

THE BROOKINGS INSTITUTION

FALK AUDITORIUM

FUELING POPULISM:
GLOBALIZATION'S DISCONTENTS IN THE U.S. AND EUROPE

Washington, D.C.

Monday, April 10, 2017

PARTICIPANTS:

Introduction:

STROBE TALBOTT
President
The Brookings Institution

UTA-MICHAELA DÜRIG
Chief Executive Officer
Robert Bosch Stiftung

Moderator:

DAVID WESSEL
Senior Fellow and Director, Hutchins Center on Fiscal and Monetary Policy
The Brookings Institution

Panelists:

GÉRARD ARAUD
Ambassador of France to the United States

NICHOLAS EBERSTADT
Henry Wendt Chair in Political Economy
The American Enterprise Institute

CONSTANZE STELZENMÜLLER
Robert Bosch Senior Fellow, Center on the United States and Europe
The Brookings Institution

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ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

P R O C E E D I N G S

MR. TALBOTT: Good afternoon, everybody. I'm Strobe Talbott of the Brookings Institution. I think it's a testament to how public-spirited you are, and internationally-spirited that you would come in out of this beautiful weather that we are having.

But we are going to have a very good discussion here this afternoon. We are also on the Web, and I hope that our friends in Germany and other parts of Europe are also going to be following the discussion that we are going to have this afternoon.

The topic of course, is that of political populism. It is not just a challenge but a defining moment in the Atlantic community, in the European project, in U.S. leadership in the world, and in the school of Atlanticism itself.

This is a very propitious time, therefore, for the Brookings Institution and the Robert Bosch Stiftung, to create what is now a fact, and that is the Brookings Bosch Trans-Atlantic Initiative.

The Stiftung Foundation is represented by Uta-Micaela Dürig, and her terrific team who are here with us today, and you'll be hearing from her in just a second.

The initiative is actually a follow up to what we have already been doing with the Robert Bosch Stiftung over the last four years. And that project has been very successful manifested by the work of our colleague, Constanze Stelzenmüller, I call her "Constanza" (laughter), I'm still working on it. She gets my name absolutely right, by the way. She is the inaugural Bosch Stiftung fellow, senior fellow here at the Brookings Institution.

There is also I think an important connection between the two institutions in who their founders were. Mr. Bosch and Mr. Brookings, in addition to both being named Robert, were visionary businessmen and entrepreneurs, generous philanthropists, and believers in civil society as a bulwark of healthy society and enlightened governance. Hence the topic today: "The Effect of Populism in the Western Democracies on Both Sides of the Atlantic."

We are grateful for having a distinguished panel that is going to look at these issues. David Wessel is the director of the Hutchins Center On Fiscal and Monetary Policy; Ambassador Gérard Araud of France, a good friend of our Institution here; Nicholas Eberstadt, from our neighbor right next door at AEI; and of course "Constanza" herself.

Now, I will turn the proceedings over to Uta-Micaela for her opening remarks, and then we will solve the problems of the day, or at least set forward an agenda for doing so. (Applause)

MS. DÜRIG: So, hello. Good afternoon, as well from my side, a warm welcome. The Ambassador Araud, dear Strobe, panelists, distinguished guests; it's my great pleasure to welcome you to this public launch event of the Brookings Robert Bosch Foundation Trans-Atlantic Initiative. As CEO of the Robert Bosch Stiftung, it fills me with joy to see so many partners and experts from all disciplines, including some of our U.S. alumni, as well as a lot of new faces assembled here in this room, for this very special occasion.

I would like to thank all of you for taking the time, to come and follow our invitation. Today I would like to invite you to engage and share your thoughts with us, during and after the panel, as part of our ongoing effort to further strengthen trans-Atlantic cooperation in the 21st Century.

Recently EU high representative for Foreign Affairs, Federica Mogherini, said that Europe and the U.S. are now in a different phase of relations, that leaves some room for interpretation. Are we talking about a little dispute in what has been a very long and mostly happy marriage, or a full grown crisis? One thing is clear, divorce is not an option. The stakes are too high for that.

The plurality of today's challenges including the rise of terrorism in Russia and Turkey, the geopolitical crisis in Ukraine and Syria, as well as the future of NATO and terrorist attacks demand a strong Trans-Atlantic partnership. Seen in this light the establishment of the Brookings Robert Bosch Foundation Trans-Atlantic Initiative seems timely than ever.

Let me give you a short overview about our Foundation. The Robert Bosch Stiftung is one of Europe's largest foundations associated with a private company. The Robert Bosch Stiftung is committed to upholding the values and example of its founder, Robert Bosch, and continuing his philanthropic work.

With more than 50 years experience, the Foundation has extensive knowledge, the qualifications for developing solutions and a comprehensive network of partners, experts and practitioners. Since it was established in 1964, the Robert Bosch Stiftung has invested more EUR 1.4 billion in charitable work. We address social issues at an early stage and develop exemplary solutions. We are active in the areas of health, science, society, education and international relations.

Moreover, in the coming years, the Foundation will increasingly direct its activities on three focus areas: first, migration, integration and inclusion; second, social cohesion in Germany and Europe, and sustainable living spaces.

In the field of international understanding for more than 30 years, strengthening the ties between the United States and Germany, and Europe had been one of the main goals of the Robert Bosch Stiftung. Through our trans-Atlantic projects we promote open exchange and mutual understanding between our two continents. Given the recent developments into both Europe and United States it is our strong understanding that we can only achieve these objectives, if we include all relevant democratic actors within a country, and continue supporting a dialogue between all facets of society.

In the future, we will continue to expand and strengthen our commitment to German American relations. Today's event marks the start of a new and strong in parts, so we invigorate the trans-Atlantic partnership. We are proud to have the Brookings Institution, of the world's most renowned think tanks, as our partner in this common endeavor.

With the Brookings Robert Bosh Foundation Trans-Atlantic Initiative both of our institutions expand their existing cooperation which began in 2013 with the establishment of the Robert Bosch senior fellowship at Brookings currently held by Dr. Constanze Stelzenmüller. Constanze is among the esteemed speakers of today's panel. Over the course of the last three years she has produced rigorous and innovative research as well as giving policy advice to leaders on both sides of the Atlantic.

Constanze, we thank you for your strong personal commitment to our cause, and we truly could not be more happy to have such a distinguished individual on the job.

Today, with the official launch of our new initiative, we are putting this collaboration between our two institutions to a new level. Over the course of the next years, the Trans-Atlantic Initiative and its two pillars, high quality research and programming, will produce analysis as well as a series of high-profile public events on issues concerning Trans-Atlantic relations and social cohesion in Europe and the United States.

Under the roof of this new project Brookings scholars will publish analyses and recommendations on the most pressing and common Trans-Atlantic challenges. Brookings' scholars will

also conduct research at the Robert Bosch Academy in Berlin, our own think tank in the heart of Europe.

The main aim of the initiative is to inform debate and strengthen cooperation on Trans-Atlantic issues, and will ask questions regarding problems and causes, and this very much open, and from various perspectives in order to understand different opinions. It targets policymakers and the interested public alike. Our Trans-Atlantic Initiative shows the high commitment that both of our institutions have to strengthen Trans-Atlantic relations in times when mutual understanding is not a self-fulfilling prophecy.

