

Now for Plan B

bergsicht



CHAPTER 1

Ubiquitous helplessness

One of the distinct privileges of growing older is that you retain an unmediated remembrance of things past – a direct link to events that intrude upon the consciousness of younger generations only from history books or when somehow cobbled together from Wikipedia. The disastrous failure of the attempt by US troops to rescue 52 hostages from the American embassy in Tehran on 24 April 1980 is one of those episodes whose bald re-narration falls short of capturing the drama of the moment. After its ignominious withdrawal from Vietnam (1975), the proud victor of World War II had reached a nadir of power projection: before the US could even notionally engage the enemy, several helicopters had been severely damaged and eight soldiers killed while setting up a jury-rigged landing strip, obliging the mission commander to sound the retreat without achieving a single objective, even as a local mob was gathering to parade the mutilated American corpses before a global public on a triumphal circuit of the Iranian capital. A sense of helplessness began to pervade both sides of the Atlantic, Russia mobilised troops for its campaign in Afghanistan and few enough saw in Deng Xiaoping's rise

to power in China (1977) the dawn of a new, more pacific era.

Helplessness, hopelessness, a supposed absence of alternatives – indeed the absurd spinning of the “absence of alternatives” narrative into a political agenda: all these could yet conspire to make 2015 a tipping point in much the same way as 1980 unquestionably was for the three decades that followed. The weakness of US President Carter was succeeded in 1981 by turnaround candidate Ronald Reagan, and the stationing of Pershing II rockets in West Germany was pushed through in 1983 in the teeth of determined opposition from the peace movement, sowing the seeds for the implosion of the Warsaw Pact in 1989. On the US home front, society, economy and state entities began a systematic programme of deregulation, calling time on previous economic policies that had been dogged by inflation. After hitting a historic low (759.13 points) on 21 April 1980, the Dow Jones Index began a secular rise to its current lofty heights of no less than 18,000 points. Experiencing a moment of clarity in April 1980 that things in the Free West *cannot go on like this* (i.e. the way they had in the 1970s) was not just a privilege but, in the case of your author, also a clarion call to an almost obsessive quest to identify the next tipping points in history.

We should reiterate that things may come to a similar pass in 2015 – although certainly not because of the Dow Jones Index, or rather only indirectly, and with diametrically opposed signs and portents. An index of highly diverse shares is no more than a reflection – or an echo – of a far wider-ranging and infinitely more complex situation. Unfortunately, the historically vertiginous heights currently enjoyed by this index cannot be ascribed to any justifiable confidence in

ongoing economic, social and political developments, but must be laid solely – a case of Marxian monocausality! – at the door of the similarly *sui generis* and historically unprecedented zero interest rate policy of the major central banks and their attempts to influence long-term interest rates on the bond markets through massive market interventions. TINA – There Is No Alternative – has been coined as a buzzword for the current share-price boom; what else, other than shares, are people supposed to buy? TINA expresses the impotence of investors and savers in the face of monopolistic monetary authorities that themselves are showing the hallmarks of helplessness: the central banks' monetary activism – a historic firstborn that is likely to remain an only child – has been described as brooking no alternative, and yet the venture seems to be having no positive effect; instead, the massive distortions it has engendered are causing considerable damage and it is increasingly apparent that the undertaking is a busted flush.

A similar sense of helplessness is making itself felt in very different spheres. In addition to the monetary policy dead-end we have mentioned, and its associated debt and growth problems, the following remarks will address the ever more complex, opaque and hopeless web of problems surrounding the Islamic State (IS) in the Middle East, the quandary of migration and, lastly, the relationship between Switzerland and its European Union (EU) neighbours. Doing justice to such an array of topics – all of which, as we have outlined, are characterised by a sense of helplessness – will demand discipline and concision; future editions of *bergsicht* will be devoted to those topics crying out for closer attention.

