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Justin Bullock:

Welcome back to Bush School Uncorked. This is your co-host, Justin Bullock. I'm here with Greg.

Justin Bullock:

Hi Greg.

Greg Gause:

Hi, everybody.

Justin Bullock:

Good to see you. There's a whole episode-

Greg Gause:

Happy Super Tuesday.

Justin Bullock:

Happy Super Tuesday. We made it. We actually have live takes, as things are unfolding as of five minutes ago.

Greg Gause:

Exactly. Exactly.

Justin Bullock:

What happened?

Greg Gause:

New York Times called Virginia for Biden, but who knows what that means in terms of delegates?

Justin Bullock:

And? There was one other call.

Greg Gause:

Oh, Vermont. Believe it or not, it was a tight race, but Bernie Sanders [crosstalk 00:00:40] won the Vermont.

Justin Bullock:

For the local Bernie Sanders. Yeah.

Greg Gause:

Vermont primary.

Justin Bullock:

Well, it's good to be back, for us and people would have heard, if they're following along in our feed, was an episode all by myself.

Greg Gause:

That's true. I missed that one on the border.

Justin Bullock:

Hm-mm-hmm (affirmative). [inaudible 00:00:52]

Greg Gause:

How was the border?

Justin Bullock:

The border was a tough experience. It was interesting to see some of the consequences and the policies. It was interesting to meet with some of the asylum seekers and refugees, just across the border. We gave a little bit of a lecture about it in the episode that came out on Monday, that introed to it. If you're interested and that, it's our Encampment Series. Check that out.

Greg Gause:

People don't realize how much activity there is on the border.

Justin Bullock:

They should, from listening to Raymond Robertson, our guest.

Greg Gause:

Exactly. Exactly.

Justin Bullock:

Just the level of commerce that goes back and forth.

Greg Gause:

Exactly, and I do think, politically, this is the kind of thing that, the further away from the border you get, the easier it is for you to believe that a wall would be a good idea, along the border.

Justin Bullock:

People on the ground-

Greg Gause:

I haven't met a Texas Republican who thinks that a wall is a good idea, because they know how important the border is.

Justin Bullock:

Yeah, I don't think it's a good idea. It seems to be the consensus of anyone on the ground and most people in Texas-

Greg Gause:

Including people who are very strong supporters of President Trump.

Justin Bullock:

Hm-mm-hmm (affirmative). All right. We're getting distracted already-

Greg Gause:

All ready.

Justin Bullock:

We have, with us, one of our colleagues, for the first time, today, Fritz Bartel. Thanks for joining us, Fritz.

Fritz Bartel:

It's very good to be here. Thank you for having me.

Justin Bullock:

As I mentioned to you beforehand, Greg and I are going to recap a little bit of some of the political news before we get started. Then we're going to dive into your research.

Fritz Bartel:

Great.

Justin Bullock:

Feel free to comment or just ignore us to whatever degree you would like. Super Tuesday.

Greg Gause:

I think the most important thing is what happened in South Carolina.

Justin Bullock:

Yeah, we had a mess in South Carolina. What happened?

Greg Gause:

Well, if Joe Biden had lost in South Carolina, or even if he had basically tied with Bernie Sanders, I think that-

Justin Bullock:

He was done.

Greg Gause:

... the race would be over. Well, we'd have Klobuchar and Buttigieg still in the race, probably, trying to pick up the pieces, but the resounding win that Joe Biden had in South Carolina last Saturday and revived his campaign, drove Buttigieg and Klobuchar out of the race and made it a horse race again. We'll see. We'll see if it's a horse race. The fact that we just heard that the Times called Virginia for Biden the minute the polls closed indicates that the exit polls on Virginia were pretty clear that it was going to be a Biden victory. My guess is Sanders still comes out a winner in the delegate hall for Super Tuesday. I think if Biden comes out of Super Tuesday 200 delegates behind Sanders, it's a moral victory for him and it becomes a long, drawn-out slog to see who's going to be the Democratic nominee.

Justin Bullock:

I'm having 2016 flashbacks.

Greg Gause:

On the Republican side? Yeah.

Justin Bullock:

Yeah, but on the Democrat side, as we nailed it down, it was-

Greg Gause:

No, with Bernie-

Justin Bullock:

... one-

Greg Gause:

... and [Hillary 00:03:52]-

Justin Bullock:

Yep. One mainstream, one establishment candidate, and then Bernie, there, hacking away at trying to get enough delegates.

Greg Gause:

Yeah, and not giving up, even though it became impossible for him to get a majority. I think, maybe, the most important thing, after does Biden keep it within shouting distance of Bernie tonight, is what happens to Bloomberg and Warren. Does Warren get out? If Warren gets out, one assumes that that aids Bernie. If Bloomberg gets out, one assumes that helps Biden, particularly if Bloomberg starts putting his money all on Biden. The also-rans will be interesting to watch.

Greg Gause:

My guess is if Bernie beats Elizabeth Warren in Massachusetts, she leaves and endorses him. Bloomberg, he has so much money, he can just keep running as a vanity project. We'll see.

Justin Bullock:

What's another hundred million?

Greg Gause:

He's already spent \$500 million.

Justin Bullock:

Up to five-

Greg Gause:

\$500 million, and that-

Fritz Bartel:

Out of 60 billion.

Greg Gause:

Out of 60 billion [crosstalk 00:05:03]. So it's not even one percent. It's not even one percent of his personal fortune.

Justin Bullock:

Well, I think it's all had the unintended or intended, maybe unbeknownst to me, impact of making Joe Biden look really great, as the reasonable old white guy on the stage, compared to Mike Bloomberg. That's my take-away.

