

# CONVERSATIONS

WITH BILL KRISTOL

## Conversations with Bill Kristol

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**I. The European Economy (0:15 – 26:46)**

KRISTOL: Welcome to CONVERSATIONS. I'm Bill Kristol. Pleased to be joined today by my friend Stan Veuger, resident scholar in economics at American Enterprise Institute. Student of public finance, teacher at Harvard some, teacher at various European universities some. But we're going to talk more about Europe and less about economics, is that okay?

VEUGER: That's fine.

KRISTOL: You're from Europe.

VEUGER: That's right.

KRISTOL: You grew up in The Netherlands, you went to college there I think, correct? You stayed in close touch, you teach in a couple places in Europe.

VEUGER: I do.

KRISTOL: So let's talk about Europe, which is an interesting topic, I think. Kind of an important part of the world in terms of world history, you know. I am old enough to remember when it was central to world history, and maybe you'll explain that it's going to be central again, or could be or should be?

VEUGER: That may be a bit of a stretch, but I think it's certainly important.

KRISTOL: Yeah, so what's – I mean, what's the situation? You know, conservatives – we mostly hang out with conservatives, I guess – are very down on Europe, I think it's safe to say, you know. It's sort of an example of economic sclerosis, and political, I don't know, lack of will. And some of them are in favor of Brexit or breaking up the EU. I mean, give me your overall take, you know, here in December of 2019.

VEUGER: That's right. And my overall take is – and thank you for having me on this outstanding show – my overall take is significantly more positive than that, certainly I think on the economic side. So there are, I think there are real problems Europe has. I don't think it's figured out how to position itself.

On the national security front, I think there it's still much more reliant upon the US in a way that may not be ideal for either side of the Atlantic alliance. It doesn't have the kind of population growth that might be helpful.

But economically, I think it's been doing okay. And I think the European project as embodied in the EU as opposed to the continent as a whole has really delivered on many of its original aspirations.

And so, I think the first and most salient thing that people say, and I think it deserves to be said, is that there have been no armed conflicts between the various members of the European Union, to the point that people take that for granted now and are almost insulted when you say that that's a real accomplishment.

It's a bit like how the Socialists don't like it when you bring up Venezuela. It's like, 'oh, no, that's not –' you're not allowed to use that argument for some bizarre reason. And so I think that is a real accomplishment; obviously the US has played a real and important role there and does so until this day.

And it's not that there have been no armed conflicts on the continent. We've had horrible crimes against humanity in the Balkans as recently as the '90s. We have an ongoing armed conflict in Ukraine. And so I don't think we can just say, 'okay, well, you know, everything is going to be fine.'

In fact, probably the most contested land in Western Europe, in Northern Ireland, I think there the peace that has reigned for about 20 years now was very much a product of the European integration in a way that has become very clear as we've gone through the Brexit process.

KRISTOL: And you're right. I mean it's striking that – and I myself have been part of the kind of somewhat naysayers about Europe or I don't know whatever. It's not –

VEUGER: I mean it's always – nothing's ever perfect.

KRISTOL: It's not in accord somehow with my view, and what I think of a lot of Americans' view of what great countries should do or should be like, or how people should live, or what their aspirations should be. And it seems a little bit, you know, sort of complacent and of course doing fine economically, but no real vision, no real great project, no whatever. But having said that, yeah, if you stepped back and said in 1950, okay, there's this European project, and here's where we're going to be in 2020 – and 2019.

VEUGER: Yeah. Portugal was a dictatorship; Spain was a dictatorship, you know.

KRISTOL: Right. That's, I mean the aftermath of two unbelievable wars. None of that, really. And even if you want to say, to distinguish the EU as you did from the fringe areas where there's been warfighting. But in a way the solution to the – at least in the Balkans, the main solution was the military first, but then in fact it was absorbing them into both the EU and NATO. I mean we can shorthand. I guess NATO and the EU was overlapping.

VEUGER: Well, and that's where you see the interplay of the military alliance with the US, and the more political economic process within the continent, I think, you know, working out pretty nicely, as one would like to see.

KRISTOL: And for all the decadence allegedly of Europe, they did hang tough enough to let the Soviet Union crumble, and the Berlin Wall fall, right?

VEUGER: Yeah, exactly. And dealt pretty well with the fallout there. So massive subsidies from West Germany to East Germany to bring it back into the fold, sort of, of the European economy.

And so on the economic side, which I think it's what drives quite a bit of the skepticism about the European Union. Obviously Europe is significantly poorer than the US, right? So the GDP of the – Gross

Domestic Product of the European Union and that of the US is about similar, but the European Union has way more people. There's a little bit over half a billion, whereas the US is around, what – 340.

KRISTOL: 330, 340, yeah.

VEUGER: So that's a big gap, but that gap has been there for a while. And a lot of it is simply that Europeans work less, right? Which, you know, it's a tradeoff you can make. Right? It's maybe not the economic model you and I would like, and tax rates are much higher and retirement ages are earlier. And so as a consequence, just you know, total number of hours worked is much lower. And that explains quite a good chunk of that gap.

KRISTOL: But all in, honestly I just don't know. I mean, how much, compare over 70 years and over then the most recent 50 or 30 – how different is the rate of growth in Europe in general and the US?

VEUGER: Well, so there in comparison it really depends on how you look at it.

KRISTOL: Because the US started out with a huge advantage after World War II.

VEUGER: That's right. So, and some of it is that. But then what you would expect is, is you would expect poorer countries to catch up, right? To converge to where the productivity frontier is. And so, if you look at more recent decades, so the last 20 years or so, the EU has grown a little more slowly than the US, but that is mostly because of slower population growth. If you look at real – if you look at per capita growth, it's been very similar. Maybe a little lower because of the fallout of the crisis that was a little more severe in Europe than in the US, but overall pretty similar.

And now, if you're a dedicated naysayer you may say, well, the Eastern European countries grow faster because they started from having just come through communism. But even for some of the more developed countries, the numbers are still – are pretty good. And so, what you really have is more of a level difference, right? Where people work a little less, and the capital markets don't work as well, and so you have a poorer continent.

There are some areas where I think Europe has had actually quite good economic policy and I think that the European Union has played a big role in that. Obviously part of the original project was to avoid war in Europe. I think the second one was to generate economic prosperity.

And so there, really the fundamental goal was to – and this is a very whatever conservative, neo-liberal project – was to create a common economy, right? At first focused on specific key industries, but sort of starting from the '80s and '90s, really focused on creating a full-fledged common market, the way the US in many ways is. And so there you get the real implementation of the freedom of movement: of goods, of services, of capital, and of people.

And so there I think when it came to implementing that, I think the European institutions have played really important roles, right? First of all, obviously all the tariffs were all done away with within the European Union. And then the focus shifted more toward what we call non-tariff barriers to trade. And it's gone pretty far there. So there's a case from the early '80s, the Commission against Ireland, where Ireland wanted to start a "Buy Irish" campaign. And so that was deemed to violate the free movement of goods.