CHAPTER 2

Gordian knots

Let us begin with the international political impasse in the Middle East. There is no denying that IS – a force of which the world was for many years blithely unaware and until very recently had massively underestimated – now holds sway over huge tracts of Syrian and Iraqi sovereign soil. In an entirely literal sense of the words (in that methods reminiscent of the worst excesses of the Nazi regime are being used to control those portions of the population that are unable to flee), what the scanty – and generally propaganda-blighted – media have allowed to filter through to our eyes and ears from the “Caliphate” is nothing short of tyrannical terror tactics combined with fascist fascination and fabrication. Religious brainwashing, eschatological ideas reduced to the most primitive articles of faith, promises of redemption in this world and especially the next, ruthless prosecution of a claim to power: we've seen it all before in Hitler, Stalin and Pol Pot's attempts to unleash their evil upon the globe.

World history ultimately contained them all, but they claimed a toll: a spreading stain comprising millions upon millions of human lives, razed cities and desecrated art treasures. Current developments in the Middle East raise the question of whether such a scenario is almost inevitably bound to arise in that corner of the world too, and if so, where, and on what scale. More germanely, we might ask whether such an eventuality is compatible with a globalised world and economy; and if so, how. Can the problem be reduced to a regional affair, or will the major powers *nolens volens* still be involved?

What fundamentally concerns us here is less the phenomenon of an all-out extremist movement, albeit one that may result in the formation of a blood-soaked state, and more the *complexity* that surrounds it. Last year, we gained much from reading historical studies of World War I, such as the account of the events leading up to Sarajevo by the Australian historian Christopher Clark, or the depiction of the great conflict by the German scholar Herfried Münkler. Both of these history books are overflowing with content, but if it is at all possible to boil them down to a single point, it is without doubt the complexity of the matrix of tensions that allowed a regional affair in the southern marches of the Habsburg Empire to escalate into an apocalypse. Desperate fanatics were at work in Serbia, too, although it is hard for modern minds to comprehend exactly what they were fighting for, or against; worthwhile goals, or aims we can at least respect, are out of the question. They were nonetheless in a position to bring about the worst outcome imaginable, and, while we are quite aware of the dangers of superficial historical parallelism, we believe we have identified some similarities here.

As we know, a very precarious, multipolar equilibrium has existed in the Middle East for some considerable time, maintained over the last few decades by the absolute military supremacy of the United States – with some trouble in recent years, certainly, but ultimately with success. That Saudi Arabia, Iran and Israel, with its motley crew of inherently unstable neighbours, should all co-exist with a minimum of conflict for such a long period of time is in no way a foregone conclusion, and that islands of prosperity with a largely peaceful internal and external agenda should even emerge, as is the case in Dubai, Bahrain or Qatar, is no less remarkable.

The flimsy *pax americana* was first shattered by the second Iraq War (2003 onwards) and then decisively discredited by the Arab Spring (beginning in 2010). Common to both events was an illusory Western expectation that accelerated democratisation would cause the societies and countries affected to incline towards a Western-leaning, “reasonable” and business-friendly attitude. Precisely the opposite occurred: in place of a relatively biddable despot in the form of Saddam Hussein, anarchy now holds sway in Iraq, and IS is taking more territory by the day. The

same is true of Syria and Libya. Despite impressive improvements in air-war *materiel*, including the advent of pinpoint-accurate drones, it is becoming more and more apparent that the “remote warfare” (i. e. engagements that dispense with large-scale deployments of boots on the ground) that the Americans have come to find so convenient simply does not work over the long term.

A further American intervention with ground troops – the third since the first Iraq War – is not currently on the cards, especially as any war against IS would involve fighting shoulder to shoulder with the Iranians – just imagine! Saudi Arabia, which, along with the US ally Qatar, has been identified as sponsoring IS, would then be sidelined to such an extent that entering the war on the opposing side might look like a logical choice. And what would Israel, ever Iran’s nemesis, have to say about that? Al-Qaeda is recently said to have offered the West a non-aggression pact [*sic!*] in order to expedite a final victory over the Assad regime in Syria. The similarities with the situation in Europe pre-World War I are difficult to miss. In the Middle East, there are simply too many players in the game, crammed in too closely together, who, for whatever reason, believe they *have to do something* – that there is no alternative. According to Clark, it was a pile-up of just such supposed ineluctabilities that caused World War I.