And the trans-Atlantic partnership is increasingly being called into question. Thus we have chosen the focus topic of this first year to be the resurgence of nationalism, and xenophobia in European politics, with a comparative perspective on similar developments in the U.S.

To this end, today's panel titled, "Fueling Populism: Globalization's Discontents in the U.S. and Europe"; could not be more fitting. Populism, as you all know, is a controversial, often negatively connoted term. Over the course of the last few years, it has come to describe a strong rise of nationalist and anti-establishment forces that have altered politics, questioned media credibility and reporting, as well as divided the societal landscape in Europe and the U.S.

But on the other hand, we have also seen firms that champion the people, and demand more direct participation in political decisions. Social justice and hope for a better future are important themes all over the world. Seen in this light, we should ask us if populism can also have acquired democratic notion. And what does that mean for the current consistence of democracies.

Today's discussion, we are trying to shed some light on the term, populism itself, as well as explore the broad set of political, social and economic phenomena, driving the rise of populism in the United States and Europe. It will also give insights on how to strengthen democracies, the trans-Atlantic cooperation and responses in that matter.

Thank you very much to our prominent speakers from Germany, Europe and the U.S., who will bring in their distinctive perspectives and insights.

Finally, dear Strobe, I would like to thank you and your team again for putting together such a competent panel, and extraordinary event that officially marks the start of our very own trans-Atlantic initiative. We are proud about the cooperation with the Brookings Institution and are looking

forward to numerous joint activities over the course of the next years.

This being said, I would like to open the floor now, of the moderator, David Wessel, and the Panelists. I'm very much looking forward to a lovely and interesting discussion. Thank you all. Thank you very much. (Applause)

MR. WESSEL: Thank you very much. If there's an empty seat next to you, could you just raise your hand? So, there's one here, and some over here as well, and nobody will stare at you if you sit in the front pews, and I promise I won't call on you; at least not the first question.

I'm very glad to be here with a panel that has an extraordinary breadth of experience and perspectives on the issues we are discussing. First of all, intrigued by Constanze Stelzenmüller, how, if you've been advising all these world leaders so long, how do we find ourselves in such a perilous moment, but --

MS. STELZENMÜLLER: I knew I was going to be punished for this.

MR. WESSEL: I guess they weren't taking your advice.

MS. STELZENMÜLLER: Yeah.

MR. WESSEL: That must be the answer. You know, to get ready for this panel, I consulted one of our colleagues here at Brookings, Bill Galston, a political scientist who has done a lot of thinking about the common roots of what we've seen -- what Bill describes as really a significant challenge to the very nature of liberal democracy; democracy being of course the notion that the people have a right to decide, but liberal and Bill's jargon, and that of political scientists, meaning that it's tampered by institutions, like the courts and the free press, and he sees this at risk.

And he, very nicely, lays out a number of eras that we've been through. In the three decades after World War II, democracies on both sides of the Atlantic built systems of social provision and protection, they called it social democracy in the U.S.; we called it the welfare state here. Republican presidents like Eisenhower and Nixon supported this and even extended it.

He then sees a reaction in the early '80s, Ronald Reagan, Margaret Thatcher, Helmut Kohl became the chancellor of West Germany; Mitterrand who campaigned to expand socialism did a famous U-turn towards austerity after less than two years in office. But even then, the retrenchment wasn't universal. Margaret Thatcher didn't attack the National Health Service, and Ronald Reagan

basically left Social Security and Medicare, the fundamentals of our welfare state untouched.

And then Bill sees a third era, one of Tony Blair and Bill Clinton, of Gerhard Schroeder, where there was a kind of the left, center-left reasserted itself, and really laid the foundation for a very strong world economy and the recovery in the years following what he calls the recovery after the fall of the Berlin Wall, the fall of the Soviet Union. And he sees that third stage as coming to an end with the Great Recession.

And to quote Bill, "We are now at what might be termed the fourth and most troubling convergence of postwar democratic politics. From Middle Europe to the Midlands of England, to the Midwest of America, a revolt is gathering strength against the arrangements that have shaped the democratic West since the fall of the Berlin Wall, and the collapse of the Soviet Union.

A populist surge threatens the assumptions and achievements of politicians and policymakers from mainstream parties, from the center left to the center right. Economic policies based on free trade and flexible labor markets are under attack. Cultural norms celebrating diversity, promoting immigration are losing traction. International agreements in institution are losing ground," he writes, "-- to nationalist forces.

So, I promise you that by the end of the day, I will find some cause for optimism, but at the beginning I wanted to start with you, Ambassador. So, when you look at what's happening in France what's happening in the U.K., what's happening here, do you see these things as having -- as manifestations of some common themes, or are these idiosyncratic that really shouldn't be linked together?

MR. ARAUD: Thank you very much. It's really a pleasure to be here. Usually when you ask a Frenchman, you know, the explanation of an historical fact usually says, you have long-term basis, mid-term and short-term. So you are due to here, long-term, mid-term and short-term.

Long-term, I think it's, you know, our societies are going through major economic transition, you know, and this transition, fortunately for us, is going to go on, and maybe to become still more destabilizing than it has been so far. The automation, for instance; I went to California and they told me, they said: oh, you know, the future is the driverless truck, 80 percent of the routes of the trucks are always the same.

In this country you have 4.5 million of truck drivers. What are you going to do with the truck drivers? Retraining; retraining a 45-years-old truck driver? Do you know really, that's the real question; we have seen, you know, the end of the industrial societies, we have grown from an industrial society to a service economy, and which has actually a lot of consequences on the workers. Their job is less stable, we are seeing the weakening of the trade unions, and I'm sorry, the weakening of the trade unions is bad, it's bad for the worker.

So, the workers, especially in the lower middleclass, the blue-collar workers feel threatened by this transition. You know, you can't say to these people, oh, it's so exciting to be mobile, but actually most of the people they don't want to be mobile, they want to live in the same city with their family, the place they love, the place they have been bred, and suddenly you say: oh, please, don't be so old-fashioned.

So, we have had this long destructure of our societies. That's the long-term. The mid-term, we have lived 40 years of the Neo-Liberal Order, which means, which was, you know, aging as an advantage, because you become skeptical about orthodoxies, having bred under John Maynard Keynes.

So, I was told when I was a young student that, you know, deficit, budget deficit is good, you know, you need to have it when you have an economic crisis, taxes are good, and certainly when I was leaving the university, you know, Milton Friedman was appearing, and so, as you know the income tax tranche in this country under Eisenhower, was not Bolshevik, it was 90 percent.

You know, really. And now more and more people say, less tax is good, less regulation is good, the market, labor market should be flexible. You know, flexible for a worker mean that you can basically, really lay him off. You know, really, so tell the workers that it's good for the labor market flexible, not sure it will be that excited.

So, we have had this neo-liberal moment, which has had as a consequence, you know, less tax, and I'm sorry, but for the welfare state, less taxation, it's a problem, it's a real problem. We have had this problem. So, midterm, I think crisis, the neo-liberal moment, and I do think that we have reached the end of this neo-liberal moment.