Greg Gause:

But does he look like the reasonable old white guy compared to Bernie Sanders [crosstalk 00:05:31] or Donald Trump?

Justin Bullock:

Or Donald Trump.

Greg Gause:

Well, yeah.

Fritz Bartel:

Yes.

Greg Gause:

Well, yeah. We'll find out. We'll set that one aside.

Justin Bullock:

One thing Greg and I talked about earlier, and this is also a point of conversation broadly, is what is the Democrats' winning strategy? They have two choices, I think, is the way you lay it out, which we've highlighted in Biden and in Sanders, and it really depends on your theory of how American elections work now.

Justin Bullock:

In 2016, the chatter was Trump was too far outside the mainstream. He wasn't a real Republican. He was a renegade.

Greg Gause:

All true, by the way.

Justin Bullock:

Yeah, all true. Those kind of people couldn't win. Then, the Republicans-

Greg Gause:

Untrue.

Justin Bullock:

Untrue. It turns out the Democrats nominate the establishment candidate, nominate the moderate, and they lose. So, if you're a Democrat, independent of your ideology... Let's say you're a democrat. Who are you pulling for across these two? I mean, I know who the Democrat establishment is pulling for.

Greg Gause:

That's pretty clear.

Justin Bullock:

But if you want to beat Donald Trump, if that's what you're trying to pull off, it's still unclear to me who do you want? If you want Bernie Sanders or Joe Biden to be the opponent? We're looking at-

Fritz Bartel:

Silence on the podcast. We're looking at the guest. I think this is exactly it, and it was true coming out of 2016. I think you could say that the Democrats didn't do anything about it, in terms of resolving this difference that you're talking about or these options. Really, the primary process decides that and, I think, either way is an enormous risk. It's an odd time and the so-called establishment candidates are still very, very risky, almost as risky as the person who is a complete break with the ideological mainstream of the party. Those types of candidates have been favored all around the world, and were favored in 2016, here in the United States. It's a risk either way, and we'll find out a lot more tonight about which Democrats across the country want to go.

Greg Gause:

I gave my theory about the decadence of the party system. We are in the absolute decadence of the American party system, but that doesn't necessarily mean that Bernie Sanders' theory of the case is going to get him elected. I look at 2018, where Democrats switched over 40 seats and took the House of Representatives. That was voters in the suburbs who had voted Republican in 2016, who switched over to the Democrats. That's what carried the day. The Sanders theory of the case, that he's going to mobilize all sorts of young voters, and new voters, and people of color into the system... This is a guy whose entire political career was in Vermont. I lived there for 19 years. The least diverse state in the

Union, and there's no evidence in the early primaries that he's been able to mobilize massive numbers of new voters into the system.

Greg Gause:

I think that the riskier bet for Democrats is the theory of the case that says, "We will mobilize hundreds of thousands, if not millions, of new voters into the system from demographics that are notoriously low on turnout, like youth, and Hispanics, Latino voters. I think that the less risky path is, "We almost won in 2016. If we can flip those suburban districts like we did in the House of Representatives races, in 2018, we win this election pretty comfortably," and Joe Biden is the candidate... Pete Buttigieg, Amy Klobuchar, even Elizabeth Warren, would've been the candidates to do that, but the last real Democrat standing, and I'll let my personal views intrude on my analysis. The last real Democrat standing, after today when Elizabeth Warren drops out, is going to be Joe Biden. Then, there's Bernie Sanders, who was never a Democrat.

Greg Gause:

I fear that the hundreds of millions of dollars that the Trump Campaign has in its coffers will turn Bernie Sanders into the reddest communist since Joe Stalin, and that will scare away those suburban swing voters who gave the Democrats the House of Representatives. There you go.

Justin Bullock:

I like it. I think that primaries appeal more to the extremes and appeal more to the fervor. So, we'll see if Bernie's revolution brings those people out in the primaries.

Greg Gause:

And if I'm wrong, and Bernie sweeps away, I will treat the podcast listeners to my Bernie Sanders imitation.

Justin Bullock:

Oh. All right.

Greg Gause:

I'll do 10 minutes of the podcast in my best Bernie Sanders.

Justin Bullock:

You got that, Faith?

Greg Gause:

And I'll apologize.

Justin Bullock:

Apologize.

Greg Gause:

I'll apologize as Bernie Sanders.

Fritz Bartel:

Something I'm not sure he's done.

Greg Gause:

Oh, Bernie?

Fritz Bartel:

He just goes full force the whole way.

Greg Gause:

Yeah, Bernie has never been wrong.

Fritz Bartel:

He's not apologizing [inaudible 00:11:14]-

Greg Gause:

He's never been wrong. He did apologize, I think, for the Brady Bill, though.

Fritz Bartel:

That's true.

Greg Gause:

But, in Vermont lore, that's what got him elected. The reason that he won his race for the House of Representatives, after running countless times and losing all the time, is that the Republican incumbent voted for the Brady Bill, and Vermont's a big gun state. Bernie said he was opposed to it. Well, I guess it wasn't the Brady Bill. It was a subsequent bill that Bernie voted with the NRA [inaudible 00:11:48], but it was the Brady Bill that the Republican incumbent congressman voted for, and Bernie ran against him on that.

Justin Bullock:

So, there's one other thing we should just mention before we bother to introduce our guest, which we still haven't done, 10 minutes in. A couple of weeks ago, we were going to have a little bit of fun at the Corona Virus' expense, and now Greg is keeping from shaking people's hands.

Greg Gause:

Yes. Fist bumps, now.