The problem besetting the Americans – and thus all other Western industrialised nations – is the absence of a Plan B. The fixation on Western political and societal models (democracy, rule of law, market economy) has become so entrenched that now there is an intellectual void; we are bereft of theoretical constructs or any practical or political toolkit with which to approach a part of the world where the unenlightened, theocratic rule of monarchs, clerics and despots holds sway, and in which bloody conflict between brother nations will remain the rule rather than the exception. The sense of helplessness and powerlessness is palpable. The only ones who stand to gain anything at all from such a decidedly disagreeable situation are the legions of arms manufacturers – apparently all sides of the conflict are making liberal use of brand new French weaponry. *Déjà vu*.

CHAPTER 3

Forty thousand? Ten million!

The massive surge in migration from Africa and the Arab world to Europe is connected in no small part with the new constellation in the Middle East. Libya under Colonel Gaddafi was an advance bulwark for Europe, resisting the pressure of African migration; the destabilisation and division of the country in the wake of the Arab Spring, the airborne intervention of the West and the opacity of the power structures in

neighbouring Egypt and Algeria have combined to turn the Maghreb into one big departure lounge for Europe, with enough Italy-bound boats setting off daily from the coast between Tripoli, Benghazi and Alexandria to recreate a minor Dunkirk. While the annual contingent crossing or circumnavigating the Mediterranean for the Continent used to lie somewhere between 10,000 and 70,000 during the period from 2010 to 2013, Frontex, the EU border agency, estimates the figure for 2014 to be north of 200,000 and anticipates a cohort of between 500,000 and a million people for 2015. As of May 2015, 62,500 migrants have made it to continental Europe by sea, with an estimated 1,800 losing their lives in the attempt. 10 to 20 million people, mostly from Central Africa, are thought to be waiting in the Maghreb for a crossing. Unlike refugees from Syria and Iraq, who have been driven out by the hostilities in those territories, the Africans are typically an elite band of willing workers, seeking a brighter future beyond the borders of their homelands.

We detail all these figures to emphasise that European migration is an extremely serious problem of *massive proportions*. Brussels recently let it be known that – in circumvention of the long-vaunted Dublin Agreement – the possibility was being discussed of allocating 40,000 migrants to the individual EU member states. Given the true magnitude of the problem, and especially in light of what might yet follow, such “efforts” appear grotesquely inadequate. It was painfully clear from the very start to anyone with even a scintilla of politico-economic nous that “Dublin” would not work. The right to return applicants to their first country of asylum as stipulated in Dublin is an open invitation to such countries to “hush up” their asylum seekers and clandestinely kick the can to their neighbours. The Dublin Agreement is the worst possible basis for the creation of a common migration policy. If there is one overarching, collective challenge confronting the EU, it is precisely that of how to deal with the movement of whole peoples – a 21st-century *Völkerwanderung!*

However, the migration problem is massive not “only” in terms of the sheer numbers involved, but also in respect of the *human tragedy* being played out in the Mediterranean on a daily basis. Rough-hew it how we will, joint responsibility (conditional intent) – at the very least – for the miserable death by drowning of thousands of migrants can be laid squarely at the door of the relevant EU bodies and countries, and indirectly at the doors of all those who connive in keeping the representatives of these bodies – with all their watching and waiting – in office. The situation is an intolerable disgrace. However illegal an attempt to emigrate to continental Europe might be, the deterrent of *letting people drown* cannot in all seriousness be considered a part of any official *policy!* The painstaking attention paid by the International Criminal Court (The Hague is not a million miles from Brussels!) to the horrors

perpetrated by warlords when the former Yugoslavia caved in on itself presents a bizarre contrast to the paralysis engendered by the unfolding Mediterranean tragedy in the modern generation to whom the baton of responsibility has passed. Hypocrisy does indeed take many forms!

Things can clearly not go on like this. In virtually every corner of Europe, election after election is seeing the upper hand gained by those forces that wish to slam the door on unchecked immigration and draw their electoral support and sympathies from the ever-swelling nationalist and conservative ranks. The atmosphere has nowhere yet descended into full-blown xenophobia or blind race hatred, but the warning signs are all too apparent. The disarray in the Mediterranean is producing weekly tragedies that the global public are finding increasingly impossible to ignore, while the disarray in European asylum law is enticing an ever greater number of illegal settlers that it will be almost impossible to integrate in any meaningful way. Despite all the disasters, the deterrent effect of the Mediterranean is insufficient for the waiting millions in the Maghreb not to try their luck and risk a crossing.