And short-term, it's the crisis of 2008. You know, it's not by chance that our two populist

moment, were after 1929 crisis, and after 2008 crisis. I think we have underestimated the destabilizing effect of the 2008 crisis. I guess that 10 million of Americans have lost their house, 10 millions. And as you can guess most of these people, they wore blue collars, or lower middleclass Americans, and for these people the house was their main capital.

So, we have had also these elements, and we have had all these elements in France, and in Europe with different circumstances. You know, I can say, oh, there is something more French there, you know, because we have had in my country more maybe the cultural element also that this neo-liberal moment has had as a consequence, the collapse of the social structures, like we had two main pillars on our society in a very French, and a very contradictory way, which is more or less the same.

We had on one side the Communist Party, and the other side the Roman Catholic Church, and they were providing the citizens with two types of societies. Because it was not only a political party or going to the mass, it was they had their youth organizations, they had their leisure organizations, and so on, and even vacation and so on, and these, too, have collapsed, and it's one also, this element where a lot of French really look -- feel that they are lost in the society today.

MR. WESSEL: Thank you. I'm still trying to get my head around what caused this crisis is the collapse of the Communist Party and the Catholic Church, but it's a fascinating commentary on how the institutions that have kept us stable are deteriorating.

Constanze, could you turn your attention to Germany; and to what extent is what the Ambassador said, do you think true of Germany, or to what extent is Germany a different story?

MS. STELZENMÜLLER: Hmm? Well, I would say the Communist Party and the Catholic Church play a somewhat less of a role.

MR. WESSEL: Now.

MS. STELZENMÜLLER: Yes. And I'm still trying to bend my head around that, I think this bears further investigation, Even For The French Example But, You Know, The Famous Bowling alone phenomenon of David Putnam, the people leaving associations, and the fragmentation of society, the singularization of modern life applies to Germany as well, of course.

I mean, when I was growing up, you were defined as a German by membership in three institutions, you were either Catholic or Protestant, and in fact part of your salary went into -- was

deducted by your employer to pay your church taxes. You didn't even see that on your paycheck. That is not what, in this country, would be understood under this disestablishmentarianism, right?

The other one was of course your trade union and the third one was parties. And all three of these institutions, for the last two decades or so, have been bleeding membership, and that's a truly significant thing. A lot of the German middleclass and the working class were very firmly rooted in these triple identities, and it has been discombobulating for the parties in particular, and for the trade unions to lose membership in this way.

That said, one of the blow-back effects of, dare I say, of the Dutch Elections, the Trump Elections and Brexit, has been the Germans appear to be joining again. The parties are experiencing something of a run, and one of Germany's major newspapers had a story saying that right after Martin Shultz emerged as the frontrunner or the challenger to Merkel, and the Social Democratic Party, which of course is the coalition partner of Merkel currently, and for the second time around, that they had seen 6,000 new membership applications over the course of four weeks.

So, there is something happening there to make people think, you know, we need to reengage, and of course there have also these positive Europe demonstrations all across Europe, including in Germany, you may take that seriously or not, but people, you know, spending part of their Sunday afternoon to go demonstrate for something, rather than against something is, by German standards, something relatively new. And I actually take that seriously.

Now, that said, I think that the -- German's fault, for all the obvious historical reasons have always taken social cohesion extremely importantly -- extremely seriously. This is one of the lessons, I think, from World War II and the Nazi era, is that we look very carefully at the structural elements of social stability and for German thinking that the institutions and processes, of representative democracy, and by the way, just as a footnote, a very restrictive attitude to processes or instruments of direct democracy.

Likewise, a notion of social markets that is not just liberal but also with the strong emphasis on social cohesions, with the culture of workers' councils, job training, and so on, things that supposed to keep people rooted. And finally, you know, a distinct -- but attention is paid to the health of the social contract.

That said, we've also seen rising inequality. We've also seen tensions; of course we've seen the rise of the AFD, which only really became a movement that swept 11 out of the 16 state legislatures, when it flipped from being anti-euro to being anti-immigrants. And of course that coincided with the refugee crisis, an influx of nearly a million in 2015.

It's been going down again, but it's still in those 11 legislatures and we will expect it to join the federal legislatures in the September 24 Elections.

MR. WESSEL: For the record. If you are making the case that everything good that happens in Europe is a reaction to Donald Trump in the United States.

MS. STELZENMÜLLER: No --

MR. WESSEL: I just want to say how grateful, you are to find a silver lining in that cloud. But here is the part I don't understand, if as the Ambassador said, and I know Nick will say in a minute, that some of what accounts for the change in politics in the U.S. is a real sense that the economy is not performing for the bulk of the people, that isn't true in Germany.

The German economy has been doing reasonably well, Germany has recovered its national identity. Yes, there's more inequality than there was, but you've got a long way to go before you match what we have. So, it must be something else, and I think you may have touched on it with the immigration that set off this unrest with institutions. It's not, it doesn't seem, to me rooted in real economic pain.

MS. STELZENMÜLLER: Yes. And I can speak to that, but I'll do it concisely. For any of you who are actually interested in poll numbers there is a very well-known German poll that is done at the beginning of every month by the ARD, the first German TV Network called the Deutschland Trend. And this month's numbers are just out, and they confirm what we've just been discussing, which is that people are generally astonishingly happy with their economic situation, and think that if their economic situation is good, and that's a sentiment that has been stable over quite a while.

As for the refugees, this is slightly more complex. I personally, think that this is more about, people worrying about the stability of their institutions, and the ability of the state to control a situation. In other words, I think -- and you can see that -- I think that I can support that thesis with the poll numbers for Merkel, dipping down sharply at the beginning of the crisis, when we paradoxically saw

the institutions of the German state being completely overwhelmed by this development, and civil society stepping in, rolling up its sleeves, and saying all right, let's get to work here; which, if you'd poll people like me I would have said the opposite was going to happen.

Civil society would stand there and say, oh, my, god, and the state would get to work. To the extent that over the course of the past 18 months, the institutions of the state, from local to state to national, have been going, working, very hard, and I mean the Interior Ministry has really been churning out legislations, regulations, changing institutions, providing more resources, to deal with these issues.

People have regained a sense that the government is actually on top of this, and to Germans this matters, so that I think, in my view, more important than the identity aspect of this.

MR. WESSEL: Of course. Yeah.

MS. STELZENMÜLLER: But there is of course, you know, the fact that it's very clear to us that this new very large group of Muslim immigrants is going to do well at becoming Germans, and because we've had this very ambiguous experience with the German-Turks, which -- and I say ambiguous because we, as the host nation as it were have, I think for decades failed to provide an adequate framing, and opportunities for these -- what we kept thinking of as economic migrants to actually become citizens.

MR. WESSEL: Thank you. So, Nick, you've been very patient. To what extent do you think what's happening in the United States is similar, particularly to what the Ambassador described, and to what extent are we different?

MR. EBERSTADT: Well, I'm an American exceptionalist of course. By the way, thank you for inviting me. To my friends over here at Brookings: congratulations on your new initiative, and it would be churlish of me not also to thank the Robert Bosch Stiftung for my own fellowship as the Bosch fellow at the American Academy in Berlin in 2008. That was an unforgettable experience and thank you for that.