And how Europeans like to label their food in certain ways; there have been many cases on that where often the European institutions have said, "No, you're not allowed to say that beer can only have these specific ingredients, Germany; you have to accept beer from other countries if it can be sold in those other countries." So it's those kinds of measures. And you know each specific one sounds a little silly, but that's how you build a market, a market with free movement.

KRISTOL: And it is genuinely one market now, right?

VEUGER: That's right.

KRISTOL: I mean pretty much.

VEUGER: Certainly on the goods side. On the services side obviously it's more difficult. But even on the free movement of labor side, right, which is a dramatic accomplishment. That really, since sort of the dawn of modern immigration restrictions we really haven't seen anything like this, right? Where anyone within the European Union can basically move elsewhere to work.

You really have to go out of your way to move exclusively to benefit from a welfare system, to be removed from a member state. And so the freedoms that has created I think for people have been tremendously valuable.

KRISTOL: And that's held up pretty well under the strains of the last decade and attempts to cut back, and –

VEUGER: So the only – the aspect that I think has been a little more controversial is the complete lack of passport controls under the Schengen Agreement. Now, not every member of the European Union was in that, was part of that scheme to begin with and that's still something that is separate from residency requirements. So you would still, even if passport controls were reinstated, you would still be able to show your passport and move to a different member state. That's never been in dispute.

KRISTOL: Right.

VEUGER: And so that is really completely embedded in all the various structures of the European Union.

KRISTOL: And the Euro, which was a big object of controversy among our friends and your teacher and Marty Feldstein, I remember talking to him about it 15, 20 years ago. Very skeptical I think, about it.

VEUGER: Yes. And so I think that's a good example of something that has not worked out as brilliantly as people hoped. Obviously, again, there's a big symbolic dimension to that kind of project. And some argue that it was, sort of part of the negotiations around the unification of Germany was to make sure that one of German's strengths was Europeanized, so to say.

KRISTOL: Right.

VEUGER: But yeah, there's definitely weaknesses there. I think the big cost we've seen there is that after the financial crisis recovery, which slowed down quite a bit in a number of countries, that outside of the Euro, they would have devalued and recovered a little faster that way.

And so I think that, it's an imperfect project. I think people at the European Commission are very aware of that. I mean, the unfortunate situation is that we're at a point that no one sees as optimal. So there's people who never really wanted a common currency. And then there's people who say to fully benefit from a common currency, you need to build around the common currency things like shared fiscal policy, or a banking union, or a capital markets union.

And so, I mean, I assume that we'll drift in that direction. And then the question really becomes do you have shared fiscal policy and shared unemployment insurance, which may be a little harder to accept for people who worry about the traditional economic policies of all but four European countries.

Or, do we go more in a direction where we maintain economic or at least tax policy as a national instrument and try to compliment that with banking supervision at the European level, which has been implemented more or less. And especially more integration on the capital markets side, right?

So one reason why shocks in the US are shared much better between – across the states and the regions than in Europe is because a lot of American companies run businesses in other states, right, in a way that we don't even think about.

Like walking around, obviously CVS has stores all over the country. There's banks, I don't know how many brand names you want me to drop on your podcast, but you know, Bank of America. What state is that from, is a hard question to answer for most consumers. So that hasn't really happened yet in Europe.

And so that kind of integration should help a lot with risk sharing. Because what it would have as a consequence is that there are people in every state who work at these companies, that are a little more resilient to location-specific shocks. And that the people who own stocks or bonds in the corporate sector are also a little more isolated from shocks to their specific country. If you're an upper middle class Italian person, maybe you have a family business that you partially own and then you have a bunch of Italian stocks often.

That's not how people in the US isolate themselves from economic shocks. And they're not even thinking about it that way. They're not saying "oh no, we need to make sure that we in Montana share our risks with Delaware and Florida." No, they just, they buy the S&P 500 or whatever and they're insulated.

So I think that's, sort of from my perspective, that's the ideal way for the EU to come up with, to develop a currency union that is closer to sort of an optimal currency unit. I don't think you can – I don't think writing checks from Brussels whenever a company goes under somewhere in Latvia should be the model.

KRISTOL: And Eurosceptics and a lot of friends of mine, and yours I suppose, in '08, '09, '10 when the Euro was under so much pressure, it was being blamed, I suppose somewhat correctly for slowing the recovery in Greece and some of those countries and causing a populist – we were all like well, look at the US. We don't have anything like that. I mean, you can't impose this kind of thing on a diverse continent. But of course, we've had as much of a populist response in our united system.

You know, the difference between closed steel mills in Canton, Ohio and Silicon Valley seems as great as the difference – I don't know if it's quite as great – but politically it's had similar effects. So maybe it's not such a – we can't look down as much on Europe's travails in that respect.

VEUGER: That's right. So I think the way to think of it is that it's differences of degree, not of kind. Obviously the European Union is not as integrated a common market as the US is, but it's not completely different.

And remember, there's a lot of state regulation in the US in a way that would for sure be illegal in the European Union because it imposes direct or indirect barriers on activities from other states. You know, California setting its own rules in the car industry would be – hard to think how Spain would be able to get away with that.

KRISTOL: And the truth is, ultimately those countries mostly have come back, I mean, whatever the problem they had with the Euro and not being able to deal with that. It's not as if –

VEUGER: One very cynical way of looking at it is, the advantage of a European Union-like setup is that the local problems are much more concentrated in a specific place. If you have a populist party or a quasi-authoritarian party in Spain or Hungary, to a first approximation that's a problem for Spain or Hungary. It doesn't immediately overwhelm the governance and public discourse in every other country. And so again, it's a classical tradeoff between nationalizing and federalizing.

KRISTOL: And we have some of that in federalism. We have some very bad race relations in some places that have become a national tragedy, necessarily, or –

VEUGER: Well, you see the tradeoff very well there actually, right? So now the country that's probably in the worst shape in Europe is Hungary. Authoritarian leader, basically all the news media except for a few were bought up by a group that's very clearly allied with the party and person in power. Massive corruption problems.

And the most dedicated Eurosceptics will say, "Oh well, look, the European Union can't do anything right." Of course, the only way for the European Union to deal with that kind of problem in a forceful way would be to give it more power and to let it make decisions, not by consensus, but through a qualified majority. I don't think that those same people are ready for those kinds of solutions.

But it's a process. And to go back to the US, obviously this is what, in a sense, happened in the US. It didn't have democratic institutions in the South until really at the national level we decided okay, we're no longer going to accept this blocking minority and we're going to move a little closer to a pure majoritarian.

KRISTOL: Right, a more centralized system.

VEUGER: Right, but that comes with – obviously ended a bad system, but also reduced the autonomy of each individual state. And so I think that's how you should think of the commission's conflict with Hungary.