Here too, it is apparent that there is no Plan B to the *status quo*. Among the generally left-leaning intelligentsia and media there is a policy of not dwelling on – and in particular of not talking about – the migration issue. The politically correct line goes something like this: all those who, by dint of birth, are better off ought not only to hang their heads in shame but should jolly well do the decent thing and share their relative wealth with the world's poorest. It is impossible to make reasonable contingency plans in such an intellectual climate. Brussels and the EU member states are prevaricating, passing the buck and attempting to draw a discreet veil over a real and present catastrophe. The upshot is a sense of helplessness that is in turn a toxic breeding-ground for the worst kinds of political extremism. With every week and month that is allowed to pass in desultory inaction, the number of people desiring to travel from Africa to Europe – people that our continent will never be able to accommodate nor would wish to – continues to rise.

It should be noted that the immigration question that is such a thorn in Europe's side has also taken on shocking dimensions in further-flung corners of the world, most recently in Southeast Asia. The problem of migration is not a new one – tribal exodus, specifically the incursions of the Huns, brought the Roman Empire to its knees. Barriers and borders are not much help in the long run. The USA has shown us that no political force has ever seriously doubted the need to control immigration. Nevertheless, despite rigorous deterrents, their efforts have only been moderately successful. Nowadays about 5% of the people living in the USA are there illegally, doing jobs for which they are paid less than the minimum wage. Migratory pressure is invariably matched by a corresponding attraction or “pull”. Or to put it slightly differently: we are all

clearly a long way from finding a solution to the problem. Some kind of Plan B, however, even if it were only marginally better than the worst of all possible “solutions” currently being attempted, would represent a big step in the right direction.

CHAPTER 4

If quotas are Plan A...

The seemingly hopeless spat between Switzerland and the EU also touches on immigration, albeit on a scale that is diminutive by comparison with the great global exoduses. For our foreign and especially non-European readers, we will permit ourselves a brief summary: since 1999 and 2004 respectively, a comprehensive, seven-part treaty has existed between the EU and Switzerland (a non-member), regulating the bulk of the economic and legal interactions between the two unequal partners. The rights and obligations of the two signatories roughly balance out. Switzerland is the Union's fourth-largest trading partner after the USA, China and Russia, and the Swiss Federal Statistical Office has established that foreign trade with the EU makes up more than 70% of all imports and 55% of all exports.

Part of the bilateral agreements relates to the free movement of people within the EU, according to which any EU citizen is entitled to take up residence in any of the member states as long as he or she can find work there. Given that immigration of EU citizens to Switzerland has been increasing inexorably over recent years (latterly rising to some 1% per annum, the population of a medium-sized Swiss city like St. Gallen) in a country that already has a very high proportion of foreigners (almost 25%; cf. Germany's 10%), and given the conspicuously disdainful attitude displayed by government, local authorities and business to the Swiss populace's concerns in the matter, it is perhaps not surprising that a plebiscite limiting the free movement of people as agreed with the EU was accepted by Swiss voters in February 2014. The EU's reaction to the referendum was ironically an abrupt *no pasarán* to any such attempts to constrain the free movement of people.

A sense of paralysis has since descended on the tiny Alpine nation. On one hand – and understandably enough – people want to hang on to the generally favourable conditions of the treaty known locally as the “bilaterals”; the considered opinion is that “there is no alternative”. On the other, there is an unambiguous constitutional imperative: immigration from Europe must be capped via the introduction of quotas, and eighteen months of the three years allowed for this situation to be resolved have now passed. There is a second, additional problem: at roughly the same time that the nod was given to the immigration initiative, the EU began to pressure Switzerland about future

institutional regulation of common jurisprudence. The Union wishes to persuade Switzerland into voluntary submission to the rulings of the European Court of Justice, to avoid differing interpretations of one and the same law in different jurisdictions. However, such a manoeuvre – entirely understandable from the EU’s point of view – touches a nerve that is even more sensitive than immigration for the Swiss; the rejection of “foreign judges” is part and parcel of the Alpine republic’s founding myth, and Gessler and his hat epitomise everything that a good Swiss instinctively despises. The hundreds of well-argued articles penned by the chattering classes in the NZZ and elsewhere will do not the slightest bit of good; the EU’s entreaty is already dead in the water – a non-starter for whose prevention the Swiss electorate would be more than ready to make significant sacrifices. Those who fail to understand this know too little about how Switzerland works.