Justin Bullock:

So, the Corona Virus hasn't gone away. It's continued to-

Greg Gause:

That's for sure.

Justin Bullock:

... spread in China and spread throughout the world. There are, I think you said-

Greg Gause:

Spread in Washington State.

Justin Bullock:

Yeah, there are nine casualties now.

Greg Gause:

Nine deaths in Washington State-

Justin Bullock:

In Washington state, and we were just discussing amongst the three of us, that travel is already starting to be canceled, both internationally, and the real question is, does it bleed over into domestic travel? So this is something that's going to stay with us. In two weeks, conditional on us still being able to gather in public, Andrew Natsios should be able to tell us a little bit about pandemics.

Greg Gause:

Our next guest, in two weeks, will be Executive Professor Andrew Natsios, the head of the Scowcroft Institute of International Affairs at the Bush School, who, for a number of years, has been running a major project on international responses to pandemics. So, this is his hour, and we'll get his wisdom.

Justin Bullock:

Excellent. Fritz, thanks for joining us.

Fritz Bartel:

Thanks for having me.

Justin Bullock:

What we like to do with guests is just give you a moment to tell us a little bit about your intellectual and academic background, to get us to current day. Then, we want to talk a little bit about some of the research you have going on.

Greg Gause:

We should say that Professor Michael Bartel is an Assistant Professor of International Affairs at the Bush School of Government and Public Service. This is his first year on the faculty. He's a historian by profession, which is an [crosstalk 00:13:50] nice addition to our faculty amidst the political scientists and public administration people.

Justin Bullock:

We learned a thing or two about historians from Mr. Coopersmith, Professor Coopersmith. It's complicated.

Greg Gause:

It's complicated.

Justin Bullock:

That's what I've learned about stories-

Fritz Bartel:

That's our motto.

Justin Bullock:

That's your motto. Yeah.

Greg Gause:

Fritz, the floor is yours.

Fritz Bartel:

Well, thank you for having me on the podcast. I listen to Larry Napper's podcast. He said it's nice to uncork with you guys. So I like that it's nice to uncork with you. My intellectual and academic background, I did my PhD at Cornell University with Frederick Logevall a major historian of the Vietnam War. I did my undergraduate studies at the University of Toronto, where I had a number of very good professors, as we all hopefully do. They all happened to be historians. So, that's really what drew me to the field of history.

Fritz Bartel:

I was always interested in international politics in general, and when I got there, I realized, or they convinced me, that I had to learn the history of it in order to really fully understand it and tell everyone that it was complicated. When I got to Cornell, I initially came thinking I was going to write a PhD about the 1940s and FDR's Atlantic Charter, which was a document stating that the United States' highest principles and how they were going to apply to colonial peoples around the world and support free trade.

Fritz Bartel:

He didn't really use the terminology of human rights, but human rights was what we would now call it around the world and self-determination turned out, once I got there, that that was not quite the project for me. So, in my second year of graduate studies, as I think happens to many PhD students, I was at a loss for what to actually try to contribute to my field, and I read an article that said that the Communist Bloc was \$90 billion in debt to the Capitalist world when the Berlin Wall came down. To my mind, at that moment, that really didn't make any sense.

Fritz Bartel:

I had this idea, which I think still persists a little bit, that the Cold War meant that what it meant to assume get back to whether or not we're in a cold war again, or if we're still in a cold war, but one of the facets of the original Cold War was that the two blocs were economically isolated from each other. So, the idea that the Communist world was indebted to the Capitalist world didn't make a lot of sense to

me, and I went and searched for more answers and didn't find any in the existing literature which, for a graduate student, is the perfect environment to be in because you have an important issue and you have nothing written about it, and you think maybe you can be the one to address this possibly.

Justin Bullock:

Set the world straight.

Fritz Bartel:

Yes, exactly. So I set off on a multi-year journey to make that happen, and it resulted in a dissertation which is now almost a book, or in the process of becoming a book, on how economic factors, in general, led to the end of the Cold War. So, that's what we're here to talk about, today.

Justin Bullock:

So, let's just jump right into it, as the novice, just remind people of the big picture of the Cold War. What's going on and, then, what are some of the economic factors that you found that impact it? Is it the case that the economies were more interdependent than we talk about, from a historical standpoint? What did you learn about the \$90 billion debt? Give us a little bit more.

Fritz Bartel:

Sure.

Greg Gause:

Did anybody ever pay back that \$90 billion debt?

Fritz Bartel:

Well, they paid back some of it. Yes, over time. The Hungarians, in particular, were very fond of calculating how long they would be paying it back, and it went well into the 2000s. We'll get more into it. Some of the wise ones got their debt forgiven at the moment, at the end of the Cold War. Others were a bit too proud of their... Understandably so, but they wanted to pay it back because they felt it had been taken under smart circumstances.

Greg Gause:

Suckers.

Fritz Bartel:

Suckers, I guess. Yeah. Anyway, the Cold War, from the mid to late '40s through the end of the 1980s, kind of, big time conflict between the Democrat Capitalist world and the Communist world. The challenge, or the question at the heart of the end of the Cold War is, why did it end peacefully? In international relations, scholarship, political science, and history, we generally think of power transitions with a rise and fall of powers, great powers in the international system as a time for conflict. Rising powers want to fight for what they believe is theirs.

Fritz Bartel:

Falling powers want to defend what they think should be theirs. So the major question that I set out to answer, and I think lies at the heart of the end of the Cold War, is, why did the Soviet Union basically just give up what it had fought for 30 million lives in the Second World War to create, which was a security buffer in a series of states, primarily in Eastern Europe, but around the world, that were ideologically similar to their own states. So why, on an international level, was there a peaceful outcome, and also why, within in states in 1989, what we know as the peaceful revolutions of 1989? Why were those peaceful as well? Why did holders of authoritarian power give it up?

