

Putin's Deed

bergsicht



CHAPTER 1

Crimea – what will remain?

What will we remember of the 2014 Ukraine crisis ten or twenty years from now? Depending on the degree of consternation, the cold annexation of the Crimean Peninsula has been variously described as a milestone in world history, a tidal shift in globalisation and a regression into an era of nationalism. If any of this is on the mark – and we too are decidedly of the opinion that it is a highly significant event – we are going to need images that are capable of summing it up and conveying its essence.

How about the press photographs of the protests on Maidan? Burning cars, agitated demonstrators, stone-throwing street fighters, the almost medieval-looking riot gear worn by the police? Hardly. Images of this kind are familiar to us from elsewhere. They are interchangeable. Whether in Cairo, Caracas or Istanbul, modern revolutions follow a very similar blueprint: thanks to Twitter and Facebook, the mob can be mobilised and manoeuvred within minutes, leaving the authorities somewhat cowed and helpless, not only at the speed and momentum of events, but also at their instantaneous reportage around the globe. The state's only recourse is brutal intervention using military tactics. But taking arms against your fellow

citizens has always been a double-edged sword, even for unscrupulous regimes; modern mobile communications have made the street a far greater threat to semi-democratic states – we're not talking about North Korea or Iran here – than was the case twenty or thirty years ago. This would be good news for those to whom plutocracies and dictatorships are anathema – and as such an image to hold on to – were it not for the simultaneous and sobering necessity of acknowledging that those who come in off the streets to succeed the *ancien régime* may amount to no improvement at all on the previous system, as Egypt is currently demonstrating with painful clarity. Precisely how the revolutionaries in Ukraine in particular understand the notion of democracy remains to be seen.

Here's a second suggestion for a memorable image: soldiers in Crimea with no state insignia on their olive-drab uniforms standing in grim silence in front of a camouflage tank of "unknown" manufacture, betraying no clue as to their commanders or objectives – like visitors from another planet. As it stands, this would certainly be one for the annals, marking as it does a sea change in the way the military interacts with the public. The Americans have led the charge in involving the media in all their operations over the last 25 years (with a dendritic influence via NATO that has extended as far as the Swiss army); press conferences with the top brass provide constant updates on progress and "embedded" journalists are taken on campaign, even visiting the front line. Western doctrine has it that dealing with and/or influencing the public for your own ends is an intrinsic part of military planning, but now there's this: absolutely nothing! Silence, stony silence. And worse still, it worked.

Nonetheless, we feel another picture is yet more telling, and it's a *group photo* – of the G7 meeting in The

Hague on 24 March 2014. A group photo, taken, like thousands before it, as a record of a turning point in history? Yes indeed, but the image has something unbelievably anachronistic and inconsistent about it, a bit like an oil painting depicting an encounter between Tsar Nicholas of Russia, Kaiser Wilhelm of Germany, the Emperor Franz-Josef of Austria and King George V of England in – let’s say – Montreux in 1917: actual, but mostly bygone powers, at an assignation of dubious significance.

What do we see in this group shot of a dinner on the eve of the Nuclear Security Summit? First, in front of a picture window in the background, there are the flags (from left to right) of the USA, Canada, France, Germany, Italy, Japan, the United Kingdom and the European Union. A modest arrangement of tulips (we’re in Holland, after all) on the circular table is ringed by smaller versions of the same banners – presumably so the guests know where to sit. And the “heads of the leading industrial nations”, as the *Frankfurter Allgemeine Zeitung* (FAZ) put it, are indeed sitting, in the following order: Obama, as you would expect, is centre-stage at the back, listening with a friendly smile to Hollande, who is clearly giving an amusing peroration and raising his right index finger (no doubt preferable to the *digitus impudicus*...). Cameron, an Englishman sat between an American and a Frenchman, doesn’t seem terribly interested in their banter. To Obama’s right, a smirking Angela Merkel looks as if she’s attending a children’s birthday party and, beside her, there sits the Japanese premier Abe, who is also smiling, but presumably doesn’t know why. To his right, Matteo Renzi, Italy’s new prime minister, seems poised to launch into an operatic aria. (Renzi Pavarotti?) Opposite him – in other words, on the far left of the table – we see Stephen Harper, the prime minister of Canada, who is looking rather earnest in the picture. Finally, in the foreground, there are José Manuel Barroso and Herman Van Rompuy, the two representatives of the European Union, whose entire attention is devoted to the photographer; the expressions on their faces betray the pride they feel at being permitted to attend in such heavyweight company.

