

THE BROOKINGS INSTITUTION
DOLLAR & SENSE: THE BROOKINGS TRADE PODCAST

INDUSTRIAL DECLINE AND THE RISE OF POPULISTS IN RUSSIA, THE U.S., AND
BRITAIN

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DOLLAR: Hi, I'm David Dollar, host of the Brookings Trade podcast "Dollar and Sense." Today, my guest is Fiona Hill, a senior fellow at Brookings. She's one of the leading experts in the world on Russia and Vladimir Putin. Her recently published book is called "There's Nothing for You Here." It covers her time in the White House, but lots of other interesting issues. So welcome to the show, Fiona.

HILL: Oh, thanks, David.

DOLLAR: So, the first part of your book is very personal, talking about growing up in northeast England at a time of great dislocation with manufacturing and mining. And I guess that's where the title of the book comes from. So, why don't we start with talk a little bit about those experiences and how it affected your community, your family, yourself, your path?

HILL: Yeah, the title of the book, "There's Nothing for You Here," is what my father said to me in 1984 when I was just graduating from the equivalent of high school in the United Kingdom. And he was saying this because 1984 was a period when there was 90 percent youth unemployment in the United Kingdom. And only 10 percent of school leavers, people like myself, had something to go on to. I didn't mean that they would never find a job, but it's just that was extraordinarily difficult.

And that 10 percent, some of them, like myself, might have got an opportunity to go to college and might have got a grant from the Local Education Authority, as I did to go to college. And others might have been able to get themselves into an apprenticeship. But those apprenticeships were really few and far between because what was happening in that period of the 1980s was the massive closure of the main manufacturing sectors in the United Kingdom against the backdrop of reforms under the government of Margaret Thatcher.

So, in the period from about 1981 to 1984, all of the major manufacturing plants and factories and enterprises in the north of England just seemed to close down at once. In my

region, the coal mines had already been closing an account of a long period of closures from the 1960s onwards. And I ended up going to university in 1984 against the backdrop of the miners' strike in the United Kingdom, which was the largest industrial action since the general strike of 1926 in the UK. So, this is a pretty wrenching period. Hundreds of thousands of people had lost their jobs all at once. Mass unemployment, very little prospects.

And it was the same kind of thing that I saw then repeated over time in the Soviet Union, where I then went off to study, and eventually in the United States. And in a way that has shaped my entire outlook because my whole childhood was shaped by industrial decline. Members of my family, including my father, losing their job, trying to find a new footing. And the place that I decided to study, the Soviet Union, against the backdrop of very different national security issues—I was very much affected by the war scare and the standoff between the Soviet Union and the West and NATO over the placement of nuclear missiles, the SS-20 and the Pershing missiles in Europe in the 1980s—and November 1983 was a major war scare where the Soviet Union and the United States actually thought they might end up in a nuclear exchange. You know, we kind of felt that very acutely where I was in northern England.

That motivated me to go off and study Russian. But when I actually got to the Soviet Union as it was then in 1987, I realized they were going through the same issues of deindustrialization that I had seen back at home. And in fact, in the 1990s, when I started to study Russian formally in graduate school at Harvard, the Soviet Union is falling apart. Pretty much everybody in Russia and the successor to Soviets loses their job as well. And by that time, I'm also seeing in the U.S., 1989 onwards, the same thing happening in the Rust Belt. And so, it opens my eyes really early on to deindustrialization and then eventually some of those political effects that we see play out.

DOLLAR: There's so many things I like in your book, Fiona, and this what you were just describing. That was a kind of triumphalist moment, particularly for the United States and for the UK as an ally, collapse of the Soviet Union, the triumph of capitalism and democracy. So, it's interesting that you see the same patterns of deindustrialization and need for structural change in the U.S., the United Kingdom, Soviet Union.

HILL: Yeah, because I think we got a bit blinded by triumphalism, and from our perspective, it didn't feel like a massive triumph. My dad had lost his job multiple times. He'd worked in so many different coal mines that had closed down, then he worked in a steel works, he worked in a brick works. You know. And eventually he worked in a hospital as a porter, which is like at the lowest rung of the economic ladder. He didn't even make the minimum wage. And he relied on his bicycle to get to work or walking. We barely had enough money to make ends meet to kind of cover the basic costs of utilities, for example. It was a kind of pretty tough time for my family in that whole period, especially in the 70s and 80s. And I saw that happening over and over again.