KRISTOL: I want to come back to the politics, which I think is very interesting and important. Just the economic – I guess the other standard, I would say, conservative, free market complaint about Europe is it's fine, you know, they live a good life. A lot of extremely capable, pretty good education system – maybe better than ours in some ways, very capable executives, engineers and so forth. But not the kind of growth, innovation, dynamism of the US.

VEUGER: That's entirely true, right? So I'm sitting here praising the freedom of goods and freedom of movement. Of course, if everything were better than in the US, you'd expect there to be faster growth. And instead, there's slower growth – there's maybe marginally slower growth in a place where you would expect much faster growth just because it's poor, right? So you think it'd be able to catch up.

And so, obviously, the US has a ton of strengths that the EU does not have. Deeper capital markets, more venture capital, much lower tax rates. And so that really gives people an incentive to work harder because you get to keep more of the money you earn. Some of those basic incentives are just way better in the US.

KRISTOL: And some cultural differences, obviously.

VEUGER: Yeah, for sure.

KRISTOL: Immigration and the American Dream and all of that kind of stuff. Self-made –

VEUGER: That's right, exactly. I mean, where do the best – at the very top, clearly the best universities in the world. I don't think anyone would argue against that. And so the US has a number of institutions that are way, way better than what the European Union has, to be fair. The defense I think I'm making of economic policy in Europe is a very qualified one.

KRISTOL: But I think the strong, I mean, you sort of implied this before, but one strong defense of the European Project – This is used against Europe, that we created Apple and Google and so forth.

VEUGER: Which is fair.

KRISTOL: We have venture capital. But it's not clear, if Europe had been Old Europe, let's say we had peace, so maybe the peace would have happened anyway. But you have Old Germany, Old France and Old Britain and so forth. It's not obvious –

VEUGER: That's right. You have to think about what's the alternative.

KRISTOL: Would there be any more entrepreneurship? The culture was the culture either way.

VEUGER: Because maybe what you would have is Germany and France would both build their state champions. There would be, 40 percent of the French economy would be owned Electricité de France because that's the big company and that would all be held together by state aid.

KRISTOL: And you wouldn't have a culture of individuals giving up good jobs to say 'I'm just going to take a flier on this startup,' right? It's not clear you're going to have more of that in a nation-based Europe than a Europe-based Europe.

VEUGER: Exactly. Because a lot of the pressures on innovation I think have actually been, have been reduced by the European integration process. The thing that libertarians here maybe hate the most is startup subsidies, be they direct subsidies for developing new products or direct tech subsidies to move somewhere, to compel a company to move to a different location.

Those are both illegal in the EU. Now obviously you can argue over what's really a subsidy and what's not, but you know, Apple has had to pay back \$11 billion dollars to the Irish government because they were given illicit state support.

That's completely legal in the US. So you do – and obviously if they were all separate countries, they would constantly be trying to poach each other's companies.

KRISTOL: When you read the US media and its competing for Amazon – who is going to subsidize Amazon the most? – It's not clear to me why those of us who believe in markets should prefer the US, *that* part of the US system to a European system where, as you say, they can't really do that.

VEUGER: That's what I'm saying. Exactly. So there's a few of these aspects, and a number of them are very specifically tied to the European Union institutions where Europe just has more of a free market dimension to its system where it sits more nicely with the way that the free market economists like to see the world operate.

KRISTOL: And you think this is –

VEUGER: Not to criticize our local business, Amazon, of course. [Laughter]

KRISTOL: Of course not, yes, that's a good point, right. [Laughter]

Now on the economic front – leaving aside politics, again, for just one more minute – you see no particular reason why reasonable growth can't continue. I mean, limited by maybe population growth and so forth. But I mean nothing is falling off a cliff there or whatever?

VEUGER: No, I don't think so. Obviously I mean, there's always a risk of things going in the wrong direction. I think there was a proposed merger between German and French rail companies earlier this year that the Commission blocked. And I think there was real local pressure on the Commission to say no, let that go ahead. It would have moved us, I think, away from one of the strengths of the, very heavily focused on maintaining competition, especially in sectors like rail, where there's sort of a threat of natural monopoly.

I worry a little bit about the concern about the currency union not being integrated enough, leading us to a path where there is a European welfare state that will be hard to control and that will be, I think, particularly negative for the poorer member states.

Because you'll end up for sure with payments that are higher, in cost of living terms, in Hungary or in Southern Italy or in Southern Spain than they would be in Denmark or Sweden. And so that I worry a little

bit about. But those kinds of proposals are so unpopular in Austria, Finland, Germany, the Netherlands that I doubt they'll come to fruition.

Because I think that's a reason why some states in the US are relatively dysfunctional. Why in West Virginia labor force participation is barely above 50 percent. It's because much of the welfare state is done at the federal level and so all those payments are higher. If you're lower income, your tax rates are higher because they are the same across the country.

KRISTOL: And I suppose, there's not much evidence, I don't know is there, that the size of the government, the size of the welfare state, the kinds of things conservatives tend not to like about Europe, would be very different if Europe, again, were a Europe of nations as opposed to a –

VEUGER: Again, I'm glad you keep reminding us of that, because that's really true, right, the counterfactual is what matters. But it's not like all of those independent European countries would look like mini US's.

KRISTOL: Right.

VEUGER: I would worry that they would look more like mini Italys than like mini Netherlands, or whatever your favorite European country may be.

KRISTOL: For me the wakeup call on the economic side, and I'm not sure exactly where I am, consider a view on this, but I had a kind of standard Eurosceptic view I would say, probably would be, being a bit of an Anglophile and whatever.

VEUGER: And then the UK had to get bailed out by the IMF in 1975 and changed your mind.

KRISTOL: No, for me, it was going to Spain and I went to a couple of conferences there, and Portugal, actually, which are very different countries, nonetheless. And with more or less conservative, certainly geopolitically conservative in favor of strong sort of foreign policy and confronting authoritarians.

And culturally, even somewhat conservative in terms of cultural issues. I remember saying cavalierly once something about, "Yeah, because the EU, I'm sure that's a problem." And both in Spain and Portugal it was, "No, no, we are not like the Eurosceptics. We are not like the British."

I mean, this was the big mistake in America where everyone is so focused, maybe just in terms of language mostly, on Britain that everyone assumes conservatives to be Eurosceptic. But if you're in Spain, if you like markets and you like the kind of, the ability to, free movement of goods, labor, et cetera, breaking up some of the traditional monopolies, some of the traditional unions, even, right? You're pro-Europe. That's my sense.

VEUGER: I think that's fair.

KRISTOL: Mostly.

VEUGER: To the extent that people are –

KRISTOL: If you're a liberal in the European sense.

VEUGER: Yeah, that's right. So I think to the extent that people are skeptical about the European Union, it's because they're in Northern Europe and they think that they're paying for transfers, which is fair. Or they are very opposed to free movement of people, basically, is I think the other concern.

