

CONVERSATIONS

WITH BILL KRISTOL

Conversations with Bill Kristol

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I: On Populism in Europe (0:15 – 24:30)

KRISTOL: Hi, I'm Bill Kristol. Welcome to *Conversations*. I'm very pleased to be joined today by my long-time friend and colleague, Chris Caldwell, Senior Editor at the *Weekly Standard*, author of the best book I think on post-Cold War Europe. What do we call the current moment?

CALDWELL: Thank you. Yeah, sure, post-Cold War.

KRISTOL: The [Reflections on the Revolution in Europe](#), which it's hard to believe it's almost ten years old. Updated, however, luckily by a conversation we had a year ago, and now we're updating it again here in April of 2018.

And no one better to get a sense – for someone like me who doesn't really follow things in Europe as closely as I should – what is going on in Europe? And you've written – where should we begin, Italy maybe? You've written well on the recent Italian elections.

CALDWELL: Right, yeah.

KRISTOL: Was that just a joke, or a weird thing that happened, or what specifically – explain a little bit what happened, and then explain the significance.

CALDWELL: Right. Well, you have – I mean everyone was expecting a sort of an overturning of the system, which is now becoming familiar in Europe, but you had a kind of an overturning in two ways – or possibly three ways, you know.

You had the ouster, de facto, of the social democrats, the Democratic Party as it's called in Italy. That was the party of Renzi, the former mayor of Florence.

You had the rise of a conservative or right-wing party or a nationalist party that's been there for a long time – The League as it is now called. This is a party that sort of started in the 1980s as the Northern League. It was a secessionist party. It was a party that sort of thought that Italy could be run efficiently in the North but that the South was a burden, and that the cities of Milan and Turin, which is the real, let's say the commercial heart of Italy, ought to secede from Italy. It was kind of a tax revolt party. They've become progressively more anti-immigrant, and let's say a classic European populist right-wing party.

And they became, to most people's surprise, the largest party on the right. I think most people had expected Silvio Berlusconi to continue his dominance, not of Italy, but of the rightward-leaning part of Italy. And he didn't. And he's been ousted, you know, he's been ousted from that leadership position even though his formation is still there.

And the other surprise is that, or maybe not so much a surprise, the other great transformative thing was that the Five Star movement, which is a party that some, you know, that has been hard for some people to take seriously, became the largest party, okay? And the Five Star movement is a, you know, it was called a populist party until the Northern League came along.

And people are needing now to sort of like define these parties a little bit more carefully. The Five Star movement is an anti-establishment party, but it does not have a very clear definition in terms of a right or a left-wing ideology. It's basically a party of people who believe that the Italian political system is kind of a joke and a scam, run for the benefit of a group of insiders of the main parties of the center-left and center-right. And so some of the people who feel this way are, they're very anti-immigrant and they think that Italy is getting overrun by immigrants because the parties are corrupt. But it's also got people who would consider themselves on the left and they have a sort of a humanitarian or human rights oriented idea of making things better for everyone.

Yeah, so they're hard to pin down. And I think what happens, whether Italy is able to form a government is going to hinge a lot on which one of its many inclinations the Five Star movement decides to follow.

KRISTOL: But I mean overall it's a pretty astounding result in the sense that you have a major European country – I think, what, half of them, more than half of the actual vote – going to what anyone would call very anti-establishment new parties.

CALDWELL: Right.

KRISTOL: In a system which, whatever its problems – and there were jokes always about the Italian political system – had been governed really by the center-left and center-right for decades, really, right? And Berlusconi, I suppose, was an entering wedge, a precursor maybe of this kind of upheaval.

CALDWELL: Yeah. Berlusconi, I mean now that we have Trump in this country, we can see that Berlusconi was actually the beginning of a real marriage between show business and politics, or between media and politics, or say it as you like. But I mean, in a way that say Reagan or George Murphy or other people who were in the serious business of entertainment, you know, they moved to a different business. It was not the same thing.

KRISTOL: No. It was – Reagan became governor of California for two terms and all that and read conservative ideas seriously. Whereas Berlusconi was halfway towards Trump you might say, colorful, celebrity, shamelessness about his personal life kind of thing.

CALDWELL: Right. So we mustn't underestimate Berlusconi. He is a –

KRISTOL: That's interesting. And when was he – so he was –

CALDWELL: So, he arrived in the Prime-Ministership in '94 after the collapse of the Italian party system in the so-called Tangentopoli scandals. Which had to do with bribes paid to the leaders of big slush funds that the leaders of three of the big parties – I think it's three of the parties – were handing out. A lot of the top party leaders went to jail. And the result was a total wipeout of the Italian party system. And here was Berlusconi and he was really entertaining and he was seemed to be blunt, and he was the guy.

KRISTOL: And he dominated for like a decade or so?

CALDWELL: Oh, at least. And he was back, you know, until let's say after the financial crisis. It was a few years after the financial crisis that his departure was sort of engineered by the European Union and the opposition in Italy.

