleak but, I just saw a mass pro-democracy, pro-European demonstration in Prague last Sunday, the very place where I witnessed the largest demonstration of the Velvet Revolution in 1989. In Poland there's a big pushback, and Slovakia has got a wonderful new liberal pro-European president, so there're a lot of indices. In other words, it's there for the winning, but we have to get the winning formula right.

This means, first of all renewing liberalism, working out how we do that, and secondly, winning the odd election. In the United States, or for liberals in the United Kingdom, or almost wherever you look, we're not there yet, we haven't found the formula, or the party structures, or the leadership to translate a new liberal agenda into election-winning politics.

RT: Have you seen any recent elections, perhaps the European Parliament elections, were you would point to what might be the best "germ" of a winning liberal platform?

Garton Ash: Yes. The Greens are doing incredibly well in Germany, stunningly well coming out in polls ahead of the Christian Democratic Union, way ahead of the Social Democrats. They are a very remarkable

and very interesting mix. The new grouping in the European Parliament, which is called Renew, and puts the liberals together with Macron's En Marche and a couple of other groupings, that's exactly the space we need to be in. Renew is the right label. We haven't yet got it completely together, in the way that say post-1945 social democracy got it together and proposed a package which was appealing to a majority in our societies. But I would say we are working on it.

RT: Yes, that sounds like cautious optimism.

Garton Ash: Cautious optimism in relation to the particular question we're talking about, anti-liberalism in Europe. If I look wider, if I think of the fact that we are not meeting the challenge of climate change, the digital revolution and AI, if I look at the relationship between China and the United States, it's much more difficult to be analytically optimistic about global developments.

RT: Right, as the West struggles to adapt and make the right political choices internally, it is not in a bubble, and there are forces working against the liberal model.

Garton Ash: There is an interesting connection to 1989 in that. Today's China with its peculiar mixture, which we might simplistically call Leninist capitalism, a dynamic economy but still a very Leninist leadership, is as much a product of 1989 as are the democracies of Central and Eastern Europe. On June 4, 1989, the first semi-free elections in Eastern Europe for 40 years take place, which leads to the first non-communist government in Eastern Europe in Poland. The same day, the massacre on Tiananmen Square. I will never forget it. I was in Warsaw, coming back to a newspaper office and seeing on television screens the first pictures of the students being carted off the street around Tiananmen Square. Out of that, learning lessons from the collapse of communist rule in the Soviet Union and Eastern Europe, the Chinese Communist Party has built a system that is a real ideological competitor to the West. Wherever I go in the world, you can't go twenty minutes without China being mentioned. In that sense, it's more like the Cold War, a global

multidimensional competition. And that's very challenging, and, I think, very dangerous.

RT: On the multidimensional challenge. The main thesis of "The End of History" was that with the collapse of Soviet communism, there was no longer a worthy challenger to the system of liberal capitalist democracy. But now we have Putin and Orban or Xi Jinping who seem to want to present an alternative. But can any of these models be considered a worthy systemic challenge?

Garton Ash: So, here's the connection between the internal and the external challenge. Victor Orban in describing illiberal democracies says you want dynamic growing economies, you want healthy nation states, look at Russia, look at China. So, there's a model out there.

Now I think Leninist capitalism has internal contradictions, which are quite acute and will become more acute with time because we know that Leninist regimes are not good at managing the problems of complex modern societies. Nonetheless, seen from Africa, or seen from Latin America, authoritarian capitalism looks pretty good by comparison with the West that is in crisis. That said, I think that an ideological competition is actually good for us. The reason we became complacent and hubristic at the end of the Cold War is that we thought we didn't have a competitor anymore. And so, in that sense, there's a silver lining to that cloud.

RT: Which is supposed to be the advantage of capitalism, that competition makes everyone fitter and stronger, and creates a healthier system.

Garton Ash: Let's hope.

Timothy Garton Ash is a British historian, author and commentator. He is Professor of European Studies at Oxford University and focuses on the late modern and contemporary history of Central and Eastern Europe.

The Mixed Fruits of Poland's Freedom

by WAWRZYNIEC SMO CZYŃSKI

Thirty years after leading the democratic transition in Central Europe, Poland is struggling to uphold democratic institutions and discover a sense of political community.

On June 4, 1989 Poles had their first, partially, free election since the Second World War and peacefully removed communists from power. What followed were over 20 years of spectacular and thorough transition: from authoritarian, semi-military rule to a thriving democratic state that is an independent regional player; from a run-down, centrally commanded economy to an open-market capitalist powerhouse; and from a closed, agrarian society to a Europeanized modern nation. Initially the laggard leader of reform in Central Europe, a decade ago Poland emerged as the poster child of Western success – proof of which could be found in the *Economist*, which finally stopped adorning articles on Poland with black and white pictures of horse-drawn carts and instead featured Warsaw's shining skyscrapers.

The year 2008 was a turning point for Poland's international image and self-perception. As the world reeled from a global financial crisis, the country avoided a recession. Warsaw started to punch above its weight in EU politics and positioned itself as a regional ally of the United States in Central Europe. Donald Tusk became the first Polish prime minister to win re-election, unlike his predecessors who were thrown out of office by voters weary of so much reform. Around 2013 Poland seemed to be defying historical gravity, bullish in a bear-market world, and avoiding political turmoil. For the international observer it appeared to have become a mature liberal democracy. Some even expected it to provide a fresh political impetus to a crisis-ridden Europe.

And then Tusk was appointed president of the European Council.

Opinions differ on whether his departure for Brussels initiated Poland's liberal breakdown or if he just anticipated what was coming his way and wisely chose an exit. Voters' fatigue with his party and the leadership void he left certainly contributed to the landslide victory of illiberal forces under Jarosław Kaczyński in 2015. But there were three other factors driving the shift. First, Russia's invasion of Ukraine

undermined the sense of physical security that Poland had enjoyed since 1989. Secondly, televised images of chaos in Hungary, Austria, and Germany as large numbers of refugees entered the EU rekindled connections to ethnic, cultural, and religious identity. And thirdly, though Poland avoided the recession that followed the global financial crisis of 2008, the near miss resurrected traumatic memories of 1989.

Fear is a prerequisite for populism, but the key to Kaczyński's political success was his reappraisal of Poland's transition. He promised to set right the perceived injustices and inequalities of the past 30 years. This is the unifying purpose of his project, which binds together a rejection of misguided liberalism with an adjustment of national priorities. The correction of the injustice of recent years thus entails an attack against the liberal elites that have held power since 1989, including the judiciary that still purportedly carries a communist legacy, and a rejection of progressive values allegedly imposed by the EU, as well as family-oriented social spending and redirection of public investment toward domestic companies. Kaczyński caters to that part of the electorate that has felt economically left behind, politically unrepresented, and socially alienated as a result of the changes that followed 1989.

The Cost of Transition

There were two distinct parts of Poland's transition: evolutionary political transition and revolutionary economic change. The architects of 1989 subscribe to a different narrative – of a sudden political breakthrough and gradual capitalist reforms. In reality, while free elections and sovereign statehood were achieved gradually, the initial privatization of the economy and removals of price controls happened instantly. Liberal democracy was established over several years, free-market capitalism in a matter of several months. Economic changes were faster, more forceful and destructive to the preexisting order than political changes. They also had an incomparably bigger impact on individual destinies of people.



An abandoned factory in Łódź

Poland's transition was impossible to plan or control fully, even though it was undertaken with the best of intentions following the best available blueprints. But it also was an experiment on a living organism – the collective Polish people, professional groups, local communities, families, and, finally, individuals. There is a strong case for this being morally correct and historically inevitable, and even a triumph for democracy and capitalism. But this does not erase the fact that it was first and foremost a social transition that carried a human cost.

There were cities that the changes of 1989 pushed into decline, whole professional groups that were made obsolete and jobless, and families who lost hope for their future. Łódź, Poland's second-largest city and the country's industrial hub, lost tens of thousands of jobs as local garment factories were shut down by market competition from Asia. As a result, Łódź has seen severe depopulation, losing about 16% of its population between 1990 and 2015, followed by social decline. The same happened to smaller localities like Bytom, Słupsk, or Łomża.

Herein resides the unintended and overlooked failure of Poland's Third Republic: the state born out of 1989 was unable to critically assess the

transition that made it. The avoidance of critique enabled the transition republic to fulfill its mission, but at the same put it on a path toward its demise. The Third Republic was not brought down by Kaczyński – it fell to pieces several years before his victory, as its arc was complete, its values moribund, and its elites worn out. Kaczyński captured the moment of fatigue and combined the resentment of different groups into a wholesale critique of post-1989 Poland. The fact that he cleverly exploited these social sentiments for political gain does not negate their veracity or legitimacy. The decades-long neglect of these feelings is the source of today's social conflict in Poland.

Solidarity Died in its Homeland

Due to the abruptness and sheer scale of change, anyone alive in 1989 suffered psychological stress. Those who climbed the social ladder and prospered may have forgotten the insecurity and fear of the future those early years brought. For those who were not lucky enough to find social advancement and wealth, that same insecurity, fear, and wistfulness for a lost world have become a formative trauma. The traumas varied. For thousands of workers of closed factories, it was sudden unemployment and penury. For thousands of civil servants, teachers, and managers of the state-controlled economy, 1989 meant social demotion as the transition brought in a new, capitalist middle class. In the end, the vast majority found their place within the new system – but the experience of 1989 shaded their view of transition and of Poland as it is today.

What they longed for was respect. They did not receive it from the new state, which could not afford large-scale social assistance, nor from the new elites, who were preoccupied with building a new state and blinded by their own success. But most importantly, respect for the disadvantaged, underprivileged, or needy receded from daily life: in the race for a better, richer, and stronger Poland we somehow lost the capacity for compassion. Solidarity died in its homeland. Thirty years on, Poles woke up in a community of strangers bound together by a trauma nobody wanted to speak about. Until Kaczyński brought it into politics. And it is no accident that he was the one who did. A

senator and long-time MP, Kaczyński was highly influential in the early 1990s as chief of staff to President Lech Wałęsa, but then his conservative camp was sidelined by the liberals who shaped Poland for the next 20 years.

To address and channel the trauma, Kaczyński waged a counterattack that is both his reflex and his preferred political method. He could retaliate against the same elites that had rejected him and dismantle the Third Republic that he had been sidelined out of building. He made that choice from a place of political exclusion where impotence breeds anger and anger transforms into power. This anger has driven Polish politics since 2015 – Kaczyński's personal anger and through him that of thousands of voters unhappy with the distribution of power, wealth, and prestige since 1989. One might think events from 30 years ago have no bearing on young voters of today, but traumas are hereditary. Kaczyński attracts not just those hurt by the transition but a broad representation from all generations of voters who share his hunger for retribution.

The tension between individualism and communitarianism is the key fault line in today's Polish politics.

They also share something beyond resentment, something much more important: a longing for community, which the Third Republic failed to deliver. What defines Kaczyński's politics is not populism, conservatism, or authoritarianism – it is communitarianism that brings Poles to vote for his party. Similarly, what defines the leader of the opposition, Grzegorz Schetyna, is not his love of technocracy, liberalism, or democracy – it is individualism, the political promise to create conditions for personal advancement and prosperity.

The tension between communitarianism and individualism is the key fault line in today's Polish politics. After 30 years of policies promoting individual well-being, Poles want more concern for the common good. The economic transition is complete; the country can afford to attend to its needy and its social fabric again.

Kaczyński builds a community that is to be identical with his political

tribe – that part of Poland which espouses traditional values, supports autocracy, accepts a statist economy, and fears closer ties with Europe. His party does not build an inclusive community for all Polish citizens. This is his weakness.

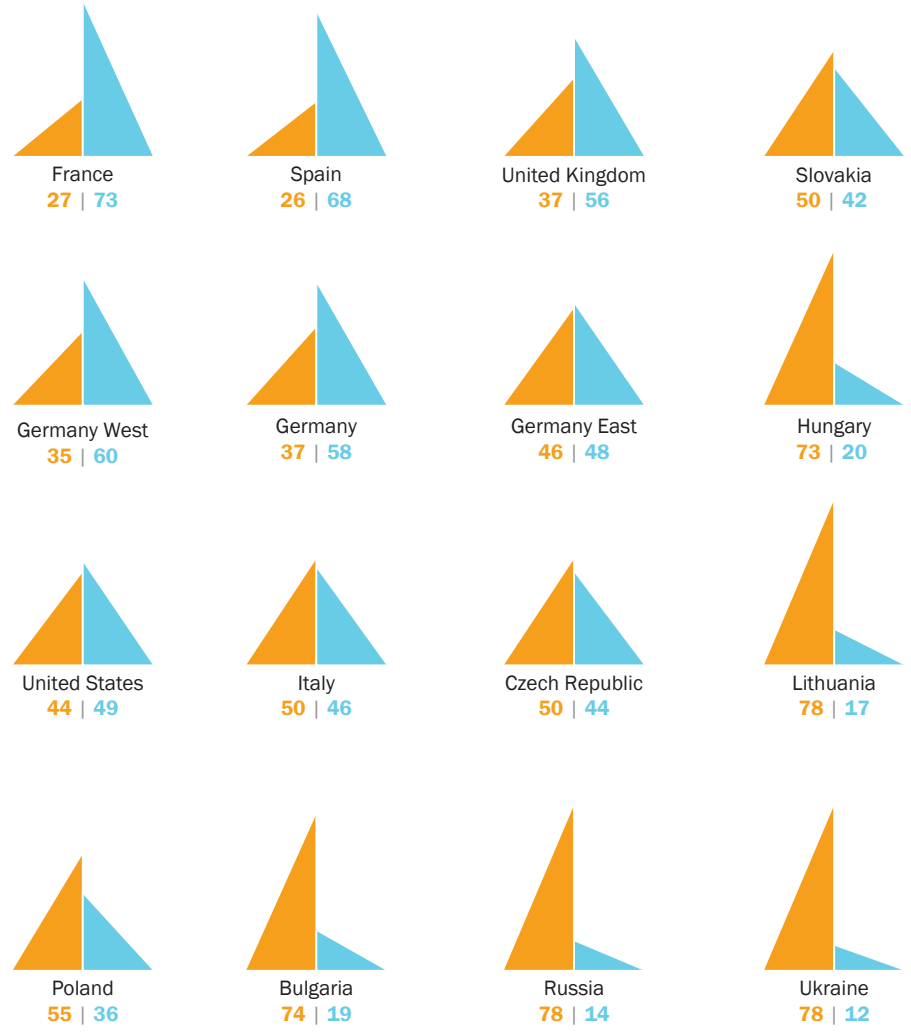
The speed and determination with which Kaczyński is transforming Poland has an air of irrevocability, but in truth his project is very fragile. It is impossible to change a country thoroughly or durably while avoiding social dialogue, aggressively imposing solutions, acting in haste and without respect for the law. Kaczyński's mistakes will culminate in another wave of tribal anger, but this time directed at him. It will sweep away his project only to replace it with another politically divisive and socially exclusive proposal.

Thirty years after communism was felled, Poland faces the final challenge of 1989: how can it build a political community to sustain democracy and buttress the achievements of the transition? The backlash against the post-1989 failures was inevitable, but it is about closure with the past, not opening a new future. Further polarization will result in political violence (as seen with the murder of Gdańsk's liberal-minded mayor, Paweł Adamowicz in January) and ultimately civil strife. Poles are too wise to go down that road. At its core, democratic politics is an attempt to shape a common destiny for a diverse group of people – it relies on the assumption that they share a basic sense of community. For that community to emerge, common values need to be articulated, in an empathic and compelling way, probably by a new generation of politicians.

—
Economy
vs.
Democracy

**Which is more important...
Democracy or A Strong Economy (2009)**

■ % Strong Economy ■ % Good Democracy



Already in 2009 we could have noted the fragility of democracy in Europe.

Citizens want democracy, but they also want a system that delivers. On the heels of the financial crisis, and with worse to come in the eurozone, only five of the 14 countries surveyed valued democracy above a strong economy. The east-west divide is clear, with eastern Germany the only exception, and just barely.

20 years after democratic revolution, too few citizens were feeling the benefits of transisiton.

Sources:
Pew Global
Attitudes Project

Lingering Security Imbalances

by ALEXANDRA DE HOOP SCHEFFER
& MARTIN QUENCEZ

The transatlantic relationship has experienced some turbulence in the decades since the Cold War ended, but populations and leaders have largely remained committed to the *raison-d'être* of the transatlantic strategic partnership. The dedication is laudable, but the legacy of the bipolar world has created an imbalanced relationship, one that rests on the paired assumptions that Europe's stability and security will remain the priority of the United States at the global level, and that the strategic future of European powers should be reduced to being followers of U.S. leadership on the global stage. Interestingly, the terms of this partnership changed little after 1989, despite the elemental shift in the global security architecture. The partnership needs to be modernized.

Presidents Barack Obama and Donald Trump have sought to redefine U.S. global leadership, and their presidencies have offered opportunities to modernize the transatlantic security partnership accordingly. In parallel, several initiatives and new agreements have aimed to make the EU and European countries more credible actors in the security field, and political leaders have expressed their will to assume more responsibilities. Despite these dynamics, the transatlantic security debate seems stuck, unable to update itself as the question of burden-sharing and the articulation of different frameworks of European defense cooperation still poison the discussions. It has proven very difficult to overcome the comfortable habits of the pre-1989 world. Europeans still have to prove that they can sustain the political and financial investments required to take on more of the burden of collective defense, while the United States needs to accept the emergence of a more credible Europe as a strategically autonomous partner. The time for slow and small-step approaches has passed.