Heavyweight? Well, the (informal) chair of the meeting is Barack Obama after all, representing the only real global power, and the group is asserting its authority by claiming to represent international law and thus excluding Russia from its ranks. The council of leaders justifies this resolution in its “Hague Declaration”, published by the President of the European Council, which also sets out the conditions for Putin’s putative return to the Round Table.

It is difficult not to satirise it. However we slice it, this is a motley crew. “Leading industrial nations”? Industrial production as a share of France’s GDP has fallen by no less than half over the last 15 years and, thanks to the euro, Italy is currently deepening its de-industrialisation programme. So what about those “shared beliefs and shared responsibilities”, as they are proudly called in the Hague Declaration? And what price “strict adherence to international law”? How did that work out back in Serbia, Afghanistan, Iraq, Libya, Mali? Was there really anything more than nominal

legitimation for those interventions? You might also be wondering what the two EU officials are doing in a council of heads of states and governments. Does this mark the beginning of independent statehood for the European Union? If so, why is NATO, the all-important military component, absent from the table? By the same token: if there’s anyone missing, it’s Mme Lagarde of the IMF, as the Hague Declaration pontificates at length on the important role to be played by the International Monetary Fund in stabilising Ukraine. But, oh dear, among the other members of the IMF we also find – Russia. And where’s China, by the way? It ranks second worldwide in terms of GDP and, let’s face it, is hardly a lightweight. Another striking fact is that all these dinner companions are *in financial hot water*, including Germany, whose debts now amount to 80 percent of GDP, despite the prospect of a balanced budget. The USA is hardly any better off at 106 percent, followed by Italy (132) and Japan (244). In this light, perhaps the Group should be re-baptised the D7 instead of G7, with the D standing for “debtor nations”.

However: the picture is relevant in that it throws into sharp relief how little suited this line-up is to represent the “global community” – inasmuch as there is such a thing – and how certain questionable aspects of its posturing and conduct mean it would not necessarily have any licence to pass judgement on Putin’s unambiguously problematic actions. The picture heralds a turning point. It expresses how, as a commonality of values underpinned not only by power and economic clout but also by constitutional and democratic verities, the notion of a “global community”, while nice enough, was largely illusionary and ultimately hollow.

CHAPTER 2

Global problems – local interests

Suggesting such a thing is a delicate matter, however, as we are well aware. The idea of a global community, in the sense of a community of values, has been elevated to a kind of pseudo-religion over recent decades and anyone taking a stand against religions, especially surrogate ones, is on thin ice; the just deserts for heresy used to be burning at the stake. How close to this point we have strayed as far as the “global community” is concerned may be exemplified by the resistance in certain quarters to giving the International Ibsen Award to Peter Handke. The prize (and the considerable financial endowment accompanying it), which had been awarded by a respected jury, should be withheld from the Austrian writer Handke, an undisputed master of the written word, epic narrative and poetry (but also a maverick as far as his political views are concerned) because he had committed *treason against the global community* through his comments on Serbia – or so a committee of Norwegians would have it; its members further took the opportunity to place Handke on a par with Knut Hamsun, the Norwegian national poet and Nazi sympathiser. One must of course note at this point that – aside from Knut Hamsen – the Norwe-

gians are rather short of literary greats, a situation comparable with Switzerland's only if we were to imagine for a moment that we had no Dürrenmatt and no Max Frisch, but just Jakob Schaffner, the National Front supporter... Starting from circumstances like theirs, the pressure towards political correctness has greater weight behind it than elsewhere. Nonetheless, "treason against the global community" should give one pause. It implies that there is such a thing as a correct view, not to mention a tribunal that can define this correct view and, where applicable, punish any deviators. We suspect that this belief in the *metaphysical within the political sphere* – in other words beyond the usual vested interests and power plays – not only governs the thinking of the Norwegians in question but is also expressed in many pronouncements in the mainstream media and in the widespread absence of scepticism regarding those institutions and persons claiming to represent this metaphysical position: the G7 Group, for example, topped off with the two EU officials.