But Italy is in a, I'm afraid, in a very precarious position. As you say, the jokes about Italian misgovernment I think were always very superficial. Italy is a very sophisticated country and a very, you know, they have some elements of what we would see as genuine corruption. For instance, they tend to change their electoral laws after every election. But all Western countries have got a few things like that.

I think in general you'd say that whether Italy was being run by Berlusconi or by people on the center-left in the last 25 years, I think they've run a remarkably tight ship. Italy came into the '90s with a great deal of debt. They piled up a lot of debt during the Cold War so they were in a very bad fiscal position in 1994 even. I think they have the second-largest debt in the world, besides ours.

They've got, right now they've got 2.3 trillion Euros in debt. And if you don't have a reserve currency – in fact if you don't have a currency at all given the way the Euro is arranged – that's a problem. And but I think that in the time since Berlusconi came to power, both parties have run a very tight ship.

KRISTOL: But nonetheless there's this huge rebellion and unhappiness. So what's that about? I mean, is it Italy-specific, is it part of the broader phenomenon we see throughout Europe and I suppose in the U.S.? Where does it go?

CALDWELL: I think that everyone, all countries are sort of –

The global economy, if we may use shorthand for something that would take an hour to really unpack, is really disrupting all institutions, all of the institutions that people really cared about. Whether they're banks, local government, marriage, public utilities, sort of mores – everything. It's all going up in the air.

And Italy is I think a country where those institutions are a little, they're thicker than they are everywhere else. Italians have a sense that they're really the inheritors of these institutions that are hundreds and hundreds of years old in a way that we really don't. So there's something very, I think if you take it as an insult that these things are being –

KRISTOL: Disruptive.

CALDWELL: Yes, disruptive.

KRISTOL: Yeah. So that's called globalization if you wanted that term.

CALDWELL: Yes.

KRISTOL: And automation I suppose and everything that goes with that. What about immigration how important do you think that is?

CALDWELL: I think it's hugely important. And I think that it's very important everywhere. On the one hand, it's a symbol of the disruption. I mean, now you have to deal with unfamiliar people. And independent of whether one is a tolerant or an intolerant person, it's an uncomfortable thing to deal with people whose ways you're not used to.

But I think in Italy the thing that's really different about immigration in Italy is the way it's interacting with their imploding population and their debt. And I've told you, they have the 2.3 trillion Euros in debt. Their population is shrinking.

KRISTOL: In absolute numbers.

CALDWELL: Yes. It's going down. And Italy has had a low birth rate for a long time, and statisticians have always said, well, in another ten years Italy's birth rate will start to shrink. But the statistics that came out earlier this year from ISTAT were really alarming. They were not unexpected, but it kind of shows that Italy is beginning to go into the steep downhill part of the parabola when it comes to their population.

And there are a lot of people who will say, well that's okay, it can be replaced with immigration. But, you know, so you get fewer workers in Italy who can cover now this 2.3 trillion dollar debt. At some point fewer people to operate the economy means fewer – it means a smaller economy. And I think that Italy is at the very limit of what kind of – it's at the very limit of its productive ability to pay off this debt. There are some who might say, you know, immigrants will be able to replace the workers that we're losing from population loss. But they're not educated in the Italian system; they are really unlikely to add value in the way that an Italian worker does, for a generation or more.

KRISTOL: And how much of all this is Italy-specific and how much are we looking at something that's a more extreme version of what's happening elsewhere? I mean one could say, "Well Italy's always a mess. Their population decline is more dramatic; southern Mediterranean countries have a tougher time than the northern countries. But, you know, Germany, France, those remain –"

I mean, how much are we looking at a European crisis and how much are we looking at sort of individual problems in different countries?

CALDWELL: Yeah, I think it's a global crisis. I think that it's tempting for us to look at it as a Western thing because it does seem to involve the West first, but I think you can see it in all countries. All countries find their institutions under threat, you know, in Latin America, and I think in the Pacific. I mean if you look at the –

KRISTOL: Russia in its own way, I suppose.

CALDWELL: Yeah, Russia, oh, sure, yeah. I mean Eastern Europe is a great example. But even if you look in, you might call it the Southwest Pacific or Southeast Asia, there is a certain populist style emerging there, in the Philippines, in Thailand.

KRISTOL: That's a good point.

CALDWELL: In Indonesia.

KRISTOL: So you think if you really step back, I'd actually thought we would talk more about the specific countries in Europe, but I'm interested in this – you really are seeing the kind of populist waves and their different incarnations depending on different circumstances I suppose.

The big thing is the global economy, the disruption of globalization? That's what you think is affecting everywhere, I guess economic and cultural globalization in a sense? It's just the established ways are under assault?

CALDWELL: Yeah, there's an economic, but there's, you know, globalization is kind of an economic phenomenon, but there's a way to promote it – there's a way to promote it politically. And I think that – So in Europe, it's the European Union that's the great expression of the promotion of globalization. And so, in the recent Hungarian elections, you can see that there's a wish for the people to have more of a purchase on their country's government. That's what Orban was doing.