So, there are some similarities of course, but there are also some distinctive misses. It's striking that in our era of information revolution and big data that so many things can hide in plain sight, big things like November 2016, for example, the outcome there. If you go back and try to look through the clues that we have, I've got a little handout, and you can take a look at some of my homework on

some of these clues, I think I can find some things which help in retrospect to understand some of these aspects.

I mean, if you take a look what happened with wealth creation in the United States since about the year 2000, that's been a fantastic success for United States between the arrival of the Virginia Colonies roughly four centuries ago, and the start of 2000, the American society managed to accumulate about \$40 trillion worth of wealth. Today, it's about \$90 trillion worth of wealth.

So, if we were just looking at that, we could say mission accomplished, and we can all go home happy. But if you take a look at what happened for example, with economic growth, it slowed down really sharply after about the year 2000, a very new trend. If we were still growing at the pre-2000 trend level, per capita output in the United States would be about 20 percent higher than it is today.

And if we take a look at labor, just at employment, it's been kind of a disaster since the year 2000. There's been a really sharp drop in the work rates, the employment per population rates, if we were still at 2000 levels, we would have an additional 10 million people with jobs in America today. Think of how different our country might be.

All of that, I think we can say in retrospect, may have set the stage for a sort of populist storm. But when we dig a little bit deeper, we see some things in the United States which are bit different from Europe. The collapse of work for men, in particular, has been much more brutal in the United States than it has been in Europe. The decline in workforce participation rates for men has been much more steep over the last two generations in the U.S. than it has been in Europe.

I don't think that's because the United States is more globalized and more automated and more outsourced than Switzerland or Sweden. I think we have some other reasons that we need to look at. One of them has been the explosion of crime and punishment in the United States that's been very different from what we've seen in Europe.

We talk about mass incarceration, but we aren't always aware that for every person behind bars, there are almost 10 people who have been sentenced to felonies who are not behind bars, so that maybe one in eight adult men in the United States who is not incarcerated, has a felony in his background.

All of these different factors I think have come together actually to decrease mobility in

the United States. And Mr. Ambassador, I heard you talking about mobility and the dangers of mobility, and I grant those may be true, but one of the factors that co-aligns with the proviso populist and in the U.S. has been the decline of mobility, the decline of geographic mobility, the decline of quit rates in the job market, of the feeling that people are sort of stuck in a system which isn't working for them.

And I guess to hark back to Bill Clinton, they are working hard, they are playing the rules, but it isn't working for them. I think there's some of that in at least the American version of the storm that we've seen over the last year.

MR. WESSEL: Ambassador, you've said, and rather ominously, that we are reaching the end of the neo-liberal moment. So, what follows? What are the possible scenarios for the next epic?

MR. ARAUD: You know, for instance when we are talking about free trade, you know, really, in a sense the orthodoxy of the neo-liberal moment was that free trade was good. Really, and of course there were some victims that with some retraining, globally it was good so, you know, we can do it. But actually no, it's what we have seen is -- and not only in the U.S.

You know, really, I do remember usually on free trade the French is always the worst, but once it was the Germans, you know, on TTIP, against the TTIP. (Laughter) You know, really I do remember the statistics saying that 17 percent of the Germans, 17, actually were in favor of the TTIP, 17 percent of the Germans. I guess, so, in France it would be (crosstalk)

MR. WESSEL: This is the trade?

MR. ARAUD: As a trend seeker, you know, really trade agreement that we have been negotiating for, been negotiating for years with the U.S., between the EU and the U.S. So I think there is a general rebellion against the idea of free trade. And so that's an example. That now, nobody, and as you know that during the meetings of the Candidate Trump, the high moments of the meeting was always when he was attacking the NAFTA, the Treaty with Mexico and Canada.

So, for us we have a first question. What is the future of free trade? You can simply repeat free trade is good, and we are going to retrain the victims of it. No. It's over. We are either free trade, we are not going to move forward on free trade, or we define a citizen-friendly free trade. What does it mean in terms of social, environmental closures and so on? So that's one example.

Other example, taxation: actually we have been engaged, the Western countries largely

into a sort of competition to lower tax, you know, especially in your hope, you know, really, our Irish friends are the specialists of that, but there are other ones. You know, really, we have systems which allowed for instance, Apple, to pay 0.005 percent off its profits, European profits to Ireland, and nothing to Germany, nothing to France, and so on.

You know, and again, that was the logic of: less tax is good. And so we know less tax is not good, we need taxation so we can finance our welfare state, because maybe a difference between the U.S. and Europe, is that in Europe the welfare state, in a sense, is a pillar of identity. Really, and undermining the welfare state, is actually undermining the social cohesion, and I think that in Europe, you know, really, all the rhetoric about the fact that welfare state, really, we should reduce the social benefits has certainly been an element of radicalization of the lower middleclass and the blue collars, because of course they were the main, actually benefactors, of the welfare state.

So, taxation, free trade, we are, I think to think about it, and not only in terms of the first one is good, and the second one less tax is always good. We have to fight... against tax evasion, tax avoidance, I think it's -- and we should do it together, the U.S. and the Europeans. We have started to do it in the G20 but we have to do it, because again, tax avoidance for the citizens it's unfair, and they lose trust in our society, and secondly we need the money.

You know, really, Apple should its fair share of taxes. And I'm targeting Apple, but I could target a lot, a lot of corporations.

MR. WESSEL: So, the future we have to look forward to is a protectionist, high tax world?

MR. ARAUD: Protectionist is -- you know, again, it depends on the definition of protectionism. It simply said you have now to be able to tell our citizens that what is free trade and, in a sense, how they are going to benefit from free trade. In itself it doesn't -- it's not enough, you can say anymore, free trade is good. You have to prove it to our citizens. You know, really, and high tax, it depends also on what you are getting in exchange of high tax.

I guess fair tax is certainly the case, a lot of people now -- you know, the problem also of globalization is, before when you were taxing somebody he was taxed. Now, he simply takes the train and he goes to London; and from London to Dublin, again, if we want to beat European Union for

instance, it shouldn't be possible, you know, really. So, that's also, we have to think in terms of taxation. But taxation is necessary, it's not bad.

You know, really is a -- all Americans are joking about the French taxes, but I'm sorry, guys, in my country health care is free, education is free, and I'm proud of it, and I'm ready to pay.
(Applause)

MR. WESSEL: So, you like the -- so you must be happy with --

MR. ARAUD: Apart from the students.

MR. WESSEL: You must be happy with the candidate who has 100 percent tax rate proposed on incomes above 300,000. (Crosstalk) --

MR. ARAUD: I have not (crosstalk), I really have not looked at my (laughter) -- at my income.

MR. WESSEL: So, Nick. How do you respond to that? Do you agree with the Ambassador's forecast and diagnosis of where we are going?

MR. EBERSTADT: I think it may be a little bit different for France and for the U.S., the French Revolution and the U.S. Revolution were a little bit different.

MR. WESSEL: It sounds like an essay question, discuss.