But it's important to remember that obviously the dominant political force in building the European Union was the European Christian Democrats that are, obviously, span a good chunk of the political spectrum, but certainly center right at its core.



So you see that, certainly on the economic side of things, but I think generally in the project they think you still see some features of it. In fact, that is why a lot of the traditional Euroscepticism comes from the hard left.

KRISTOL: Yes, it's labor opposed to –

VEUGER: People who want to nationalize and they're worried that there's too much competition across the continent, then they won't be able to protect their union benefits.

## **II: The EU and Populism (26:46 – 1:07:57)**

KRISTOL: So let's talk about – you mentioned the free movement of people. I mean, what about that? How far along would you say, I think this is something Americans have a tough time. You know we go for a vacation for a week, you're always – I mean, how European are Europeans? And how much is it Spanish and Germans and Dutch and so forth, who happen to vacation a little more, or even work a little more, in each other's countries? Where do you think that part of the European project – how far has it gone?

VEUGER: Well, I think it's certainly fair to say that Americans are more American than Europeans are European, typically, you know, maybe outside of a few neighborhoods in Brussels. But there has been some change.

I think now the typical estimate is that cross-country mobility in the EU is about a third of what cross-state mobility is in the US. So that's real. And it's concentrated among younger people, which suggests that it's growing, but it is more concentrated among the highly educated. It has a bit of a "globalist citizen from nowhere" bias to it, if you will. But those numbers are looking better.

And so that's one area where the EU has also very intentionally made policy. So it's much easier now to study in a different European country than it used to be. That's really escalated. So I should mention I teach two weeks a year in Tilburg in the Netherlands. And so last year a class I taught, which is a mandatory undergraduate economics class, more than half the students were from overseas.

KRISTOL: And you teach in what language?

VEUGER: In English.

KRISTOL: And that's become, in effect, the lingua franca if I can say that –

VEUGER: Yes.

KRISTOL: – of the EU.

VEUGER: That's right, certainly of the higher education institutions, yeah.

KRISTOL: And then would that be true in a lot of other higher education institutions? That if one went to them one would have a class in English and not in German?

VEUGER: Sure, yeah, that's true. I would imagine that France is more resistant to that than most other places.

KRISTOL: And Germany, yeah.

VEUGER: Yeah, and Germany. But it's certainly true –

KRISTOL: But the smaller ones.

VEUGER: – that in Spain or in Italy as well. So the institutions that try to attract international students, or that are sort of the top of the line institutions who often have a lot of international faculty, they will offer a lot of instruction in English. And that was certainly not the case twenty years ago.

So that's changed pretty rapidly. And presumably you'll see that in people's labor mobility numbers down the road. So that's in education.

On the work side of things, the Commission has done similar things. So there's a bunch of occupations now where the licensing basically happens at the European level. So again another libertarian hobby horse, right? Where there are –

KRISTOL: Yes, horrible state regulations.

VEUGER: Occupational licensing. And it's in a number of important professions. So a bunch of the medical professions, architects, they can basically move across Europe freely now. And so real progress is being made there in that sense.

And I think that'll help on the economic side a little bit as well, with addressing some of the concerns about the currency union. Although I don't think, you know, forced migration should be the main channel through which different parts of the continent adjust.

But yeah, that's a big deal. I think it's also a big deal in light of some of the original goals of the Union. I think if you're in a country that's drifting a little toward authoritarianism it's extremely helpful that you can move somewhere else.

KRISTOL: And other people can come in perhaps, and it's harder to –

VEUGER: Yeah, if you like that.

KRISTOL: Close the borders, which is what authoritarian states often do, right?

VEUGER: Well no, that's right. If you're a Hungarian and you want to leave Hungary, you can do that. That's very different from the way it was if you were in Hungary in 1956 and you didn't like Hungary, you know?

KRISTOL: Right. I guess what Americans go, and maybe this is more of my generation, younger Americans might have a much more up to date view of all this. You do see all these people speaking different languages, obviously, and as you go from one country to another. And you think well that's not really – I mean one thing about America is everyone speaks English.

VEUGER: No, sure. So you would expect the mobility rates would be lower, right, even if the –

KRISTOL: It sort of makes you think, well this isn't really a unifying project because there's such a vast gap if one doesn't speak the same language. A) that may not be quite correct, if everyone has English as a second language. And B), there have been previous empires and multinational states where people have spoken different languages, but sort of understood each other. So still thought they were part of one – well, maybe they didn't; I don't know, it's a good question. I don't know much about the Austro-Hungarian Empire. Did they think they were part of one entity, sort of?

VEUGER: Kind of. Maybe a little more something like Egypt where they had a pharaoh, I mean I don't know.

KRISTOL: But like Mozart went to – what's funny when you read the history of Europe is, of course it was so integrated, right?

VEUGER: Yeah, people migrated.

KRISTOL: Well they thought nothing of Mozart going and living in Vienna, living in Salzburg, going to Prague, having of course the trips to England. Haydn ends up in England. Handel becomes English. I mean one forgets how much sort of there was of that in the previous centuries.

VEUGER: So it's never been clear to me how much –

KRISTOL: And how much an elite thing, of course.

VEUGER: That's exactly what I was going to say. So it's never been clear to me how much of that extended beyond the elite.

KRISTOL: Yeah, presumably it didn't.

VEUGER: And so that's a concern now, too. So the fact is that it is more highly educated younger folks and a lot of the lingua franca is English. I don't think you want to end up in a situation where there is barely any working class mobility and in Barcelona and Berlin everyone speaks English. I don't think that's the right outcome. And so it would be nice to –

KRISTOL: That is, in fact the 18<sup>th</sup> century, incidentally, outcome.

VEUGER: No, and that's exactly what I'm saying.

KRISTOL: But it was problematic for obvious reasons, including like leading to revolutions and nationalism and so forth. Right?

VEUGER: Yeah. And so obviously it's a little broader now to begin with just in terms of how society is organized. But I think it's important not to end up in an equilibrium where that's effectively what's happening. Because it would be – I mean it would be nice if once Spain goes through one of its regular periods of 25 percent unemployment, it would be nice if some of those unemployed people got the chance to go work in Germany. And that happens to some extent.

KRISTOL: And do they?

VEUGER: Yeah, to some extent. But not in the kind of mass numbers that used to occur in the US, right? So, the way I think up to 1980 or 1990 what you would see in the US, you have a big negative shock to a state, unemployment rate goes up and wages don't go down when that happens. Instead, people would move to a different state. And that's sort of the main adjustment mechanism. Now that has broken down a little bit in the US, but it would be nice if the EU had some of that.

KRISTOL: And beyond year to year there is this massive adjustment mechanism in the US where millions, tens of millions I suppose, of African Americans go from the South to the North.

VEUGER: That's right.

KRISTOL: I mean that permits a kind of both unifying of the country, but also job opportunities for people who aren't going to, you know.