KRISTOL: Keep – So the kind of nationalism and populism, and xenophobia, maybe, and all that nativism, whatever you want to call it, is an expression of that desire?

CALDWELL: Yeah, I mean, Orban has given a couple of speeches over the last decade that have really laid out better than anyone else in a systematic way what it is the populists want. And he spoke of, you know, he gave a 2014 speech I think, in which he spoke of “illiberal democracy.” It’s a very often misunderstood speech.

I mean, he did call for illiberal democracy, as it is said that he did. But he did it having already diagnosed the democracy that we have today as being illiberal. And I think that what he meant by that was that the European Union’s instances had become kind of undemocratic. That Hungary was being asked to do things that its people hadn’t agreed to.

And I think that when he said illiberal he meant the government cannot just be neutral. The government has to have a set of values. And that’s a very interesting psychological and spiritual question about whether a state needs to be directed towards something, you know, in order to function well. But he believes it does and he wants it to be a more patriotic, Hungarian-first type state.

And the second speech he gave was in the following summer at a youth retreat for his Fidesz Party, in which he said very bluntly that Hungary is going to get to choose who gets to be a Hungarian. And one of the things that it can do is sort of say, this is our culture, we have an open heart but we don’t want to, we don’t have a limitless ability to take in newcomers.

And then he said some very curious and kind of original things about the Western regime of multiculturalism. He said, Hungary chooses not to be a multicultural country. And he said, you know, you look at France and Germany and he said throughout, we are not criticizing these countries for what they’ve done. They’re sovereign states, they have the right to make their choices. But we choose not to repeat that experiment, he said.

KRISTOL: And is that doable? One conventional – which I’m slightly sympathetic to I’ve got to say – critique of this is, leaving aside whether it’s desirable or not to have that kind of regime, how illiberal it would be, and how much it would curb certain things we think are desirable in politics – freedom of speech, freedom of religion, a more tolerant outlook you want to say. Is it also just doable? Is globalization – Can one, could one, practically speaking, you know, have a successful Hungary First policy given the nature of the modern economy and modern communications, and all the clichéd ways we think we’re – mostly true I suppose – ways we think about the modern world.

I mean is it not just a backward looking expression of dismay sort of?

CALDWELL: Yeah, I think it sort of depends on where you are in the international production cycle, maybe. I mean I think certain of the countries that are in what we think of as the Third World have not – I mean they sort of, or we used to think of as the Third World – they are not wrapped into the, they’re not changing as quickly maybe as some of the – well, I’d like to – I take that back. They are changing through immigration; it’s just the change that happens there is an absence, right?

I would say there are examples of countries that in relative terms have done without immigration. I’d say Denmark in the last 15 years, or let’s say in the last 17 years. I think their big legal reforms were in 2001. Denmark and Sweden have been on very different trajectories in terms of their involvement in global immigration flows and Denmark does not seem to have done worse than Sweden.

But I think that, actually, you know, that’s only a small part of the question. You know, Europeans talk about the four freedoms and they are: freedom of movement of people, services, capital and goods. Perhaps people is the least important of those in terms of the global economy. I think everyone is going to be affected by the global economy one way or another.

KRISTOL: So how do these populist movements play out? I mean, do they end in unhappy lashing out at foreigners, but not really succeeding in creating any kind of –

CALDWELL: It's really hard to tell. I can't predict the future.

KRISTOL: But you think they're real. They are real and they're serious. They are not going to go away in a year or two.

CALDWELL: No, I don't think so.

KRISTOL: They are not just the after-effects of the '08 financial crisis? Or a particular bad decision by Merkel and dealing with this, the immigrants, in 2015 or whatever?

CALDWELL: No, I think that there's real, there's some real pressure that that are going to endure. I think that with global competition people in these once more closed economies are losing ground, you know.

And there are great demographic pressures that will keep the sort of movement of people towards Europe, like we saw, from Syria and other places in 2015, that will keep that from being a one shot deal. There are still poor people in these parts of the world. There are still people dislocated by war. That's just in the Middle East. Africa is growing at an extraordinary rate. Africa is growing more quickly than any part of the earth ever has in history, you know, and there are still not a lot of jobs there.

So there are these pressures on Europe that Europe will feel a need to defend itself against. So I think that this configuration of forces is going to last quite a while.

KRISTOL: And what does that imply for the European Union?

CALDWELL: You know, I think the European Union is less credible in its offer of carrots and sticks now than it was, say, ten years ago. I mean, at the present moment it's trying to discipline Poland for what it sees as various trespasses against European values.

The European Union right now is trying to discipline Poland for various trespasses against what it sees as democracy, like stacking the Supreme Court or altering the rules by which Supreme Court justices are appointed.

You know, I would say this is not really, it's not really a democracy that the new populist or that the Law and Justice government is working against. It's the old style balanced republic that Poland had before and that was compatible with the European Union's vision of Poland.