As there is a preponderant interest on both sides to avoid any genuine conflict, it would presumably be over-egging the pudding to describe the situation as hopeless, but the fundamental question is essentially one that can be solved neither by superficial speechifying nor pragmatism: to what extent can Switzerland, a non-EU member, be part of the internal market and indeed, to what extent does it wish to – or have to – cooperate with other states in shaping its relationship with the EU? \$64,000-dollar questions have a habit of demanding answers eventually, and such ineluctability can engender a sense of helplessness – of exactly the kind currently afflicting Switzerland.

CHAPTER 5

Ex nihilo nihil – or even less

The EU clearly has more important problems on its mind than settling the hash of the bothersome school swot in the middle of the continent, who clearly dances to the beat of a different drum. Broad swathes of Europe are still mired in a persistent economic crisis that is reflected in low growth rates, high unemployment (especially amongst young people), low investment activity, hesitant lending by banks to businesses, almost intractable public budget deficits and, consequently, a perpetuation of high national deficits. There has been a lot of talk about “structural reform”, but very little of any substance is actually being done. It is no secret that Europe is suffering from a paralysing petrification. Far too much rubber-stamping is required (and far too many unproductive civil servants sit waiting to process the applications) for anything to get started or completed. There is hardly any leeway to adjust capacity in response to the thousand natural shocks that business is heir to; the employment market and many other factor markets

besides (the residential rental sector, for example) are so tightly regulated that private investors are forced to take on unreasonably high risks. Europe is also unwilling to allow obsolete structures to wither on the vine: the French car industry and the bizarre rumps of national airlines are just the tip of an iceberg of companies that should no longer exist.

As explored in detail in the tenth edition of *bergsicht* (“A Carrot for Europe”), Brussels is now betting on a forward strategy centred around top-down subsidisation of investments. The EU’s Council of Ministers recently gave the new EFSI entity the green light to go live. While the provision of additional investment funds may kick-start a certain amount of pent-up demand, it was clear from the moment this Brussels initiative was announced that it would be no substitute for the structural reform that is so desperately needed; the one without the other is clearly insufficient and certainly not enough to generate a sustainable upturn with growth rates of five or six percent. There is also every danger that structural reform will be eclipsed by the wave of PR-fuelled euphoria that is sure to accompany any early EFSI successes.

Growth of no less than five or six percent is required to cut the shackles of a debt crisis whose effects are still deeply felt – and should in fact be achievable after such an enduring economic crisis. Our readers will be well acquainted with the figures, so suffice it to say that with the exceptions of Bulgaria (!), Estonia, Luxembourg and Sweden, not a single EU member state over the last four years has satisfied the Maastricht budget criteria of a maximum of 60% government debt-to-GDP ratio and less than 3% debt growth (source: eurostat). There can be no question of any large-scale improvement in the situation, and there is vanishingly little room for fiscal manoeuvre in the EU, especially as there lurks at the shoulder of visible debt the far more chilling spectre of implicit debt, i.e. the sum of all the promises made that for whatever reason are unlikely ever to be properly called in – an amount many times greater than explicit debt. On a continent that, for demographic reasons, is relentlessly producing more pensioners than citizens in active employment, such a concatenation of circumstances is a gloomy prospect. No wonder consumption figures are so low!