VEUGER: That's right. Yeah, obviously over the past few decades we've seen that to some extent from the Midwest to the West and the South.

KRISTOL: Right. But that's harder because of language, I suppose. But really, it's not hard otherwise. That is to say I mean if I'm in Berlin and I want to hire a Spanish laborer –

VEUGER: Right. He can come the next day and he can vote on local elections.

KRISTOL: Is that right? And he shows up and there's no issue with it, there's no permit, there's no –

VEUGER: No.

KRISTOL: There's no 'you can only stay three years.' It'd be like hiring someone in Massachusetts to come from Virginia.

VEUGER: It's very similar to that. So that person at some point would also have to get a Massachusetts driver's license and things like that. So there are nominal procedures you have to follow, but nothing beyond that.

And I think once the person – one difference is that only after I think a five year period does the person become a permanent resident of the new country which gives you sort of full rights. So you can, no matter how much you abuse the welfare state you could never be sent back. But that's really the only margin in which it's different. In practice, that doesn't matter for people.

KRISTOL: And you mentioned so immigration, both the internal and then external, that's obviously been a challenge in the migration crisis. Seemed like a big moment for Europe and for the EU.

VEUGER: That's right. And of course coincided with the Brexit vote too to some extent.

KRISTOL: Yes.

VEUGER: Obviously especially since the crisis, but a little bit before that too. I don't think we can ascribe it purely to that. You've really seen the rise of anti-immigration politics in a bunch of European countries, turning more on the northern side and the eastern side of the continent than in the south, ironically, even though that's of course where a lot of migrants first arrive.

And so I think to some extent it's driven more by the sort of ongoing adjustment processes in those societies driven by labor immigration from the 1960s and '70s, than necessarily about the sort of ongoing flows. I mean a lot of those countries by now have changed their immigration rules to an extent that it's almost become impossible for someone who is not from another European Union country or a few select rich other countries to immigrate at all.

But I do think that the Syrian immigration flow, I think, intensified some of the sentiment. Obviously if you want to ascribe Brexit to it, caused a lot of disruption. But I think in most European countries, it just, it strengthened the far right parties a little bit, but I mean, in the end not so much.

I think if you had told people eight years ago that, when this happened, five years ago, that Angela Merkel would still be chancellor, that the Dutch government would be the same one and Wilders got wiped out during the European parliament elections, I don't think people would have expected that.

And so I think it's reasonably under control. You do see sort of a hardening of immigration rules that's – there's a lot of internal immigration. So I think that's less as concerning. You see some symbolic measures targeting Muslim residents that I'm not a big fan of. But I think the leaders of the sort of Center Right part that adopted those measures are doing so in a very conscious way to sort of fend off the uglier version.

KRISTOL: And it's not as if, I guess, the counter-factual – so sort of making a pro-European argument here. When France was France, before there was Schengen and before there was as much integration, France, because of its old relationships let in, as it probably should have, hundreds of thousands, maybe a million Algerians and others from former French colonies and so forth.

It's unfair to say they didn't do a very good job, but whatever, it wasn't a great success in assimilation there, perhaps. And so Americans look at that and think oh my god, they have a huge problem in Europe

of failure to assimilate. But that's, again, would that be better if they were France and Germany and different countries?

VEUGER: Yeah, that seems completely entirely unlikely, right?

KRISTOL: It seems like almost the EU would help.

VEUGER: Would help for sure.

KRISTOL: On the margins, at least.

VEUGER: For sure, the assimilation process. It gives people a little more leeway. I fully agree. There's a separate immigration issue which is immigration from the eastern side of the European Union to the western side.

KRISTOL: So that was sort of a Brexit thing. So let's talk about Brexit and about that whole issue.

VEUGER: So that's much more directly tied to the European Union and specifically to the UK. So normally the way it works, you know, there's freedom of movement within the Union. When a bunch of Eastern European countries joined, most European Unions basically imposed a moratorium and said there was some transition period there in which free movement of people didn't fully apply to the new member states.

The UK under, I guess then, Prime Minister Cameron decided we're not going to participate in that. And so they did not have the moratorium. And so there were dramatic, fairly dramatic flows of, especially Polish, workers to the UK because that was the only sort of rich country that they could immediately move to.

KRISTOL: So why did the British do that?

VEUGER: And then they called the Brexit referendum and the Scotland referendum. Why was David Cameron doing things? I don't know, some bizarre mix of trying to maximize his number of seats and his time in office, I suppose.

A nicer way to say it: maybe it's idealism or they thought, "we're such a dynamic economy we can deal with that." I think it's – yeah. A mix of opportunities and idealism, I think, is usually how politicians operate.

So I think that did contribute to the Brexit result a little bit. I don't know, obviously when 52 percent of the country votes or something, you want to explain why. It's always a little silly to focus on the 5 percent that's at the margin rather as opposed to the 45 percent of people who are British Tories and they've never liked the EU that much. You know, they've always been sort of with two legs out. So you call a referendum, who knows what happens? So I think it contributed – at the margin, I don't think free movement of people in the European Union had been a long-standing concern of that many British voters.

KRISTOL: No. And we're speaking the day before, I guess, the British election here on December 11<sup>th</sup>. But what in general do you think of Brexit? Is it a sort of hiccup in the broader scheme or things or a big moment, inflection point?

VEUGER: It's certainly a big moment because it reduces the size of the European Union pretty dramatically. Obviously the UK is the most important military power in the Union, pretty wealthy. Also good, I think, at pushing the European Union toward more sort of free market measures, more economic liberalism. Really the big driver of the '80s, '90s push for a full Common Market was Margaret Thatcher and the UK government. And so in that sense, I think it's big losses.

In some other ways, the UK was never fully a part of the European Union, of course: not part of the European Monetary Union, not part of Schengen, the abolition of passport controls. And it was always a little out, I think, of the monetary integration process. Left it more out than it was before, in a way. And so I think it's a very big deal, but attenuated in that sense. I think for the UK itself, it's a big mistake.

I mean, I think part of it is that I think there is certainly an aspect to British public discourse that still sees themselves as an empire in a way that they obviously aren't. I think it jeopardizes the situation in Northern Ireland which I think has worked nicely because both the UK and Ireland were part of the European Union. And so it was much easier to have this sort of in-between space that Northern Ireland currently is, right, because so much had already been unified around it that it became a lot easier to come up with a durable solution.

I think for – and obviously it restricts the freedoms of people in the UK who want to move to European countries, people in European countries who want to move to the UK, to some extent. And I don't think that the sort of libertarian buccaneer Britain version of Brexit is going to come to fruition.

KRISTOL: Is that right?

VEUGER: So you would hear these stories about how they'd be Singapore on the North Sea or whatever they called it. Certainly from where we're sitting now, with the party manifestos and where the Tories are going, where Labor is going, that doesn't seem likely.

So we're for sure going to see less immigration. We're going to see the reintroduction of state aid if the Tories get their way and the nationalization of a bunch of industries if Labor gets its way.