What is this global community's surrogate religion based on? The historical circumstance that there were no polar oppositions after 1989, with the world having melded into an apparent unity that was led, policed and every so often set straight by the USA? The desire to get to grips with international terrorism that for a little while united every power on earth? An awareness that environmental pollution represents a global externality problem and thus should be addressed globally by all? The ostensible necessity of having to save the global financial system from what was billed as incipient doom? Or merely the fact that all the global players still retaining some vestiges of military power are in a tight spot financially, and we are thus dealing with nothing more than a cartel-like alignment of vested interests that can be advantageously concealed behind a moral claim dressed up with a global ethic?

We have no doubt that this, and possibly much more to boot, contributed to the genesis of the surrogate religion of global community, but it is still not enough; a religion requires an icon, an idol, and there is such a thing: the breathtaking image of the "Blue Planet" has existed since 1968. Before then, there had been only projections of the Earth – globes, maps, descriptions – but no analogue likeness existed until the American astronauts who travelled to the moon with Apollo 8 brought one back. The image established itself in mankind's self-perception and began to evince a new understanding of the world as a fathomable – and thus manageable – entity, as a collective responsibility ("Integrity of Creation" became the eleventh commandment), as an economic subject, as a communal cultural project – and so on.

In one respect, all this is not so wide of the mark. Who would want to deny the pollution of the world's oceans with plastic rubbish from who knows where, the contamination of the air by particles of soot from unregulated smokestacks (a generally accepted means of externalising costs), the problematic rise of CO₂ in the Earth's atmosphere? And who would venture to dispute the existence of international terrorism, countries

with shady ambitions, piracy on at least some of the high seas, endangering global trade? The image tells the truth: there is a beautiful but extremely fragile Blue Planet – and there would be a higher interest in taking this fragility into proper account.

The fallacy into which we have communally fallen resides in the erroneous assumption that there must therefore also be one or more authorities placed at the unconditional service of such overriding interests. Whether they call it the UN, the IMF, the World Bank, the European Union, The European Central Bank or whatever else, there is something solemn and superordinated, indeed pseudo-religious, about them all; they exist and function with the *fiction of a higher interest*. Any suggestion that the majority of them are led and run by people who typically have their own axe to grind, and that they may occasionally be misused to safeguard claims to power, is scepticism of an undesirable kind, to be dismissed or repudiated as heresy.

To avoid any misunderstanding: such criticism is not directed at the organisations named *per se*, quite the opposite; in order to function, the world needs platforms for exchange and obligations based on reciprocity. The criticism is directed solely at the – in our opinion somewhat naïve – assumption that, in addition to the image of the Blue Planet Earth, there may be one or more supernal figures or authorities representing something other than their immediate and innermost interests. By that token, the picture of the "leading industrial nations" (or whatever in fact they are) at the Round Table described in the introduction is a perfectly conventional photo of a group of individuals representing their own specific interests – no more and no less.

CHAPTER 3

Naked prosecution of self-interest

Where is the historic "achievement" in Putin's actions? And what makes the world different afterwards from how it was before? Well, having acquired some appreciation of military tactics and techniques during his earlier days on the General Staff of the Swiss armed forces, the author admits to harbouring a certain grudging admiration for the incredible way Operation Crimea went off without a hitch; it was carried out extremely quickly (including the referendum), it created an unambiguous balance of powers and, lest one forget, barely a drop of blood was spilt in achieving its objectives. Experience in recent decades reminds us of military interventions by other powers that have run considerably bloodier courses, with no end in sight to this day. Leaving that to one side, his actions are of course unacceptable, and – especially from the perspective of a relatively powerless, small state such as Switzerland – highly threatening, just as the preceding overtures by the West to Ukraine and the destabilisation of Yanukovich's government, which without doubt was also urged on from beyond the country's borders, had been.

No, Putin's contribution to world history is of a different stripe. He was the first to explicitly dismantle

the fiction of a “global community”, and it was about time. Annexing Crimea is an act in routine furtherance of national interests, carried out entirely in cold blood. Putin did not even bother to dissemble this, instead executing his objective swiftly, uncompromisingly and ruthlessly. Leaving aside the pseudo-democratic arguments for the plebiscite in Crimea, his address of 18 March 2014 contains practically nothing other than patriotic and historicising sentiments and his behaviour since then has been marked by the same palpable prosecution of national interests: retention of discretionary power, preservation of momentum and judicious appraisal of his own risk landscape.

