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BROOKINGS CAFETERIA PODCAST

CZECHOSLOVAKIA'S VELVET REVOLUTION

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P R O C E E D I N G S

DEWS: Welcome to the Brookings Cafeteria, the podcast about ideas and the experts who have them. I'm Fred Dews.

In late 1989, popular protests against the Communist government in Czechoslovakia brought an end to one-party rule in that country and heralded the coming of democracy. The Velvet Revolution was not met with violent suppression as it happened in Prague in 1968. A new book from the Brookings Institution Press documents the behind-the-scenes role that the U.S. Embassy in Prague, led by U.S. Ambassador Shirley Temple Black, played in meeting the students and dissidents and helping to prevent a violent crackdown by the regime.

Norm Eisen, a senior fellow in Governance Studies at Brookings and a former U.S. ambassador the Czech Republic, is the editor of this new book titled *Democracy's Defenders: U.S. Embassy Prague, the Fall of Communism in Czechoslovakia, and its Aftermath*, which is told through the lens of diplomatic cables between the embassy in Washington. He's interviewed on this episode by Brookings Press Director Bill Finan.

Also on this episode, Senior Fellow David Wessel explains the Paycheck Protection Program that was part of the multitrillion-dollar stimulus bill passed recently by Congress and what lessons we can derive from its passage and implementation.

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First up, here's David Wessel.

WESSEL: I'm David Wessel and this is my economic update. Congress has moved quickly by congressional standards to put nearly $3 trillion into the U.S. economy to cope with

the economic devastation of COVID-19. Besides the $1,200 per adult stimulus payments, the highest profile element of the response is the Paycheck Protection Program, PPP.

As the legislative proponents described it, the PPP offers loans to small employers, both businesses and nonprofits, at a very low interest rate: just 1 percent with no payments due for the first six months. And the loans will be forgiven if the employer keeps workers on the payroll for the next eight weeks. The goal, of course, was to keep workers on payrolls instead of laying them off and keep businesses alive so that we can more easily restart the economy when the virus finally recedes. The PPP program, though, has come in for some criticism that, in large part, reflects the shortcomings of the original design.

Congress initially appropriated $349 billion for the program, which sounds like a lot, but it wasn't nearly enough to meet the demand. And the Treasury said it was first come, first serve, so, as was predictable, there was a rush, almost a panic. That overwhelmed the banks and other lenders who were to accept applications.

Now, 1.6 million people got the loans, but a lot didn't, which has led to inevitable scrutiny of who got loans and who didn't. Banks had to favor existing customers because the rules require them to do some time-consuming, know-your-customer paperwork if they were going to take on a new customer. And that favored employers who had existing banking relationships with lenders who were already authorized Small Business Administration lenders. Then the paperwork moved more quickly at small banks, which didn't have that much volume; some banks, which had a lot of volume, tried to automate the process and that consumed valuable time.

At some banks, big firms were more likely to get their applicants through than smaller firms were. And as allowed by the law and by SBA rules, some firms that you probably wouldn't

consider to be small got money: Potbelly, Ruth's Chris, Fiesta Restaurants, Kura Sushi. The Wall Street Journal found that subsidiaries of a hotel real estate investment trust affiliated with a guy named Monty Bennett got $30 million, and another company he advises got $16 million.

Some of this reflects the strong lobbying by the restaurant and hotel lobbies, which got a special break. And to be sure, some of this did preserve jobs, even at those places. Some of the problem reflects flaws in the design of the program and the way banks handled the rush of applications. Some reflects the inevitable tension between getting money out quickly -- we are in a crisis, after all -- and targeting money so that only intended people get it.

Half the money was, after all, loans of a million dollars or less. But history tells us that a few egregious examples can give an entire program a bad odor and reinforce the widespread view that big guys always do better than little guys.

Congress recently added another $310 billion to the Paycheck Protection Program. A lot of for sure, but maybe not enough to meet the demand. And there were no new rules to make sure that the smallest borrowers were favored, so we may soon hear more complaints from people who sought loans, who were eligible, but didn't get them.

Now, in some cases, these firms' workers will be laid off, but the workers will get unemployment benefits, so they'll be able to buy food and pay the rent, but the relationship between the employer and employee may be severed forever, and that's not good for anybody.

The clunkiness of this program, running it through the SBA, asking the banks to administer what amounts to grants to employers, raises a question of whether there was another way. Several members of Congress think so. Details differ, but basically they're proposing to use the mechanism that the IRS uses to collect taxes and running it in reverse to give grants to firms that suffers sharp drops in revenue because of the COVID-19 shutdown.

We are confronted with a truly extraordinary challenge these days. The government has pulled the plug on much of the economy in an effort to save lives. Congress and the Federal Reserve are trying a variety of responses to both ease the immediate pain and strengthen the economic recovery from what is sure to be a very deep and painful recession. They're going to get some things right and some things wrong. They and we should pay close attention, fix everything that we can fix now, and make sure we record the lessons learned for the future.