A big complaint that you'll hear from British politicians when they're campaigning against the European Union or really in general is about European regulations. The example they give is bananas have to have a certain shape. So those regulations are typically what we call trade harmonization rules. You need to have common definitions if you're going to be in a common market.

It's like the US has an FDA, right? You have to define what's legal and what's not. You have to come up with product categories and they always have to be coordinated at the European level if you're going to have a free movement of goods.

I don't think they're going to repeal any of those rules. They're on the books and they're going to sit there. And now they're British law instead of EU law. And that's not going to change until they maybe reach a trade agreement with the US or whatever. But then it's also – that's not like the dream of sovereignty that they had.

KRISTOL: So they'll have to reach a trade agreement with Europe, and a trade agreement with the US.

VEUGER: That's right. You're going to be in this mess for a number of years. So I think the upside is super limited, especially because a lot of this stuff that people who like the free market system care about, low taxes things like that, they could still – those are not European level competencies. Those Britain was able to do itself. And in fact, Britain has a flourishing financial capital of the world. It's not like it's been impossible to do anything.

KRISTOL: Quite the contrary. I think they risk losing law firms and accounting firms and even finance firms if they're not plugged in, if you can't hop on a plane and go to Stuttgart or go to Milan and cut deals.

VEUGER: That's right. And the opposite side is just so narrow because it's stuff like "oh, we get to reclaim our fishing waters."

KRISTOL: I was struck by this. I sort of was vaguely sympathetic to Brexit on sort of a nostalgia for the British Empire kind of grounds. But actually, it's really more Little England than British Empire thinking, I

would say. It's not Churchillian; it's more the kind of let's protect ourselves from immigration and from competition, in some respects.

And I also think, don't you think, it damages the liberalism in the good sense in Europe. I mean, Britain was a force for generally more market-oriented policies and for liberal democracy in Europe.

VEUGER: That's right.

KRISTOL: And it's not good to have them out of the decision-making, I should think. I mean, if you care about pushing pressure on Orban not to do stuff, you better have Britain in there. Maybe not – they're not reliable on this. They weren't very good in the Balkans. It turned out for all their great liberal tradition, they were actually kind of not great.

VEUGER: The authorities in the European parliament, when the European parliament voted on to start an Article 7 procedure, which is the way in which the EU deals with violations of fundamental values in its member states. That most British conservatives and MEPs actually voted against starting the procedure, even though it passed overwhelmingly –

KRISTOL: On sort of national sovereignty grounds or –

VEUGER: Who knows what they're doing over there. Who knows what kind of weird group now because they have – they're going to leave. But I would assume on national sovereignty grounds. But then that's a very cynical view of national sovereignty, right, because that says within your borders you can do whatever you want.

That's not, I think, how people who approve of liberal democracy deal with those issues, right? That was certainly not the view that British conservatives had during the Cold War of the Soviet Union, not allowed to violate your sovereignty.

KRISTOL: That was pretty strong in the '30s, let's not forget. I mean, it is interesting how – anyway, yeah. So let's talk politics just on sort of the populism, nationalism, authoritarianism side. Europe as a whole? Are you reasonably confident in the next five, ten, twenty years or how worried are you? How strong is that? I mean, here I feel like I have a sense. I don't know if I'm right about intellectually, culturally how strong it is or not so strong it is. But obviously I don't read that much of the European media press and culture.

VEUGER: Certainly a lot stronger than it was in the '90s. I think the big shift so far so good, I would say.

KRISTOL: Is that right? Despite all of the –

VEUGER: Right. So you've seen, really what you have seen is sort of a fragmentation of the political spectrum. So roughly speaking, obviously, it's 28 countries. So this is not, I'll be generalizing a little bit, but you had a big Social Democratic family of parties, big Christian Democratic family of parties, somewhat smaller sort of classical liberal family.

Those three have sort of lost a good chunk of their appeal, but together they're still really dominant in the European parliament and in a lot of national legislatures.

But what you have seen is the rise especially on the right of these more nationalist, populist parties. And in some countries, those parties have really become a dominant force. And so that's true in Hungary, that's true in Italy. So that's, I think a little concerning, but of course does reflect, I think really what a lot of voters are concerned about.

I think some pressure from that angle, on the left, from more far left parties that haven't been as successful, but in some countries have been reasonably successful. Syriza in Greece was in government for a while, Podemos in Spain which is weirdly Venezuela affiliated, had its moment.

To some extent that also just plays an expressive role, I think, for voters and maybe shifts at least agenda priorities for the more mainstream parties. I mean, I think if those numbers remain steady from here on out or maybe start going down a little bit as the economic recovery nears completion, I think then it was a bit scary in some places for a while, but fine, you know.

But obviously we don't know if that's going to happen. I don't see much strengthening any more of those movements, but we don't know. It may well be that Salvini will soon be in charge in Italy. And then you suddenly have Poland, Hungary, Italy, maybe Romania, maybe the next time in France it doesn't, it goes the other way with Le Pen. So it can still go in what I think would be a very ugly direction, but I'm less worried than I think people rightly were five years ago.

KRISTOL: And again I guess there's the kind of "compared to what" question.

VEUGER: And if you do five years by five years, I don't know, we're not going to come out here with a 25 year-long plan of who's going to win what election. These things are fragile and difficult.

KRISTOL: Well but again it's not as if, if you compare it, compared to what? I mean it's not like there wasn't a very strong French Communist Party and Italian Communist Party back before much of the integration of Europe.

VEUGER: That's right, yeah. NATO had to get –

KRISTOL: It's not like Greece didn't have a coup, an actual junta, in the late '60s and early '70s. Of course Spain unfortunately had its –

VEUGER: Spain had a dictator until '75.

KRISTOL: – from before.

VEUGER: Yeah, well sure, but – no, still sitting there.

KRISTOL: But no, I agree. Yeah. So it's not as if like it was really great, liberal democracy obviously was thriving –

VEUGER: Well all of the Eastern member states were –

KRISTOL: Captured, yes. So, whatever. I mean, people are a little unrealistic when they sort of –

VEUGER: No, that's exactly right. So I think yeah that's precisely right. And I think the prudent position I think is to say well this could be a lot worse.

KRISTOL: But in terms of critical culture you don't feel like the entire European Left is going in a Corbyn direction, or a kind of – and the European Right is all going in a Le Pen direction. And one sort of vaguely feels that. Of course sitting in America one probably vaguely feels that because we're worried about it here, and so it becomes like a model.

VEUGER: Yeah. And I do think that a lot of the perception in the US is driven by both developments in the UK and the British press and how it portrays the rest of Europe which is often through a British lens. Because if you, say, you look at Germany – the large party on the Left in Germany now is the Green Party, which is very environmentalist, but kind of modern and free-market, you know?

KRISTOL: Right.

VEUGER: Very different from what Corbyn is doing. The old Communist Party there has not filled the void left by the Social Democrats.