II: Is Europe Headed for Another Crisis? (24:30 – 59:23)

KRISTOL: The European Union, I mean, that whole project which for all the people, and we were one of them, I think each of us in different ways, critical of it. But it seemed to just be able to chug along and suppress different little outbursts against it and deal with problems. The elites were powerful. Are we heading – is that near the end of the road?

CALDWELL: Yes, it is, because I think it was tied into a certain economic system that seemed to have a great deal of power. I think that since the financial crisis I think we see that a lot of that economic power was illusory, and that Europe has actually been losing ground to other parts of the world since then.

So I think that people have less of a sense that they are evolved, that they are riding the crest of a wave of progress. I think that Europeans who go to China don't exactly feel that they're at the cutting edge of the world economy.

KRISTOL: That's interesting. So if the EU can't promise that much material progress and it doesn't do much for you spiritually or culturally, etc., then what's the point? It keeps, one would say, people would say, is it keeps all of these terrible, potentially violent, intolerant and unpleasant nationalist sentiments under control, and it prevents the Europe of the '20s and '30s.

CALDWELL: Yes, but increasingly the people it is keeping under control that way are like majorities in some of these countries. So it winds up sort of insulting the people that are supposed to make it up.

So that the thing that it's doing in Poland now where you have a conservative party called the Law and Justice Party, that's a party that came to power during the migration crisis when Angela Merkel having invited 1.5 million migrants in from Syria and the Middle East attempted to share them and spread them throughout Europe. And she won that vote by a hair with the vote of Poland and then the Polish government fell.

And so now the countries of the so-called Visegrad countries of East Central Europe, you know, Slovakia, Poland, Czech Republic and Hungary, they don't want any migrants at all. The number of migrants they want is zero.

KRISTOL: And they're strong enough to keep them out. I mean, the EU can't just force the –

CALDWELL: Domestically they're strong enough to keep them out, okay? They've got a solid – if you look at the opinion polls in these countries, the Czechs are a little more tolerant of immigrants, they're about 20 percent of the people who would be happy to admit a few immigrants. In the other countries, it's in the 90s to single digits that don't want immigration.

And it's against this backdrop that the European Union is trying to open, I think, what is called an Article VII motion against Poland which would ultimately deprive them of their voting rights in the European Union governing structures. Well, that's a really kind of weird kind of weapon to use. It's never been used and you can see why it wouldn't be used. I mean, who wants to stay in an organization that you don't have voting rights in? It's not a very logical type of disciplinary thing.

So I think there's a general feeling that that's a sort of a toothless, that's a really toothless weapon. Let's just say they have fewer, they have less recourse to punish Poland than they did Greece, say, five, six years ago, ten years ago, over the Euro.

KRISTOL: And is the Euro itself enough to hold people in, and kind of leverage against these more nationalist movements? Or at the end of the day what happens? The nationalists are with the Euro? Or does the Euro fall apart?

CALDWELL: On the one hand, not everyone is in the Euro, so it's not holding everyone in. On the other hand, it's been very effective in keeping people in. I think Greece, it was the Euro that kept Greece in.

I think the thing that, I think most people believe that Greece would be better off without the Euro. I think that they're in the Euro at too high a real exchange rate and they're losing all of their industry. But there would be a period of extraordinary disruption, and I don't think that the left-wing Syriza government there, which was making noises about pulling out of the Euro, I think that they were too scared of what would happen.

KRISTOL: But I guess you could have pretty fierce nationalism, let's just leave aside the value judgement on it, but you know, Hungary, Poland, and sort of it a little more even, with the Euro. I mean, it'd just be like having – and I mean, the fact that you have a common currency doesn't mean people would have to live with that or have its own economic implications, I suppose. But it doesn't stop you from having border controls and government takeovers of industry and –

CALDWELL: It should stop you from having government takeovers of industry.

KRISTOL: Well I guess it would, yeah.

CALDWELL: Yeah, I mean, the rules of the European Union generally do that.

KRISTOL: So I guess that's a question. How much do you – sort of the internationalizing – the globalizing force of the Euro, how much that cuts against or limits or checks the –

CALDWELL: Right. So you have people now sort of disobeying the European Union without the European Union's really having an effective response to it.

KRISTOL: But the logical implication of this surely is for the Euro at some point to fall apart.

CALDWELL: At some point.

KRISTOL: Even though it's disruptive, yeah. And I guess Brexit in this context, and I'm just now really stepping back and I'm, as I say, I follow this much less than I should – so we had the 2015 Merkel announcement and decision which was, historians will say, was a big moment I suppose. And then 2016 is Brexit, which is related, of course.

CALDWELL: Yes, I think it is.

KRISTOL: And also surely a big moment. Because even though the UK has always been a much more probably, questionable participant in the European project, to actually get out.

And tell me where now you think – and they seem to be getting out, right? I mean, for all the doubts and difficulties, won't that be kind of a big deal when a country shows it can, if it does, that it can leave and still be a functioning modern economy?