And in fact, it propelled me in the work that I started to do in my academic work once I'd finished my Ph.D. and at Brookings, where I joined in 2000, to work with economists, like yourself, who were specializing on Russia and on the kind of post-Soviet economy. Although I wasn't an economist—I was actually trained as a historian—that long tail of interest and personal experience came with me. And I started to look at the way that deindustrialization had played out in the Soviet Union, the way that the economy had start to shift, and the political effects of that. So, my first book at Brookings was actually about this. It was called "The Siberian Curse," and it was about the buildup of Siberia in the 1970s as a massive industrial center and the decline of those same industries after the collapse of the Soviet and the impact that that had.

DOLLAR: So, presumably, this is the foundation for Vladimir Putin's rise. You know, dealing with these kinds of issues and you're really a leading expert on Putin. So, can you talk a little bit about his rise and how he responded to this with populist policies?

HILL: Well, Putin comes from his own hardscrabble background in St. Petersburg, it was then Leningrad during the Soviet days. He's born in the 1950s and his family not especially prosperous in the sense of the Soviet period, and there were relatively well-off families given the Soviet system. And he finds his path forward in joining the KGB. So, he actually does go to university, studies law at Leningrad State University, and then he joins the KGB. Different from the rest of our biographies. And he finds the KGB as his pathway to power.

But for him, the most transformative episode in his life is the collapse of the Soviet Union because he at that time, when the Soviet Union falls apart, has been stationed abroad in East Germany. And he sees East Germany falling apart as well. He's in Dresden, in East Germany at the time when East Germany, the most prosperous part of the whole Soviet bloc, is also showing that it can't cope with the strains of modernization and the transition from big, heavy smokestack industries to the new knowledge economy that we're all part of today.

And what he gets back to Moscow again, the Soviet has fallen apart, and he doesn't really know what to do with himself. Actually, he doesn't go back to Moscow. He ends up going back to his hometown of St. Petersburg, and he ends up then joining the administration of his former law professor from Leningrad University, who becomes the first democratically elected mayor of St. Petersburg. And then he suddenly gets himself into the kind of wild east of the emergence of capitalism in Russia in that period. And he learns a thing or two about politics, he starts to adapt all of the things they learned about in the KGB about how to manipulate people, how to push political buttons. And he transforms himself over time once

he kind of gets into the Russian presidency, which is a fairly improbable tale of how it all happened, frankly, into this populist politician.

And I kind of argue in a book I wrote about Putin at Brookings, “Mr. Putin: Operative in the Kremlin,” that is really the first populist president of a major country in Europe. And I wrote that book also with an economist, our former colleague Clifford Gaddy, who I had written the book on Siberia with, too. And that also helps to frame some of the discussion in the new book “There’s Nothing for You Here,” because Putin blazes a trail for populists across Europe and here also in the United States. He’s kind of like the epitome. Here’s a person who says, I’m going to come in and fix things, and I’m going to make Russia great again.

DOLLAR: Yeah, as an economist, I find it hard to really understand some of the things that Putin and Russia are doing. I’m not a Russian expert, obviously, but it seems to me they’re still a major player in world trade. They’re the biggest combined exporter of oil and gas, and they have a stake in the world system. So, when I look at Crimea or interfering in the U.S. election, it’s puzzling to me. What really is Putin’s objective?

HILL: Well, there are multiple things going on at the same time. On the one part, on the obvious surface area that you’re talking about in the economy and trade, Putin knew that the path to Russia being a great power was through the economy. This was what brought down the Soviet Union, the mismanagement of the economy. And actually, Putin has been pretty successful for a very long time on managing the economy, being very careful about the macroeconomic stability of the country. He has actually given a pretty wide remit to the central bankers. The head of the central bank is a woman, actually, Elvira Nabiullina, who’s extraordinary accomplished as an economist and central bank manager, and she’d do pretty well in any setting. He’s allowed a lot of technocrats to manage the economy. And Russia has branched out in many different directions and to some degree of economic diversification,

even though it's still pretty much dependent on revenues on oil and gas. It's also one of the world's greatest grain exporters. It's turned around the agricultural sector as well.

But it's the political side of things which is quite retrograde. And that then, you know, in a way makes Russia a bit schizophrenic. A lot of people, investors in emerging markets, can continue to invest in Russia and say, Hey, there's quite a good return on some of our investments here. But on the other side, over time, the politics have become more autocratic. And that's because Putin and the clique around him of cronies and, frankly, kleptocrats—I mean, there's all kinds of revelations coming out all the time about, you know, the amount of money that they've all siphoned off from the economy and squirreled away in everywhere from Monaco to you name it around the globe and all those shell companies and shady places that people hide money, which is actually in the United States as well, to be frank—they are more interested in this political sphere of keeping themselves in power. So, on the one hand, there's turning the country into a sort of successful economy and on the other side there's a kind of personally taking advantage of that and personally gaining from that and stashing away ill-gotten gains. And then there's the politics of keeping themselves in power, which is why Russia has gone in a more autocratic, authoritarian bent because obviously that has little to do with what the actual average Russian really wants to see, is this kind of a manipulation of the politics that to keep them in place.