In Spain a traditional Social Democratic Left party has now taken the reins, and Podemos has lost some of its influence. I certainly don't think you can say that as a generalized statement of what's been happening in European politics. Right? In France the big development over the last five years has been the rise of a sort of centrist, good governance, kind of neo-liberal party, led by Macron; maybe has not delivered on the highest hopes people had of him, but it's certainly not an indication that everything is drifting toward the two extremes.

In Germany, the Christian Democrats are now very comfortably positioned at the heart of the political spectrum and have completely annihilated the Social Democrats. The Netherlands has a broad coalition around the center. In Belgium you have a center-right coalition that excludes the more neo-fascist Flemish Nationalists but contains at its heart a large Flemish Nationalist Party.

In Italy, you now have – I mean, none of it is as terrible as you would think from those depictions. In Finland the Social Democrats did reasonably well the last time around. And so the Far Left parties just haven't done that well, in part because more economically moderate Green parties I think have captured some of the energy there as it's gone toward Environmentalism instead of Communism which is I think a trade that I'd be happy to take.

And the Netherlands has a party for the animals now that has a few seats. They stand for the rights of animals because they, the animals themselves cannot vote. And they support things –

KRISTOL: For now.

VEUGER: Yeah, for now. They support things like free choice of sexual partners for farm animals and things like that. So you know, you've got more into the kind of esoteric Lefty thinking. So I'm not super worried about that.

On the Right, you know, I think some Center Right parties have done better at sort of steering off the threat from the far Right than others. I think the US and the UK actually, the Center Right parties have let themselves be captured by kind of very explicit Entry-ism [phonetic] here, and by the Brexit-eers in the UK. I think the traditional Christian Democratic parties or in some other countries the more classical Liberal parties have done a reasonably good job of sort of capturing some of the themes of the Far Right without going all the way down what they strive for.

KRISTOL: I remember when my friend Bob Kagan, who you know, wrote that book, I think it was called *Paradise and Power*, a short book, 15 years ago, I guess. The Europeans, it was viewed widely as kind of an attack on Europe and a sort of denigration of Europe. They're not interested in power; they just have a happy life there. It's slightly, it's a museum or it's a Disneyland kind of thing, you know – very nice. And we're tough and we maintain the world order.

And I think there's some truth to that, incidentally. And as an American, I'm sort of proud that we have this role. But Bob himself always used to insist the book really wasn't supposed to be critical of Europe. I mean, it was a description.

VEUGER: Yeah, it's a choice people make.

KRISTOL: Yeah. And in a way, do we want the opposite? Do we want Europe deciding hey, let's – now there's something weird. I would just say this is generational, maybe. If you grew up when I grew up and you study history a little bit and stuff, there's something hard to adjust to about Europe being basically – inward looking might not be quite fair, but not thinking that it's going to shape the history of the entire world over the next 50 years. That it will be a participant, that it will do some good. But that basically we're going to have a world struggle between whoever, the US and China and maybe some other rogue regimes and –

VEUGER: And the EU trying to build bridges in between.

KRISTOL: And they'll be doing whatever useful stuff they're doing. But maybe that's just silly not to accept that that's the decision, in a sense, that Europe itself has made. And maybe, given the wars of the first half of the 20<sup>th</sup> century, not a crazy decision.

I think the British conservative talking point, which had a certain resonance, was why – we aren't embarrassed by our history, so why do we have to move beyond history? I understand if you're a German or whatever they would say fine, you want to sort of be European, not German and maybe that's good. But we British were on the right side of those wars pretty much – not pretty much, very much so, and in the Cold War – so we should be able to keep that going.

But I suppose maybe that's just nostalgia and a combination of nostalgia and lack of realism. To think that somehow it's a terrible thing that Europe isn't more outward looking, doesn't spend more on defense and all of that sort of stuff. Or is it a problem down the road, sort of a lack of vision? I don't know.

VEUGER: Well, I do think that lack of realism is a big factor; and no individual European country at this point has the size, either economically or militarily. And I guess the militarily kind of follows from the economy to really be a superpower.

And the European Union as a whole just isn't a political actor in that geopolitical way where you have a shared military and whatever, shared political discourse where you can determine whether you go to war. And so I think realistically there's just no, no unified actor there that can play a dominant role on the geopolitical stage.

I do think that it would probably be helpful if the EU remained a little more involved on the military national security side of things through NATO. The spending numbers could be a little higher. But that's more, I think that's part of an Atlantic alliance on the national security side really led by the US.

And I don't think actually that there are a ton of American conservatives who really like it when the EU starts setting its own geopolitical priorities, right? So there's always a weird dimension of bad faith to these complaints because it's not like, "oh, when de Gaulle was trying to set his own path, that's really – those are the days we miss." I don't think that's true for most of those people.

Or, I mean, what would it look like if Germany decided to take on a super dominant role? It would be much more about balancing China and the US, I think, than it is now where Germany remains in this kind of subservient role in NATO. So I think in that sense, I don't think it's concerning. Just as a matter of resources, it'd be nice if the Western alliance were a little stronger.

KRISTOL: Stronger. I mean, Kagan makes this point. I mean, US plus Europe, even a Europe that's a little bit recalcitrant and a little bit difficult to work with sometimes and all, is a heck of a lot stronger than the US by itself.

VEUGER: Oh, yeah.

KRISTOL: And the US, either Europe just checking out on the one hand and collapsing, doesn't seem likely, or Europe setting itself up as an alternative, neither of those is really in the US interest, probably. I mean, in a way a somewhat subservient, but big enough to help role isn't a crazy outcome from the point of view of American national interest, presumably.

VEUGER: No, or even from the European perspective, I think. You know, I don't know, it's really the – but I mean, it's frustrating for people on the US side because we're deploying all of these resources and Europe isn't doing its part.

Of course, from the European standpoint it's the US goes out there to Afghanistan and Iraq and destroys our Iran deal and we don't really have a say. I think that's just as frustrating. I think it's an alliance, both sides will have to, to some extent, accept the downsides of it.

KRISTOL: But do you agree that – I mean, younger Europeans, they do assume that Europe will not play a role of anything like the US or China. They won't be an autonomous, a military force that would sort of do things.

VEUGER: No.

KRISTOL: That's gone.

VEUGER: Honestly, I don't think I've ever heard anyone who is not actively involved in European policymaking even discuss the idea.

KRISTOL: And so the notion that if we pull out or if we look unreliable, that Germany, France et al decide that they have to sort of take care of themselves. I mean, what do you think happens in that case?

VEUGER: I mean, but that would be such a dramatic shift. That could really, I think, trigger a different response. But that's so far removed from I think where we are now even under the Trump Administration that it wouldn't happen. I mean, there's been a lot of talk about this, but I think in the end there are more US troops now in Europe than there were three years ago.