Greg Gause:

With the notable exception of Romania, which Larry Napper told us about on the podcast.

Fritz Bartel:

Yes, and Romania is a different case because it also had a lot of debt that had built up through the 1980s, excuse me, through the 1970s. Then it chose in the early 1980s, unlike everyone else, to pay it back at the expense of its domestic population, as you heard about from Professor Napper. So, this question of the peaceful outcome of the end of the Cold War is really where I wanted to enter the debate, and economics might seem like an odd way to try and answer that, but essentially what I argue is that oil and finance, this debt, and oil as well, which was coming from the Soviet Union and delivered to Eastern Europe at very favorable rates, produced this outcome because ultimately what the end of the Cold War was about was authoritarian governments democratizing their political systems as a means of imposing austerity on the people.

Fritz Bartel:

The way I framed it in this book is that the Cold War began as a race to expand social contracts in societies in both East and West, and it ended as a race to discipline social contracts. Which side could discipline their social contract was the side that would prevail. Which side could break promises, is how I phrase it, the Cold War began as a race to make promises, ended as a race to break promises. The Communist world ultimately proved unable to break promises for a variety of reasons. Once they realized that they tried democracy as a way of getting their population to accept economic austerity was their bottom-line argument of the book.

Greg Gause:

But, Fritz, if oil is the other factor, here-

Justin Bullock:

Ah, Greg, you should know something about oil.

Fritz Bartel:

Yes.

Greg Gause:

All of this happens after the collapse of oil prices. So why didn't it happen in the '70s, when oil prices were high and these states had to borrow money to try to pay for their imported oil and the Soviets aren't getting the return on their imported oil that might've supported the state? The Soviets forewent all sorts of profits that they could've made if they'd sold that oil on the open market in the '70s, when oil

prices were high. I understand that all sorts of oil importing countries go into debt in the '70s to continue to import oil, basically. But why does the imposition of austerity happen in the '80s when oil prices collapsed?

Fritz Bartel:

Yeah. Well, it's a great question, and it comes down to, I think, basically the Soviet Union, in the 1970s. So my project, this book, really begins with the oil crisis of 1973, when oil prices quadrupled overnight-

Greg Gause:

History begins in 1973.

Fritz Bartel:

Yes. For those-

Greg Gause:

... for those of us who care about oil.

Fritz Bartel:

It's generally complicated, but we know when it begins.

Greg Gause:

But we know history begins-

Fritz Bartel:

... and it's in 1973.

Greg Gause:

... in 1973.

Fritz Bartel:

Right. So, when it begins in 1973, it begins with a quadrupling of the price of oil. What this means for the Soviet Union in particular is that it's now supporting its allies at a quadruple rate because it established there was no free markets, obviously, in communist countries. So everything was on a contract price. So, the world market price, overnight or within a matter of three or four months, quadrupled and the Soviet Union had this challenge, this question, "Do we support our allies and lose all of this money, or do we try to raise prices on them, which we know will cause political and social chaos in their own countries?"

Fritz Bartel:

They end up coming up with this rolling average, which basically subsidizes oil in the bloc for the remainder of the 1970s and the early 1980s. The reason it eventually happens in the late 1980s is because, as you say, oil prices collapsed in 1986, and the states, now under Mikhail Gorbachev, trying to reform the Soviet system, comes to the conclusion that it has no more money left. It has no more means to support these countries as they-

Greg Gause:

To maintain the empire.

Fritz Bartel:

... to maintain the empire. So one of the more provocative claims, I guess, as a historian, that I make in the book is that, whether or not Gorbachev was in power in the late 1980s, the Soviet Union would have let this whole thing collapse. We generally think of the end of the Cold War as a process, driven mostly by him. Historians don't really like the great man theory of history anymore, for very good reasons but, in this one instance, many scholars do generally ascribe to the idea that Gorbachev was this exceptional figure who was committed to peace, committed to a new vision of Soviet society, and that vision had no room in it for a violent crackdown on Eastern Europe. As I've sorted through it over the years, I've come to the conclusion that, yes, that's true but, even without that, other Soviet leaders, simply because of the economics of the situation, also would've let the whole thing collapse.

Greg Gause:

But there is a sense that there was choice in '89, for the Soviet leadership. Now, if they had chosen the crackdown, that might have led to a different kind of collapse of the empire, when they couldn't pay the bills. But Gorbachev's notion of the Soviet Union becoming a normal country, quote unquote, that is to say having normal relations with the West, had something to do with it. Right? With the way this all happened.

Fritz Bartel:

Yes, and-

Greg Gause:

When confronted with choices at crisis points, people can choose different ways to go down the tubes. Right?

Fritz Bartel:

Right, and I think his ultimate effect was to make it. In hindsight, and perhaps at the time, I wasn't really living through it in a conscious state.

Greg Gause:

I was.

Fritz Bartel:

A surprisingly easy, and quick, and smooth, and relatively... Well, there was certainly a great deal of uncertainty on both sides, but it was a surprisingly smooth and quick process.

Greg Gause:

Remarkable. I mean, amazing.

Fritz Bartel:

And that was largely due to his projection of this idea that, no matter what, the Soviet Union was not going to intervene. A man like Vladimir Putin would, no doubt, have used the uncertainty of the moment to project a great deal more uncertainty about Soviet or Russian intentions and used that as leverage in the situation, and Gorbachev was just not interested in using that or not able to think in those terms. So, yes, he has an effect on how it happened. Whether or not it would've happened ultimately, I think, is determined by its own deeper structural-

Greg Gause:

So there was a crisis coming.