The strategic environment, and more contentious domestic politics on foreign and defense policies in the United States and in Europe, will force transatlantic partners to adapt quickly. The U.S. commitment to European defense is strong, but the nature of the threats faced by Europeans demand new answers, many of which cannot be covered by the traditional transatlantic deal. The focus of great-power competition, as highlighted in U.S. official strategic documents, will

also affect U.S. engagement in the stability and security of Europe and its neighborhoods. The United States will put increasing pressure on its European allies to do more for their security as well as to support U.S. policy vis-à-vis China. The solutions can only arise from updating the terms of the transatlantic partnership, rebalancing the security inputs of each partner, and showing political will to accept the implications of a more robust European power.

More Reciprocity Needed

Transatlantic allies have sought to adapt their defense policies and multilateral initiatives to the new strategic priorities since the collapse of the Soviet Union. This effort has been successful in that NATO has remained the key to collective defense in Europe, but it has also left the transatlantic security partnership structurally imbalanced. The need for an update based on more reciprocity is driven by three main trends.

First, the well-worn issue of transatlantic burden-sharing is only becoming more serious. As we celebrate the 70th anniversary of NATO, we should remember that U.S. presidents have complained about European free riding since the 1950s. Already when he was the first Supreme Allied Commander Europe, Dwight Eisenhower was weary of the long-term burden of guaranteeing the security of Europe, while John F. Kennedy, in a tone that seems almost Trumpian, declared in 1963: “We cannot continue to pay for the military protection of Europe while the NATO states are not paying their fair share and living off the fat of the land. We have been very generous to Europe and it is now time for us to look out for ourselves.”¹ Tension over inequitable balances rose to new levels in the 2010s. During the Obama administration, Defense Secretary Robert Gates’s last policy speech in 2011 illustrated the new level of frustration of the United States toward Europeans’ lack of will to “pay the price” of alliance commitments.² Then followed

1 Quoted in “Promises, promises; Spending.” *The Economist*, March 16, 2019.

2 [“In the past, I’ve worried openly about NATO turning into a two-tiered alliance \[...\] This is no longer a hypothetical worry. We are there today. And it is unacceptable.”](#)

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President Trump, who has used even stronger rhetoric around the idea that the United States is being taken advantage of by its allies.

The question of burden-sharing is not going anywhere, and it is more complicated than the two percent GDP threshold.³ In the United States, the idea that European allies should do more for their own security is one of the rare points of bipartisan agreement, shared by the population, the political leadership, and the foreign policy establishment. This reality and its implications are still difficult to grasp for many in Europe. In fact, the Trump administration’s obsession with the 2 % figure has distorted the burden-sharing debate in Europe,

The German, French, and Polish divergences are symptomatic of the EU’s disunity, which stems from different degrees of dependence (trade and military) on the United States.

deviating attention from the real issue, which is about providing useful capabilities for the security of allies and being able and ready to use them. It is about having a sense of responsibility that has direct implications on financial and political investments. The issue of defense spending has become particularly toxic in Germany, where leaders are hesitant to make the case for increased military spending so as not to be associated with one of the most unpopular U.S. presidents in history. Instead, as Karen Donfried has pointed out, Germany advocates “strategic patience” – the willingness to minimize the risk of political confrontation with the United States pending Trump’s

departure to stabilize the situation. In contrast, France calls for greater European “strategic autonomy,” while Poland deepens its “strategic alignment” towards Washington.⁴ The German, French, and Polish divergences are symptomatic of the EU’s disunity, which stems from different degrees of dependence (trade and military) on the United States and different degrees of strategic maturity.

Second, the emergence of Asia-Pacific as the strategic center of

3 Lucie Beraud-Sudreau and Nick Childs, [“U.S. and NATO allies: costs and values”](#), IISS Military Balance Blog, July 9th, 2018.

4 Karen Donfried on Europe’s three responses, GMF’s Out of Order Podcast, May 30, 2019.

global affairs in the 21st century will have several implications for the transatlantic security partnership. U.S. defense and foreign policy resources, although immense, are limited, and Europe will lose its primacy in the difficult choices that will need to be made.⁵ Europeans have to be ready and able to take the lead on security of the European continent as well as its neighborhoods, while the United States will provide support.⁶ This is especially true in the Middle East and Africa, where Washington would like to shift the burden of crisis management and counterterrorism to regional and European partners. Furthermore, the Sino-U.S. competition will also require Europeans to be more active in the Asia-Pacific region itself, in addition to containing Chinese influence in Europe. It will also have implications in terms of technological investments, as the U.S. push to outpace Chinese and Russian innovation will require Europe to review its technological policy as well not to become a second-tier power in this critical domain.

EU member states will have to decide whether to deepen integration in foreign and defense policy, or admit that the EU is not the right format to defend their interests globally.

Last but not least, the European project itself is at a crossroads, and transatlantic relations will have to adapt to a new European political environment. The EU status quo is not sustainable, and member states will have to decide whether to deepen integration in foreign and defense policy, or admit that the EU is not the right format to defend their interests at the global level. In either case, the role of European powers in transatlantic security affairs will be affected. If European defense cooperation is strengthened in the years to come, the United States will have more capable partners, as European powers will take more security responsibilities and become credible actors in the great-

power competition. However, more responsible Europeans will also better define their own strategic interests, which might differ from U.S. interests and could lead to transatlantic uncoupling in the future. On the other hand, a weakening of the European project is likely to make European powers even more dependent on the United States for their security and the stability of their neighborhood. Washington would then have reliable but ever less efficient security partners.

Lasting Legacy of the Cold War and Strategic Pull Factors

The Cold War established the transatlantic security architecture we still inhabit today. The United States provided security guarantees to European allies, who in return accepted its political leadership and supported its endeavors. Each side of the Atlantic, however, had different expectations about how interests, values, and obligations related to each other. The United States saw the transatlantic link more as a business-like contract, expecting European allies to “do their part,” while most European capitals leaned toward the idea of a compact, expecting a permanent partnership that unites Europe and the United States in a common vision, but not necessarily translating into specific commitments. The late U.S. ambassador to NATO (1965-1969) Harlan Cleveland famously noted, there was an inbuilt conflict from the outset, as the alliance seemed an “organized controversy about who is going to do how much.”⁷ Yet, the United States accepted the free riding of many European allies because NATO, as a whole, still served its interests, some Europeans at least made serious efforts to meet military requirements, and Europe accepted U.S. political leadership most of the time. The general outline of this bargain – the United States pledging continued involvement in European security arrangements in return for Europe’s commitment to organize itself for external defense and internal stability – has remained unchanged.

The end of the Cold War left transatlantic partners in a fundamental imbalance that they failed to address. The 1990s were marked

⁵ Although not purely a zero-sum game, the increased engagement of the United States in the Asia-Pacific will have implications for its presence in other regions. Obama’s “pivot” strategy had aimed to rebalance the military and diplomatic resources from the Middle East, and a similar process is likely to affect other continents.

⁶ Assistant Secretary of State for European and Eurasian Affairs Wess Mitchell, Remarks at the Atlantic Council, October 18, 2018.

⁷ Harlan Cleveland, *NATO: The Transatlantic Bargain*, New York, Harper & Row, 1970, p. 5.

by a feeling of hyper-confidence in U.S. leadership in the success of Western liberal democracy. This euphoria overshadowed the emerging divergences within the alliance, while the United States promoted a vision of a “global NATO,” expecting European partners to align with U.S. priorities under U.S. leadership. Following September 11, Washington focused on the “global war on terror” and counterinsurgency operations, which left little space for serious strategic debate at the transatlantic level on a reassessment of major security challenges or on the division of labor among allies. The 2004 NATO enlargement could have been an opportunity to update the terms of the debate, but instead the 2000s were a lost decade. The election of Barack Obama was another favorable moment for transatlantic partners to set new rules and understandings for their security partnership, but despite some improvements, especially following the wake-up call of Russia’s annexation of Crimea, structural hurdles have prevented a more comprehensive revision. Europe continues to experience crippling capability shortfalls due to years of insufficient investment in its defense, and has shown limited political willingness to take more responsibility in the security and stability of its neighborhoods.

On the other hand, the United States is torn between its desire to have European allies become more credible security actors and its concerns about them becoming more strategically autonomous. Both sides have also yet to design a coherent vision for transatlantic cooperation in Asia, which constitutes the long-term priority of Washington.⁸ Thus, over the last 30 years, the need for continuous defense policy coordination and dialogue, as well as new challenges and objectives – from crisis management to counterterrorism to energy security to cybersecurity – kept alive yesterday’s transatlantic bargain.

European countries, for their part, are still struggling to agree upon and implement what needs to be done in order to become more responsible powers. The 2011 operation in Libya proved that even the most militarily potent European states were incapable of conducting

a major military operation without substantial U.S. enabling support. The operation also underlined that the EU Common Security and Defense Policy was far from mature enough to address a major crisis in Europe’s neighborhood, and this despite prior ambitious rhetoric and longstanding efforts to enable the EU to conduct autonomous

The United States is at best ambivalent toward initiatives that aim to make the EU less reliant on U.S. capabilities.

military operations.⁹ Since then, numerous initiatives inside and outside EU institutions have been launched to increase European capabilities and capacity to act, but the endless debates on strategic ambitions reveal the scope of what remains to be done.¹⁰ A pointless opposition between proponents of the concept of “European strategic autonomy” and those who advocate keeping strong transatlantic defense ties continue to derail intra-European discussions. The inability to overcome this

conceptual and semantic dispute, and the constraints stemming from domestic politics in key countries, only delays the much-needed definition of Europe’s shared strategic interests.

In the United States, too, there are conflicting goals. Washington has not reconciled its need to see Europeans become more capable allies and its opposition to initiatives that reinforce Europe’s defense and industrial power outside the transatlantic framework. Washington supports the development of European capabilities to better balance burden-sharing within the transatlantic alliance. Yet it is at best ambivalent toward initiatives that aim to make the EU less reliant on U.S. capabilities if it means Europe could become more autonomous. As a result, current U.S. officials have warned Europeans against the risk of decoupling of European and transatlantic cooperation, reaffirming the prohibition against the “3 Ds” (de-linking, duplicating, discriminating) inherited from the 1990s.¹¹ Concerns that more

⁹ At the time, the fact that even France did not consider having the EU lead operations in Libya underscored the inherent limits in European-only (and thus EU) military action.

¹⁰ Since 2016 and the release of the EU Global Strategy only: PESCO, CARD, EDF, MPCC, EI2

¹¹ Secretary of State Madeleine K. Albright, [statement to the North Atlantic Council](#) Brussels, December 8, 1998: “Any initiative must avoid preempting Alliance decision-making by

⁸ See Derek Chollet, *The Long Game*, PublicAffairs New York, 2016

European cooperation could weaken commitment to NATO were expressed by every administration since that of George H. W. Bush, when the idea of European defense cooperation was embryonic.¹²

The United States is also worried about competition from a European defense industrial base, and recent European initiatives have been portrayed as protectionist measures against U.S. defense companies. The U.S. industries and government have been actively lobbying to enable participation of U.S. companies in the Permanent Structured Cooperation (PESCO) and the European Defense Fund projects, which has heightened the tensions with EU institutions and private sector. The political reality here is that, absent an existential threat similar to the one posed by the Soviet Union, many European countries – and in particular those in Western Europe – can only sustain defense investments if there are direct economic benefits for European companies.

Shape the New Political Reality or Be Shaped by It

Political and security dynamics will force European countries to take more security responsibilities, whether they are ready or not. Underlying political and security trends will reshape the transatlantic partnership, despite stubborn hopes that the transatlantic security deal of the Cold War can somehow persist. The current instability of the security order should be seen as an opportunity to finally transition to a new era for U.S.-Europe relations. The exact outlines of the new order are no clearer than they were in 1989, but there four key elements are identifiable.

In the next transatlantic order, domestic politics will matter even more. In the United States, President Trump is the expression, albeit a radical one, of a tendency to question the country's role in the world and the implications of the "liberal hegemony" promoted by liberal

de-linking ESDI from NATO, avoid duplicating existing efforts, and avoid discriminating against non-EU members."

12 Stanley Stone, "[The United States and European Defense](#)," Institute for Security Studies, April 2000. h

interventionists and neoconservatives since the 1990s. The mistakes of the last 30 years and the perceived lack of accountability of the foreign policy establishment has fueled criticisms that will influence U.S. foreign policy decisions in the coming years.¹³ On both sides of the political spectrum, voices argue for a more restrained use of military forces abroad, the relocation of resources, and the redefinition of alliances.¹⁴ The intention to "break the silos between domestic and foreign policy"¹⁵ will have implications for the U.S. engagement in European affairs and the willingness to absorb the costs of European security. Furthermore, a cultural and demographic transformation in the country may lead to reconsidering the U.S. role in European security, as personal ties to Europe – either through migration or memory of the World Wars and Cold War – are less prevalent in today's population and make the value of the transatlantic link less obvious. In Europe, domestic politics has also played an important role in strategic affairs, either in the case of the German defense spending debate, the ideological closeness to different U.S. administrations, the relationship to Russia, and now the exit of the United Kingdom from the EU. The so-called populist wave has not faded away, and whether it will take a pro- or anti-U.S. turn remains to be seen. This will most notably affect European and transatlantic discussions on trade, defense cooperation, and foreign policy priorities. These evolutions are not necessarily negative for the transatlantic partnership, unless we continue to try to ignore them.

Second, Europeans are increasingly aware that they are facing threats that demand collective responses. As EU High Representative of the Union for Foreign Affairs and Security Policy Federica Mogherini stated, "this is no time for global policemen and lone warriors."¹⁶ Cooperation and coordination among European countries and

13 See for instance Stephen Walt, *The Hell of Good Intentions*, Farrar, Strauss and Giroux, 2018

14 See for example Bernie Sanders's [speech](#) at SAIS, Elizabeth Warren's "[A Foreign Policy for All](#)" in Foreign Affairs, and Michael Anton in *American Affairs*, Volume I, [Number 1](#) (Spring 2017): 113–25.

15 Ganesh Sitaraman, "[The Emergence of Progressive Foreign Policy](#)," *War on the Rocks*, April 15, 2019.

16 Federica Mogherini, Foreword to "Share Vision, Common Action: A Stronger Europe – A Global Strategy for the European Union's Foreign and Security Policy", p.4 June 2016.

with their closest allies are the only way to manage crises and deal with interdependent challenges. Either in the hard or soft security domains, no European country can pretend to address contemporary challenges on its own. Recent years have also shown that diverging threat perceptions do not prevent Europeans from working together. The negotiations leading to the Iran nuclear deal or the maintenance of sanctions against Russia are a good illustration of the EU member states' ability to adopt an approach of pragmatic coordination even when the strategic priorities are not shared.

Despite a drive toward more European cooperation there is no united desire – and indeed no ability – to uncouple the European project from the transatlantic security partnership in the near future. The United States can rest assured that the strongest proponents of European strategic autonomy are not planning to cut ties with it. This is likely to remain the case regardless of the political evolution in Europe. What is being negotiated is not a break, but a delineation of the security space

For Europe, the priority is to be an acting player rather than the chessboard on which U.S.-Chinese competition is played out.

European partners can take ownership of on their own, between NATO's collective defense mission and current limited military operations like the EU military training mission in the Central African Republic.

The U.S. position on China is clear. There is a bipartisan consensus on the Asia-Pacific region. The tactics may differ, but political figures all argue for a more assertive engagement with

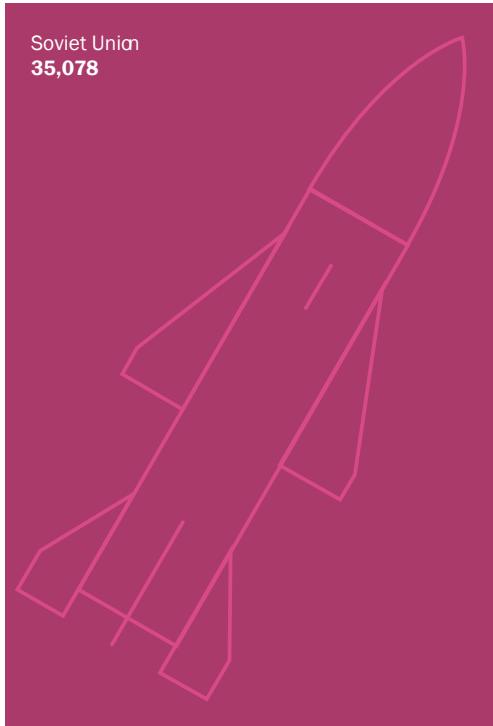
China. This provides a much-needed predictability to U.S. strategic priorities, to which European allies can adapt. It also gives leverage to European countries as the United States will need them in this global competition with China. For Europe, the priority is to be an active player rather than the chessboard on which competition is played out. That means first developing the policy and tools to contain Chinese involvement in European affairs.¹⁷ In addition, Europeans

have to be ready to take more responsibilities beyond the European continent. The Trump administration has openly acknowledged that it considers Europe as an instrument that it can use to respond to crises elsewhere. In that sense, the shifts in the U.S. priorities away from counterterrorism and deep military engagement in Africa and the Middle East strengthen the French case for greater European strategic autonomy and the need to think beyond the scope of the European territory. The United States, in return, would continue to provide security guarantees to European partners while helping them take a more balanced share of deterrence. This means encouraging European defense initiatives and articulating constructive and fair competition in the industrial realm. The United States will have to allow European industry, especially in the defense sector, to have an advantage in Europe in order to see real strategic changes in the continent.