MR. EBERSTADT: (Crosstalk) that if you look at United States and where we are in the current populist drama. We have seen this movie before, or at least a reasonable facsimile. We did something called The First Gilded Age, back at the end of the 19th century, when we did the Age of Liberalism rather than Neo-Liberalism, we had a lot of immigration into the United States, we created our first billionaires, our Rockefellers, and so forth, then. We had enormous economic differentiation in the U.S. We had a populist movement that gathered a lot of strength, and the way that one ended was with a little thing called World War I.

So, how does this one play itself out? I'm not sure. We have to have the same unhappy ending to the drama.

MR. WESSEL: Thank you for that ray of hope. (Laughter)

MR. EBERSTADT: We have seen this before. But I think there -- I think actually, there's a lot more hope than I may have just suggested, your colleague, my friend Bill Galston, in a wonderful

essay last year, argued that populism was a rage against failure, a rage against economic failure, a rage against foreign policy failure. And I think if one takes that sort of as the diagnosis, there are possible prescriptions, for example, encouraging more health for small businesses which were the job creators in the United States.

Reforming our awful disability insurance program, just this week, previously reformed another aspect of our welfare state 20 years ago. And stopping to treat the 20 million Americans with felonies in our midst, those invisible citizens, they are the largest invisible population in the United States, and they can't be brought back into our economy and back into our society unless we have the evidence for evidence-based policies.

So I'm for what, no matter how gloomy some of the charts I have here are, I think that there's a lot of room for hope, but the first step in hope are in Re populism, at least in the U.S., is to be able to empathize with and to understand the arguments of those people who are in the populist camp.

MR. WESSEL: But do you think that we can explain the rise of the Tea Party, the rise of Donald Trump, by looking at a whole bunch of ex-felons, and people who are Social Security disability insurance, are those the people who turn the tide?

MR. EBERSTADT: Well, surely the 7 million guys between 25 and 54, who are neither working nor looking for work, are not more likely to be voters than the rest of their compatriots. But people who live in those communities are affected, and they may well, indeed, vote. There's been a big decline on both sides of the Atlantic, in trust and institutions. I mean, over on your side people talk about the democracy deficit. Over here maybe they see it as a fairness problem, we talk a lot, kind of like seminars about economic inequality, but maybe if we talked a little bit more about economic insecurity we would be a little bit closer to the mark.

Your autonomous Clem Hutchins of the Hutchins Center, I think he has made a very powerful, persuasive case that economic insecurity is the way to look at, you know, the kind of -- getting back to a happier place.

MR. WESSEL: Constanze, can you, if you have views on this -- if not, I'll ask you a different question, but how do we put Brexit into this constellation? Is Brexit a manifestation of something similar? Or is this just the Brits doing their own thing once again?

MS. STELZENMÜLLER: Well, I think the Brits in general like to do their own thing, but apart from that --

MR. WESSEL: This is the time, you will get the French to make fun of the Germans, and the Germans to make fun of -- (crosstalk) come here.

MS. STELZENMÜLLER: Give me a little time and I'll make fun of the Germans too. But with the Brits I think there are two levels here. One, I think it's important to acknowledge that there is, of course, and European democratic deficit, and that the EU is something of an uncomfortable halfway house, on many issues of integration. That's certainly true for fiscal governance, it's true for foreign and security governance, it's true for resolving other common problems of EU nation states, such as the management of immigration.

That said, very often the EU is scapegoated for failings that ought, more properly, to be laid at the doorstep of the nation state, and I believe that also to be true with Brexit, and I think that a lot of the anger and the concerns, that the citizens of Sunderland, Wales and elsewhere, half about Brussels, are more properly laid at the doorstep of London. Britain is one of -- in terms of governance -- one of the most centralized countries in Europe.

One of the countries that I think has least successfully devolved authority to the peripheries and to municipalities, and one where, I think it has been not known, until now, the beginning of Brexit negotiations, just how important EU Cohesion and Structural Funds, in other words, EU subsidies have been for the economic and social health of those same peripheries.

That to me, is the tragedy of Brexit. That to me is the tragedy also of -- I mean, there is also, in my view, of tragedy of ideology, and of political philosophy, which is the peddling of a notion of sovereignty, which I think stands for real -- in fact that's how the thing is articulated, we must take back control.

MR. WESSEL: Control, right.

MS. STELZENMÜLLER: That, I think wildly overpromised, how much outcome control is possible for the modern state. And I think now has put a burden of expectation on the Brexiteers and on the May Government that I think is impossible to meet.

And that, in my view, and just to be very blunt about this, and I love England, I spent a

part of my childhood there, but I think that this overpromising, and this sort of peddling of a notion of a sort of self-contained nation -- return to a self-contained, self-sufficient and sort of newly muscular nation state was irresponsible, because that just doesn't -- isn't how state power works these days. The fact of deep economic and political integration is there, and it's not something that you can just cut off.

My final point here is that, is that I think that many of the Brexiteer politicians, unlike the senior civil servants, I think profoundly unaware of just how much British law these law these days is European law, and that to disentangle Britain from all that, means essentially recreating European law as national law, not just in, say, the trade relations, but on a huge spectrum of issues.

I think a lot of people in the Brexiteer camp, and I fear here in the Trump administration, seem to think that the EU is something like an international treaty which you can just unsign. And there appeared to be profoundly unawares of just how much living tissue there is.

MR. WESSEL: Ambassador, if President Xi of China, his plane got diverted from Mar-a-Lago, and he walked in here, and he stood up and said, you know, I've been listening to your lectures about democracy and how the Winston Churchill line: is the worst form of government except for all others. And he said, I look at what's going on in France now, I look at Italy, I look at the U.K., I look at alternative for Deutschland, I look at Donald Trump, and I see that all the wise men and women of your country are horrified that the people have elected leadership that they think is steering their countries in the wrong place.

What would you tell him? I'm presuming that you would defend democracy, maybe I shouldn't presume that. But what would you tell him is the case for democracy given what we've seen in the last couple of years?

MR. ARAUD: I think you are emphasizing a point which is in a sense very worrying, is the fact that our citizens, maybe because, again, and here we are going to the cultural crisis, which for me it's the consequence of the economic crisis, the cultural crisis that our societies are facing, which is really unhealthy quest for authority. You know, federally you see our citizens saying, basically they need authority, because in a world where all their -- really whatever they knew has more or less has disappeared, you know. They need to cling to something they could be sure of, so they need authority.

In my country especially, because as you know, in a sense, the state has created France,

and so for us the state is also a peer of our identity, and I don't remember whether there was a Socialist Prime Minister answering to a question and he said: Oh, you know, the state can't do anything. And it was, you know, really for the French, it was something really totally astonishing.

So, the French, but any country, every country has, of course its national circumstance, you have a lot of French who are saying, we need more authority coming from the states. And so you have this now, the campaign may be in France, so we have -- in two weeks we have the first round of elections. And if on the second round we have Macron versus Le Pen, which is not yet sure because our elections is totally in flux, it will be really liberal democracy against, in a sense, you know, authoritarian democracy.

You know, like Orban, or the polls are giving us, you know, the examples they are giving us, sort of a session of national identity, you know, and against the rights of minorities or really trying to assert again, a very strong French identity. So that's what we are facing today, it's part of the debate. And the EU in this crisis is the scapegoat.