Should this be seen as a “regression into a nationalist era”? At first glance – yes, of course; most expansions of sovereign territory in history have evolved in a similar fashion, and such actions have frequently been the cause of subsequent warfare. But further examination elicits a slightly more differentiated assessment. Putin’s brutal and explicit actions can also be seen as a reaction to the many *implicit, incremental expansionary manoeuvres* undertaken against Russia by a West operating under the aegis of an ostensibly superior morality. From 1989, NATO made obvious inroads into the former Soviet Union and instead of trying to establish a *cordon sanitaire*, a buffer zone between the blocs, in Ukraine, a series of advances were ventured to within 300 km of Stalingrad. Putin has put an end to the West’s implicit incrementalism and, in so doing, restored some basic laws that have obtained since time immemorial.

In our opinion, this – but not, of course, the act of annexation *per se* – should be seen in a positive light. Interestingly, this event may turn out to be particularly positive for international capital. We must, of course, substantiate such a claim.

CHAPTER 4

A single, relevant power ...

Let us first define our terms. We previously mentioned a “global community” and a “community of values” and voiced our scepticism in respect both of their existence and their moral claims. We now wish to leave this normative conceptual terrain behind and go on to speak of a “monistic” and a “pluralistic” global system – without offering a value-judgement. The difference is that a monistic global system is fundamentally capable of surviving without a pseudo-metaphysical superstructure (unless it adopts one for its own propaganda purposes), arising instead simply as a result of the absence of competing loci of power. By this definition, there have been various phases of monism in world history, although in the past these have chiefly been attributable to the vast distances between various power centres that happily co-existed as faraway neighbours on a globe that was largely unexplored. The age of the Roman Empire (which could be described as monistic in the Mediterranean) also witnessed the flourishing of imperial rule by the Han dynasty in

China and Mayan civilisation on the American continent. Holistic, globally effective monism in the sense of a “world government” remained inconceivable until the modern era.

What factors can lead to a concentration of power in a single locus? *Economies of scale*, certainly, which are especially important for military considerations. This was true for the uniformly equipped and systematically commanded Roman legions; it was true for a while for the British Royal Navy and merchant fleet; and it is especially true in certain fields to this day. (Some weapon systems, for instance – pre-eminently in space and in the virtual world – are financially and technologically far beyond the reach of smaller “competitors”.) Monism is also advantageous for business, however, as more or less uniform underlying conditions reduce information and transaction costs and thus enhance both the security of investments and the exchange of ideas. Finally, there are also phases in technological development that tend to favour carrying out tasks on a large-scale, collective basis in preference to decentralisation: the irrigation systems in Mesopotamia and Egypt certainly furthered the cause of empire, as did the Roman roads and aqueducts or the *autobahns* of the Third Reich in the 1930s – or indeed the freeways of Roosevelt’s New Deal in America. The great price to be paid for monistic systems resides in the *lack of control* of their *internal organisation*; they tend towards structural conservatism for the benefit of a ruling class that in turn progresses from investment, productivity and exchange to confiscation. Monistic systems are thus condemned to implode at some point and either they are “inherited” by a host of competing successors or pressure is brought to bear on them for external reasons and they morph into smaller, more efficient entities, such as the Byzantine Empire after its separation from Rome.

It is now a defensible argument that, in recent history, something like a monistic system has established itself round the world under the leadership of the USA, and it can be assumed that this was not just after the implosion of the Soviet Union, but prior to it. This is at least the case in the world of economics and the financial system, where there has never been any actual bipolarity; the Eastern Bloc, including China, was essentially irrelevant from a global economic perspective. IMF, World Bank, OECD: all these are witnesses and elements of a monism that has been bolstered by this irrelevance. Pluralism of military power persisted for longer, and you could of course argue that the existence of Russian and Chinese nuclear weapons has perpetuated this pluralism beyond the demise of the Eastern Bloc; the existence of a weapon that, for good reason, is never used has since acquired a questionable significance. Overall, we believe it is legitimate to view the last 25 years of global history as the culmination of American supremacy within – although not exclusively limited to – the military sphere as well. During this period, there has been no operation of any note in which the USA has not been involved in some capacity or other, either as the first to man the front lines or in the background, by means of intelligence and logistical systems.