Thirty years is a rather long period of infancy. It could be a positive upshot of today's uncertainty and the lost promise of U.S. post-Cold War dominance that the partners may find the urgency and humility to create a new, mature transatlantic security relationship.

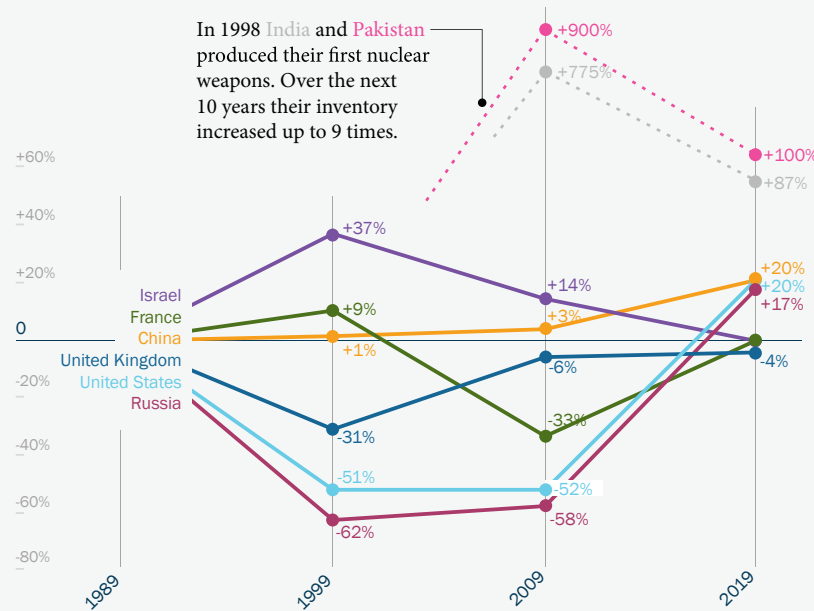
1989

Number of Nuclear Warheads



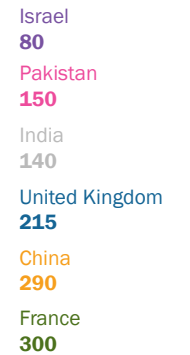
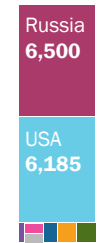
Evolution of the Nuclear Stockpiles

In percentage, compared with the previous 10 year span



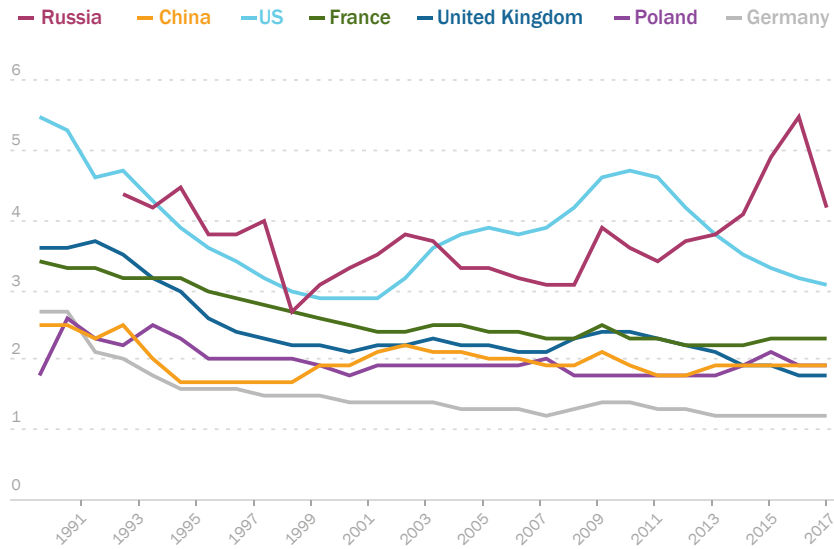
2019

Number of Nuclear Warheads



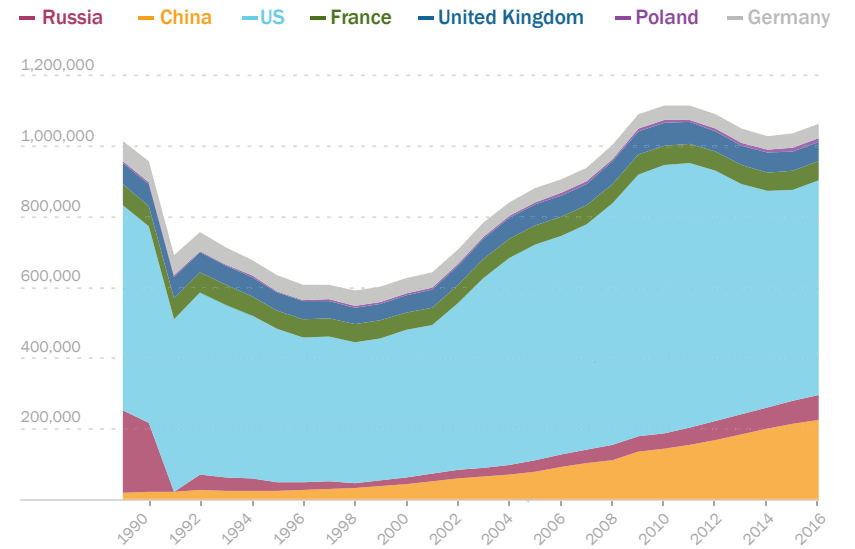
Average Defense Expenditures

Percentage of GDP



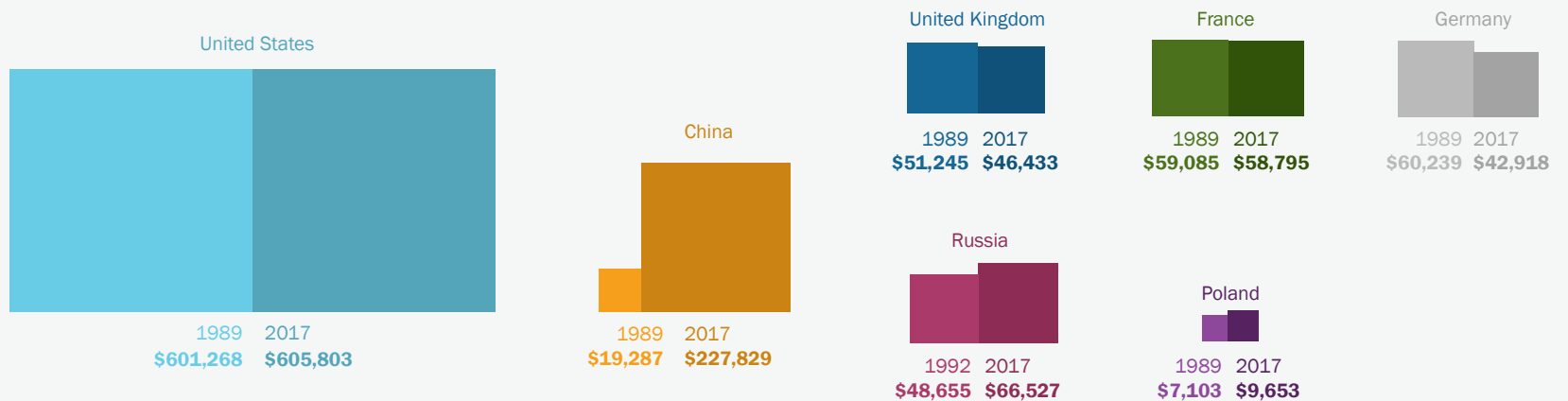
Military Expenditure

In millions of USD



Average Defense Expenditure

in millions of USD



Sources:
SIPRI,
Our World in Data

From Triumph to Travail: The EU's 1989 Legacy

by JAN TECHAU

As party systems across Europe adjust to changed popular demand at rapid speed, the European Union struggles to find its bearings in this whirlwind of political transformation. Euroscepticism has won a few big victories across Europe, and loose talk about the EU falling apart or being beyond repair is rife.

To understand the malaise, it helps to take a look in the historical rearview mirror. The seeds for the current EU illness were planted at the very moment of the bloc's greatest triumph – in 1989. When open societies and markets prevailed over closed ones, when cooperation in Europe triumphed over enmity, the EU's long trek to today's situation of “system overload” began.

First of all, 1989 unleashed what we now call globalization, and with it an integration dynamic that led the EU into the previously unthinkable. Not only was more and deeper cooperation between countries suddenly possible – it was necessary. As the world became flat, and the double whammy of removed borders and the IT revolution put globalization on steroids, the EU answered marvelously. It expanded its integrative, regulatory, and compromise-brokering mechanisms into more and more policy fields.

But with time, push-back against the broader EU scope grew, and thirty years after 1989 the EU finds itself in a double bind. The problem is that integration has gone too far, but also not nearly far enough, as the ongoing crises neatly illustrate. For too long, the EU member states integrated the easy bits. Today, the success or failure of the EU is measured in those policy fields that are hard to integrate. The EU is now asked to produce results in areas that it was never designed to manage. Migration, defense, social policy, border security, a shared currency – all of these are fields in which the member states have reserved strong national veto rights for themselves and where the competences of the EU's institutions are weak. The member states cannot find compromises to move forward, and they also oppose any major treaty change that would allow for the EU institutions to step in and broker deals. Intergovernmentalism, not the community method, is now the mechanism of choice in Brussels, at least in the key

policy fields against which EU success or failure is now mostly being measured. As member states block any kind of meaningful reform in any of these fields, it is “the EU” that unjustly gets blamed for the lack of results.

Perhaps nowhere is this trap more evident than with Europe's shared currency, the euro. In the great political bargain that made German re-unification possible, Germany gave up its strong and successful deutschmark as a concession for retaining enlarged territory and population. This deal worked, and Germany became much more closely intertwined with its neighbors' economic fate than before. The common currency also did exactly what its integration-friendly creators had envisioned: it unleashed market forces that made closer political integration between the euro countries an obvious necessity.

What the founders of the euro failed to anticipate, however, was that the member states could ignore necessity. That they would be eager to cash in on the benefits of the shared currency but would remain unwilling to integrate politically. By now few people doubt that a common currency also needs a joint fiscal policy, which, in the end, means joint budget-making and joint decisions about how to spend the money. In other words, massive political integration. Nonetheless, member states cannot jump over their shadows, even after the painful euro debt crisis dramatically illustrated the enormous vulnerabilities and imbalance between deep economic integration and shallow political integration. Nearly thirty years after it was dreamt up, the euro seems stuck in an improvised middle, functioning but not fully functional, without meaningful reform in sight.

Soon after the Berlin Wall came down and the Soviet Union collapsed, the EU, like NATO, embarked on its own path toward enlargement. Western Europe owed membership in its economic community to the countries that had been denied freedom and prosperity for so long. Enlargement was the right thing to do and any alternative would have been a disgrace. But what the Europe failed to see was that a largely expanded EU realm would also require the geopolitical means to assert itself in the world.

To be fair, the rise of China was in its infancy in 1989, and few people would have predicted relations with Russia going as sour as they eventually did. Nearly no one expected the United States interest in Europe to fade so starkly. So its perhaps no surprise that few policymakers in member-state capitals took discussions of an EU foreign and security policy too seriously in the early years. To this day, EU foreign policy is a game that the member states play without including the EU institutions significantly.

Thirty years after the Iron Curtain was lifted, Europe is again a contested geopolitical space with a fragile neighborhood, but the EU has no effective means of dealing with any of it.

As a consequence, the EU is unable to play geopolitical hardball, as was visible in the Ukraine crisis in 2014 (where it tried to play geopolitics bureaucratically), nor is it even a major player in global diplomacy, as proven by the Iran nuclear deal (where Iran and United States were focused on each other and needed the EU only as a place holder before they could get to the core of the matter). Thirty years after the Iron Curtain was lifted, Europe is again a contested geopolitical space with a fragile neighborhood, but the EU, the centerpiece of its political architecture, has no effective means of dealing with any of it.

Europe needs to integrate more (albeit carefully), not less, if it wants to keep its levels of wealth and freedom. It needs to become a foreign policy and security power if it wants to play a role in the newly emerging world order. And it needs to reform governance of its currency so that a more balanced euro can become a unifying force, not one that drives Europeans apart.

As party systems across Europe are adjusting to changed popular demand at rapid speed, the big question is whether, under these changed conditions, the EU can make the progress it will need. The new generation of policymakers in Europe that has been swept to power in their home countries need to prove whether they are worthy of the legacy of 1989.

Of Leadership And Burdens

by JACK JANES

In evaluating history, T. S. Eliot reminded us that human beings often “had the experience but missed the meaning.” In efforts to make sense of our past, we look for patterns to wrap around the path of experiences. Yet we – both individuals and states – find ourselves continually confronted by new experiences that challenge our assumptions and require us to reassess the meanings we have settled on. During the last three decades, debates over the narrative and rationale of U.S. global leadership has illustrated this struggle. And given where we stand 30 years after we thought we had ended history, one must ask what meanings did we miss in our experiences?

In many ways, this U.S. vision echoed the post-1949 view of a world, in which the rebuilding of security and prosperity was dependent on the leadership of the United States. Because that strategy had worked reasonably well for those under the U.S. umbrella during the previous four decades, it would certainly work again. But there was a crucial difference in the two periods. Those who crafted the strategies in the late forties were burdened by the specter of catastrophe, and driven to prevent another. The post-Cold War environment, however, was accompanied by a greater hubris. This time it was believed that the world could really be made safe for democracy.

This was the meaning we drew from 1989, but almost immediately new events collided with the story. In the wake of the disintegration of Yugoslavia, the return of war to the European continent in the Balkans was one of many red flags pointing at the fact that the melting of Cold War ice sheets could uncover the fires of nationalist entities. The brutal suppression of human rights demonstrations in the streets of Beijing in the Spring of 1989 should have also reminded us that a convergence of values among nations was not self-evident. The turmoil in Afghanistan did not subside after Soviet troops left, but continued to simmer until it boiled over a decade later in the attacks of Al-Qaeda in Africa – and then on 9/11. Regional conflicts continued, financial insecurities erupted, inequalities deepened and the bonds of alliances were strained over the Iraq war.

What Price Can We Pay Today?

The post-1989 framework with which we approached the dramatic changes unfolding drew on some of the lessons of the Second World War, that of an expansive global presence to help secure peace and anchor democracy. It was a vision of U.S. leadership, as captured in John F. Kennedy's inaugural address: "we shall pay any price, bear any burden, meet any hardship, support any friend, oppose any foe to assure the survival and success of liberty."

The U.S. consensus around that mission had been largely supported by the strategic community, the experts and scholars who advised them, and the public at large. Fear of nuclear war and communist threats further strengthened resolve. And it all fit into the larger self-perception of the United States as the source and guardian of global peace and prosperity.

Of course, the peace guardian made many mistakes along the way. The war in Vietnam, a failed military intervention in Cuba, the support of dictators in South America and in the Middle East. And then came the invasion of Iraq and the war in Afghanistan, which has become the longest war in U.S. history.

Americans increasingly came to question whether they should, and whether they could, bear these burdens, as the hubris of the first post-Cold War decade began to fade. Building schools in Kabul seemed less urgent than repairing bridges at home.

Thus the United States today is struggling with another iteration of a long-standing debate over how it should exert global leadership, project its power, and exercise its responsibilities at home and abroad.

On one side of that debate are those who wish to limit capabilities and put "America first." The election of Donald Trump was evidence that a large number of Americans have ambivalent feelings about the global role of the United States and international entanglements. As Secretary of State Mike Pompeo recently stated in Brussels "Our mission is to reassert our sovereignty, reform the liberal international order, and we

want our friends to help us and to exert their sovereignty as well."

The other vision holds that the United States is and should remain the leading force for global stability and security while working with the multinational framework of cooperation and consensus within its partners. This system, and U.S. leadership within it, is still the best chance to prevent the breakdowns of the global system which roiled the first half of the twentieth century.

Yet arguing simply over how much or how little we need to do is missing the meaning of the moment we face today. The United States is confronted with an environment unlike that of seventy years ago or thirty years ago. It is not the sole globally dominant economy, nor uncontested on the world stage, nor is it capable of achieving a globalized liberal order. Moreover political polarization at home is undermining its capacity to develop a consensus for new strategies to confront these challenges.

You cannot even do good today unless you are prepared to exert your share of power...and to assume your share of risks.

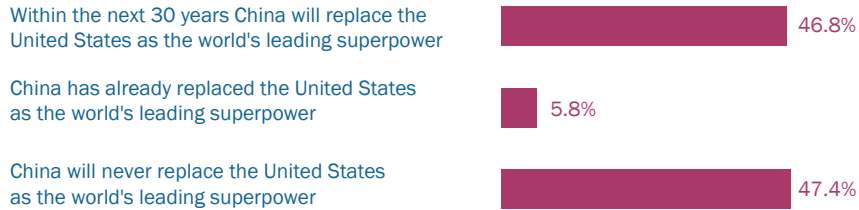
Americans need to decide how, when, and where they can respond at home and within their alliances. The answers may be uncomfortable, unsettling, or even uncertain; they certainly will not be easy. In 1947 George

Kennan described this challenge with these words: "The bitter truth in this world is that you cannot even do good today unless you are prepared to exert your share of power, to take your share responsibility, to make your share of mistakes and to assume your share of risks."