DOLLAR: We'll come to President Trump in your time in the White House in a moment, but as a transition, you've got a lot of great little anecdotes about how Putin plays mind games with other officials, including with Donald Trump. Can you give us a couple of examples?

HILL: Well, one of the most classic examples of Putin playing mind games, and that's in the other book on Putin, is he knew, for example, that Chancellor Angela Merkel—the outgoing German chancellor, who of course has been a major figure in European politics and

world politics for 14 or 15 more years—he knew that she was scared of dogs. And in their first proper formal encounter, he allowed his own personal dog, a very large black Labrador, to come into the room and sniff around the chancellor’s feet. I mean, who does that? Well who does that is a KGB agent who knows that this is going to throw someone off their game. I mean, the chancellor, to her credit, gets herself together, and basically tries to kind of make the best of this situation, tries to ignore the dog in a kind of thing. But of course, everybody around her knew what was going on, and they were pretty angry about the whole situation.

But this is just the kind of the classic example of what Putin will try to do. It’s like, find a vulnerability. In the case of Trump flattery was one of the approaches that Putin used. He knew that Trump was so susceptible to flattery from any quarter. It didn’t really matter who was flattering him. He’d retweet a tweet from the average person on the street or the average person’s Twitter feed if it said something nice about him. And there’s one memorable occasion where Putin went out onto Russian national television knowing this would be picked up in the U.S. press and starts praising Trump about his handling of the economy. Because of course, Trump was very proud of the fact that the stock market was going up and all kinds of other early signs of a really growing U.S. economy early on in his tenure. Putin says all these words of praise. Next thing Trump wants to call Putin just to say thank you for him saying something nice to him. But of course, Putin wanted a phone call because he wanted to then show that he could manipulate the U.S. president to his guys at home, but also show the world that he was worthy of a phone call from the U.S. president.

DOLLAR: I also like the story in your book about Putin bringing an unusually attractive interpreter along.

HILL: Well, that wasn’t in my book. It’s actually been out in the press a lot because it was in the book of Stephanie Grisham, the White House press secretary. And a lot of people have asked me about that. I actually didn’t put it in the book because one of the other points

is this was an extraordinarily competent translator. She was deliberately swapped out for a guy who'd been on the roster for the G20 in Osaka, Japan, by Putin at the last minute or by the Russian protocol people at the last minute. And then Putin made a big show of introducing her to Trump, knowing that then all eyes would be on her as he proceeded to do his usual of pressing buttons.

DOLLAR: So, your storyline about the industrial decline in the UK, and then you see it in the Soviet Union, the collapse of the Soviet Union, does it also give us some insight into how Trump came to power in this populist movement in the U.S.?

HILL: Yeah. Well, clearly, I think it does because I make the comparison between the UK, Russia, and the United States, and it's all on a different timescales. But what we've seen in the United States, and especially since the 2008-2009 recession, is the worsening of socioeconomic circumstances and the growing divide between the haves and the have nots in the U.S. and perhaps the people used to have it before. We've seen an awful lot of polarization based on growing inequality. Now, you and many others who are economists actually could trace this—and I trace this back in the book, benefiting a lot from work of our Brookings colleagues back to the 1980s as well—when over time the big manufacturing centers, initially in the Northeast Corridor, where I first ended up in Boston, Massachusetts, weren't doing well at all when I arrived there. A lot of the old textile mills had closed down, the meatpacking plants, the brickworks, the big auto plants in Boston and around Boston, there were a lot of people unemployed. The Northeast, of course, of America turned around much more quickly than northeast of England, which had a really hard time.

But other parts, Michigan, Pennsylvania, Ohio, all of these places with coal mining, steelworks, over time they all started to close down as well. And we didn't see new industry moving in. So, we started to see the same pattern that we'd seen in other places. And that built up a lot of political grievances because people felt that their needs, the desires for new

work were not being addressed. And especially after the Great Recession, as we know, we saw the banks, the financial sector, Wall Street being bailed out by the government, but not Main Street. Lots of local banks, community banks went under, people's small businesses went under. They didn't get an awful lot of assistance.