CALDWELL: Yes. I mean, already, in a way, the anti-Brexit case was oversold. If you remember David Cameron who was then the Prime Minister, he brought almost every European head of state, he brought Barack Obama there to tell the British people that there would be an economic collapse. There would be – I think they were talking about famine. I mean, Obama said that if Britain left the European Union it would have to get to the back of the queue – that was the word he used, queue, not line – when it came to trade deals and diplomacy. And that didn't happen.

So I think that it sort of, that did, that already damaged the credibility of people warning other countries against an exit.

On the other hand, Britain, there is not, I mean as we were discussing earlier, there's no going back to the old sort of like pre-global economy type of sovereignty. If you want to trade in all of these countries – countries are more and more specialized. If you want to maintain your standard of living, you're going to have to trade. And if you want to trade you're going to have to submit to a certain amount of regulatory convergence.

So, to that extent, the people who said Britain is still going to have to obey these EU rules, but they're not going to have a vote in the EU now, that's sort of right. But I think that the people who made that point really, they underestimated how important it is for a people to have the final say. They're happy to sort of like make deals with other people, they just don't want to be *subject* to other peoples. And I think that that's what Brexit really was about.

And I think it's sort of striking that they have actually been able to take it this far. There's a sort of a provisional agreement now for the exit in 2019. I don't know how well that will hold up or what the pitfalls along the way will be, but it's quite an achievement, I mean the post-Brexit negotiations.

KRISTOL: And they may take some hit to their standard of living and so forth. But it's not – it's usually dramatic, right? So you can't – it doesn't –

CALDWELL: Well it hasn't been so far. Who knows? I mean, I think –

KRISTOL: But they don't seem to regret the decision, the British public.

CALDWELL: Well, the people who were against it are still against it.

KRISTOL: Right.

CALDWELL: So, I mean, and it was a narrow majority. It was a 52 to 48 majority.

KRISTOL: It still is.

CALDWELL: And it's always going to float around 50-50, I think.

KRISTOL: Right, but it is striking. I mean that will be a moment when they actually – if they navigate this very difficult passage of departure moderately successfully. I do think, given what expectations on the Remain side – given what the rhetoric on the Remain side was.

And I've got to think it gives a shot in the arm to other people elsewhere in Europe who say, "Maybe we can't leave but we can renegotiate, we can change." And it probably is true that the European project, more than most, depended on a certain kind of, "Well, we just have no choice. We've just got to go along. This is the train of history."

CALDWELL: That's right.

KRISTOL: "And we've got to hop aboard." And once you sort of lose that faith in, or submission to, the future, things get up in the air, right?

CALDWELL: That's right.

KRISTOL: Yeah, that will be interesting if – so you think they will get out in 2019?

CALDWELL: Yes.

KRISTOL: I mean it looks like there really will be a –

CALDWELL: I think so. I think it's getting late to –

KRISTOL: To reverse that.

CALDWELL: Yes.

KRISTOL: There were moments where it looked like they might not make it, so to speak.

CALDWELL: Well, I mean, I think that there are a lot of, I think that most of the people who let's say run Britain, most of the important journalists and most of the important business men, they tend to like the

European Union. They like the predictability of the rules that it gives. So they don't want it [Brexit]. And so it's always very easy to get the impression that the Brexit case is weaker than it actually is.

KRISTOL: Yeah, that's interesting. And I guess it could be true both that it's not going to fulfill the dreams of some of the exit/leave people: that we will have Churchill's Britain back, or something like that, or the glories of the empire, or British pride and all that stuff.

But you still, you could have a collapse of Europe without fulfilling the dreams of some of the traditional critics of the EU, who are Gaullists or Churchillians – I mean Churchill is complicated – but you know, who wanted “greatness” for these countries. You could have “not greatness” and “not the EU,” right?

CALDWELL: Yeah, yeah, that's right. I mean, I don't think any of these things are ever predictable. I don't think that – who knows what life holds for any of us? I don't think that the Churchillian tone in the Brexit discussions was the predominant one. I think that there were really two.

There was the UKIP version of Brexit, which was we're getting swamped by immigrants and you won't recognize Britain in five to ten years. And then there was the Tory, the Tory capitalist one, which is, Britain can be unleashed from EU regulation and become a dynamo of entrepreneurship.

KRISTOL: Financial hub.

CALDWELL: Yeah. And I don't think that there's – Britain is already that, really. I don't think that was a really a very convincing argument.

KRISTOL: Yeah, interesting.

Germany? So that's the heart of it, the center of the European project, the center of Europe. Biggest, most powerful, richest country, right?

CALDWELL: Yeah, yeah.

KRISTOL: So, what's happening there?

CALDWELL: Germany, I think that, you know, in Germany you have the same collapse of the center-left parties that's happening everywhere in the world, arguably in our country as well. And you know, it's hard to really describe this in general terms. But basically a working man's party, turned into, you know, turned into a coalition of, you know, working people and minorities and university types. And then, it's sort of like in doing so it went from, these went from parties that were based on equality, as I think someone has said, to parties that are based on diversity. And I think that they became sort of centered in the university in a couple of ways. But you know, in terms of multicultural doctrines and –

KRISTOL: Identity politics I suppose.