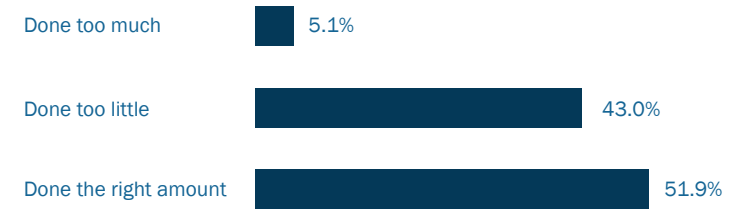
Seven decades later, that is a still much needed message. While the questions we confront today may appear similar to those of yesterday, the answers will be shaped by the new moments and meanings we recognize today and tomorrow, perhaps with a greater portion of humility than hubris.



In thinking about the two most powerful countries in the world, do you think:



Have Western European countries done too much, too little, or the right amount to help Eastern European countries in the last 30 years?

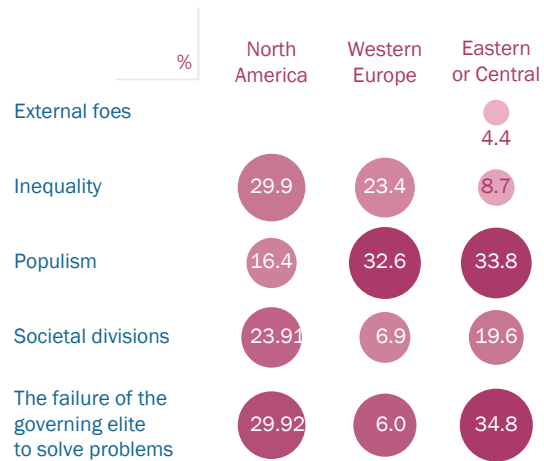


In May and June 2019, the German Marshall Fund of the United States conducted its third survey of 2520 transatlantic opinion leaders invited to the annual Brussels Forum.

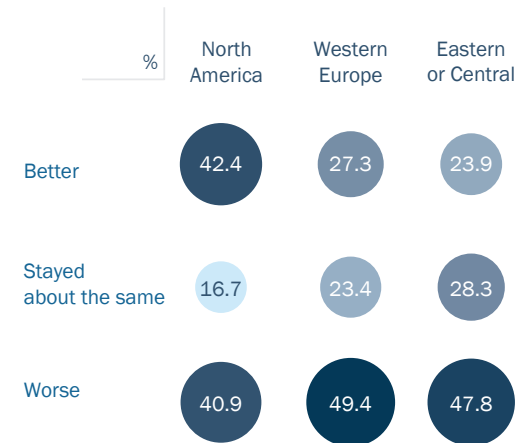
The survey was conducted via SurveyMonkey. A total of 208 responses were received. This included 126 men and 73 women; 101 respondents age 45 or older, 99 ages 18-44; 77 from Western Europe, 46 from Central and Eastern Europe, 67 from North America and 10 from other parts of the world.

Sources:
Brussels Forum
Survey

What poses the greatest challenge to the future of democracy in Europe and the United States?



Compared to 1990, the external security situation in Europe is:



The Decline of Employment Protection and the Rise of Precarious Work

by ANNE MARIE BRADY

By 1989, the employment landscape in the United States and Europe had changed significantly from the immediate post-Second World War decades. Between 1960 and 1973, the unemployment rate as a percentage of the total labor force averaged two percent or below in Western Europe's big economies and 4.8 percent in the United States, but between 1990 and 1995, the average unemployment rate in the United States was 6.4 percent and between 7 and 10.7 percent in Germany, France, and the United Kingdom.¹ There are a multitude of factors behind the rise but by the 1990s it was argued by national policymakers and international bodies such as the OECD and the EU that to reverse the rising jobless tide, it was necessary to loosen what was perceived as excessive and stringent regulation that was hampering growth. Deregulating employment protection laws and tightening social protection were therefore deemed necessary. These reforms to social and labor-market policies meant undoing some of the key pieces of modern labor law that had been developed through legislation, reforms of social protection policies, and collective agreements made in the post-war years. Thus, 1989 marks the start of not only fundamental political changes for the former East, but labor market changes in the former West too.

What has been the effects of these labor market changes in the United States and Europe almost 30 years on? Can we identify trends as they relate to wages, unemployment and related job precariousness as sources of inequality? It is not easy to compare labor-market conditions across national boundaries, as factors such as demographic composition, public policy, economic institutions, and labor market developments have not been identical on either side of the Atlantic.² The objective is therefore not to directly compare the United States and Europe, but to present trends in work and wages as sources of inequality in the both from 1989 to the present day.

1 2.0 percent in France, 1.9 percent in the United Kingdom, 0.8 percent in Germany and 1990-95: France, 8.6 percent in the United Kingdom and 7.1 percent in Germany, Anthony Atkinson, *Inequality*, Harvard University Press, 2015.

2 J. Norwood, "Labor market contrasts: United States and Europe" *Monthly Labor Review*: 1-7, 1983.

Wage Convergence between East and West

In Europe, there are substantial income gaps mostly between the east and the west, but also between “core and periphery.” To understand wages in the EU and what has transpired since 1989, it is important to first understand that the EU was perceived as a “convergence machine,” a mechanism that would help align wages in Central and Eastern Europe with wages in Western Europe (aligning wages with Germany being the specific goal). Between 1995 and 2008, wage convergence between poorer and richer member states was dynamic. Purchasing power and the living standards of workers were improving in the east compared to the west and this in turn was helping to narrow the wage gap between Eastern and Western Europe (Germany in particular). However, real wage growth considerably slowed down after 2010, while in-work poverty grew between 2010 and 2015 at the EU level.³ European countries that followed a policy of internal wage moderation saw wages for many groups of workers decline.⁴ Since the start of the financial and economic crisis of 2008, wage levels compared to Germany have fallen by 6 percent in Hungary, 5 percent in the Czech Republic and 3 percent in Poland, and remained stagnant in Slovakia.⁵

There is clearly a wide range of minimum-wage levels across the EU. Figure 1 and Figure 2 demonstrate the diversity and inconsistent convergence in terms of wages in the EU. Central and Eastern European (CEE) countries show some convergence, but the southern periphery does not. Since 2016, in particular in 2017 and 2018, wage growth in CEE picked up again but could not compensate for earlier losses. Minimum wages in the Czech Republic, Slovakia, Hungary, Poland and Romania) grew between 7 and 9 percent in 2018. Wage levels in nominal eur terms (indicative for investment decisions, labor mobility) show that wage convergence between the mid-1990s and the

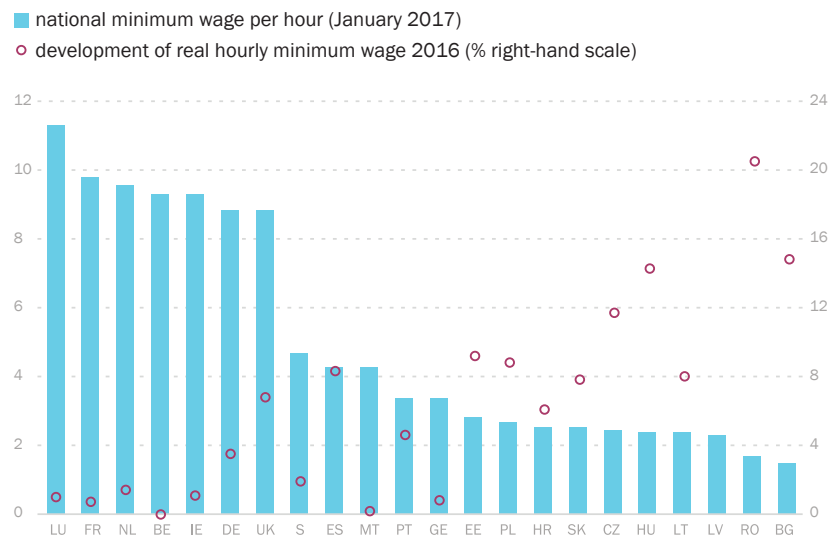
3 Agnieszka Piasna, “Bad jobs’ recovery? European Job Quality Index 2005-2015,” Working Paper, 2017.

4 Martin Myant, Sotiria Theodoropoulou, and Agnieszka Piasna (eds.), Unemployment, internal devaluation and labour market deregulation in Europe, European Trade Union Institute (ETUI), 2016.

5 Béla Galgóczi, “Wage convergence in Europe has reversed since the crisis: socially unjust and economically damaging,” 2017.

Figure 1

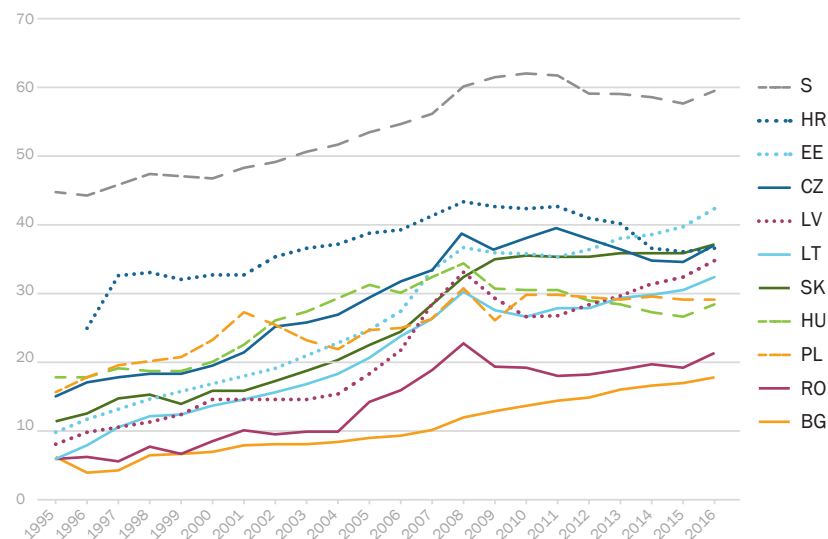
National minimum wage per hour in 2017 (in euros)



Source: WSI minimum wage database (WSI 2017)

Figure 2

Yearly average gross wages in % of the EU15, 1995-2016 (in nominal € terms)



Source: AMECO 2017

mid-2000s was on track but since 2008 there has been a slowdown and even a reversal in some countries.

The picture among the eurozone's strongest economies is more mixed. The three largest economies in the eurozone (France, Germany and Britain) reveal striking differences in wage development. Although labor productivity in France and Germany has grown on average by 1.5 percent over the last 20 years, mean wages have kept pace with productivity in

Wage convergence between the mid-1990s and 2000s was on track, but since 2008 we see a slowdown and even a reverse in some countries.

France, but not in Germany. In fact, mean wages in Germany were barely higher in 2008 than they were in 1995.⁶ The difference between France and Germany in wage growth is especially striking at the bottom of the wage distribution.⁷ Between 1995 and 2008 wages at the 10th percentile (the lowest wages) declined by 10 percent in Germany, while increasing by nearly 20 percent in France. In contrast, wages at the 90th percentile (so the top 10 percent of earners) rose faster in Germany than in France.⁸ Wage growth has picked up in Germany in the post-recession years, and is beginning to

align more closely to France. But the unemployment picture still provides a contrast. The unemployment rate is below 4 percent in Germany, whereas it remains stubbornly high at about 10 percent in France.⁹

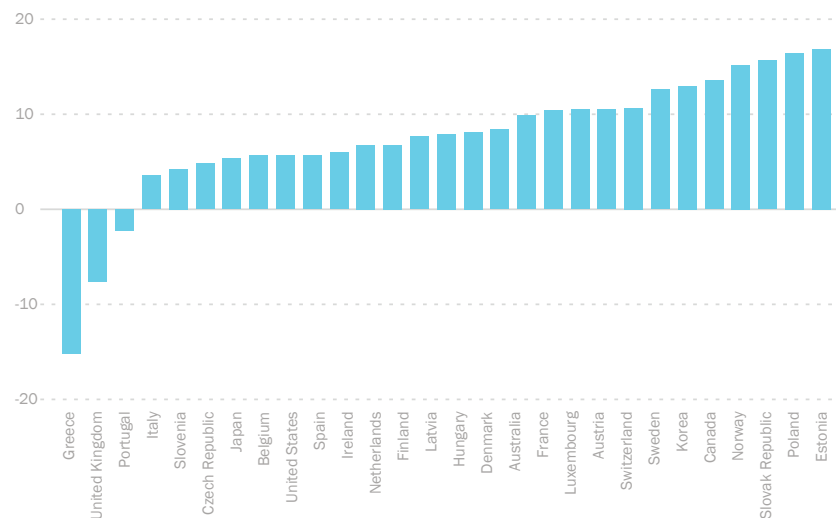
Thus, in Germany wage inequality increased dramatically from 1995 to 2007. Over this period, the real median wage barely showed any improvements. The International Labour Organization found that from 2000 to 2009, real wages among German workers fell by 4.5 percent (adjusted for inflation).¹⁰ Alice Kügler and colleagues' analysis between 1995 and 2007 shows that real wages at the bottom of the distribution declined by 13 percent, whereas real wages at the top of the distribution

increased by 10 percent. But this trend of increasing inequality has slowed following the financial and economic crisis: Since 2010, workers in Germany across all parts of the wage distribution have seen considerable improvements in their wage, and wages at the bottom of the wage distribution have increased slightly more than wages at the middle and the top of the wage distribution.

In France, in contrast, wage inequality has declined over the past two decades and the biggest growth has been in the lowest-wage bracket. Real wages at the 10th percentile of the wage distribution rose by more than 20 percent between 1995 and 2014, compared to 12 percent at the median and 5 percent at the 90th percentile. Between 1995 and 2007, wages at the 10th percentile rose by 18 percent in France (remember, while declining by 13 percent in Germany). At the 90th percentile, in contrast, wage growth was more pronounced between 1995 and 2014, with 17 percent in Germany versus 5 percent in France. "Differences in the evolution of

Figure 3

International average real wage growth in %, 2007-2015



Notes: Average real wages defined by the ratio between total wage bill and average hours worked
Source: OECD Stats, 2016 (<https://stats.oecd.org/>).

6 Kügler, A., Schönberg, U. and Schreiner, R. (2018) "Productivity Growth, Wage Growth and Unions", European Central Bank Forum on Central Banking, Volume: 2018

7 The record low levels of unemployment in Germany may have drawn in predominantly low-skilled workers into work—which would tend to lower wages at the bottom of the wage distribution.

8 Kügler, A., Schönberg, U. and Schreiner, R. (2018).

9 Ibid.

10 Global Wage Report, International Labor Organization (ILO).

wages between France and Germany are therefore particularly striking at the bottom of the wage distribution.¹¹ As Kügler and colleagues argue, these trends resulted in one of the most egalitarian distributions of wages observed in France since the 1960s and can be attributed to the country's distinctive system of industrial relations where the state declares sectoral union agreements to be binding for all firms in the sector.¹²

In the United Kingdom inequality has been on the rise since the 1980s. Since 1995 though, wages at the bottom, middle, and top of the wage distribution have actually evolved at similar rates.¹³ But this needs to be put into perspective. The United Kingdom has witnessed the biggest drop in average real wages of any OECD country except Greece; real wages of the median worker fell by almost 5 percent between 2008 and 2014. Although wages modestly bounced back in 2015 and 2016, compared with the trend of 2 percent annual growth of real wages from 1980 to the early 2000s, this nevertheless represents a 20 percent shortfall.¹⁴ Low-wage workers have benefited from minimum wage increases, especially after introduction in 2016 of the National Living Wage. They have done better than workers higher up the wage distribution, thus leading to a modest decrease in wage inequality.¹⁵ Income inequality has therefore fallen in the United Kingdom since the 2008 recession, but it remains relatively unequal by OECD standards and inequality is expected to increase over the long-term.¹⁶

Wages and Inequality in the United States

Much has been written recently about inequality in the United States.¹⁷

11 A. Kügler, U. Schönberg, and R. Schreiner, *Ibid.*

12 *Ibid.* That said, reforms by Holland and Macron have sought to change this.

13 *Ibid.*

14 Costa, R. and Manchin, S. (2017) "Real Wages and Living Standards in the UK" Paper EA036 Center for Economic Performance, LSE.