Like here, you know, you are complaining against Wall Street and Washington, D.C., in Europe you are complaining about, like Brussels. Brussels is a total scapegoat of this idea.

You know, the far-right in France is saying, we are complaining the globalist against the patriots. You know, really in a sense trying to assert on one side the national identity, the patriots against the people who want open borders, and who are free traders. So, that's really the battle that we are facing today.

And again, everything may happen in France. You know, really I don't know what will be result of the elections, whatever are the polls. You know, on November the 8th, in this country, at 6:00 p.m. pollsters were telling me that she was elected. So now, you know, really, I can't tell you, I don't know what will happen in my country.

MR. WESSEL: But it seems to me that question -- so there are these fault lines in our societies and there are clear economic problems and questions of cultural identity and the nation state, and whether we want to see its powers diminished in service of a more globalized economy. And it would seem to me, Constanze that the hopeful thing here is that democracy has a way of calling attention to these problems, to forcing the elite institutions to deal with them, before we get the French Revolution.

And that if there's a hopeful moment here it's that these problems cannot be ignored, and will test whether democracy can respond well, or whether we get World War III, which I hope not.

Constanze?

MS. STELZENMÜLLER: I agree with you that that would not be great, and that should be avoided at all cost, and to be serious here, you know, I have mixed feelings about this, on the other hand, it's true that we can see silver linings, it's true that we can see people turning around, reappraising the circumstances in which they live, understanding that we are living through the biggest test to representative democracy of our lifetimes, and understanding that everyone of us has a role to play in us all passing that test. That's good.

That's said, the test itself and the fact that we seem to be needing it, does make me nervous, the degree of our complacency makes me nervous, the vulnerabilities which the shocks and the more sort of -- harder to describe structural changes that we've seen. The fact that we have been able to skate over all that, to be in denial for such a long time, of the things that have been undermining our institutions, that does worry me.

And, you know, we've often sat up here talking about, you know, fake news and Russian propaganda, neither fake news or Russian propaganda may create new vulnerabilities, they exploit existing vulnerabilities. And it think it's important also to acknowledge that one of the subjects on which we have been complacent, is that we have always felt that even if we have a crisis and the external shock, or an internal shock to our system, the pendulum somehow swings back.

And I think it's important to understand that there are changes so fundamental to our circumstances that the pendulum cannot and will swing back, and that then the enemies of representative democracy are going to have a field day. So, I think that it is important to be somewhat alarmist on these points, and to understand --

MR. WESSEL: (Crosstalk)?

MS. STELZENMÜLLER: -- very precisely just the nature and the size of these challenges, and that some of them are structural and will require more than just a political response. And let me give you an American example, and a European example: The American example, for example -- in my view -- gerrymanderings aren't even mentioned.

I, as a Westerner, as a Western European cannot understand how gerrymandering, the way it's been happening in this country, can possibly not be seen as inimicable to democracy as it is best understood.

Something has to be done about that. And the only way to do it is through legislation and the attentions of the Supreme Court. This is not something resolved on the political level.

In my own sphere, in Europe, I think that we have to address, you know, the half-way house question of European integration in some way, because otherwise it will serve to deepen and existing sense of powerlessness and inequality, and lack of democracy among European citizens which will then continue to drive them into the arms of the populist. That's just two topics that we can (crosstalk).

MR. WESSEL: Right. And I think that the evidence on gerrymandering is more complicated than you suggest, that we've become a very polarized society and it's not clear if we had some computer draw the line, so we wouldn't have some of the same issues, but that's a topic for another day.

Nick, do you think that our constitutional democracy is at risk now? Or is it working just as the framers designed it?

MR. EBERSTADT: I wouldn't say that it's at risk, no, I wouldn't say it looks super great, but I would -- I'm not really scared about it, maybe I should be. I think we can discern an existential crisis, and a crisis of desperation among many strata in our society if we want to make the effort.

Your Carol Graham, I think has done some wonderful work on optimism, and who has optimism, and who doesn't have optimism in the United States at this moment, to oversimplify her research. White working-class people in the United States are very pessimistic, and maybe it's no coincidence that this is the group in the U.S. that are seeing the long-term increase in death rates that Angus Madison and Anne --

MR. WESSEL: Angus Deaton?

MR. EBERSTADT: -- Angus Deaton and Anne Case presented homework here in your halls a little while ago.

MR. WESSEL: You are doing great as the Brookings PR machine. Keep it up!

(Laughter)

MR. EBERSTADT: I'll take the check in the mail, right. No, but it's all -- the existential problem I think is really there to go down the block a little bit, my friend and colleagues, Charles at the American Enterprise Institute has this wonderful thing that he calls the Bubble Test, you can Google it, the Bubble Test, you can take it if you haven't taken it, to see where you stand in the Bubble.

One of the problems I think we've had in the United States is that the deciders and the prognosticators are increasingly inside a bubble that separates them from the rest of their society which includes, let's say, the voters, and a little bit of kind of extracurricular of the sort that, say, a guy like J.D. Vance did, describing how the other half lives, would be quite salutary in trying to strengthen the functioning of our constitutional democracy.

MR. WESSEL: You were nodding in agreement, Ambassador?

MR. ARAUD: Yes. Because we have exactly the same problem in France, we saw in Europe. In a sense we have 50 percent of French who are very happy in the global world, and 50 percent of the French who have not, and who are asking for protection, and basically our elites are members of the former. And so, for instance they are in favor of diversity, they are in favor of immigration, but they are living in neighborhoods where you don't have immigrants, so it's very easy for the other 50 percent of saying they are hypocrites, or they don't care about the people.

And it's true, there is now, you have this way of a bubble, you can call it a bubble, and what is striking with the electors, you know, in the U.S., in Europe, basically they are telling the elites, left-wing or right-wing, you know, really you have not delivered. You have not delivered for us, so we don't care, we toss the table. Basically that's the message. You know, really we have the left, we have tried the right, it doesn't work for us, so we don't care, let's try something else, and we toss the table and everybody actually will suffer, but will suffer with us at the end of the day.

MR. WESSEL: I'm not doing very well on my attempts to steer the conversation to an optimistic note. I'm hoping that that maybe we can have some in the questions. Jerry? The mic is coming and we have a lot of people, so tell us who you are and, please, keep your questions as short as possible.

MR. MITCHELL: Thanks very much. I'm Jerry Mitchell, I write the Mitchell Report. And

the question that I want to pose for the panel is that we've gone all the way through this conversation and not really spend any time, although a brief mention by Constanze, about the role of new communications technologies, and in particular I'm thinking here about the social media, the ways in which Twitter, et cetera, are in some senses, eroding the relationship between the governed and the governors. And the ways in which that is having an impact on both sides of the Atlantic. I wonder if you could address that.

MS. STELZENMÜLLER: Absolutely. Well that, yes, we should have addressed that, I would say that the most egregious example of course of the use of social media, is the President himself, who has turned his Twitter feed into -- I forget who was the author of this phrase, *plebiszit die tägliche* (phonetics) the daily plebiscite, that serves to counteract the deliberations of representative democracy as we know them.

I mean, I'm a student of direct democracy in this country, I wrote my German doctoral thesis about it, and to me, you know, there is -- this country actually considered introducing nationwide referenda, just before World War I, and then decided against it, for good reasons I think. And it seems to me that Donald Trump is the President who has finally made the nationwide referendum possible.