CALDWELL: Right, and because they were centered in the universities, they came to dominate the commanding heights of the economy. The internet, basically. You know, we have an information economy and they were the people who were where the information was.

And so, that transformation is happening everywhere. It's happening, it's happened much more slowly in Germany than it has anywhere else. And at the end of it, it's hard to say who the Social Democrat's coalition is, okay? So they had an extraordinary implosion in their vote. They went from, I think over thirty percent of the vote to under twenty percent of the vote. So they are really struggling.

Now, before the election last fall, the Social Democrats were in coalition with the Christian Democrats – Merkel's Christian Democrats. This is a very interesting type of government that Germany has – a grand

coalition where you have the two parties joined together. And it's sort of like having, if we had like a Democratic Republican coalition of the United States.

KRISTOL: Yeah, the Jeb Bush/Hillary Clinton government.

CALDWELL: That's right. And so, if one of them was the President and the other was the Vice President. And there's something a little bit unsavory about it, right? So, Germans –

KRISTOL: The establishment getting together to take care of –

CALDWELL: Yes, that's right. And so Germany had one of these governments in the 1960s, but other than that it's been kind of anathema. But now, since Merkel came to power, they've had three of them, I mean, if we count the incoming one. And yeah, that makes people sort of distrust them more.

And in this last election, the Social Democrats realized that by being hooked to Merkel without having any power, by being the junior party in a coalition, they were sort of on a suicide mission. That no one wants them to just be sort of like providing the ballast for the other party's agenda. Even though it's more complicated than that, because Merkel has actually been behaving like a Social Democrat.

But so the country was sick to death of, you know, like the Social Democrats and the Christian Democrats. They gave them both much lower scores. And at the end of the day, they were still the only workable government. So basically they punished this grand coalition and they got a grand coalition back.

But now, the Social Democrats are sort of strengthened by their weakness. They say to Merkel, we can't enter your government without destroying ourselves. So what are you going to give us for this? This is again a suicide mission that we're on.

So she's given them now, they've got like six important posts in the cabinet and it's almost like a Social Democratic government. And so, that is bound to, I'm afraid, stoke the very same sentiments that led to such poor results for the two establishment parties. And which means that this is kind of like developing momentum, you know?

KRISTOL: And how much of the vote did the Neo-Nazi Party, if it's the right term for it, or sort of Neo-Fascist Party, Alternative for Deutschland or for Germany? They got a lot, right?

CALDWELL: Yeah, I don't think it's the right term for them. They don't – you know, they are to the right of any party that has ever got that many votes at the national level, and they were on about thirteen percent. And it varies, it varies a lot from state to state. They get between 10 and 25 percent, depending. They do better in the East than they do in the West. They did quite well in Baden-Württemberg which is a rich state in the West, but I think that they're bound to do better.

But it's worth noting that all of the non-CDU, non-SPD parties saw their scores improved. The post-Communists, who are now called the Left Party; the Green Party, which had been expected to lose vote share; the Free Democrats, which is the Free Market party which was out of government altogether in the election before that. So they have, all of the smaller parties are growing.

KRISTOL: And so they have sort of a stable coalition government for now, but a shrunken one and somehow one that –

CALDWELL: I'd agree about shrunken, I'm not sure I'd agree about stable.

KRISTOL: Because it's sort of a diminishing returns kind of situation, they're just hanging on kind of?

CALDWELL: Yeah.

KRISTOL: And that's at the heart of Europe. And then in France we had, I mean, Macron won, so he's a centrist, and that cheered up the people who hoped the center might hold. Of course he won in a slightly weird way, right? I mean, he almost didn't win for one thing. I mean, the Left and Right got a lot of votes.

CALDWELL: Yeah. So, it's a very, it's a really – France has an unusual presidential system, a presidential election system, which is designed to sort of like give the appearance of overwhelming national majorities. But basically in the first round you had an almost even split between four candidates. There was Macron –

Well, let's explain first what happened in France. You had the same implosion of a Social Democratic party. And Francois Hollande who was the President, elected with a decent majority in 2012, rapidly fell, to the point where he had the lowest popularity scores ever recorded by any European politician since the Second World War. He was down in the single digits.

And it became apparent, or at least it became apparent to his Finance Minister, the very astute Macron, that the Socialist party in France would not be a vehicle to elect anyone to the Presidency. And so he started his own party. There was a little rump Socialist party which got into single digits of the votes. It looks to be dead.

So, Macron has basically taken elements of the Socialist Party, elements of the establishment center-right parties, and a bunch of sort of anti-establishment kind of good government types found on the internet, in kind of the way that the Italian Five Star movement has, and put them together into a movement. And it's very hard to say what kind of movement it's going to be, because he personally only got 23 percent of the vote in the first round of the French election. So it would seem he's dependent on these other people.