And so, by the time you get along to 2016, there's these festering grievances. And there's a feeling that the mainstream political parties are not doing anything to address them. And Trump bypasses the parties, really. He's not a Republican. He's not an ideological person. He's very much focused on himself and idolatry of self. But he isn't a Republican. He used to be a Democrat, in fact. I mean, he can be anything to anyone. And that's part of the appeal because he starts to talk across the heads of the two mainstream parties, he's the wild card candidate, and he talks directly to people who are disaffected, and all of the region, and says, I hear you. I'm listening to you. I'm going to be your champion. And this is the Putin element, I'm going to fix things for you.

DOLLAR: I would just add one footnote to that story, Fiona. So some of these places in decline in the U.S., you mentioned New England, parts of New England or say, Pittsburgh, Pennsylvania, many of them have actually come back with whole new industries, but it's taken many decades, so it takes a long time.

HILL: Well, I think that that's the point because it's also the same in the UK. Some of those places have started to get better now, but it's like 50 years on. And there are still small towns—I mean, the biggest problem is not the bigger cities because, you know, Bethlehem, Pennsylvania, for example, has sort of turned itself around. It's the next layer of towns. And that's been the case in the U.K. as well. And also in Russia. Some of the biggest cities have found ways to revitalize themselves. They might have still had some mainstays of industry. Look at Detroit, for example. I talk in the book about Detroit is a great example of where some of the existing industries have helped to bring in new industry, new innovative smaller

industries that have brought jobs to the area. But it's this smaller level of towns that have not been able to do that. And that's part of our problem. And, I think we've got a lot of work at Brookings where people look at that about where we need to have some place-based regeneration, and some of that might have to be done on a regional basis. It can't all just come from the top down.

DOLLAR: Let's talk a little bit about democratic backsliding. We've seen that with Russia, obviously, and Putin, a number of eastern European countries. I think for a long time, many of us assume we couldn't have this in the United States. But especially based on your experience in the White House, are you worried about democratic backsliding here in the U.S.? How serious a threat is this to us?

HILL: I'm extremely worried about it, and I think anyone like myself who's an immigrant and has come from another country where they've seen things happening—obviously people have come from much more dangerous circumstances than the north of England, and have fled authoritarian systems, anyone who came from the former Soviet Union, like many of my colleagues who I served with in government, or a country that's been wracked by civil war and strife. And many of my friends who are immigrants from countries like that have been greatly alarmed for quite some time about the developments in the United States. I mean, many of us feel like the United States is in a cold civil war. We're on the verge of something more violent. Some of the eruption—in fact, we've seen violence erupt, right? We saw January 6th and the storming of the Capitol building, and we've seen violence on our streets around the Black Lives Matter movement, and all the kinds of things that we've seen in Charlottesville in Virginia, for example. So, this is not farfetched by any stretch to say that we're in deep trouble with polarization, the partisan nature of our politics, the fact that people are splitting themselves out into these narrow affinity groups, or they're describing themselves only in partisan terms—Democrat versus Republican, red versus

blue—and the idea that the is a divided, polarized America. Many Americas, not one America.

This is kind of what you see in many other countries that are on the verge—this is what happened to the Soviet Union before its collapsed, this is what we saw in Russia in the 1990s. We've seen this in European countries on the verges of war or outbreaks of conflict. So, I'm deeply disturbed about this, and it's one of the reasons I also wanted to write the book.

We all know, those of us who have worked on other countries like yourself working on China, and all the work that you and your colleagues have done that political systems get into big trouble. No system is immune from flawed leadership or stresses to its institutions, especially after an economic crisis, which we had 10 plus years ago in 2008, 2009. And democracy needs constant reevaluation, reassessment, and improvement. It doesn't repair by itself. And we've been long overdue some reckoning with all of this. It didn't just start now. It didn't even start in 2016. It's been quite a tail to this, but 2008, 2009, and obviously 9-11 and other political earthquakes that we've had in the United States, they've all had their impacts. And, the country now is in trouble and we need to address this.

DOLLAR: And as you say, we're still in an economic crisis in a way. A lot of the issues we've talked about, they haven't really gone away. We still have rising inequality. We have whole vast parts of the United States that are falling behind. And then that makes it harder to actually get the politics aligned in a way that enables you to address those issues. Economists, policymakers, I mean, you can come up with potential solutions to a lot of these problems, but you need pretty strong political will to actually implement.

HILL: You do. And look, I was hoping that COVID would give us that political world. It still might, right? I mean, we're facing the greatest global public health threat since 1918, and in some respects, it's exceeded what happened in 1918 with the great influenza.

And that obviously sparked off an awful lot of developments, some pretty bad, but some very positive over time in the United States and elsewhere. So, we're at an inflection point.

Clearly, we can't go on as we've been. But, you know, COVID also showed that we couldn't beat it without collective action. It showed how difficult it was to have that collective action, find the political will, because we're still at loggerheads with each other about how to tackle the pandemic. And so, this is all a lesson.