So far, the part of the cavalry riding over the hill has been played by the European Central Bank (ECB), which has preserved structures and thus provided stability in three important ways. First, it finessed the transition from banking crisis to sovereign debt crisis without allowing a systemic crisis to emerge; this certainly qualifies as a success, as a real crisis in the financial system would have wrought incalculable economic damage. Secondly, the ECB drew the claws of – and possibly even obviated – the sovereign debt crisis, in the first instance by announcing its market interventions, and latterly through its effective bond-buying programme and generous willingness to accept these

securities as collateral. We say possibly; we will not have any real proof of this until – long after the relatively manageable problem of Greece has been solved – the larger stumbling blocks of Italy, Spain and France are also “over the hump” and can finance themselves without being propped up by the central banks. That is still a long way off, mind you. Thirdly, the ECB’s ultra-low interest rate policy has ensured that the fiscal leeway in states’ rolling budgets has not been completely nibbled away by interest payments, despite their immense debts; without such a “subsidy”, the state sector would have had to contract.

Classical economists perpetually invoke the inflationary hazards of such “irresponsible” or “audacious” monetary policy. We have been watching prices fall around the globe – and thus within the EU as well – for some time now, and the Cassandras are still waiting in vain for the incipient devaluation of money they considered a foregone conclusion. What they have failed to recognise here is that a technology-driven process is at work in the goods markets that will simply not permit inflation to take hold: the exogenous real shock of the elimination of information and transaction costs. We believe that the monetary policy pursued by any central bank will, for the foreseeable future at least, be completely irrelevant as far as goods markets are concerned; the real forces in play are far more important. We seriously doubt that rock-bottom interest rates are moving us any closer to achieving economic growth; indeed, the exact opposite might be the case, as modestly positive interest rates could colour the expectations of current and future savers favourably. A more in-depth study of these issues is certainly called for and we shall return to them in future editions of *bergsicht*. The sole – and admittedly, significant – real effect of an ultra-low interest rate policy resides in *preservation of state structures* – with all the obvious positive and negative knock-on effects that this implies. An additional, but not as such real-world, effect resides in the escalating (and already sky-high) valuation of financial assets adumbrated in the introduction to this *bergsicht*. This kind of asset inflation is extremely unpredictable and the anxiety provoked when all is unquiet on the interest-rate front (despite the central banks’ every intervention) is of a similar order of magnitude. Markets know interest rates cannot sink any lower, but are nonetheless hoping for a continuation of loose monetary policy – for as long as is humanly possible.

The risk emanating from the central banks’ ultra-low interest rate policies has less to do with the devaluation of money against goods and more with the queasy apprehension that *things cannot go on like this* – that the end, whatever form it might take, would result in a bloodbath on the financial markets; or, assuming such policies do indeed continue, with the view that you can’t achieve much more with this kind of approach than barely break even. Without a serious rally, Europe’s lack of fiscal wiggle room means it will

be unable to get a grip on its key problems – whether these be banking, sovereign debt, pension obligations, burgeoning migration – or even the Ukraine conflict it incited through its own expansionism.

We are thus confronted with a helplessness that is triple-locked, with zero – or at best marginal – growth effects thanks to the ultra-low interest rate policy, massive distortions on the financial markets and corresponding potential for corrections, and the preservation of state structures – a “bonus” more likely to hamper the endeavours of citizen and economy alike. And there is no Plan B to lead us out of this triple *cul-de-sac*.

Incidentally, our remarks also apply *mutatis mutandis* to the USA and the Fed.

CHAPTER 6

How a Plan B might come together

We intentionally began this *bergsicht* by recapitulating the historical anecdote of the failed attempt to free the Tehran hostages as we wished at all costs to avoid being cast into the camp of the prophets of doom and gloom; a seemingly hopeless situation in 1980 turned out to be tipping point. 2015, the year of four – and so many more! – apparently hopeless situations, may prove to be another such tipping point. We would not presume to dish out recommendations at this juncture, and, having done the analytical work, we also wish to avoid normativity as far as possible. We would now simply like to highlight some of the signs that suggest a turnaround may be in the offing.