Fritz Bartel:

It was a crisis coming, no matter what-

Greg Gause:

And there wasn't enough perestroika to change the Soviet economy in a way that it could, in essence, grow itself out of the fiscal crisis that it faced.

Fritz Bartel:

Right, and when you look at things and compare the perspective, one of things I try to do is look at Reagan's America versus Gorbachev's Soviet Union, and the victory in the Cold War, and it's debatable how much of a victory it was, was this idea-

Greg Gause:

Oh, I don't know. I don't know. We won. They lost.

Fritz Bartel:

Well, that is the prevailing notion in some quarters.

Greg Gause:

Ain't no question about that. Hold it. The Soviet Union doesn't exist anymore. Are you trying to convince me that we all lost the Cold... Look, there are all these academics who wrote their articles, "We all lost the Cold War,"-

Fritz Bartel:

We all lost the Cold War.

Greg Gause:

... blah, blah, blah. I don't know. Given the choice, would you rather have been in the Soviet Union or the United States in 1989? I think I'd rather have been in the United States.

Fritz Bartel:

There's no doubt about it. Absolutely. I think the point I try to make, because I don't want to write the 17th article on how we all lost the end of the Cold War. Yes, we won, but by what means did we win?

One of the effects, one of the ways in which we did was this idea that, within the United States, typically through Paul Volcker's interest rate shock. So this is where the financial element comes into play.

Fritz Bartel:

The imposition of a much more unequal society within the United States, the industrialization, a favoring of holders of capital over basic workers in the working class of the United States. As a means of reorganizing capitalism and domestic production in the U.S. was a process that Volcker and Reagan were able to carry out. It was not a pretty one. Millions of people lost their jobs. It was the biggest recession until the Great Recession of 2008, the biggest recession of the post-war period, largely by choice. It was a matter of policy, unlike many other recessions. It was not coronavirus. It was not an accidental-

Greg Gause:

And not the housing bubble.

Fritz Bartel:

It was a deliberate act of policy to put millions of Americans out of work, in the name of a longer-term goal.

Greg Gause:

In the name of ending what was a serious inflationary spiral in the United States. Right?

Fritz Bartel:

Right.

Greg Gause:

You had double-digit inflation, I think in '79, probably up toward 18%. I mean, it was serious inflation-

Fritz Bartel:

It was 12, 13, 14, to say the least. Yeah. So, economic discipline, in a variety of forms, whether it as via interest rates in Capitalist countries or in socialist countries, through things like closing state-owned enterprise, cutting off state subsidies. These were the types of policy moves that socialist countries, for reasons for ideology and reasons of politics... If you're a communist, it's pretty hard to say to the working class-

Greg Gause:

"Screw you."

Fritz Bartel:

... "Screw you." Yes. It's a much more ideologically difficult task-

Justin Bullock:

Fits much more better in capitalism.

Fritz Bartel:

Fits much better in capitalism. Certainly. So, there was, kind of a-

Greg Gause:

And yet, all those workers voted for Reagan.

Justin Bullock:

Mm-hmm (affirmative). Mm-hmm (affirmative). Mm-hmm (affirmative).

Fritz Bartel:

Yes-

Greg Gause:

The Reagan Democrats.

Fritz Bartel:

Cultural politics, and he did return a certain prosperity, of course, to the country, in economic growth.

Greg Gause:

And Morning in America by 1984. They established the campaign.

Fritz Bartel:

Right. Right, and I'm getting sidetracked from my own points, here, but that was-

Justin Bullock:

It's hard [inaudible 00:31:55].

Greg Gause:

That's okay.

Fritz Bartel:

One of the ways-

Greg Gause:

It's the whole purpose of the podcast.

Fritz Bartel:

One of the ways in which-

Greg Gause:

You think we invited you here for you to give your ideas. No, it's for me to give my ideas.

Fritz Bartel:

This is good give-and-take. I can revise the book. There's still time.

Justin Bullock:

Yeah, there's time. You have some time. You have some time.

Fritz Bartel:

Beginning with the Reagan era of, kind of a legacy, we think of it in Cold War terms, the legacy of the Cold War is that the United States, now and for the past 40 years, has lived off the money of foreigners. We import capital to a degree that people in the 1970s and early 1980s thought was unimaginable.

Greg Gause:

When we default, all those suckers'll really find out what the real score is.

Fritz Bartel:

Yeah. So, there's public debt and there's private debt, and both of them, whether or not they're out of control is not my question, but they are a product of this moment where we went through this period of economic discipline in the early '80s and, in so doing, attracted global capital from around the world. So if you're a rich German, if you're a rich Saudi, if you're a rich, particularly a Japanese investor, all of a sudden you started investing in U.S. mortgage bonds, U.S. public debt, U.S. credit card debt of all kinds. So the American dream, now, is underwritten by foreign Capitalists, to a degree that, during the '70s and early 1980s, was unforeseen. It was unimaginable, and that's a product of what I'm calling the Cold War in a very broad sense.

Greg Gause:

So, that brings up fascinating questions for today. We'll get back to the Cold War. I do want to talk about that, but the return on the U.S. Treasury Bond, the 10-year U.S. Treasury Bond, fell below one percent today, as capital fled to safety, and the U.S. Stock Market took another beating. So, is the reverse of your theory true? Would you say Donald Trump is a betrayer of the financial class? Interest rates are as low as they have been in the modern history of the United States, right now.