If we want to head off the next pandemic or we want to deal with the crisis that we're already having from climate change and huge weather events, I mean, some place have been hit over and over again by COVID, by massive deaths, by floods, by fires, by all kinds of natural calamities on every front. We're going to be dealing with this for the foreseeable future. So, this is a time, if no time, that we've ever had before to find the collective will.

So, public policy, we do know what to do. There are so many prescriptions and my book—I'm not saying anything that's particularly original. I'm just restating, in many respects, what's so obvious to you, me, and many of our colleagues and many Americans out there. It's just can we get the politics out of the way? Basically, the political machinations that we've seen over the infrastructure bill, the reconciliation bill, this is our problem. It's what's happening in the halls of Congress and in the political frame where people see themselves as red and blue and wanting to have a win or victory over the other, not thinking that actually our entire country, red, white, and blue, needs some fixing here.

DOLLAR: Fiona, I like to end on a positive note. So, let's assume we can overcome those politics. Just briefly, what are some of the main things that you would want to see implemented? Last part of your book, you draw on a lot of different research, some from our Brookings colleagues, but from elsewhere as well. So, what would you see as the policy priorities?

HILL: Well, I think first of all, we've got to kick start things on. And if we can't get these big bills passed at the top, then we've got to start thinking about what we can do at the local and communal level. And what I do at the back of the book is I come up with some very practical things that individuals can do, or groups of individuals. I think there's a lot of work that can be done by public-private partnerships. And it's been pointed out, and you and many others have pointed this out, that amidst all of this political mayhem, the United States still is an incredible, vibrant society, and an incredibly vibrant and innovative economy. Just look what we've done in the realm of public health in terms of vaccine development and, along with obviously other international partners, we've got still the leading companies globally in the private sector. We've shown time and time again that we actually can do some things.

So, I'm exhorting in many respects a series of things that really look at public-private action. Philanthropy plays an important role, but so does individual agency—everything from going to work at your local food bank, being a teacher in a school, the way you can inspire students and get them together into collective action. So, it's that kind of thing that I'm laying out. You know, I've had a few things in some of the reviews saying, yeah, the policy wonk. And I just say, Well, you can take the girl out of Brookings but can't take Brookings out of the girl. I've been really grateful for the 21 years that I've been at Brookings—it's definitely been that long—to been able to learn from people like you and all of my other colleagues, there is a lot we can do, we know how to do it. We've just got to get networks going. So, you know, I do think that the main thing is to translate what we know into action, get people mobilized and showing demonstration effect. We can't just wait around for guys on the top to get their act together in the Congress.

I mean, there are some amazing examples of things outside: one that unfortunately I didn't have time to make into the book. A community organization that I've been deeply impressed with is in Portland, Maine, a group have got together to turn squash into a massive

community mobilization effort, Portland Community Squash. Carol Graham, another Brookings colleague, and I have been watching this for some time. We invited the head of it and the kind of team, Barrett Takesian, to come and speak at an event that we had internally at Brookings showing how a community can mobilize itself around, you know, something very positive, and can bring in people from all socioeconomic backgrounds. They've brought a lot of immigrants in. They can bring families into this community. They're doing mentoring for all the kids to keep them in school. They've got grassroots philanthropy where they have donations so that all the kids are completely paid for. They've got transportation to pick the kids up from school and take them back to their homes in the evening. And they're going national with this. They just recently participated in a national event in Philadelphia on community squash for across the country. You can do this with any sport. So, I think what we have to do is show examples of where communities are taking things nationally with these examples of people mobilizing to do something to close the opportunity gap, but also showing politicians, Look, we can do something, can't you?

DOLLAR: I'm David Dollar, and I've been talking to my colleague Fiona Hill about her book "There's Nothing for You Here," and it's a great read. I recommend it and it covers a lot of territory from northern England to Soviet Union to the White House to some of the left behind areas of the United States. So, thank you for sharing your ideas, Fiona.

HILL: Thank you so much, David. Thanks for having me.

DOLLAR: Thank you all for listening. We'll be releasing new episodes of Dollars and Sense every other week, so if you haven't already. Follow us wherever you get your podcasts and stay tuned. Dollar and Sense is part of the Brookings Podcast Network. It's made possible by support from producer Fred Dews, our audio engineer Gaston Reboredo, and other Brookings colleagues. If you have questions about the show or episode suggestions, you can email us at bcp@brookings.edu, and follow us on Twitter @policypodcasts.

Until next time, I'm David Dollar and this has been Dollar and Sense.