DEWS: And now here's Bill Finan with Norm Eisen and *Democracy's Defenders*.

FINAN: Thank you, Fred. And Norm, welcome.

EISEN: Thanks, Bill.

FINAN: Your book collects 52 recently declassified State Department cables that tell the incredible story of the events that led to the end of Communist rule in what was then Czechoslovakia in 1989. Reading them is to read history in the making. They tell the story of how the United States played a major role in the end of Communist rule in Czechoslovakia and helped bring about a revolution that was nonviolent. It was, as it became to be called, a Velvet Revolution.

First, though, can you tell us what led you to work on getting these cables declassified?

EISEN: Well, I served as the U.S. ambassador to the Czech Republic, the successor nation, one of them, together with Slovakia of Czechoslovakia. And while I was there I became fascinated by the turbulent history of the country. It ultimately led me to write a book about the 100 years of Czech and Slovak history.

And one of the most fascinating moments in that century, now it's a century plus -- the country was founded in 1918 -- was the peaceful revolution of 1989. It was also the year of Tiananmen Square, of revolutions, overthrows of Communism elsewhere in parts of Eastern

Europe that were not so peaceful. And I wanted to understand why did it work so well here? So, I got these cables declassified and they offered a fascinating answer to my query.

FINAN: So, you described 1989 as the starting point. George H.W. Bush is President at the time and, as you mentioned, we're seeing Tiananmen and the strain (phonetic) of Soviet rule in Eastern Europe. What was happening in Czechoslovakia specifically in 1989, early 1989?

EISEN: Well, the Czechoslovak Communist regime was one of the most hardcore and unrepentant in all of Central and Eastern Europe. The Communists had grave reservations about the Gorbachev loosening of Soviet-style Communism, about perestroika and glasnost. They didn't want any of that in Czechoslovakia. And they made --

FINAN: And Gorbachev was the head of the Soviet Union at that time.

EISEN: Yes, and head of the Soviet bloc and, of course, since 1948, the Communist coup takeover of Czechoslovakia, that country had been under Soviet domination. And the Communists who were in charge of the country didn't want to give up that Soviet-style rule, so they were lagging. And they told American diplomats and they said publicly that they were not going to let go of power so willingly.

FINAN: The U.S. Embassy in Prague played a special role in what was happening in 1989, and that's what this book centers on. And from the book I learned that at least three factors were integral to that role. One was the Helsinki Accords. Can you tell us what those were?

EISEN: Yes. Helsinki was an agreement entered into by the Western nations and by the Soviet bloc to adhere to principles, basic principles, of human rights: free speech, freedom of association, freedom of assembly. I don't think the Soviets recognized when they entered it quite how powerful it would be because the Czech and Slovak dissidents were able to criticize the regime and undermine the regime and organize their opposition by pointing to Czechoslovakia's

own commitment to the principles of the Helsinki Accords and the American Embassy was also very vocal about that. So, it proved to be a very powerful tool for those who wanted to see an end to Communism and the restoration of democracy in Czechoslovakia.

FINAN: The second factor was the U.S. ambassador at the time. There were the other diplomats, but also the U.S. ambassador at the time in Prague, who she was and what she did destroyed a lot of stereotypes. Can you tell us about her?

EISEN: The ambassador was by a strange turn of fate an American movie star who had been in Prague the last time Czechoslovak people attempted to overthrow Communism, the famous Prague Spring of 1968, the Soviet bloc invasion that had crushed democracy. She'd been there. And she returned as ambassador in 1989. And her name was Shirley Temple Black, formerly known as the child movie star who had lifted America and the world during the Depression, Shirley Temple, now as a very distinguished, government service public servant and diplomat, who had been set on her course by the 1968 experience in Prague.

George H.W. Bush returned her as ambassador in 1989 and she was there for the runup to the overthrow of Communism and the Velvet Revolution. And although people might have thought of her as a child star, she proved to be a very effective ambassador.

There's a funny story about her number two who told his young daughter that Shirley Temple was coming as the new ambassador. And his kid said to him, but, Daddy, she's a little girl. The world didn't realize that Shirley Temple had grown up to Shirley Temple Black, and she was a very effective, very powerful ambassador.

FINAN: I think that's one of the things that really came through to me in reading through the cables, just how central a role she did actually play. She just didn't sit on the sidelines but was very vocal and active.

EISEN: Indeed. And the demonstrations that would take place were always witnessed by embassy staff. And sometimes she would put on her Reebok sneakers and her baseball cap and take her husband, Charlie Black, by the hand and she herself would go and observe the demonstrations. Periodically, that would come at physical risk as was sometimes the case. The regime violently suppressed these gatherings. She had some close calls. Thankfully, she was never injured, and it brings an immediacy to the reporting of what's going on on the ground.

And she had a fantastic staff, very, very elite crew of career State Department diplomats under her leadership; a very adroitly managed Embassy Prague. It was a training ground for diplomats to take on the most challenging assignment of the Cold War era, serving in Moscow.