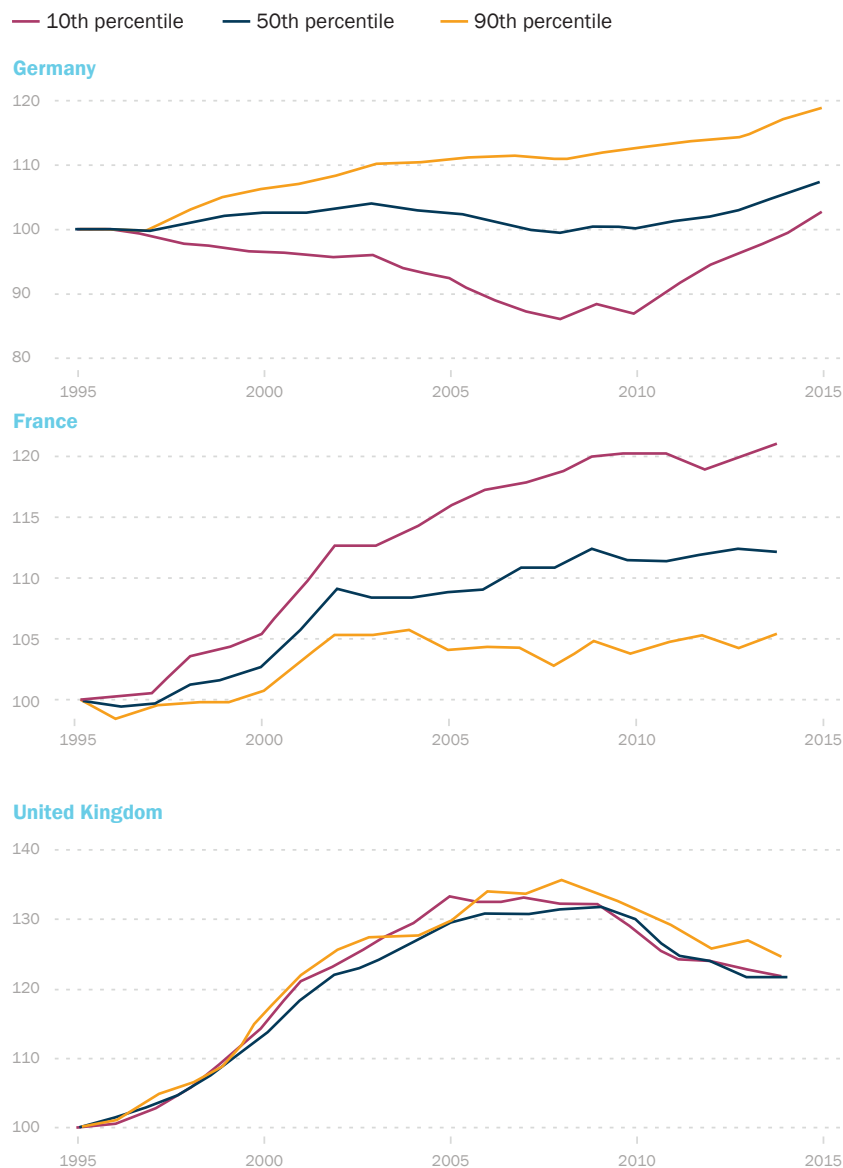
15 *Ibid.*

16 A. Hood and T. Waters "The Impact of Tax and Benefit Reforms on Household Incomes", Institute for Fiscal Studies Briefing Note BN196, 2017.

17 Income, i.e., labor income in the U.S. is defined as the amount a person enters on their income tax return. Labor income is income obtained through wages earned by participating in the labor market. Non-labor income includes capital income, private transfers and state transfers.

Figure 4

Evolution of the 10th, 50th and 90th Percentile of the Wage Distribution



Sources: Germany: 10% random sample from the IAB Employment History, daily real wage, observations refer to June 30 each year; France: French Labor Force Survey, hourly real wage net of employees' social security contributions; UK: UK Labor Force Survey, hourly real wage. From Alice Kügler et al. "Productivity Growth, Wage Growth and Unions."

Rising income inequality – a reason for chronically slow growth in the living standards of low- and moderate-income Americans – preceded the 2008 financial and economic crisis and continues. As Figure 5 shows, there have been significant changes in the distribution of income since the postwar years. Incomes were more evenly distributed in the 1950s, but by the 1980s changes started to emerge. At the top of the distribution, the share in total gross income of the top 1 percent increased by one-half between 1979 and 1992, and by 2012 it was more than double its 1979 share. The top 1 percent in the United States now receives close to one-fifth of total gross income – meaning that, on average, they have twenty times their proportionate share.¹⁸

The near stagnation of hourly wage growth for a high percentage of Americans has contributed greatly to this inequality over the past generation. Given that wage-related income accounts for the majority of total income among the bottom fifth of households,¹⁹ it is not surprising that this trend has impacted U.S. living standards.

In the United States the hourly wages of middle-wage workers (median-wage workers who earned more than half the workforce but less than the other half) were stagnant between 1979 and 2013, rising by just 6 percent, less than 0.2 percent per year. This wage growth happened only because wages grew in the late 1990s when labor markets got tight enough (unemployment, for instance, fell to 4 percent in 1999 and 2000) to finally deliver across-the-board hourly wage growth. Otherwise the wages of middle-wage workers were totally flat or in decline over the 1980s, 1990s, and 2000s. The wages of low-wage workers fared even worse, falling 5 percent from 1979 to 2013. In

¹⁸ It is important to point out that in the US, the proportion of total gross income going to the top 1 percent began to increase long before 1970. Between 1952 and 1972, the relative advantage of the top decile rose from 150 percent to 194 percent of the median; equivalent to the increase that occurred between 1972 and 2012. The difference between the two periods, however, is that the U.S. maintained a broadly stable level of household income equality in the 1950s and 1960s, despite widening earnings dispersion.

¹⁹ After all, the vast majority of Americans rely on their paychecks to make ends meet. For these families, the bulk of income comes from wages and employer-provided benefits, followed by other income sources linked to jobs, such as wage-based tax credits, pensions, and social insurance. Lawrence Mishel, Elise Gould, and Josh Bivens, “Wage stagnation in nine charts,” Economic Policy Institute 6, 2015.

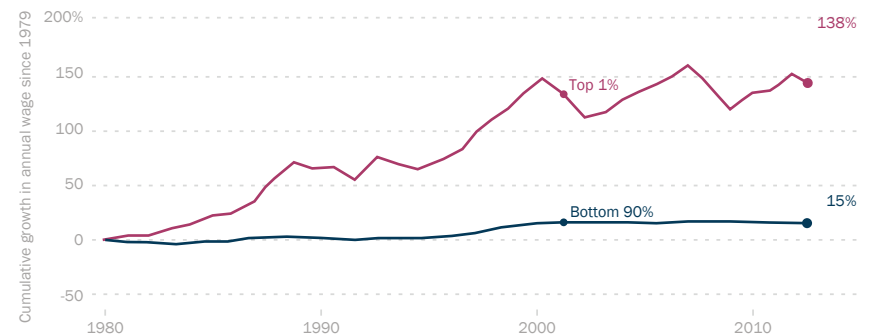
contrast, the hourly wages of high-wage workers rose 41 percent.

Rising Productivity, Stagnant Wages

Figure 5

Since 1979 wages at the top 1% grew 138%, while wages at the bottom 90% only increased by 15%

Cumulative change in real annual wages, by wage group, 1970-2013

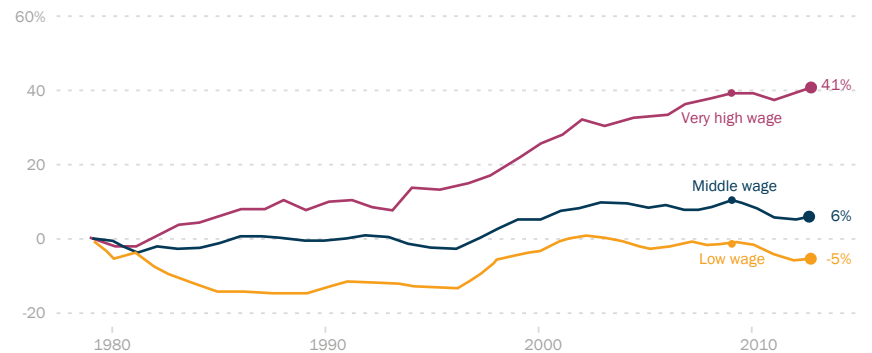


Source: EPI analysis of data from Kopczuk, Saek and Song (2010) and Social Security Administration wage statistics. Reproduced from Figure F in *Raising America's Pay: Why It's Our Central Economic Policy Challenge*

Figure 6

Wages in the middle are stagnant, rise 41% for top earners and fall 5% for low-wage earners

Cumulative change in real hourly wages of all workers, by wage percentile,* 1979-2013



*Low wage is 10% percentile, middle wage is 50th Percentile, very high wage is 95th percentile
Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata
Reproduced from Figure F in *Why America's Workers Need Faster Wage Growth - And What We Can Do About It*

In the last decades wages have increasingly decoupled from productivity in the United States and in Europe. In theory, increased productivity (the improvements in the amount of goods and services produced per hour worked) should result in an increase in the wages and benefits received by a typical worker, especially in a tight labor market (the national unemployment rate in the United States is currently 3.9 percent, and 3.1 percent in Germany). But instead, wage growth has lagged productivity. In the United States, Figure 7 shows, between 1948 and 1973 hourly compensation of the vast majority of workers rose by 91 percent, roughly in line with productivity growth of 97 percent. But since the mid-1970s (except for a brief period in the late 1990s), pay for the vast majority lagged further and further behind overall productivity. This suggests that employers are not investing profits in their workers' skills or wages. Absent collective bargaining to force change (or at a minimum, a federal minimum wage hike), industry is choosing not to do so on its own. This is an acute problem given that the U.S. workforce is grappling with growing income inequality and declining personal disposable income.

In Europe, the data shows that between 2000 and 2016 wage developments were lagging productivity for the EU and for 14 member states. For the EU28, labor productivity (as GDP/worker) in 2016 was 10.5 percent higher on real terms than in 2000, while real compensation in the same period increased by a mere 2.45 per cent. Real productivity increase was thus more than four times the increase in real wages: three-quarter of the achieved labor productivity growth was not paid out in the form of wages.

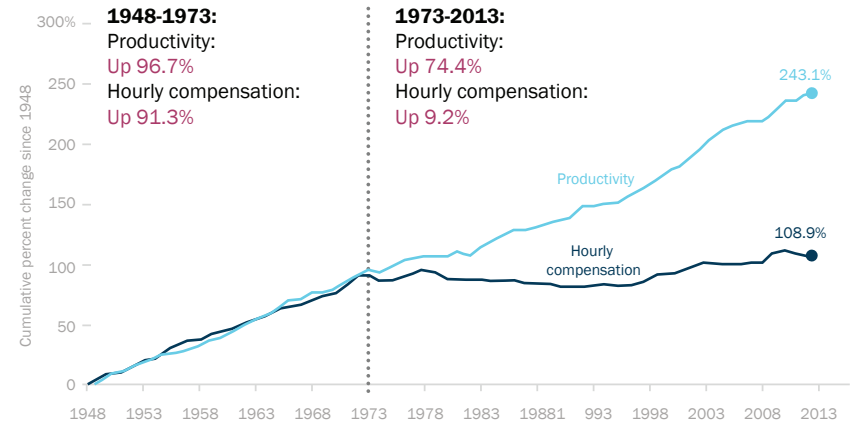
More Flexible Work, More Working Poor

Nonstandard work has increased in the United States and in Europe, and it is especially affecting the low-wage and low-skilled workers. Analysis of the European Job Quality Index for the 28 EU member states shows that, parallel to changes in employment patterns, there has also been an increase in low-wage work, working poverty, and

Figure 7

Workers produced much more, but typical workers' pay lagged far behind

Disconnect between productivity and typical worker's compensation 1948-2013



Note: Data are for compensation (wages and benefits) of production/nonsupervisory workers in the private sector and net productivity of the total economy. "Net productivity" is the growth of output of goods and services less depreciation per hour worked.

Source: EPI analysis of Bureau of Labor Statistics and Bureau of Economic Analysis data. Reproduced from Figure F in *Raising America's Pay: Why It's Our Central Economic Policy Challenge*

Figure 9

Real productivity and wage developments in the EU28 and in selected member states

Change of real wages and productivity, 2016/2000, %



Source: real compensation/worker, real productivity per worker (AMECO, 2018)

temporary employment – all indicators of precarious work. In the European context, sociologist Arne Kalleberg defines precarious employment as uncertain and insecure, and lacking in social protection and the full citizenship rights of employees in stable employment relationships.²⁰ Unlike the voluntary flexibility enjoyed by highly skilled entrepreneurs and contract workers, precarity implies toxic, unpredictable, and anxious insecurity.

The percentage of workers (employed or self-employed) in the total population who are at risk of in-work poverty has increased in 19 EU countries and the share of working poor was higher in 2015 than in 2005. In Estonia, Portugal, Poland, Luxemburg, Spain, and Greece, at least every tenth worker was at risk of poverty. In Romania, this was 19 percent of workers. Thus, while there was an initial decline in nonstandard forms of employment immediately following the 2008 crisis (because the least-secure jobs are generally the first to be shed in a recession), there has been a general return to temporary employment among European employers.

The share of temporary work in total employment increased in 18 EU countries between 2010 and 2015, reaching the highest levels in Poland and Spain, where more than one-in-four workers had contracts of limited duration in 2015. Ten of the fastest-growing jobs are in the low, low-mid, or top-paid quintiles, while jobs in the middle of the wage distribution in the United States and in Europe are shrinking fastest (though the downgrading effect is greater in the United States than in Europe).

Jobs in some countries are going from bad to worse. Between 2005 and 2010, when the European labor market first felt the pain of the financial crisis, almost all EU countries saw a decline in job quality measured in terms of forms of employment and job security. Between 2010 and 2015, the quality of employment and job security worsened in eight countries: Cyprus, Portugal, Italy, Greece, the Netherlands, France, and Germany. A worrying development is that, in many aspects

of job quality, the worst performing countries have seen a further deterioration. As a result, divergence rather than upward convergence has taken place. Indeed, against a background of poor economic prospects, employers are recruiting a much higher proportion of new employees on temporary contracts in the EU.²¹ In 2012, this share was around 80 percent in Spain and Poland. Therefore, the resumed growth in employment levels following the post-2008 jobs crisis has been, as Agnieszka Piasna from the European Trade Union Institute

In Estonia, Portugal, Poland, Luxemburg, Spain, and Greece, at least every tenth worker was at risk of poverty.

argues, a “bad jobs” recovery, marked by a return to nonstandard forms of employment with average levels of job quality in the EU remaining below pre-crisis levels.

While the data in the United States is limited, analysis by Katz and Krueger suggest a sharp rise in contingent and alternative work arrangements. Their analysis suggests that between 1995 and 2015, 94 percent of the net employment growth in the U.S. economy occurred in alternative work arrangements: independent contractors, on-call workers, temporary help agency workers, and workers provided by contract firms.²²

All four categories of nonstandard work increased between 2005 and 2015. All four categories of alternative workers are paid less per week than workers in a traditional employment relationship, conditional on personal characteristics. But of the four categories, it is the independent-contractor category that earned the highest wages (though lower than their counterpart who is in a traditional work relationship).²³

More than 80 percent of independent contractors and freelancers

²¹ Up to 50 percent between 2010 and 2012 compared with 40 percent in 2002.

²² F. Katz and A. Krueger, “The Rise and Nature of Alternative Work Arrangements in the United States, 1995-2015” Working Paper 603, Princeton University, Industrial Relations Section, September 2016.

²³ Ibid.

²⁰ Good jobs, Bad jobs, New York, Russell Sage Foundation, 2011.

indicate they prefer such an arrangement to being in a standard employment relationship. This finding suggests that the independent contractor, who is a consultant or freelancer, has made a choice to “be their own boss.” Whereas the other three categories of workers not only work fewer hours, are paid less per hour, and fall in the low-wage quintile compared to their counterpart in a traditional employment relationship, but when asked, these categories of workers would prefer to be in a standard employment relationship as opposed to their current status. Finally, it is women who are more likely to be employed in an alternative work arrangement than men. From 2005 to 2015, the percentage of women employed in alternative work arrangements almost doubled from 8.9 percent to 17.0 percent.²⁴

Flexible Work, a More Precarious Future?

Increasingly work is no longer a simple binary activity – I work or I do not work – and one’s income no longer guarantees an increased standard of living. As Tony Atkinson has pointed out, the twenty-first century labor market is more complex than simply working or not working and this complexity has implications for how we think about employment as an avenue out of poverty and full employment as a means to less inequality.²⁵ This brief summary on the changing state of work and wages as sources of inequality provides a glimpse of trends that have happened since 1990. The question is, what has driven these trends?

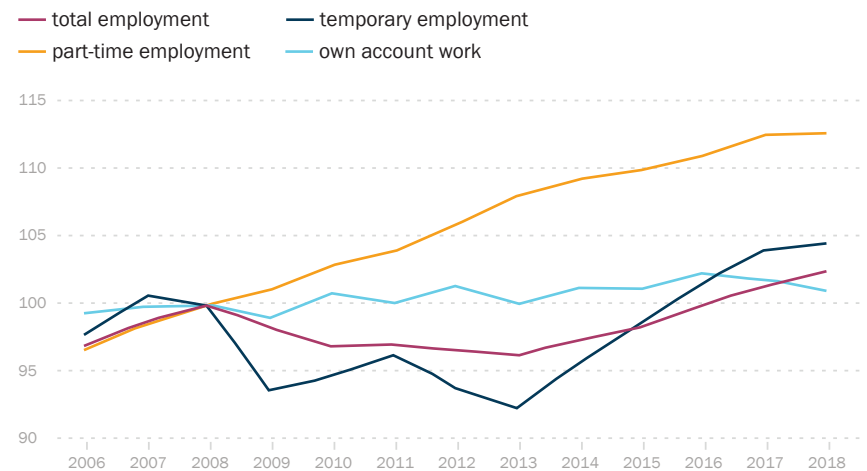
There are two important points to raise when exploring the drivers of change to the quality of work and wages in the United States and in Europe. First, the changes in wage and job quality have not happened in a vacuum. Globalization, demographic (including population movements) and technological change (digitalization, automation, platform economy), and decarbonization are the four megatrends shaping labor market change in the United States and Europe. Second,

the changing macroeconomic situation and the policy responses to these changes have played a major role. Other features of labor markets and employment systems, including institutional change – i.e. the decrease in the role of unions in setting quality work and wages and the flexibilization and deregulation of labor market protections (especially in Europe) – are important mechanisms that have impacted the quality of jobs and wages. Keeping labor costs down was seen as essential to remaining competitive, as well as to preventing the transfer of production elsewhere. In order to do this international bodies, such as the OECD, started to argue in favor of “labor market flexibility.” Here “flexibility” took many shapes – from wage to employment to job to skill flexibility. In Europe the deregulation of employment protection law fell under the umbrella of “flexicurity,” in particular the EU’s “better regulation agenda” and its follow-up “smart regulation agenda.”