The first portent, and as such, the first prerequisite for any Plan B to enter even the realms of possibility, is to be found in the *zeitgeist*, the prevailing intellectual *mindset*. The realisation that *things cannot go on like this* must first take root and flourish – determinism is anathema to thinking in alternative scenarios or variants. The idea that Western values and their incarnation in the form of democracy, the rule of law and the market economy are now and forever superior to any other values and societal forms is thus of a deterministic bent. The putative legitimation for all kinds of military, law enforcement, judicial and fiscal interventions carried out all over the world by the USA and that self-appointed, post-democratic [*sic*!] group, the G7 (aka the G8 to the G20), rests on this one notion. We suspect that the central banks’ ultra-low interest rate policy and excessive market interventions have similarly deterministic roots and will only continue to work for as long as a monopolistic world currency keeps a lid on the power of random chance as supplied by competition. The quasi-messianic position occupied by current and former central bank bosses such as Draghi or Bernanke – 50 years ago, hardly a soul would have even known their names – points to a similarly deterministic setup.

We would make so bold as to forecast that this kind of *zeitgeist* has reached the end of the road. In certain cases (IS), this may be predicated on an obvious sense of helplessness, in others (low interest rates) on a somewhat less apparent sense of the same, that *things cannot go on like this*, but also – and perhaps more pertinently – on the fact that more and more intellectuals are tiring of the deterministic *zeitgeist*; we have touched on these tendencies in our eighth edition of *bergsicht*, “The significance of change”. However, it takes time for a new *zeitgeist* to make its way into the capillaries of practical debate.

The second prerequisite for the creation of a Plan B is unembellished, warts-and-all analysis with neither fear nor favour: just as in Hans Christian Andersen’s marvellous fairy tale, sooner or later, a child has to stand up and say that the emperor has no clothes. In Tehran in 1980, it was the facts that spoke up; in 2015, the spread of IS is exposing our powerlessness in no less brutal a fashion. The situation is a little more complicated for monetary policy, migration policy and the shaping of EU-Swiss relations, but our core task as we see it is to prepare analytical material that provides a broad perspective, transcending routine events and offering an unvarnished snapshot of the world as it stands.

The third prerequisite is the most challenging. Seemingly hopeless situations are solved by people who can think differently; who are simultaneously imaginative and able to identify workable ways forward. Since embarking on a detailed study of the possibilities promised by new technology and provided by those in Silicon Valley and elsewhere who are currently deconstructing and reassembling key social processes, we are decidedly more optimistic than before. A survey of the large body of literature on the subject comes highly recommended. Elon Musk, the founder and co-owner of Tesla, the first commercially manufactured electric car, is a – perhaps somewhat quirky – visionary and idealist who wishes to rid the world of internal combustion engines. Peter Thiel, the founder of the payment platform PayPal, is a libertarian politician. Google’s Larry Page has no qualms about tearing things back down to first principles to realise his wealth of ideas; nothing is taboo to him. Sure, none of these people is going to save the world from its final bang or whimper, but they are all perhaps a little more likely to help us than those incapable of breaking free from old patterns of thinking.

The fourth prerequisite is to be found in characters of the stripe of Deng Xiaoping, Ronald Reagan, Margaret Thatcher or Mikhail Gorbachev – movers and shakers who not only saw the writing on the wall but also knew what had to be done and when to do it. It is part and parcel of the *helpless, hopeless* and *quiescent* stamp of our times that the quality of global statesmanship has continually declined over recent years (as a Swiss citizen, one is inclined to include one’s own government in this mournful camp). Such lacklustre

leadership is symptomatic and a sign in its own right that *things cannot go on like this*. There is of course the risk that entirely the wrong kind of mover and shaker will come to power at some point, causing all kinds of trouble: for all our realisation of the necessity of a turnaround, scepticism is counselled for solutions that seem too good to be true. Any Plan B has to be ten times as robust as a Plan A whose implications are already apparent, and contingency planning demands the highest standards of intellect and integrity.

CHAPTER 7

Ideas

It would be unfair to write a *bergsicht* on the necessity of a turnaround without submitting an unconventional idea or two as a way forward for at least a select few of the topics we have touched upon. Let’s begin by recapping what we have already established. We still take the view that neither in Europe nor elsewhere are we facing a real debt crisis in the sense of genuine insolvency of the states affected; if all the existent assets were accounted for, the levels of debt would be substantially lower, and more than a few net debtors would probably find themselves cheerfully strolling towards the other side of the ledger. We suspect there would be sufficient assets to settle debts even in the case of Greece – the Aegean is not entirely bereft of natural gas and oil reserves. Equally, there is nothing to stop states from selling off individual parcels of their territory; there is no shortage of Greek islands, after all. We find it incomprehensible that the debt-to-equity swaps that were so routine during Brazil and Mexico’s era of debt crisis in the 1980s are not enjoying a renaissance. The EU specialises in transfers and would seem to be almost predestined to institute a suitable internal insolvency procedure.