That said, I think it's arguable whether it's actually -- he has been able to turn that into politics or policy even. Politics certainly, policy perhaps not, right now the evidence seems to be stacking up against him. But I think that that will remain a significant force, and the jury is out on the ultimate impact that it will have on the stability of representative democracy here.

By the way, David, I would like to add one point related to this, to your gerrymandering question. I'm sure you are correct that the political economy of gerrymandering is complex, but I think it ought to give us pause that the legislation by which gerrymandering is made is very often direct democratic, these are very often referenda initiatives and I think there ought to be a presumption that this is problematic.

MR. WESSEL: I worry a little bit about always defining this moment in technology as the one where the world fell apart. And I imagine people sitting here 100 years ago saying, like, well things all started going downhill when we invented the telegraph, or the telephone, or television. So, I think it changes things, and in a way it's bound the political leaders with the people much closer. The people who've been squeezed out are people like you and me are the mainstream media. Nick?

MR. EBERSTADT: By way of background, it always takes a while to get to the station, right. There are some things which happened that maybe we haven't paid as much attention to, which are antecedents to what we see today. It seemed like such a wonderful thing, when we have an explosion of all of these different news sources, when they started a generation ago.

And we didn't appreciate that the unintended consequence of this, was that people stopped listening and talking to each other in the community, and instead sought constant confirmation by us. We didn't appreciate or really pay attention to the general death of reading, and the general death of concentration on the part of what we used to call the reading public.

And we didn't understand that when, in the Academy and in the MLA, and places that, people started to think about history as a set of contending narratives rather than a search for truth, but this would eventually end up in the White House. So, there's a long way there, and the Academy has a lot to answer for on this.

MR. WESSEL: The gentleman over there.

SPEAKER: Good afternoon. My name is Alexandre Perrier. I am a university student, and I am also a French citizen.

MR. WESSEL: We never would have guessed. (Laughter)

MR. ARAUD: Now that's cheap, now go for the --.

SPEAKER: I see. Not in this (crosstalk).

MR. ARAUD: I love your accent. I love your accent.

MS. STELZENMÜLLER: He's here to protect you.

SPEAKER: Thank you.

MR. WESSEL: I've got to interject some levity in, because you guys, the clouds get darker every time I ask a question. Please?

SPEAKER: My question is for you, Mr. Ambassador. You spoke a lot about tax evasion and how that I fueling populism. However, we know that tax evasion is a consequence of failing EU institutions. So my question is, what is France doing to change the EU in that regard? Because I worry that if France does not do enough very soon, there might be a Frexit, maybe not in two weeks, but maybe in five years or 10 years.

MR. ARAUD: You know, I think we are just going back to the point which was raised by Constanze which is the future of the European Union. We are halfway, it's true, when we people say that there is a democratic deficit, I always remind them that the decisions are taken by the Council of Ministers who are representing democratic governments by the parliament with a democratically elected, and is implemented by the Commission which is chosen by a democratic government and confirmed by the parliament.

So, you know, really, there is -- some strong elements of democracy in the European Union, even if it's not enough. But the problem is right now, and we need, in a sense we are halfway, so there is a logic which will be, let's move forward, and let's go, as Constanze was implying, let's have, you know, a budget, a common budget, let's have a common finance minister, and so on.

The problem that I see there and, again, it's very easy to criticize, because I have nothing really to propose as an alternative is that our citizens are not ready to move forward; you know, it's very clear that now, if there was a democratic government in Europe I think; I think, including in Germany, but I'm not sure, but I think, and was going to say: we are going to have a common finance minister, we are going to have common debt, you know, common debt, Europe EU debt, I think this government will be defeated, at least in France.

You know, really, and so that's quite a challenge. How can we move, because we are in the sort -- a very awkward situation right now, we have a common currency, but we don't have a common economy government which doesn't make a lot of sense, and it's cost us a lot of difficulties.

The question will be whether the French President, when he's elected, if it's a he, because if is as she we know that it's over, EU is over and the euro is over. You know, to give you a --

MS. STELZENMÜLLER: You know, you are not helping here.

MR. ARAUD: I'm not helping here, but it really is a --

MR. WESSEL: This is the diplomat on the panel.

MR. ARAUD: You know, if he's elected, I think that he may try to move forward. You know, really he has taken the -- he is pro-European, he has really taken the commitment, but it will depend also not only on him but also especially on Germany; you know, really whether our German friends are ready to go, to move forward because there will be sacrifice on both sides. And again, I don't

know.

MR. WESSEL: I sense, Constanze, you have something to say?

MS. STELZENMÜLLER: Yeah. Well, that's because I was hopping up now, as what I want. (Laughter)

MR. WESSEL: Exactly.

MS. STELZENMÜLLER: Exactly. I make that known. No, I just think it's -- I really take issue with you although I also like your accent, for the record.

MR. ARAUD: We love yours.

MS. STELZENMÜLLER: Thank you. This is really not going well.

MR. WESSEL: (Laughter) Keep going, don't let him break your stride.

MS. STELZENMÜLLER: (Crosstalk) go to Franco-German, according to my colleagues, there is no access, and here you can see. Anyway, look, I just don't think it's fair to suggest that tax evasion is a consequence of failed European institutions. I really have to take issue with that. If anything is a national -- the nation state prerogative, then collecting taxes is. And I think you really cannot blame -- I would never dare to presume, particularly with the Ambassador sitting right next to me, what the state of a tax evasion is in France.

But we know that that's an issue, say, in Italy or in Greece, now it was for quite a while in my country until authority cracked down, and nobody expected the EU to be (crosstalk) authority --

MR. ARAUD: I think that he was implying tax avoidance. He was implying tax avoidance, the fact that, you know, the Irish are -- you know, really the difference of tax.

MS. STELZENMÜLLER: Yes. But that's different, that's taxation competition, yeah. And that you can say that that ought to be regulated by the EU and harmonized if that's what you meant?

MR. ARAUD: That's what he was implying.

MS. STELZENMÜLLER: All right. Then I misunderstood you.

MR. WESSEL: Thank you. There is a woman here in the front with the sunglasses on her head. Look to your right, ma'am.

MS. ORCHOWSKI: I'm Peggy Orchowski, Congressional Correspondent for the Hispanic Outlook. And I write a lot about immigration, and just really curious that that word is not used anymore,

even with Madam Durig, she talks about migration, not immigration, as if you're trying to take the nation state out of that equation, where immigration is about the nation state. The nation states want to have more control, and that's what it's about here.

And migration is kind of a global thing. So, I'm wondering if you could talk about this whole immigration issue, in terms of the nation state, the interest of the nation state. And by the way, Mr. Wessel, I'm not sure you meant to, but your outline of history which I really liked, but it pretty much followed the "Fourth Turning," which is Michael Bannon's favorite book. I'm not sure you meant that.

MR. WESSEL: Thanks for that. (Laughter)

MS. ORCHOWSKI: I won't take you really in --

MR. WESSEL: Nick, do you want to try the immigration and the nation state.