Fritz Bartel:

No, Donald Trump is not a betrayer. He, kind of, ran on some rhetoric, and he was trying to portray or correct the past decade-

Greg Gause:

Qualities, but then he put forward a tax bill that was vastly slanted to benefit those who are wealthy.

Fritz Bartel:

Right, and that's completely enabled by the system that Ronald Reagan discovered, unwittingly. Right? This is true of Democrats and Republicans. The lack of a notion that means have to balance expenses and income have to balance each other-

Greg Gause:

Just have the Chinese pay for it.

Fritz Bartel:

... and a general confidence that the debt markets will fund it comes from this period, and precisely because of the 10-year Treasury Note being so cheap, there's no sign of it slowing down anytime soon. So, we're not on the precipice of this system collapsing, I don't think.

Greg Gause:

No, not in the least. We're attracting more foreign capital than-

Fritz Bartel:

Than ever.

Greg Gause:

... probably we ever have, but isn't it tough to argue that the signal of austerity was high interest rates in the early '80s, and that screwed the workers? Now we have a period of incredibly low interest rates, and that's all to the advantage of finance capital and the Capitalist products?

Fritz Bartel:

Well, the taxes on capital have gone down so much since the early 1980s that you're still getting a substantial return-

Greg Gause:

Not at one percent, but yeah.

Fritz Bartel:

... and markets, particularly equity markets, have had a return over the past decade. If you were invested in the stock market-

Greg Gause:

And I was.

Fritz Bartel:

... it was a much better time to be invested in the stock market than to be a average worker where-

Greg Gause:

Oh, that's for sure-

Fritz Bartel:

... your wages are going up maybe two percent a year.

Greg Gause:

... although the last week has been pretty tough-

Fritz Bartel:

Yes, I-

Greg Gause:

... for those of us looking at our retirement accounts.

Fritz Bartel:

Particularly Michael Bloomberg. I feel bad as he's trying to fund his presidential campaign.

Greg Gause:

You should.

Fritz Bartel:

I'm sure he's diversified in a number of [inaudible 00:36:45].

Greg Gause:

Hopefully, not into Treasury Bonds.

Justin Bullock:

Yes.

Fritz Bartel:

Yes, I think it favors capital right now, partially because there is so much of it. It's tough, in a way, to be a Capitalist looking for good return because-

Greg Gause:

Amen.

Fritz Bartel:

... the supply and demand is so out of whack because there's just so much easy money. There's so much money floating through the system that you can't find the returns that were there in the 1980s.

Greg Gause:

I'm thinking about refinancing. That's for sure. So, I've gotten you too much into current events. Let's step back-

Fritz Bartel:

Dangerous area for historians.

Greg Gause:

Let's go back. It's a dangerous area for political scientists.

Justin Bullock:

We hit it wrong.

Greg Gause:

Usually interestingly wrong.

Justin Bullock:

Yeah, entertainingly wrong.

Greg Gause:

So, austerity-

Fritz Bartel:

Yes.

Greg Gause:

Most people point to Poland as the first place that the Soviet Empire starts to crack, the solidarity and the labor movement in Poland. Is that a result of austerity?

Fritz Bartel:

It is. Yes, and this was something I didn't go in anticipating arguing, but you can see very clearly, and some of the most noted historians of this period, argue that there was no economic spark to solidarity's re-emergence in the last 1980s, that these revolutions really were politically inspired, basically by Gorbachev. When you look at it closely, what the Polish government was trying to do was implement an austerity program that was demanded of them by the International Monetary Fund.

Greg Gause:

So, run a chronology for us.

Fritz Bartel:

Sure. Beginning in the early 1970s, there's the first workers, well not the first but the first in my chronology because history begins-

Greg Gause:

Begins in 1973.

Fritz Bartel:

... the early 1970s. A workers' rebellion that the Polish government violently puts down at first, but then eventually they switch leaderships at the way at the top of the government and set out on this new modernization strategy-

Greg Gause:

It's when this guy, [Gomulka 00:39:01] comes in as President.

Fritz Bartel:

Gomulka's replaced-

Greg Gause:

Oh, he's replaced.

Fritz Bartel:

... by [Edward Gierek 00:39:05]-

Greg Gause:

By Gierek. Right. Okay.

Fritz Bartel:

... in the 1970s.

Greg Gause:

Okay.

Fritz Bartel:

They set out on this strategy where they say, basically, "We're going to take out a bunch of hard currency loans from the West." One of the key, I guess you should say factors of communist countries, they don't have currencies that are transferrable into Western currency. So if you're the Polish government and you want to buy something-

Greg Gause:

They won't take zlotys.

Fritz Bartel:

... from the West Germans, you need some-

Greg Gause:

Dollars.

Fritz Bartel:

... either dollars or West German marks. So you have to go to a western bank to get that loan, and that's what they do. Over the course of the 1970s, their debt goes from something like \$450 million to \$22 billion.

Greg Gause:

And what is the percentage of GDP? Is it 100% of GDP?

Fritz Bartel:

I'm not sure. I'd have to go back and look at it, but it's a substantial sum where, on an annual basis, they're paying two to three billion dollars in interest payments, or they have to roll this over via new loans from the West.

Greg Gause:

Refinance.

Fritz Bartel:

Refinance. Yes. So by the 1970s, they're dependent, and the 1970s was a very good decade, similar to the last decade, to be a debtor because you had real interest rates that were basically zero.

Greg Gause:

Inflation.

Fritz Bartel:

Yes. So, inflation's 10%, let's say, but your interest rate might be 10%. Therefore, the real interest that you're paying is nothing [inaudible 00:40:43]. That all changes in 1979, when Paul Volcker comes in, as the Fed Chairman, and says, in order to solve a domestic problem in the United States, we need to raise interest rates within the United States, but that affects everyone internationally. So, Poland can no longer access capital markets to a level that they need in order to service their debt, and that produces the first wave of solidarity in the early 1980s.