A second idea: the USA will have to bid farewell to its “neither fish nor fowl” doctrine for managing international interventions. If the domestic political spirit is not (or is no longer) willing – and the material flesh potentially too weak – to rule the entire world even-handedly, as it were, a circumscription of what is possible and necessary seems inevitable. Ian Bremmer, an American political theorist who is more than capable of unconventional thinking, has made a significant contribution to the debate on this score with his recently published book *Superpower – Three Choices for America’s Role in the World*. Any putative self-limitation would have to be instituted in conjunction with a system of alliances that was more than just a cipher or merely a way of regulating how orders are carried out. Our thoughts incline towards the resurrection of a new kind of Monroe Doctrine, a memorandum that would unambiguously define the conditions for intervention and thus clearly predicate which parts of the world would have to sort out their differences among them-

selves in future, and to what degree. The continent of Europe is in want of such a declaration to bring order to its foreign relations to the south and to the east.

The third idea relates to the vexatious question of migration, to which, as suggested, the only solutions imaginable are not the ideal or second-best, but rather the second- or third-worst. Working from the presumably uncontentious proposition that Europe cannot countenance an incoming wave of millions of hopeful migrants over the next few years, we suggest that the gateways to the Med be closed for the moment in such a way that no one else comes to grief in the water: put simply, no more boats should be allowed to put to sea from the Maghreb. The Libyan coast must be occupied and patrolled as a matter of sovereign defence – triage of those genuine refugees who have earned the right to be admitted to Europe can be carried out locally. Simultaneously, a vigorous start must be made on a long-term programme that will turn the Mediterranean from the debatable land of a border zone into a *mare nostrum* with high growth rates and rapidly rising prosperity.

Fourthly – and paradoxically – we feel Switzerland will only ultimately be able to save its bilateral agreements with the EU if it is also ready, in principle, to co-exist with the EU *without* them. The fallback for any negotiations, whether about immigration or the regulation of institutional questions, must be the potential – though undesirable – sacrifice of the treaties made in 1999 and 2004. Any such notional renunciation will also demand unwavering support on the domestic front – right down to the last SME that will be obliged to make preparations for this improbable, but not entirely unthinkable, scenario. This is the only way our country can achieve a more or less even playing field for negotiations with the EU. In addition, Switzerland should allow its imagination free rein as far as immigration controls are concerned. A slightly more generous interpretation of the constitution willing, the quota solution, which is incompatible with EU constraints and questionable from a politico-economic perspective, would and should be replaced with a price mechanism. This imaginative suggestion has already been made by the political economist Reiner Eichenberger in the latest edition of *Schweizer Monat*, for example. We may assume that the new UK government under Prime Minister Cameron is heading down a similar path and will (have to) thrash out and define every last option in respect of qualification for and disbursement of social security payments and other aspects of the welfare state relating to residency. A strategy that aligns Berne as far as possible with London might spell a way out of the whole rotten situation. The most we could say in the matter is that such a Plan B would stand a chance of realisation only if it were supported by a Swiss government with a genuine liberal majority.

We have come this far, and fie upon anyone making accusations of superficiality or half-bakedness!

As we said at the outset of this *bergsicht*, we wished to eschew normativity and we have stuck to our guns; none of our ideas can be instituted directly. At the same time, in an era of disinclination and indisposition to lateral thinking that is dogged by wearisome, wearying conventionalism and an assumed absence of alternatives, we think that Albert Einstein's declaration has taken on a new significance and ever greater resonance: "Imagination is more important than knowledge. For knowledge is limited, whereas imagination embraces the entire world, stimulating progress, giving birth to evolution." (Cosmic Religion and Other Opinions and Aphorisms, 1931).

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