On the other hand, the fact that so many of these newcomers, La République en Marche which is what his party is called – the fact that so many of these newcomers really have no experience in politics before, might give him the ability to consolidate them all into a highly obedient personalized kind of party. Well, the jury is still out on it.

KRISTOL: But you don't think, contrary to what many people here would hope, it doesn't sound like you think Macron reflects a great resurgence of the center or the center can hold, this fresh new center can govern Europe?

CALDWELL: No. I think that he's – not now at least – and I mean, I think he's casting about for ways to matter. I think he's been very smart about the way he's dealt with the United States, for instance. I mean sometimes he tweaks Trump for the benefit of the French public and they like it. But he has also kept himself at the middle of the Western Alliance.

So he's a guy who's got great – he's got a great political instinct and he could maybe survive for a long time and just by being there, sort of actually become something new. But right now his position doesn't strike me as very strong.

KRISTOL: Interesting. So what happens? Are the obvious – of course life is full of surprises – but are the obvious inflection points where one would say, I guess Britain getting out is one thing that will happen. As opposed if there were a recession that would strain certain parts of the continent quite a lot, right?

I mean, I'm just curious, are there other particular things you're looking for over the next months or a couple of years, either chronological things or developments that could happen? I mean what would you – is immigration – has that sort of calmed down, or is that just a ticking time bomb that's about to go off again?

CALDWELL: I think it can't calm down because there's so much – because Europe is not the only participant in this. I mean, Europe can't just shut it off. I mean, Africa continues to grow. It's going to add – I want to stress the population growth. Africa is going to add, it's going to add by 2050, from here to 2050, more people than there are in Europe.

KRISTOL: Is that right?

CALDWELL: That's going to be the growth. That's not going to be the size of the continent; that's going to be the *growth* in the size of the continent. And unless some – and the fact that you have a lot more mouths to feed suddenly, means that's not generally amenable to capital formation and increased productivity and that kind of thing. So it means that along with that there's going to be economic trouble. So there's pressure from there.

The flow from the Middle East has been held off really only by Europe's agreement with Erdogan where they kind of look the other way and he holds off the immigrant pressure. But that's totally dependent on Erdogan's state of mind. And we don't really know about that. So, they don't really have – they don't have all the cards in their hand on that. Anything could happen.

So immigration could be a total wild card. Very unpredictable things could happen.

But when you talk about inflection points, I just feel that Europe is going to find its debt increasingly hard to handle. And I think that it's going to be hard to hold the Euro together. I'm not a banker or anything, but I have a hard time seeing how, when you have a shrinking productive population, stagnant productivity levels and growing debt, how that all holds together over the long term.

KRISTOL: And Germany can't keep bailing everyone out which is in fact what they've been doing, right?

CALDWELL: Well, that's more complicated. I think it's been very beneficial, the Euro's been very beneficial to Germany, first.

KRISTOL: Right, bailing them out for a system that's very good for them in exports and so on. Yeah. But the public really doesn't like.

CALDWELL: Right, that's right. So there's a limit to how much Germany – I mean, the other countries in Europe all seem to be waiting for a consolidation of the European budget that would allow them to sort of tap Germany's credit explicitly. But that's not going to happen unless Merkel were to find a way to just impose that on Germany.

And this is the thing where, it's an interesting thing about Merkel's personality. Everyone has this stereotype of her as kind of like dour and staid and small-c conservative. But she's actually kind of a reckless person. She loves – reckless might not be the word – let's say she loves grand gestures.

You can say that after the Fukushima tsunami and tidal wave in Japan, she announced that Germany would get out of nuclear energy. That's a huge thing. The invitation to the Syrians in 2015. And so now you can ask, maybe she will want to go down in history as the person who really bound Germany back into the family of nations by sharing its fiscal situation with them.

KRISTOL: That would be something. Anything else we should be looking for over the next months and year? This has been fascinating. I guess I'm now really – not perturbed but just struck by the – you go to Europe and the surface stability holds. That's what's so striking, right?

CALDWELL: I think it depends on where you go.

KRISTOL: Or maybe not. I didn't travel to Italy as much.

CALDWELL: No, no. But I mean if – I think that Paris – if you go to the major cities, and in Paris and certain others, they look great. But I was in Cherbourg last fall and that is, you know, an old town in Normandy. It used to be a port, a center of manufacturing and shipping. And now it's just really hollowed out.

You walk through the old business districts and you see one sort of like empty plate glass window after another. Just store after store after store is closed. In part, it's due to a change in the style of retail. There's both American shopping malls and online shopping. But the logic of hubs like this is not any longer really apparent to France. So I think you're beginning to see on the surface what is actually happening underneath at the level of investment.

KRISTOL: And I guess expensive welfare state *and* declining population. And that's a big deal. We at least – and we're not in great shape, and we certainly have a debt that's unsustainable I would say – but you do have, even with the population growth, you can still have more laborers. Or at least not many fewer laborers.

CALDWELL: It gives you a little wiggle room.