Greg Gause:

So, what are the examples of austerity that it enforces [crosstalk 00:41:24]?

Fritz Bartel:

In Poland, it's always price increases on basic consumer debts. So-

Greg Gause:

Bread

Fritz Bartel:

Yes. Bread, meats, cheese, the basics, beer, alcohol, tobacco are the basics of Polish life. All of these-

Greg Gause:

Vodka.

Fritz Bartel:

... Vodka, certainly. All of these prices are set by the government and, as part of Communist ideology, are promised to the people is that they remain low and affordable because, of course, the state is meant to serve the working class. So, as soon as the debt burden is taken out on the working class, via these price increases, that's when the working class starts to find a problem with their ruling class, and they start to revolt.

Greg Gause:

And this is where we see solidarity.

Fritz Bartel:

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Solidarity emerges in 1980, and in December of 1981, it is violently put down via the introduction of martial law in Poland. So there's a military government that runs Poland for all of the 1980s.

Greg Gause:

What was the name of the general?

Fritz Bartel:

Jaruzelski.

Greg Gause:

General Jaruzelski.

Fritz Bartel:

Wojciech Jaruzelski. He always wore sun glasses inside. That was his-

Justin Bullock:

I want to-

Fritz Bartel:

... his primary [crosstalk 00:42:52]-

Justin Bullock:

...I wanna pull that off and can't [crosstalk 00:42:53]-

Fritz Bartel:

... because he-

Greg Gause:

Of course, someone else was [crosstalk 00:42:57] elected in 1979-

Fritz Bartel:

Margaret Thatcher.

Greg Gause:

... that complicated things in Poland. John Paul II. Right?

Fritz Bartel:

That's true. Yes.

Justin Bullock:

You would know [crosstalk 00:43:10] that Catholic reference.

Fritz Bartel:

Yes.

Greg Gause:

Pretty important in Poland.

Fritz Bartel:

He was. He was. No doubt about it. Every time he came, it was a international event.

Greg Gause:

Yes. I remember watching the news, when he first went back to Poland after being elected Pope, and the millions of people that turned out for one of the Masses, and I just remember whoever it was, the foreign correspondent for American TV network, basically saying, "Stalin asked how many divisions does the Pope have?" And he points behind him. He points behind him and says, "There they are."

Justin Bullock:

So, I have two Cold War questions that are related to your topics. One's thinking about more current. One's, kind of, sort of, some literature I've read. So I've been reading a book on space flight and the history of space exploration, and I read at other times that one of the things historians would say about the fall of the Soviet Union was that they outspent themselves trying to keep up with the U.S. Military and that Space as a big piece of that. What I've been reading, now, downplays that. So just maybe that wasn't as large a role.

Justin Bullock:

So, from the finance perspective, I was wondering if you had any thoughts about this showmanship between the U.S. and Soviet Union for showcasing their military capabilities in Space. Did that actually have any real meaningful impact on their finances is the first question. Then, I want to bring it back to current politics and talk about some of the current relationship between U.S. and Russia, in particular, and how some of that still does have some ties into the Cold War and your thoughts on that, were two questions I had. Yeah.

Fritz Bartel:

Sure. Yeah. So, Star Wars was Ronald Reagan's that was the title his critics gave this program, the Strategic Defense Initiative, where we were going to shoot down the Soviet missiles in outer space.

Greg Gause:

Anti-missile. Missile Defense.

Fritz Bartel:

Missile Defense. Yes. The latest evidence that I've seen is that, yes, it very clearly did have an effect on Soviet positions and Soviet bargaining on the specific issue of nuclear weapons. I think where that debate, which you're referencing, got off track is that the so-called Reagan Victory School of the Cold War said that it was a pretty simple equation. Reagan increases military spending and the Soviets see this, get scared, and all of a sudden, collapse.

Fritz Bartel:

There's, of course, a lot more to this story. So you can imagine a situation in which the Soviets see that the United States has this massive military power, which is ultimately underwritten by its financial wealth, and they feel they can't match it. So they are desperate to try and come to an agreement that prevents space competition over military weapons. I think that was probably going to happen regardless. Then, all of the other factors, domestic, foreign, ideological, come together to produce what we know as the end of the Cold War, but it's certainly not the simple equation that the Reagan Victory School has painted it to be.

Justin Bullock:

In the same way, whereas Gorbachev isn't the only picture of the piece of this, coming down towards the end of the Cold War. It's much more complicated. [crosstalk 00:46:57] story turn.

Greg Gause:

No, but it's not just that. The more sophisticated version of the Reagan Victory Dance theory at the end of the Cold War is that, by increasing defense spending, he places the Soviet leadership, who are suffering from a fiscal crisis, in front of really severe choices. If you're going to compete with the United States, you've got to find a way to improve your economic efficiency so you can extract more revenue from your domestic society, maybe even from your empire, and play catch up. In order to do that, Gorbachev basically says, "Okay, we've got to roll the dice on a big reform, and that's the thing that breaks the system. They can't manage the social transformations that Gorbachev's vision requires, and the place falls apart.

Fritz Bartel:

I think, maybe, to draw it a little bit to current events, or recent events, there's no doubt that the Reagan Administration and the CIA and the U.S. Government, in general, were right on, and it's amazing to read the extent to which they were accurately perceiving that the Soviet Union was economically in a very, very difficult spot, and they crafted a strategy, multi-faceted, to try and exacerbate the choices faced by the Soviet leadership between, as they just clearly said, the military, their allies, and their own people. They were hoping, eventually, a Soviet leader would come along who chose their own people over their military and their allies, and that's precisely what they got in Gorbachev.