But the movement toward greater flexibility has resulted in a rise in nonstandard forms of work that offer less protection for workers and less predictability in terms of income and working hours. Wage gaps are therefore persistent because of changes to job quality vis-à-vis

Figure 10

Net job growth by forms of employment in EU. 2008=100%.



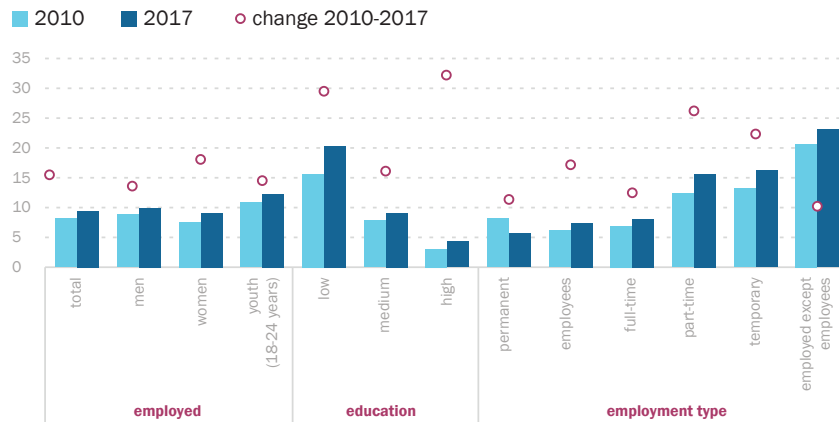
Source: Eurostat (2018)

²⁴ Ibid.

²⁵ Atkinson, A. (2015) Inequality.

Figure 11

In-work at-risk-of-poverty rate, EU



Source: Eurostat (2018)

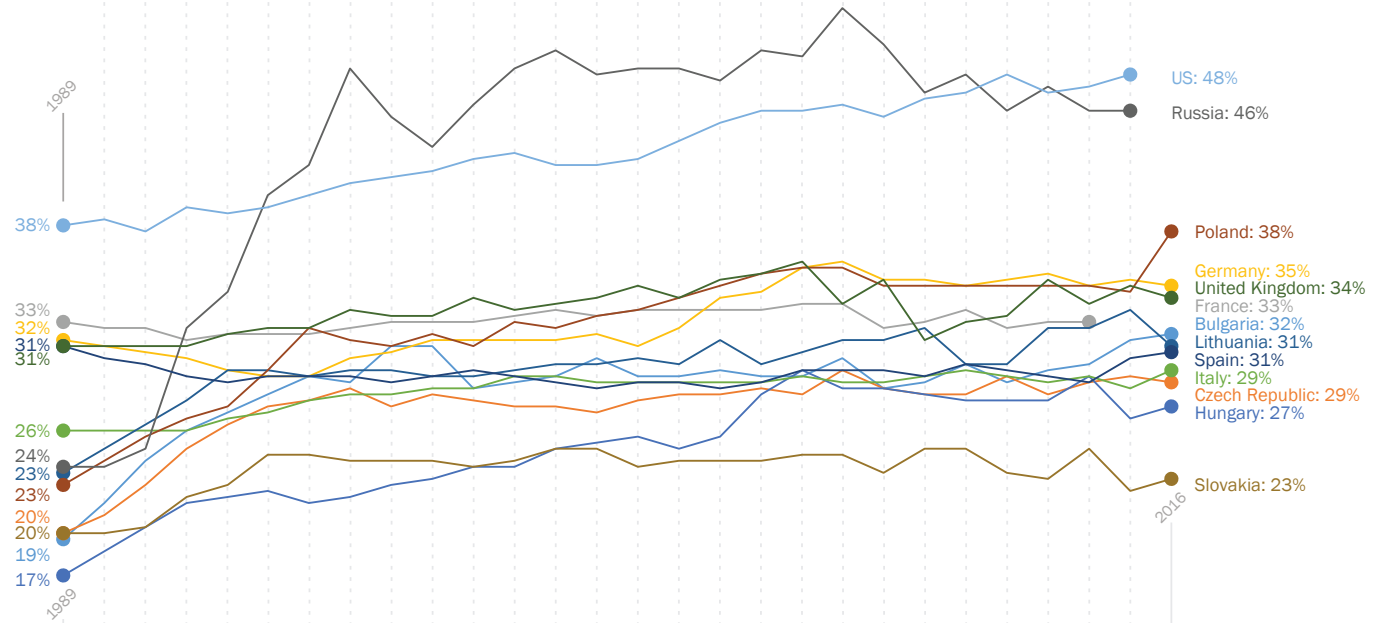
the spread of precarious forms of employment (above all temporary contracts) and are especially felt based on one’s race/ethnicity, gender and immigration status in addition to skills-set.

These changes to work and wages are particularly worth highlighting as they are amplified in the United States and Europe and have far-reaching consequences for skills development and inequality. In the United States and in Europe employment relationships since 1989 have increasingly become more flexible – or more precarious – depending on one’s point of view. Even if one takes the “flexible” view, there has been a worrying trend (from severe to moderate) toward productivity gains not accruing to wage-earners, and especially not to median and low-wage earners. As other articles in this collection argue, 1989 was supposed to be the beginning of a grand conversion, perhaps even a global conversion toward the Western post-Second World War era model of free and open societies and economies. The euro, also an upshot of 1989, was supposed to facilitate income convergence. Instead within Western economies, and between the Western economies of Europe, the decades after 1990 brought greater inequality within and

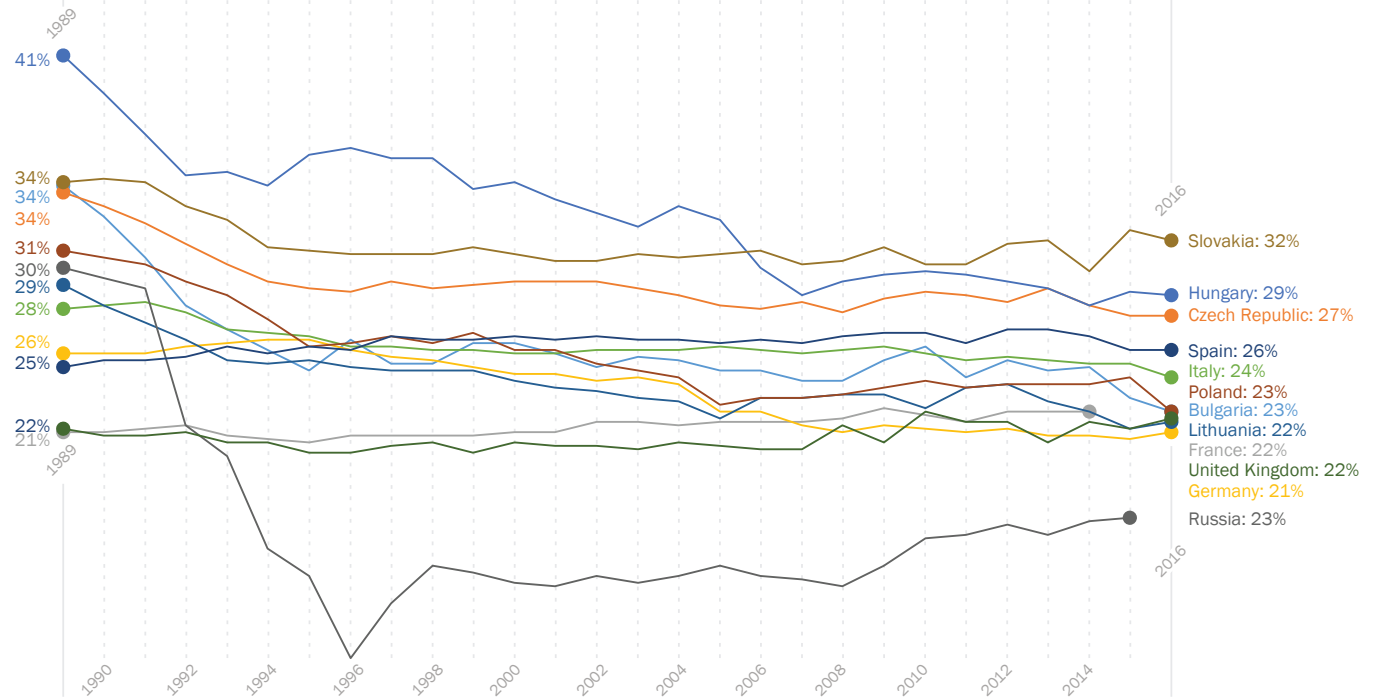
between countries than the couple decades before. In the United States the top 10 and 5 percent of earners have run away with almost all of the productivity and income gains. In Europe, member states are growing slightly more equal – except for those in the eurozone, who have become more unequal. Looking ahead to the next thirty years, it is hard to imagine that these are trends that will help the United States and Europe shore up their societies and economies against strong competition.

Inequality

Top 10% Share of National Income
% change 1991-2009



Bottom 50% Share of National Income
% change 1991-2009



Sources:
Pew Global
Attitude Project

**Public and Elite
Sentiment
1991 • 2009 • 2019**

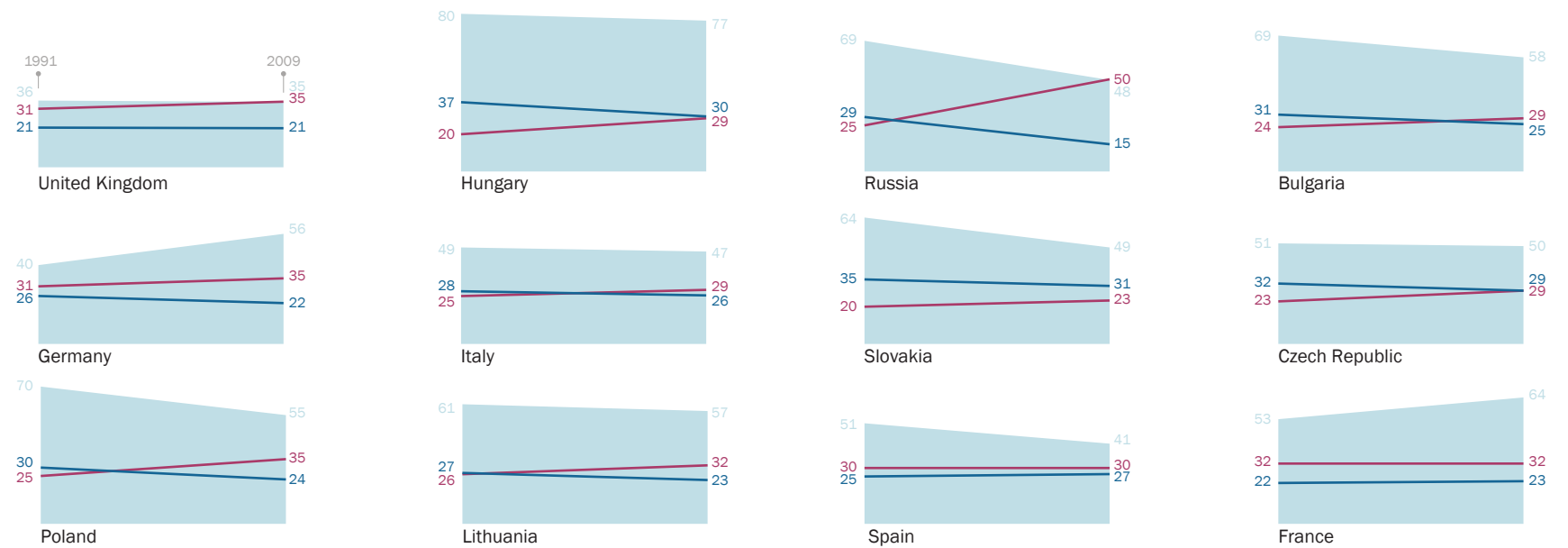
The Pew Global Attitudes Project was originally conceived to gauge attitudes in every region toward globalization, trade, and an increasingly connected world. The project measures changes in attitudes toward democracy and other key issues among some of the European populations surveyed in the 13-nation 1991 benchmark Pew survey, the Pulse of Europe.

In the following pages we visualize the Pew survey results from 1991 and 2009, sometimes compared to elite sentiment in 2019, to trace shifting sentiment in the 20 and 30 years since the fall of communism in Europe.

Inequality

■ Today, it is true that the rich get richer and the poor get poorer... % completely agree

- Top 10% Share on National Income (%)
- Bottom 50% Share on National Income (%)

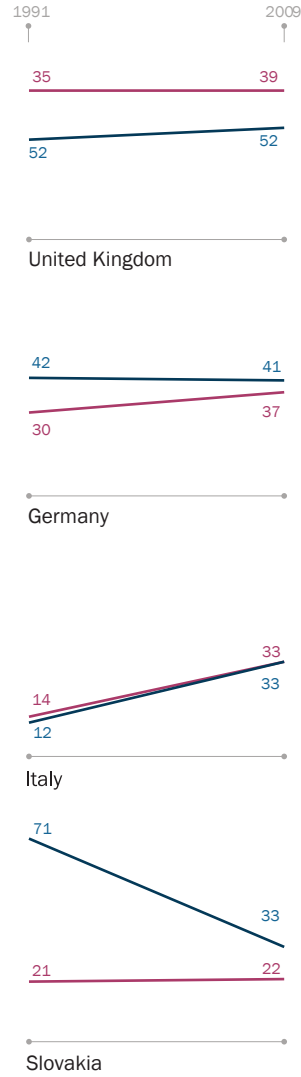


Sources:
Pew Global
Attitudes Project

Brussels Forum
Survey

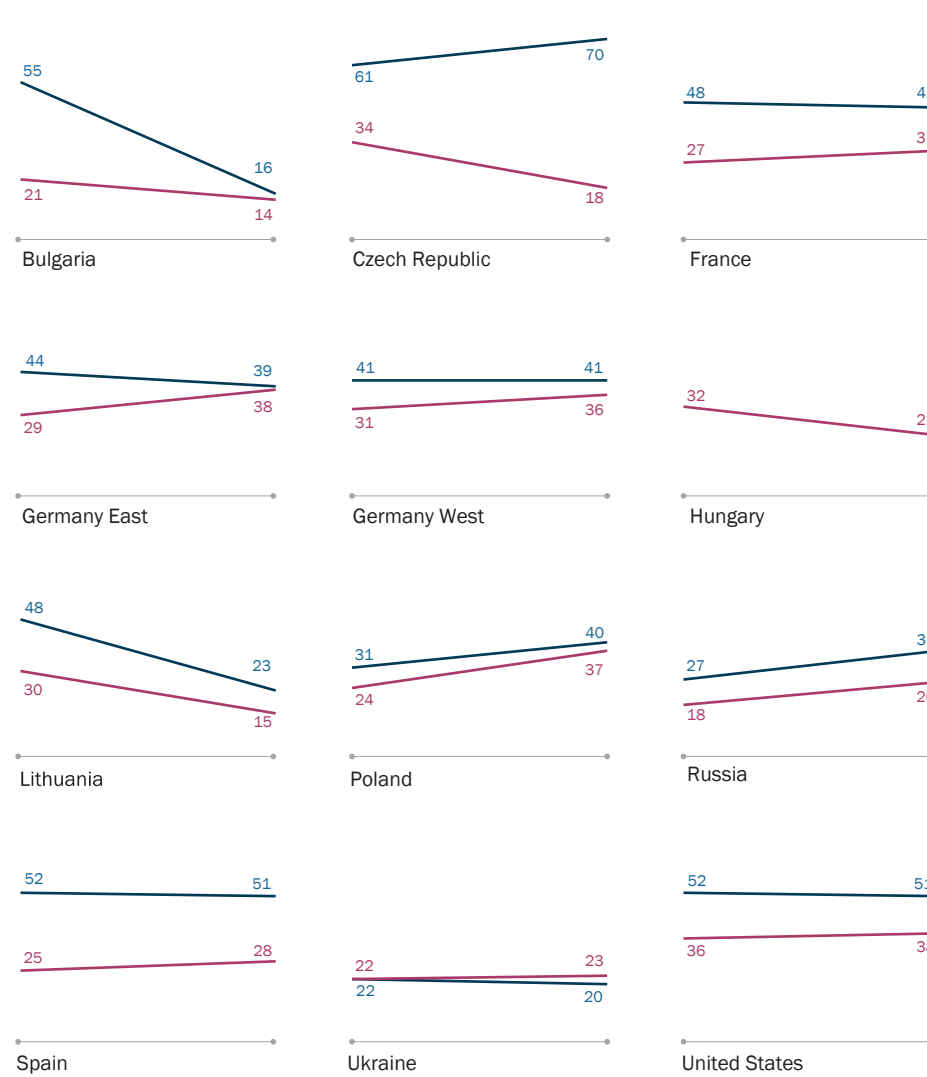
The state is run for the benefit of all people? % Agree (1991, 2009)

— % Agree

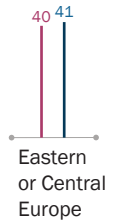


Most elected officials care what people like me think (1991, 2009)

— % Agree



Brussels Forum 2019 Survey



We asked some of the PEW Pulse of Europe /Global Attitudes questions of our Brussels Forum Transatlantic Opinion Leaders.