KRISTOL: And generally, because we've talked about this for a long time, mostly it's been the dog that didn't bark. At the end of the day, most of Europe looks kind of like it did 20 years ago in terms of alliance structures and –

VEUGER: And I don't – on the military side, I don't think that relationship is that much healthier, that much less healthy now than it was in 2004 when we had the whole new Europe stuff. You know, massive demonstrations in Europe basically against the US government. The same thing happened in the early '80s. It's not like it was all beautiful during the Cold War at all.

KRISTOL: So what worries you the most in this generally, slightly upbeat account of Europe?

VEUGER: So I'm worried that now that the UK leaves, the EU is going to drift in a more statist, big government direction in part because the European Council and the institutions do sort of set the tone for law policymaking.

So there are already centralized tendencies. I worry about that. I worry a little bit that Europe has very low population growth and I don't think we've come up with good ways to deal with that. And that just comes with a lot of downside, right? It makes it harder for people to have a good life in retirement if they don't have as many children around. It makes the burden of debt greater. Of course, it limits your economic and military power. So I'd say that's a second concern.

And then thirdly, I'm worried that there is going to be a situation where you have two countries who are EU member states who drift even further in an authoritarian direction than Poland already has. And between the two of them, they'll be able to basically block all measures taken against them. And that will slowly lead to sort of the unraveling of the EU legal order. Those would be my three concerns.

KRISTOL: And the third would generally be unfriendly to liberal democracy in your view and friendly to authoritarianism.

VEUGER: Yeah. Plus, once you have two members that back each other up, they can violate – when it really comes down to it, they can violate whatever – European decision making. And so that, I think, really goes to the heart of the binding legal character of the Union.

KRISTOL: And it encourages others.

VEUGER: That's right, sure. Precisely.

KRISTOL: And I suppose that there Europe's kind of weakness vis-à-vis Russia, China, focus on commerce, the unwillingness to sort of step up is a problem in the sense that it leaves it open to this kind of – once there's developments like this in a couple countries, then there's a failure to take on –

VEUGER: Yes.

KRISTOL: – the system is not really set up to resolve these things, you might say.

VEUGER: Well, no. It would require really dramatic changes by the rest of the Union, right? They would have to say okay, look, we're going to get rid of all of our unanimity rules for the most essential items. We're just going to say okay, the two of you are out or whatever. Hungary, you don't get your subsidies anymore which would lead to the collapse of the Hungarian economy immediately. But now –

KRISTOL: But what about that? That's kind of an interesting question. So Hungary, which they're also unhappy about, I think with good reason, still gets large subsidies.

VEUGER: Yeah, they're the biggest beneficiary because it's kind of poor. And so the EU budget, basically, it's about 1 percent of GDP of the Union. 30 percent of it is agriculture subsidies. Of course, the core task of any government, and about 30 percent is cohesion funds, as we call it, which is subsidies for poor areas.

KRISTOL: And the money comes from –

VEUGER: Contributions from the member states basically based on, proportional to your GDP, basically. Some countries get discounts. The UK has always had a large discount. The Netherlands has one too, I think maybe Finland.

KRISTOL: But it's a transfer, basically.

VEUGER: It's a transfer, basically. Yeah, that's right. And certainly for Hungary it's a lot of net income – well, in the way you see their behavior reflected now in the negotiations over the next seven year budget for the European Union is that a lot of northern states say look, we're not going to subsidize these countries that are behaving so poorly.

Especially – well, it's obviously easy for a lot of the northern countries to already appeal to their voters in a kind of populist manner by saying we're making these contributions to other countries, why don't they take care of themselves? And if countries are explicitly misbehaving and going out of their way to insult European institutions, I don't think it's crazy to say okay, well we'll make the budget a little less generous this time.

But that's very different from a more drastic measure of specifically targeting Hungary or Poland or maybe Romania at some point as punishment for deeds done. This is more of build up goodwill and it's reflected in the budget.

KRISTOL: I suppose the authoritarian populist strain, if it gets stronger, it does obviously stress the Union.

VEUGER: For sure, yes. So that's a concern.

KRISTOL: It would be bad in both ways, I suppose.

VEUGER: Yes.

KRISTOL: Okay, anything we should be looking for as we go ahead over the next year, two, three? I mean, any dramatic inflection points? I guess how Brexit plays out will be important.

VEUGER: That's really the biggest issue, right? So as you said, we're talking the day before the election, but no matter who wins, it's not going to be over any time soon. Even if Boris Johnson gets his majority and they formally leave by the end of January, that would only start a transition period during which the UK will be subject to all of the EU law without being able to influence it politically. So that'll go well.  
[Laughs]

And then during that period they need to negotiate the sort of next relationship. And then once that's settled, there will have to be negotiations about the permanent trade agreement. It'll go for a while, and that's a big deal.

KRISTOL: You don't think it gives ideas to nationalists in other big countries that hey, well, if they got out, why don't we get out?

VEUGER: I think it's the other way around, actually. People are seeing it's been such a mess. The numbers have gone up a little bit for the EU.

KRISTOL: Is that right?

VEUGER: From different European countries, yeah.

KRISTOL: So it doesn't seem right now, at least –

VEUGER: In fact I think it may well have cost, for example, Le Pen the election, that she had been associated with leaving the EU. And then it becomes so unacceptable and she had to go back on that and people didn't really trust her. I think that probably helped Macron, at least a little bit.

KRISTOL: And culturally, just a final question. I mean, for younger people, I am struck when I meet them, of course they're from different nations and they speak languages and they're proud of, they know their own nation's history better than others. But they are much more European, I think, than maybe your generation, certainly than mine. I mean, do you believe that? And that continues, do you think, I mean just in terms of, certainly among educated people, at least.

VEUGER: Yeah, I think so.

KRISTOL: The European identity.

VEUGER: As you're saying, so of the people who are in college now and sort of it started I think around my generation, such a large share of people spend at least some time living in a different EU country or working in a different EU country.

KRISTOL: So even with the nationalist, populist backlash, you're not going to have huge numbers of Germans wanting to re-litigate their grievances against France or Hungarians against – on behalf of those Hungarians who were stuck in other countries because of the way the borders were drawn. I mean, you don't see much of that?

VEUGER: I doubt it, but you have to maintain institutions that allow for some oversight and filtering of the rawest emotion.

KRISTOL: Yeah, one underestimates, in a way, what an achievement it is not to have these bad things happen for decades.

VEUGER: That's right.

KRISTOL: And there's a kind of complacency, perhaps.

VEUGER: Yeah. And I think that is what underlies a lot of the criticism. Obviously it's not a perfect – EU is not a perfect institution and Europe is not a perfect continent. I think your focus on the counter-factual has been very –

KRISTOL: It's going to damage me among my Eurosceptic friends. I won't be invited to dinner with Boris Johnson there at 10 Downey Street, but that's okay. Stan Veuger, thanks very much for joining me today.

And thank you for joining us on CONVERSATIONS.

[END]