Fritz Bartel:

It wasn't just U.S. policy that produced that. So they got lucky, in a way, and I think the danger, in terms of what another thing historians will always tell you is that you can't replicate situations across time. What we tried to do is we've seen other situations where a potential adversary, or some country that the United States wants to think of as an adversary, faces economic problems, and we think it might be as easy as, "Let's apply some pressure," and it will automatically produce a Gorbachev type of scenario.

Justin Bullock:

Seems like the Iran strategy.

Greg Gause:

Maximum pressure on Iran.

Fritz Bartel:

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Right, and, from what I read, people like [Pompeo 00:49:30] are reading about Reagan's strategy as a means of forming-

Greg Gause:

Well, Ideologues believe what they want to believe.

Fritz Bartel:

Right, and it's just unfortunately not that simple. You're going to be delivered yet another It's Complicated message but that's just the truth of it.

Justin Bullock:

So. Thanks, so much. We could continue on [crosstalk 00:49:57].

Greg Gause:

Well we haven't even talked about Hungary, Romania-

Fritz Bartel:

Scratched the surface.

Greg Gause:

Czechoslovakia. That'll have to be for another podcast.

Justin Bullock:

Well, we just should have him back.

Greg Gause:

Yeah, makes sense.

Fritz Bartel:

I'd love to come back.

Justin Bullock:

All right.

Fritz Bartel:

Thank you very much.

Justin Bullock:

We do have a couple of audience members, this evening. So we promised them an opportunity to ask any questions that they might have. So, now's your chance. Any questions from the crowd?

Greg Gause:

The hundreds of people who have attended tonight's podcast.

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Justin Bullock:

Hundreds and hundreds. Yes sir?

Audience Member 1:

Can you specify the exact date when the war ended?

Greg Gause:

Can you specify an exact date when the Cold War ended?

Fritz Bartel:

It will be eternally debated. The Cold War began as a geopolitical conflict, at least, as a debate over German power and the idea that the Soviet Union would peacefully retreat and just give up control over this territory had launched an attack on its own country, and not demand that the United States do the same, is really the fundamental power shift. It's the signal of a shifting global power that signals the end of the Cold War. So, that's what I would say, but-

Greg Gause:

I'll suggest a couple of other dates.

Fritz Bartel:

Yes, please.

Greg Gause:

Either August 4 or 5, when the Soviet Union voted for the UN Security Council resolutions, calling for Iraq to get out of Kuwait and, maybe, even later in November, when the Soviet Union supported the use of force against a Soviet ally, Iraq, had a Treaty of Friendship in Cooperation with the Soviet Union, over the invasion of Kuwait. Then, of course, the more prosaic one is when the Soviet Union dissolved, which was late 1991, November, of 1991. I forget.

Fritz Bartel:

December, of 1991.

Greg Gause:

December, of 1991.

Fritz Bartel:

Right. It all depends on how you define the Cold War, of course, and that will produce your definition [inaudible 00:52:12].

Justin Bullock:

Does anybody have any more questions?

Audience Member 2:

So, did American financiers, at all, try to pressure the U.S. Government to push Eastern European countries to pay back the debts that they had borrowed [inaudible 00:52:26] by the late 1980s?

Fritz Bartel:

Yes. It's a great question, and they definitely did. One of the things that was nice about the U.S. Government, and governments in general, is that much of the debt was guaranteed by the state governments, whether it was the West German Government, the British Government, the American Government. So, ultimately-

Greg Gause:

Guaranteed to the Western lenders-

Fritz Bartel:

Guaranteed to the bank. So it was risk-free for the bank, itself, to make the loan. So it was really a matter of deciding whether or not a particular country was in default on the loan. Then, the Government would pick up the tab and pay Chase Manhattan Bank or whatever bank it might be. Citibank's their sponsor. They probably wouldn't like me saying [crosstalk 00:53:14].

Greg Gause:

We have no corporate sponsors on the podcast.

Fritz Bartel:

But the banks were very interested in, of course, getting their money back, much more than fighting the Cold War itself.

Justin Bullock:

All right. Thanks, again. Thanks, so much, for being here. This was a lot of fun. We'll have to have you back, hopefully.

Greg Gause:

We've barely scratched the surface.

Justin Bullock:

I know. We were just getting started. We're going to take a little bit of a week break. So we won't have immediate... Well, that's not true. We won't have any Downtown Uncorked, being live here, recordings here for two weeks. You may hear from Greg and I-

Greg Gause:

Oh, that's true.

Justin Bullock:

... sooner than you get this episode, depending on what decisions Faith [inaudible 00:53:50].

Greg Gause:

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We're hoping to do some hot takes, based on the Super Tuesday results, on Wednesday. Then, we'll see how soon Faith can work her magic, and get those up online.

Justin Bullock:

Faith is the real boss, as it turns out. But, we'll take a break for Spring Break, and then we will be back with Andrew Natsios in two weeks. So, thanks, so much, for listening. Thanks, again, to our guest. Thanks for being here, Fritz, Greg, and we'd like to thank our hosts from down here at Downtown Uncorked in...

Greg Gause:

Historic-

Justin Bullock:

Historic Downtown Bryan-

Greg Gause:

... Downtown Bryan.

Justin Bullock:

... which I've finally [inaudible 00:54:23].

Greg Gause:

No. It took a year, but you've got Historic Downtown Bryan.

Justin Bullock:

It did take me a while. Thanks for having us. We really appreciate it.