MR. EBERSTADT: Well, a little bit about immigration. I mean, when you look at work in the United States, and I'm focusing on men, we could also look at women, but the story is a little different. It doesn't matter what ethnic group you are talking about in the U.S., men who were born overseas are more likely to be in the labor force and they are more likely to be working than men who were born in the U.S.

They are less likely to be means-tested benefits than men who were born in the United States. Interestingly enough, you know, we've had this big discussion about how low skill levels, and low education has been the epicenter of the disaster for men, and there is a case that can be made for that, but if you look at foreign-born men who were high school dropouts, their work rates and labor force participation rates are essentially indistinguishable from college grads in the United States.

And that's a positive thing, I guess I would say. The whole fairness question that I mentioned earlier and the populist reaction about fairness, I think that has to do not so much with immigration as with unauthorized or jumping queues, that sort of thing. But it's quite clear that the United States has benefited tremendously from the immigration that we've enjoyed over the past century.

MR. WESSEL: But don't you think it's also possible that at a time when there is some level of economic loss of confidence, erosion of trust in our institutions, the realization that China is likely to be a bigger than the U.S. The Ambassador spoke quite eloquently at the beginning of his answer to my first question about the pace of automation and the prospect of driverless trucks, and artificial

intelligence replacing Brookings scholars (laughter), that when people are looking for someone to blame -
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MS. STELZENMÜLLER: Already happening.

MR. WESSEL: -- it's natural, or maybe unfortunate that they will blame the foreigner. Whether it's the foreign government, it's all unfair trade, or the immigrant, the Muslim in Germany, and that some of this is a manifestation of just angst, generalized angst.

MR. EBERSTADT: Sure. I think one can make that case, but I think if one looks carefully at the data or the public opinion polls, one finds actually a little bit less Islamophobia and a little bit less anti-immigrant sentiment in the United States than people at Brookings and friends down the block might automatically assume.

MR. WESSEL: But don't you think Brexit was motivated at least in part by some anxiety about immigration as much as --

MR. EBERSTADT: I'll ask my European friends about Europe. I'm just talking about the U.S.

MS. STELZENMÜLLER: I mean, bizarrely, it was the Brits who invited cheap Eastern European labor into England on their own, because they thought they needed it for their labor market. And this is not in any way impelled by the EU. In fact, some of us, including the Germans, negotiated exceptions to free movement, for Eastern European labor. I mean, in other words, here again this a nation state, a sovereign nation state decision that was in no way mandated by the EU. I think that's a really important point. But can I also say that one of us two is already a Cyborg, but we are not going to tell you which one. (Laughter)

MR. WESSEL: This gentleman way in the back by the camera.

SPEAKER: My name is Reaz, I belong a Competition Regime. I have a question especially with regard to a historical fact. I was in Berlin in November 1989 when Wall fell, and perchance after, five, six years, when I visited Berlin again, my counterpart-friend, in Berlin advised me to stay in East Berlin.

So, I took a cab from the airport to East Germany. Later I met a few of my friends, when I was working in the United Nations, they were Germany. And I asked them: I had problem communication

in East Germany because in West Germany everybody understood English language. He told me (crosstalk) --

MS. STELZENMÜLLER: (Crosstalk) Russian.

SPEAKER: -- you should have learned Russian. I mean, it's been about 20 years I last visited Germany; I would like to see how far the integration has taken of the East and West Germany.

MR. WESSEL: I think it's a question to your, Constanze, and you are very perceptive.

SPEAKER: And especially with regard to the present situation with Germany is really playing a leading role in Europe --

MR. WESSEL: Right. So, I think the question, to focus a little bit: is how has the integration of East and West Germany proceeded, and is there some tension there that makes the German situation different than?

MS. STELZENMÜLLER: Actually, yes, there is. And I think that that's a really useful and interesting question, sir. The polls will show you that there are differences in attitude between West Germany and East Germany still. I mean most of us would say that *prima facie*, on the surface of things, you can't really differentiate an East Berliner from a West Berliner, unless of course, the West Berlin will never use the dialect, and the East Berliners always will. But, you know, these are sort of local things, and in general we've grown together.

But underneath that is much more complex story and one that holds a lot of worrying elements. There was of course a lost generation of East Germans after reunification, and it was the over 40s, those only exceptions, managed to integrate into the workforce. This was particularly true of those who were members of the functional elites, of power, and particularly of those who were a part of the secret executive.

In other words, the secret services and the police forces, these people were not able to integrate, sometimes they went into business, but they, in general I think we can assume had a very hostile relationship to the new state, and they taught their children accordingly. And as a result, you have an anti democratic sort of toxic debate that informs a lot of the Pegida demonstrations taking in the East, they are very illiberal, very anti-democratic.

That's not to say that the equivalent of that don't exist in the West, all I'm saying is that

there is a specific Eastern element here. And another specific Eastern element is that there was carpetbagging. This is a term the Americans know from the Civil War. There was of course carpetbagging by Westerners who went into the East after the Westerner said, you will now take on, like the EU to new member states, you will now take on all of our rules, and your old rules shall be as naught.

And, you know, some of my classmates in law school with the worst grades all, you know, got judge positions, judge-ships, and other plumb positions in the East, whereas their equivalents, people who had gotten better grades in East Germany, did not have jobs. And these things, you know, fester, and they are important for determining political attitudes. I'm sorry, to go on, so thanks.

But I do things matter. On the other hand, I think it's also important to say that there was an entire generation of East Germans, who felt utterly and completely liberated by the fall of the Wall, ran with it. And who, rather than say, my generation which also thought it had entitlements was worried about the effect of the Wall, or the fall of the Wall, ran with it, sort out all the opportunities they could find.

Their children, again, very often above average in academic performance and opportunity; I mean, in other words, it's a complicated story but it's one that we need to take seriously, and that in one way or another I think replicates across Eastern Europe, the new members of the EU and NATO. And which is why we made a mistake in thinking that all of the people in Eastern Europe and in East Germany would be grateful, you know, for the benefits of EU and NATO membership, because some of them won and some of them lost, and that, again, feeds populism in Europe.

MR. EBERSTADT: Constanze, can I ask you? You are a little younger than me, but people more or less our age. With what degree of accuracy in Berlin can you tell who is an Ossi, who is a Wessi, 27 years after the War?

MS. STELZENMÜLLER: Well, again, I mean, in Berlin, genuine West Berliners, and I mean, there are people who will tell you, older people in Berlin, that of course, I have never been to the other side. So, that still exists. Then there are a genuine West Berliner will think it lower-class to use the West Berlin municipal, the city dialect. Whereas, East Berliners use that with gay abandon and love it. That's a distinct cultural difference.

And finally, I used to say, and I think that's true for a certain generation. I used to say that East Berliners would look you in the eye longer, whereas the West Berliners, and Westerners in

general, don't make eye contact that much, because in this phase of the late, the late Communist Regime, and the revolutionary period, trust was so important. So the thing is of eye contact, this very searching look at you, would be to establish whether you were friend or foe. I mean, sorry, that's a very personal subjective observation, I may be -- it may be completely wrong.

MR. WESSEL: With that, I'm afraid we are out of time. Please join me in thanking all three of our Panelists. (Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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Expires: November 30, 2020