KRISTOL: Yeah, a little more chance to sustain that and work your way out of it.

CALDWELL: To last until the next boom, yeah.

KRISTOL: Yeah. But Italy is not the only place in Europe that's declining now with population, is that right?

CALDWELL: That's right – Germany. And the average age in these – and you remember that the population that we're talking about has a relatively low number of workers and the labor force participation is falling too. So you have, you know, the average age of Germany is close to 50 now, I mean it's 47 or 48.

KRISTOL: And the young people coming in are Syrian and –

CALDWELL: Many are. I mean I think it's about – So for that generation, that's the people who came are mostly in their 20s, it [immigrants] will be about a sixth of that generation.

KRISTOL: Wow. And they may assimilate and do great, or they may not. Right? I mean that's a very big question.

CALDWELL: That's right.

KRISTOL: That's interesting. How much of this is Europe and how much of this is just the future in general? And I'll close with that question. This, certainly a lot of it resonates with the U.S. As you said, it's not as if there are parts of Latin America where you can make this similar argument. Japan is shrinking I believe now, isn't it, in population?

CALDWELL: Yes, it is. Japan would be along with Denmark a sort of an alternative to this because Japan is also semi-closed to this. And Japan has figured that actually if you are shrinking, as long as you keep up productivity, shrinking can give you a better standard of living.

So the funny thing that struck me about Japan, and I beg your pardon for telling you an anecdote. I mean I get the impression Japan has had the same espresso coffee type craze that we've had over the last quarter century here. And yet, there aren't so many coffee shops. What you have in Japan is machines.

They have these giant machines all over the country where you can get any kind of hot coffee you like. You can get like a sweet double espresso macchiato. You can get an extra strong espresso. You can get an iced-this. You can get it hot or cold. You can get them out of a machine on almost any street corner it seems.

So, what's happening is, they are doing with machinery and computers what we are still doing with human labor. That's the way they are sort of compensating for their lack of manpower in a global economy that seems to require a lot of low-end labor.

KRISTOL: It may be a greater political stability I guess? I mean if they can –

CALDWELL: Yes, probably, probably they have. I mean certainly internally. That's a strength of theirs I think.

KRISTOL: Though one never knows also there what kind of sentiments are beneath the surface, and how much they look at trying to decide at some point, you know, this is unacceptable, we need to have nuclear weapons, right? I mean I think you could –

CALDWELL: Well I think that that certainly is, I definitely think that's being openly discussed I think even here among – right, among Japan experts. Yeah.

KRISTOL: So you do wonder in general how much this sort of global – the stability is not just an economic question or a European question, but a sort of, I guess the global economy really does, the disruption manifests itself in many, many ways, right?

CALDWELL: Yes.

KRISTOL: Any last words of hope or despair?

CALDWELL: No, no.

KRISTOL: I mean you're more sympathetic, I would say, than probably I am to some of these populist nationalist movements, if that's the term for them, as a sort of expression of democracy really.

CALDWELL: Yes, of democracy and sovereignty.

KRISTOL: But could they work? I guess that will be the question. Are they sort of, could they actually figure out ways to accommodate a global economy and still have a serious manifestation of sovereignty? I guess the answer is we don't know, right?

CALDWELL: I guess we don't know. I mean I think that in Europe at least the sort of sovereignty that the people who are uneasy about immigration and declining standards of living, the sort of sovereignty they want is not really compatible with the European Union. It does require borders. France would need to have its borders back. So Italy would need to be able to expel migrants coming to their shores. I mean, to put them on boats and send them back to Libya, or something like that in a way that they cannot with the European Union. And it's kind of interesting that the alternatives have not really fully presented themselves to people.

I think to be a populist means to be against the European Union. And I think the camps are, the logic of this is much more polarizing than, maybe thankfully, than anyone yet realizes. I mean I think you have a quarter of the voters are populists who want to get out of the European Union. A quarter of the voters are anti-populists who want to stay in the European Union. And the other people in the middle are a muddle or a mix. And so the Five Star movement in Italy is that sort of muddle or mix. But I guess over the long-term these positions are probably going to polarize and harden.

KRISTOL: And I suppose if there's a shock, either a foreign policy shock or an economic shock, another one – there hasn't been one for a while, though. For all the slow growth it really hasn't been a terrible situation, right, in eight or nine years. That would be a moment where maybe decisions would be made so to speak.

CALDWELL: Right, that's right.

KRISTOL: And that can happen fairly soon, I guess, right? We've had seven or eight years of growth.

CALDWELL: When they happen, you tend not to expect them.

KRISTOL: Okay. Well when that happens we have to get back together and have a conversation to analyze what you very interestingly laid out here. Really thought-provoking and provocative. And not entirely cheering, but that's the world we live in and that's okay.

CALDWELL: Oh, I'm sorry. Well, thank you.

KRISTOL: Chris Caldwell, thanks so much for joining me.

CALDWELL: Thank you, Bill.

KRISTOL: And thank you for joining us on *Conversations*.

[END]