However, as the methodology of the surveys are different it should be noted that the results are not strictly comparable.

Sources:
Pew Global Attitudes Project
Brussels Forum Survey

Determiners of Success

Success in Life Determined by Forces Outside Our Control (2009)

% Agree % Disagree % Don't Know

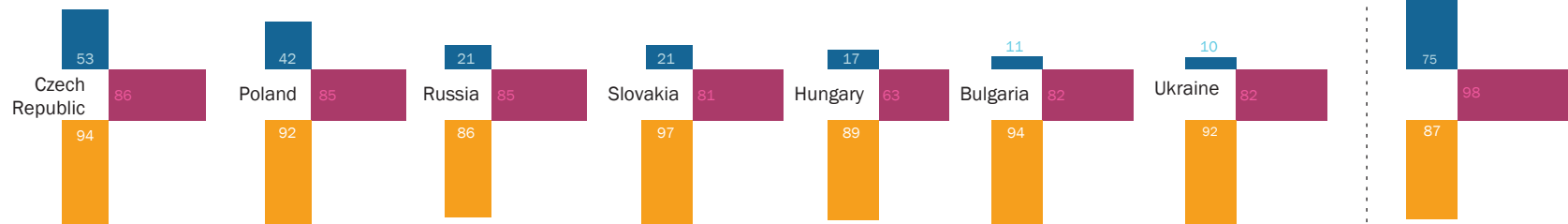


Brussels Forum 2019 Survey

Beneficiaries of 1989

Who benefited a great deal/fair amount from changes since 1989/1991? (2009)

% Ordinary People% Business Owners% Politicians



Sources:
Pew Global Attitudes Project,
Brussels Forum Survey

Fighting for a Democratic Future

Authoritarian Advance: How Authoritarian Regimes Upended Assumptions about Democratic Expansion

by LAURA ROSENBERGER

Thirty years after the fall of the Berlin wall, democracies again face a struggle against authoritarianism. This is not the ideological battle of the Cold War, but it is a confrontation between systems of government. As democracies are showing cracks and as authoritarian regimes are gaining strength, the global balance of power is beginning to shift to a world where authoritarian regimes are setting rules for new global challenges, especially in information, technological, and in some cases economic spaces. Using economic and technological tools once thought to be democratizing forces, authoritarian regimes are undermining and eroding democratic institutions while enabling the growth of more authoritarian governance systems. Illiberalism and authoritarianism are on the march at the expense of liberal democracy.

At the same time, policymakers assumed that technological developments and trade and investment would pierce the veil of authoritarian states. U.S. President Bill Clinton famously said in 2000 that China trying to crack down on the Internet was “like trying to nail Jell-O to the wall.” In 2005, U.K. Prime Minister Tony Blair told reporters after meeting Chinese Premier Wen Jiabao that “The whole basis of the discussion I have had in a country that is developing very fast – where 100 million people now use the Internet, and which is going to be the second-largest economy in the world – is that there is an unstoppable momentum toward greater political freedom.”

But Russia and China had other ideas. These regimes continued to see democracy as a threat to their power, and invested in means to halt this march toward freedom. They understood earlier than democratic leaders that technology could be harnessed for control and manipulation, developing tools to constrain, surveil, and insidiously shape the views of their populations using information and technology, bolstering their power. And they and took advantage of market asymmetries and non-transparent Western financial practices to gain leverage and consolidate power.

Russia harnessed tools of surveillance with Soviet roots to monitor telecommunications traffic and Internet traffic within its borders. Its System of Operational-Investigatory Measures (SORM) enables

the Federal Security Service to collect, analyze, and store all forms of communication that pass over Russian networks.¹ Russia also uses information-warfare tactics online to control and manipulate public perception in support of the regime: the now-infamous Internet Research Agency originally targeted domestic audiences, when it first began posting to Twitter in 2009.²

Meanwhile, the Chinese Communist Party (CCP) has shown that apparently Jell-O can be nailed to the wall. Its Great Firewall of a censored Internet is now supplemented by indigenous platforms and apps that allow it to police its users' activities online, shaping their information reality and tracking their daily routines.³ This is combined with an artificial-intelligence-powered system of surveillance and facial recognition that monitors offline activities, enabled by cameras that dot every corner of Chinese cities. The CCP has used this system most aggressively in the Xinjiang region, where it monitors and manipulates nearly all aspects of Uyghurs' lives and has put large numbers of Uyghurs in "reeducation camps" for perceived disloyalty to the regime.⁴ And a tech-powered system of "social credit," backed by all of this data, is currently being rolled out nationwide.⁵

Leaders in Moscow and Beijing have also manipulated markets to fortify their own power. The CCP has developed a directed form of state-backed market economy, and exploited asymmetries between its system and the international economic system in which it was welcomed to gain favorable positions for its companies and interests. Rather than greater economic openness generating a push against the

party-state for political freedoms, the party-state has instrumentalized its corporate entities, using them as a means not only for economic growth, but also for coercive political leverage and to cultivate influencers.⁶ President Vladimir Putin and his cronies used the privatization period in Russia to enrich themselves at the expense of the Russian people, and now rely on the Western financial system to protect these ill-gotten gains, employing a kleptocratic patronage system that bolsters Putin's power and enriches his inner circle.⁷

Exporting Authoritarianism

Increasingly, these regimes are turning these tools of coercion outward to push back on democracy and enable the spread of illiberalism and authoritarianism in order to advance their own interests. Extending the means of control they have developed at home allows them to fortify that power within their borders and without. And the erosion of

Putin's kleptocratic regime has developed a network of patrons across Europe, spreading corruption that weakens democracies from the inside.

institutions inside democratic countries along with a retreat in U.S. global leadership has provided these regimes with soft targets.

In the case of Putin's Russia, this manifests in a strategy of undermining democracies as a means of weakening them to gain relative power and diminish their appeal at home. Seeing vulnerabilities in democracies as opportunities to boost his position, Putin has turned his information weaponry outward, using his intelligence apparatus and proxies to exploit divisions and weaknesses to create

chaos and damage democratic governments and institutions across the transatlantic space. Putin's kleptocratic regime has developed a network of patrons across Europe, spreading corruption that weakens democracies from the inside and helps Putin to maintain power. The

1 Maréchal, Nathalie. "Networked Authoritarianism and the Geopolitics of Information: Understanding Russian Internet Policy." *Media and Communication* 5, no. 1 (March 22, 2017): 29–41. p. 33-4; Lewis, James Andrew. "Reference Note on Russian Communications Surveillance." Center for Strategic and International Studies, April 18, 2014.

2 Howard, Philip, et al. "The IRA, Social Media and Political Polarization in the United States, 2012-2018." Oxford: Computational Propaganda Research Project, 2018. p. 9.

3 "China's Algorithms of Repression | Reverse Engineering a Xinjiang Police Mass Surveillance App." Human Rights Watch, May 1, 2019.

4 Buckley, Chris, and Paul Mozur. "How China Uses High-Tech Surveillance to Subdue Minorities." *The New York Times*, May 22, 2019.

5 Mozur, Paul. "Inside China's Dystopian Dreams: A.I., Shame and Lots of Cameras." *The New York Times*, October 15, 2018.

6 Feng, Ashley. "We Can't Tell If Chinese Firms Work for the Party." *Foreign Policy*, February 7, 2019; Mitchell, Tom. "Xi's China: The Rise of Party Politics." *Financial Times*, July 25, 2016.

7 Dawisha, Karen. *Putin's Kleptocracy: Who Owns Russia?* New York: Simon & Schuster, 2015.

former president of Freedom House, David Kramer, rightly observed that “corruption is Putin’s biggest export,” noting that is possible only because Western democracies import it, eroding good governance and facilitating Putin’s efforts to make democracies look more like his kleptocracy.⁸ Russia also uses state-owned companies, particularly in the oil and gas sectors, to create and exploit dependencies, cultivate influencers, and coerce governments to adopt policies favorable to Moscow.⁹

For its part, China aims to remake global rules to be more favorable to it, while legitimizing its system of government – what many have characterized as “making the world safe for China.” While the CCP’s end goal may not be weakening democracies, that is the effect of its actions. These include: undermining the rules-based order, including by consistently ignoring those rules; using coercive tactics, including engaging in political interference in democracies; and leveraging

The Chinese Communist Party is increasingly turning the tools of control it developed at home outward.

state-backed capital to make governments more dependent on Beijing while distorting markets. China under President Xi Jinping has also recognized the importance of “act[ing] aggressively to shape cyberspace at home and on the global stage.”¹⁰ This also helps it shape standards and norms for the technologies and information architecture of the future. The CCP is increasingly turning the tools of

control it developed at home outward – censoring discussion beyond its borders on indigenous platforms such as WeChat,¹¹ and using a cyber-attack tool that some have dubbed the “Great Cannon” to conduct denial-of-service assaults to silence its critics overseas.¹²

Furthermore, the techno-authoritarian systems of surveillance and control that the CCP has deployed internally are being exported to other countries – sometimes in the form of “Smart Cities” or other seemingly commercial high-tech deals.¹³ These deals are not simply about shipping the technology – they often include training for government officials on how to use its capabilities as the CCP does, shaping the behavior of officials in other countries and providing them Beijing’s means of control. Of course, these technological exports are not just about commercial gain. They create dependencies on PRC technologies, which provides leverage that can be deployed for other purposes, and provide data to Beijing that enables its continued technological drive. They also shape norms around the use of such technologies, supporting the development of systems that look more like China’s, which contributes to legitimizing the CCP’s system of government. As the *New York Times* reporter Paul Mozur has observed, by exporting its systems of surveillance and control, the Chinese party-state “become[s] the axle, and all of these different places become the spokes in this wheel, the new version of global governance, a new alternative to the messy democracies of the past.”¹⁴

Avoiding an Authoritarian Future

The combined effect of these tactics is the weakening of democracies from within and without, and a global creep of illiberalism and authoritarianism. Russia’s exploitation of internal vulnerabilities to sow division and accelerate dysfunction within western democracies creates space for an authoritarian model that is increasingly shaping openings in the global system. And China’s increasingly assertive foreign policy, growing political and economic heft, and focus on technological development is shaping markets and governance outside its borders. Many of these emerging technologies will shape and govern our daily

8 Kramer, David. Remarks at conference: “The New Tools of Authoritarian Influence.” The German Marshall Fund of the United States. Berlin, Germany. May 14, 2019.

9 Alliance for Securing Democracy and C4ADS. “Illicit Influence – Part Two – The Energy Weapon.” April 25, 2019. <https://securingdemocracy.gmfus.org/illicit-influence-part-two-energy-weapon/>

10 Segal, Adam. “When China Rules the Web.” *Foreign Affairs*, September/October 2018.

11 Chen, Lulu Yilun. “WeChat Censoring Messages Even Outside China, Study Says.” *Bloomberg*, November 30, 2016.

12 Marczak, Bill, et al. “China’s Great Cannon.” Toronto: Citizen Lab, April 10, 2015.

13 As the *New York Times* recently reported, “Under President Xi Jinping, the Chinese government has vastly expanded domestic surveillance, fueling a new generation of companies that make sophisticated technology at ever lower prices. A global infrastructure initiative is spreading that technology even further.”

14 Mills, Andy, et al. “The Chinese Surveillance State, Part 1.” *The Daily. The New York Times*, May 6, 2019. Remarks by Paul Mozur.

lives – online and offline – in some cases defining the information architecture and societal structures of the future. When authoritarians define the systems, rules, and standards that constitute and govern that architecture, the information domain will be more authoritarian and less democratic by design. As Council on Foreign Relations’ scholar Adam Segal has observed, if China succeeds in its endeavors, it will “remak[e] cyberspace in its own image. If this happens, the Internet will be less global and less open. A major part of it will run Chinese applications over Chinese-made hardware. And Beijing will reap the economic, diplomatic, national security, and intelligence benefits that once flowed to Washington.”

The implication of these trends is that democracies are now battlefields, data is power, and the information space is a domain of battle. Putin’s Russia and the CCP have recognized the way they can exploit vulnerabilities in democracies and use technology to strategic ends. Information warfare of this kind poses inherent challenges to democracies while advantaging regimes that rely on control and manipulation. Democracies, however, have not yet grasped the magnitude of this challenge. This recognition - acknowledging that a new systemic challenge has already begun – must be the first step in an effective response.

The democratic response needs to remain consistent with democratic values and involve humility and a powerful push for renewal. We must jettison the illusions that democracies are self-perpetuating and certain victors, or that technology and greater trade and investment inherently favor democratic growth. This will require more than tweaking around the policy edges.

First, we need to recognize where this battle is playing out and show up. Standards-setting processes for technologies like 5G and artificial intelligence may seem technical and niche, but they will play a critical role in defining the information architecture of the future. China has taken a strategic approach to these processes and institutions, sending large and well-connected delegations to standards-setting bodies. It has recognized that shaping these requirements and guidelines can

not only provide it commercial and geopolitical advantage, but also allow it to more easily spread its indigenous information platforms, molding rules and norms for the information space.¹⁵ The battle is also happening in countries across Africa, Latin America, the Pacific, and even Southern, Central, and Eastern Europe, where China’s increasingly assertive investments are providing an attractive option in spaces where the United States has pulled back. The United States must renew its global leadership, working closely with allies in Europe and Asia. When it pulls back from parts of the world, this creates space for others to fill.

Second, democracies need to present a competitive offer. Critical to competing is reinvesting in ourselves. That means renewing our democratic purpose through civic education and investing in

We must jettison the illusion that technology and greater trade and investment inherently favor democratic growth.

infrastructure and our education system more broadly. It also means resourcing basic technological research that goes beyond the commercially driven incentives of private companies. Democracies need to recognize the vulnerabilities and weaknesses that have made them less responsive to citizens’ demands, driven polarization, and opened space for alternative systems. Outdated institutions need to be updated to reflect the 21st century,

and strengthened from within. In the financial space, this includes eliminating non-transparent practices like anonymous shell companies that enable kleptocracy and corruption. We need to show internally and externally that democracy produces results that benefit people, and not just politicians or corporations. This also means providing a clear alternative – understanding that nationalist responses or closing ourselves off in response to threats plays into authoritarians’ hands – while improving public diplomacy to underscore our strengths while bursting the bubble on the false narrative authoritarians are shaping.

Third, we need to update our institutions to meet the challenges of

¹⁵ Kania, Elsa. “China’s Play for Global 5G Dominance – Standards and the ‘Digital Silk Road.’” Australian Strategic Policy Institute, June 27, 2018; Segal, 2018.

today. Borders and distances no longer protect against many of the threats democracies face, and the battle is not just for territory but for minds, putting unwitting citizens on the front lines in information battles. The boundary between foreign and domestic security issues has been blurred, and in many cases interior and finance ministries, not defense ministries, play a critical role in winning these fights.

Democracies need to not only update and restructure their government institutions to close gaps and seams, but also adopt whole-of-nation approaches, with coordination across government agencies, between the public and private sectors, and with civil society.

Finally, sustaining a global system that supports democracies and closes space for authoritarian expansion requires democracies to work together. This starts with remembering who our friends are, and prioritizing those relationships and the values that underpin them. Democracies need to share lessons with one another, prevent the formation of fissures between us, and bolster liberal democracies that are under threat.

Thirty years ago, democratic movements across Europe succeeded in their struggle for freedom against a formidable force. To avoid a future where those gains are lost, we need to remember the inherent strengths of democracies. Democracy is not self-perpetuating, and reinvesting in it is the best way to ensure its continuation in the decades to come.

A Silicon Curtain is Descending : Technological Perils of the Next 30 Years

By LINDSAY GORMAN

It could be said that the principal story of 1989 in Europe is a story about technology – of radio and information crossing the East-West divide to bring down the Berlin Wall. Indeed, the post-communist narrative became that more connectivity and more connection meant more freedom and more democracy. It was on the wave of this narrative that the Internet became the world’s ultimate connector.¹ It has brought globalization and international commerce in an unprecedented and unimaginable way, given activists a platform and a megaphone, and made information about democratic governance available to anyone with a router. Or almost anyone.

Not half a year before that fateful fall day in Berlin, the Chinese Communist Party (CCP) had sent tanks and troops with assault rifles into Tiananmen Square to suppress student-led, pro-democracy protests in Beijing (and throughout China). This has become one of the most censored events in modern history. When the Internet entered China in the 1990s, the seeds of control entered with it. Subsequent decades have seen the Great Firewall ensure that information about the massacre, as well as information damaging to the party, or to “stability,” is inaccessible in mainland China.

As the China case indicates, the post-communist narrative that connectivity implies freedom has not been airtight. At the same time that innovation brought tools of openness, it enabled further means of control. Looking forward, the complex relationship between technological innovation and freedom that has characterized the past 30 years will only grow more complex in the next 30.

By 2025, the world’s totality of data is expected to reach 175 zettabytes (10 raised to the 21st power). Devices connected and producing data will have an online interaction every 18 seconds. How we manage, store, and derive value from that information will determine national economic and military competitiveness. And emerging technologies that harness this data revolution will define the 21st century relationship between freedom and innovation. Depending on how states choose to use them, they risk redrawing old lines around geopolitics.