FINAN: Yeah, that came through in the reporting from the people who staffed the embassy. They seem to have a good sense of what was happening on the ground, good connections with the dissidents. And something you pointed out to me originally when you started talking about this book is, and it became clear again later on, is just how well they could write and describe what was happening. The reports that they sent back were detailed, but have narratives in themselves. And that, to my mind, is an amazing part of this book.

EISEN: Yes. When I served as ambassador decades later, and I became a part of the State Department culture, I spent almost four years in Prague, one of the many, many admirable qualities of State Department diplomats is that is one of the last places, I think, where you're trained from the beginning of your career to be an author. And each cable is -- of course, they vary. Some are more workman-like, but they're often small masterpieces of description. And so, really takes readers back to the particular moments as the first stirrings of revolution, then the explosion of popular opposition to the regime, and the twists and turns as it plays out, and we don't know if the regime is going to be respond violently or not.

FINAN: There's a third factor that's explicit to me, too, in terms of how important the United States was, not to take anything away from the Czechoslovak people themselves in this revolution, and that was the moral leadership the United States showed. It's adherence to doing more than just mouthing the precepts of human rights, but willing to put them into action. Do you think that's true?

EISEN: I do think it's true and I think it's a quality of the State Department that we've continued to see over the past year in a way that normally doesn't happen. A series of State Department diplomats have been very much in the news as witnesses in the House of Representatives' impeachment proceedings. Full disclosure: I worked as a lawyer for the House Judiciary Committee during those same proceedings.

And what you see there is a moral clarity and a moral purge, a willingness to step up and do the right thing. One of the cables contains an exchange in 1989 with a diplomat from another country, who asks an American diplomat early in the year, before it was clear that there was going to be change, why do you bother? It's not working.

And the answer is that America bothers because this is the right thing to do. And, of course, it ends up having a tremendous payoff and a high level of trust of America because all those years when it seemed so hopeless, we stood by the dissidents. And I like to think the State Department has that same moral clarity and moral courage today.

FINAN: Hmm. I want to fast forward to today, as a matter of fact. There have been major changes since the Velvet Revolution, as you said. Czechoslovakia is split into two countries: the Czech Republic and Slovakia. And what can you tell us about the political systems in place in each today?

EISEN: Well, one of the funnest parts of doing the book was writing a long afterward

analyzing how the decisions that were made the immediate aftermath of the Cold War have produced the systems that we have today. You have vibrant democracy that is enduring in both Prague and Bratislava, in both the Czech Republic and Slovakia, when that's not the case everywhere in the region. There is severe democratic decline in Hungary, profound, and very troubling trends taking hold in Poland, as well.

That's not to say that democracy in those two countries is perfect. Far from it. There are potential threats. You have an oligarch who's taking democratically elected control as the prime minister in the Czech Republic, but there's been very strong reaction and defense of democracy and the battle against corruption by the Czech people still inspired by the generation of 1989. And then Slovakia, you've seen a national upheaval at some of the worst excesses of corruption.

Now, on the downside, some of that corruption is the result of poor decisions that American diplomats made and unwise advice about the form of privatization, so we bear some of the responsibility for the situation in both of those countries.

But the good decisions America made about democracy also continue to pay off. We unpack that in great detail in the Afterward to the cables.

FINAN: My last question, can America reclaim the moral leadership it possessed 30 years ago as a proponent of human rights and an advocate for democratic government? I know you said the same people that guided the State Department in Czechoslovakia still are there in the State Department, but when you think of America on the world stage, its national leadership, its national role.

EISEN: Well, I think that it takes more than four years for the world to forget the leadership of the United States that certainly commenced with the entry of America into World War II in 1941. And I argue really took hold with Wilson's entry into World War I. So, I think

with that long history we're going to have a hill to climb, no question, but I do think that there are opportunities for a reset and restoration to America's role of trans-Atlantic leadership and global leadership. But that will depend on whether we continue on our current course or chart a new course.

FINAN: Norm, thanks for coming by to talk to us today about your new books, *Democracy's Defenders: U.S. Embassy Prague, the Fall of Communism in Czechoslovakia, and its Aftermath.*

EISEN: Thank you for having me, Bill. I'm very excited to chat a little bit about the book.

DEWS: You can find the book, *Democracy's Defenders: U.S. Embassy Prague, the Fall of Communism in Czechoslovakia, and its Aftermath*, on our website, Brookings.edu or wherever you like to find books. The Brookings Cafeteria Podcast is the product of an amazing team of colleagues, starting with Audio Engineer Gaston Reboredo and Producer Chris McKenna. Bill Finan, Director of the Brookings Institution Press, does the book interviews, and Lisette Baylor and Eric Abalahin provide design and web support. Finally, my thanks to Camilo Ramirez and Emily Horne for their guidance and support. The Brookings Cafeteria is brought to you by the Brookings Podcast Network, which also produces Dollar & Sense, the Current, and our events podcasts. Email your questions and comments to me at BCP@Brookings.edu.

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Until next time, I'm Fred Dews.

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