¹ See Karen Kornbluh’s essay in this volume.

Artificial intelligence, quantum computing, biotechnology, and the very infrastructure of the Internet are four of the immense technological revolutions that will shape and are already shaping the globe.

Ultimately, all are fonts for endless economic and social possibilities that can shape our worlds for good. They also have the potential to be exploited by autocratic regimes to advance repression and control, sometimes at the same time. Indeed, the seeds of this use have already been planted. And aspects of the data revolution – sensitivities to personal privacy and government accountability chief among them – may handicap liberal democracies and strengthen the authoritarian model.

Democracies have an opportunity now to steer 21st century technology in the direction of freedom by understanding their disadvantages in the data age and working to counter them. The solution lies in keeping democracies competitive and bringing clarity on ethical frameworks.

Artificial Intelligence

Hailed as the technology of our time, artificial intelligence (AI) allows us to turn a cornucopia of aggregated data into useful and lucrative insights about the world. AI – and more specifically machine learning – have the potential to transform a myriad industries: healthcare, transportation logistics, telecommunications, automotive, advanced electronics, and many more. According to McKinsey’s “Notes from the AI Frontier,” AI will create trillions of dollars of economic value. Social good applications span education, urban development, ocean life protection, traffic safety, media bias, carbon sequestration, transparency in governance, energy, and nutrition, among others.² According to Russian President Vladimir Putin, “whoever becomes the leader in [AI] will become the ruler of the world.”³

The benefits of many of these cases will distribute equally to democracies and authoritarian states alike. In some cases, the relatively transparent governance and robust, bottom-up innovation that liberal systems provide may even be necessary to realize societal gains. But there are reasons that democratic governments should not take for granted their continued economic and technological prominence in the age of AI.

First, liberal democracies have a data disadvantage. Artificial intelligence systems at their root are classifiers – distinguishing road signs from trees, people from cars, etc. As such, they rely on massive quantities of data to “learn” one class from another. In the case of an autonomous driving system perceiving the road, for example, knowing whether a certain frame or image from a camera on the vehicle contains a stoplight or not requires seeing many images with and without stoplights in the training stage. In fact, providing this labeled training data is exactly what we humans do when we encounter CAPTCHA systems asking us to prove our humanity by clicking on the images that contain stoplights or cars. Similarly, in identifying individuals in a facial-recognition system, the more training images of a person the system has, the more readily it will recognize him or her. In amassing these datasets, illiberal states without strong privacy frameworks may have an advantage. Additionally, because many AI algorithms need labeled data (for example, “this image does not contain a stoplight”; “this one does”; “this is Mr. Smith”), regimes such as China may build labeling factories that would be inconceivable in liberal nations with stronger labor protections and standards. Much like today’s factories, human data labelers working long hours on little pay can produce labeled content on a mass scale.⁴

Second, liberal states suffer from an explainability handicap when it

² See [AI for good](#).

³ James Vincent, in [The Verge](#), September 4, 2017.

⁴ “[How Cheap Labor Drives China’s AI Ambitions](#),” New York Times, November 25, 2018. <https://www.nytimes.com/2018/11/25/business/china-artificial-intelligence-labeling.html>

comes to implementing machine learning systems across society. AI systems make recommendations and decisions based on reams of aforementioned studied data. However, exactly how those decisions are arrived at remains a mystery, even to the engineers coding the AI. Put concretely, if an AI system considers a hundred factors in determining whether to grant a loan, and decides to decline the loan request, by and large it will be unable to generate an explanation as to why the loan was declined. Whereas human decision-makers can create pro/con lists and decision rationales, state-of-the-art AI systems cannot. For autocrats interested in making the best decision without a populace or strong legal system that can hold the government accountable, that may work just fine. For societies that champion equitability, fairness, and transparency – upheld by a court of law – AI’s explainability issue poses problems for widespread implementation. When AI systems have already shown to propagate existing societal biases in gender and race, such transparency is all the more important. Autocrats do not have these handicaps.

Facial Recognition and Societal Surveillance

In practice, authoritarian regimes are already using AI for suppression and control of populations and political narratives. Deep-learning-powered facial recognition software tracks China’s ethnic Uyghur population through a ubiquitous network of cameras in China’s Xinjiang region. Often described as an epicenter for the application of emerging technologies for authoritarian control, Xinjiang has seen over one million Uyghurs put into concentration camps for trivial offenses such as having contact with relatives outside China, growing a beard, and attending a mosque. Concerningly, these documented human rights abuses have been enabled in part by the technological diffusion of globalization. Indeed, in some cases, Western tech firms have wittingly or unwittingly lent expertise, credibility, or technology itself to building the Chinese surveillance state.

The surveillance systems enabling this frightful control are not contained within Xinjiang. In a 2017 show of force, China’s network

of over 100 million cameras was able to track down a BBC reporter in Guiyang, a capital city of about 3.5 million in southwestern China, within seven minutes. Furthermore, China is exporting its surveillance technology around the globe. Zimbabwe, Malaysia, the Philippines, Ecuador, the Gulf, and others have signed up for Chinese city-surveillance packages.⁵ Russia too plans to expand its own facial-recognition pilot project to 105,000 cameras in Moscow.⁶ With this export of surveillance technology comes training on how to use it and the authoritarian worldview in tow. Missing in action in many cases are pro-liberal privacy and human rights frameworks to go with the AI-powered surveillance packages.

Beyond facial recognition, the applications of AI for surveillance and control are equally alarming. The same AI-based speech recognition software that may enable near-simultaneous language translation in the near future can also enable simultaneous “public opinion monitoring.”⁷ In Xinjiang, Uyghurs’ online activity is monitored; throughout China and its user base around the world, technology, likely fueled by AI, censors dissent on WeChat. In some cases, individuals have been jailed for online comments. Far from an age of freedom, the authoritarian Internet is one of control.

5G and Undersea Cables

The future Internet and the backbone for an estimated 50 billion connected devices by 2020 will also be influenced by who controls its infrastructure. Here too, the technological predominance of the U.S.-led liberal coalition is not assured. Future 5G networks will power the full spectrum of the Internet of things – from autonomous vehicles and smart homes to advanced manufacturing plants and electrical grids.

5 Daniel Benaim and Hollie Russon Gilman, “[China’s Aggressive Surveillance Technology Will Spread Beyond Its Borders](#),” Slate August 9, 2018.

6 <https://www.forbes.com/sites/zakdoffman/2019/04/07/moscows-cio-confirms-105000-facial-recognition-cameras-and-huawei-5g-plans-for-2019/#1812487460b7>

7 Human Rights Watch, “[China: Voice Biometric Collection Threatens Privacy](#)” October 22, 2017.

How democracies choose to structure these networks now will have geopolitical reverberations for the next 30 years or more. Questions about the control of next-generation connectivity have surfaced most prominently in the global debate over Chinese telecom giant Huawei's embedding in worldwide 5G networks. Europe is taking center stage in this struggle. Based on U.S. intelligence community findings that a mammoth Chinese enterprise with an unclear and nontransparent relationship to the CCP represents an unacceptable national security risk in future networks, the United States refuses to allow Huawei components in its 5G plans. And it is urging allies in NATO and the Five Eyes intelligence-sharing alliance to do the same. But Huawei has already made substantial inroads in Europe and around the globe that make extracting it nearly infeasible economically.

As an analyst at a cyber threat intelligence firm recently told *The Guardian*, "The breadth of technologies and range of information that Huawei could have access to... will likely be too great an opportunity for Chinese intelligence and security services to pass up."⁸ Beyond the strict information security risks of backdoors to suck out our Internet traffic and the data of our connected lives, the bigger question is what happens if a Chinese-controlled company controls the world's entire Internet. Concentrating power and market share in the hands of an authoritarian-based global behemoth will surrender our future Internet backbone to its control, including the ability to shut down parts at will.

China is also cementing its Internet and communications infrastructure control with the placement of undersea data-carrying cables beyond the Asia-Pacific. Chinese state-owned telecom providers China Unicom, China Telecom, and China Mobile are owners of the new SeaMeWe-5 cable connecting Europe, the Middle East, and Southeast Asia. China Unicom also partially owns a cable connecting Cameroon and Brazil. And Huawei Marine Systems – a joint venture between Huawei and British company Global Marine Systems – is

building such cables throughout Africa.⁹ These investments mirror Russia's inroads in Europe with oil pipelines in projects such as Nord Stream 2 – and we have seen how this infrastructure influence can play out.

The geopolitical significance of Internet infrastructure is illustrated by the case of Vietnam, where Chinese investors have dominance in physical and digital infrastructure. When Vietnam criticized China's stance vis-à-vis the South China Sea, Chinese investors froze energy infrastructure projects in Vietnam. And when in 2016 the Permanent Court of Arbitration rejected China's territorial claims in the South China Sea, a Chinese hacker intruded into screens and sound systems in Vietnamese airports at Hanoi and Ho Chi Minh City. The hacked screens broadcasted propaganda messages criticizing Vietnam's territorial claims in the South China Sea (which conflict with China's). With their systems down, staff at the airports had to check passengers in manually for several hours.¹⁰ A similar stunt at Heathrow or Charles De Gaulle would have drastic economic consequences.

China's investments in data-carrying cables throughout Africa mirror Russia's inroads in Europe with oil pipelines – and we have seen how this infrastructure influence can play out.

In light of the vulnerabilities of an authoritarian controlled Internet backbone on the one hand, and the Internet censorship authoritarians deem necessary for governance control on the other, Alphabet CEO Eric Schmidt and others have predicted a bifurcated Internet along ideological lines. Indeed, Russia has embraced Huawei's 5G solution and has already called for its own Internet. The logical conclusion to this course is that a new "silicon curtain" of digital connectivity threatens to replace the Iron curtain that lifted 30 years ago.

⁸ Alex Hern, *The Guardian*, "[Huawei security threat derives from its sheer scale, says analysis](#)," June 10, 2019.

⁹ University of Washington East Asia Center, "[The Cybersecurity Implications of Chinese Undersea Cable Investment](#)," February 6, 2016.

¹⁰ BBC, "[South China Sea: Vietnam airport screens hacked](#)," July 29, 2016.

Quantum Computing

Quantum computing, poised to be the next fundamental revolution in computation, has transformative technological, economic, and geopolitical implications for how we process and secure information.

This technology harnesses the properties of quantum physics – the laws of the universe that govern the behavior of electrons and particles in matter – to solve a new class of computational problems and achieve processing times impossible for even the world’s fastest supercomputer. Even as it opens novel societal applications, a full quantum computer has the potential to render vulnerable our most secure personal, commercial, and even military communications. Much in the way that the leaders in 5G technology will set its standards and ultimately control its use, the geopolitical upshot of the quantum-computing race will be that its victors dictate the future of secured information and reap the benefits of processing it.

Three overarching posited applications of quantum computation are especially salient for our global digital future. First, and most challenging to realize, quantum computing holds the possibility to break modern encryption and upend the way we secure information. Second, and related, quantum physics can also be harnessed for an encryption technique called quantum key distribution. This offers a way to shore up communications in a post-quantum world when current encryption techniques are broken. And third, and most immediate in the short term, quantum computing can boost data processing speeds and help solve the computational processing challenge of AI algorithms on the massive data sets of the future; it can thereby improve AI and optimize it for our connected future.

For these reasons and others, the United States and China are investing heavily in quantum computing research and development. The winner of that race will gain significant informational advantages and may ultimately hold the cards in the AI era of amassing, safely storing, and processing data.

Biotechnology

Biotechnology in particular will see rapid advancement from a proliferation of genetic and health data. Actors who own that data can drive medical advancement and cure disease, but also employ genetic information for surveillance and the development of sophisticated bioweapons.

By 2025, 40 percent of the datasphere will be in health – the largest of any sector or industry. At the same time, the cost to sequence the human genome has dropped precipitously, from nearly \$100 million in 2001 to under \$1,000 today.¹¹ The explosion of genetic and health data – and increasing abilities to process it – hold tremendous potential for scientific and medical achievement worldwide.

The future of personalized medicine offers researchers and drug developers the ability to target therapeutics to an individual’s precise genetic makeup. Research is already underway in the United States and China into personalized (and potentially far more effective)

The United States’ position as the global biotech leader is not assured into the next 30 years.

treatments for diseases including cancer, cystic fibrosis, and Alzheimer’s. CRISPR gene-editing technology has renewed the promise of genetic engineering with applications such as more nutritious crops, fighting genetic diseases, developing new antibiotics and antivirals, and even the much-hyped (and much criticized) possibility of “designer babies.” In law

enforcement, we have already seen DNA databases from commercial genetics companies generate crime suspects, solve cold cases, and even put the long-sought-after Golden State Killer behind bars.

But the United States’ position as the global biotech leader is not assured into the next 30 years. China last year unveiled a \$60 billion yuan (\$9.2 billion) 15-year research initiative in precision medicine. Further, through research partnerships, investments, mergers, and

¹¹ National Human Genome Research Institute, “[DNA Sequencing Costs: Data.](#)”

acquisitions, China has engaged in a systemic exfiltration of biodata from the United States. This data will be the fuel for many next generation applications.

Much as in applications of AI writ large, authoritarian regimes may benefit from fewer privacy scruples in collecting and using biodata for national advancement. In March, Russian President Vladimir Putin decreed that all Russians would be assigned “genetic passports” by 2025. Compulsory “free health checks” in China suck up individual health information. Whereas personal health information in countries with strong privacy protections is considered some of the most sensitive, autocrats can collect and use it largely at will. Even worse, in the case of U.S. biodata, there are legal question marks as to whether the Health Insurance Portability and Accountability Act protects the health information of U.S. citizens when it is transferred overseas.

Global leadership in biotechnology is not solely a matter of economic competitiveness and national wealth, though those elements are important to secure authorship of the rules of the global technological order. It also has implications for the moral and ethical frameworks of these technologies.

The same lack of meaningful public scrutiny that advantages authoritarian regimes in data collection has already found its way into testing practices. In November of 2018, a Chinese researcher announced he had delivered two babies genetically modified to be resistant to HIV using CRISPR gene editing techniques. The announcement was met with an outpouring of public criticism, including at least nominally from the CCP for its reckless human-testing practices. In June 2019, Russian molecular biologist Denis Rebirkov told *Nature* he was thinking about implanting his own gene-edited embryos by the end of the year.¹² If researchers in China and Russia discard ethical and precautionary measures around modifying the human genome in ways the rules-based liberal international order will not condone, how can democracies and their moral frameworks

remain state-of-the-art and the gold standard in genetic technology?

Even more concerning than how autocracies can use data and ethics advantages to outpace the United States in biotech is how the CCP and other autocratic regimes can misuse it. Xinjiang, the epicenter of the Chinese surveillance state, has received attention for its frightening network of facial recognition-enabled cameras that produce a near-constant eye on the ethnic Uyghur population. What is less discussed is how genetic surveillance is a part of that picture, enabling authorities to target individuals precisely by genetic makeup and ethnicity. The national security implications of next-generation bioweapons are even worse. Targeted viruses or bioweapons that could wipe out an entire population, all individuals with a certain genetic marker (or all individuals who have not been implanted with a certain marker) are not outside the realm of possibility in a future war.

The next 30 years of exploding data will revolutionize biotechnology, often aided by factors such as lax restrictions on privacy and the rule of law. Democracies need to think outside the box and recognize these global trends to stay competitive and secure moving forward.

Winning Others to Our Side of the Curtain

Today’s moment is perhaps closer to 1989 than to 1946, when Winston Churchill introduced an audience in Missouri, and the world, to the Iron Curtain. By 1946 the Soviet Union had already secured its control over Eastern Europe; in 1989 the future was thrown wide open. Western democracies today do not yet find themselves on the smaller side of a silicon curtain, having lost the technological, economic, and ideological battle. Nor are the disadvantages outlined here meant to imply they will. But they can. To succeed, democracies must marry moral frameworks with strong technological achievement in three ways.

First, we can join with likeminded nations in recognizing and countering democracy’s disadvantages in the data age. A strong

¹² David Cyronoski, “[Russian biologist plans more CRISPR-edited babies.](#)” June 10, 2019

transatlantic relationship is as vital today as it was in 1946, and there is rebuilding to do.

Second, we can invest jointly in technical offset solutions to blunt authoritarian advantages. Novel research in “privacy-preserving” machine learning and “explainable AI” models that attack weaknesses in data aggregation and democratic accountability are sound places to start. In the medium-term, a more critical look at harnessing data’s economic power while preserving democratic values is needed.

Last, we must establish and champion moral and ethical frameworks and standards around new technologies that accord with liberal values in a renewed commitment to human rights and the rule of law around the globe. This action is especially important where authoritarian technology is diffusing rapidly and the rule of law receives waning traction.

The real danger is not that liberalism will necessarily lose the technological battle wholesale. Rather, the four revolutions discussed risk diminishing liberal power to win over those teetering states – not democracies but not quite authoritarian satellites either – because we can no longer pair the liberal moral framework with superior economic achievement. It was this economic superiority that characterized the post-1989 era and, before it, ultimately did bring down the Wall – at least as much as did Berlin’s airwaves. Only by countering our techno-economic weaknesses, investing together in the solution, and championing the morals that unite us as integral facets of our global offering can liberalism hope to realize some of 1989’s promises of openness and connectivity into our new day.

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