However it may be judged on a granular level, we see no reason to doubt that the way in which the world has hitherto been organised has acquired the very distinct contours of a monistic system according to the definition outlined above, with all the features that are associated with such systems. These certainly include the advantages arising from homogeneous regulation, such as in international trade (WTO), for example; in the harmonisation of legal codes (although here we consider the *fait accompli* of proliferating Anglo-Saxon law to be of dubious value, at least as far as reducing information and transaction costs is concerned); or in foreign exchange, where the USD has displaced all other currencies over the last 50 years. A single currency for worldwide trade, with many currencies of powerful countries tied to it via more or less fixed exchange rates (“pegs”) and other mechanisms, is obviously also conducive to globalisation.

Comparable advantages arising from a monistic global system are indisputably apparent in other fields. The security of the world’s oceans, such as was underwritten in the Mediterranean of the Ancient World by Rome, is essentially guaranteed by a single authority, the USA; international airspace – from aircraft safety standards to international terrorism precautions imposed upon the entire world – is largely an American construct; “virtual” space, to the extent that it can be surveyed, is almost entirely an American preserve. Regulations, standards, operation and surveillance are fundamentally under American control – and since Edward Snowden, we know that the USA takes cyber-surveillance extremely seriously indeed.

CHAPTER 5

... that is bankrupt

The advantages described have since found themselves offset by disadvantages that, while less discrete, are no less real. We said earlier that monistic systems tend to come to grief due to their internal organisation, and this is where our famous group photo of the “heads of the leading industrial nations”, as the FAZ so ingenuously put it, comes back into play. First, if our thesis of a monistic world system is correct, only one figure in the picture is truly a “head” and “leading”, and that is Barack Obama. The rest are tolerated window-dressing – welcome, or perhaps at best unavoidable, minions. But here’s the point: all the national representatives in the picture, however important they in fact are or purport to be – and including the most important figure among them – are, as a result of the state of their respective domestic organisations, necessarily ailing; let us set aside the term “failing” (for the moment). The coincidence that the monistic world system is ruled (and/or adorned) exclusively by powers that, financially, and to some extent also economically, are highly precarious – not least in terms of their domestic political capital – has not come about by chance; it is inherent in the laws governing the behaviour of monistic systems.

This financial and economic vulnerability arises from the thorny problem that their internal organisation is *too expensive* and/or ultimately *not productive enough*; they are all struggling with an obvious politico-economic asymmetry between claimant groups and net contributors to the redistributive welfare state. The result of this is that the productive forces in society are constantly “punished” and financially weakened while too much money is poured into less productive areas by the state. There are of course considerable differences in this respect between, say, France and Germany, but these are disparities merely of gradation rather than of essence. A state that redistributes in all directions, as it were, generates a large number of “entitled” parties who have a singular interest in ensuring that the structure that has been created is maintained or even expanded: cultural producers, lawyers, auditors – these, and legions of other beneficiaries like them who indirectly hang at the teat of the “welfare” system, would be the last to call that system into question. They form a network that is relatively reliable politically but which in terms of numbers can only be described as oligarchic. Lagging productivity, with simultaneous growth in claims, results in what we described earlier as implicit incrementalism – a force that acts both endogenously and exogenously on a given society.

The *Achilles heel* of this type of internal organisation is without doubt its *financing*. Over the long term, spending more than you earn is bound to be problematic, even in a monistic system. The options for increasing taxes vary from country to country, but are limited overall. (Even President Hollande was unable to introduce his proposed tax rate of 75 percent for the highest earners.) Taxes that are too high will eventually also intrude upon the “network ... which ... can only be described as oligarchic” and hobble the economy; they can thus also be politically hazardous. There are two means of redress for the appendages of monistic systems in collecting finances for the fiscus: unconventional, and often entirely arbitrary, punitive taxation or an attempt to open up a tax revenue base beyond their sovereign territory. Both kinds of taxation have increased sharply over the last 25 years, emulating in the fiscal world the implicit incrementalism described above.

The Treasury’s first escape route affects companies in particular: as the Gordian knot of rules and regulations becomes ever more tangled, the risk of breaching them increases in lockstep. Criminalisation of circumstances that in the normal run of events could be settled or discharged between private individuals allows the State to tap a new source of revenue, and the number of penalties exacted from companies, principally in the USA but now in ever greater numbers in the European Union as well, has increased dramatically in recent years. This increase has also seen a growth in the “network... which... can only be described as oligarchic” of lawyers, auditors and consultants that is inextricably bound up with the system. This form of taxation is typically predicated on a morality that we may describe as the “metaphysics of the political”. And the *ostracism and condemnation of managers* in the busi-

ness community – banks in particular – is part and parcel of this unconventional taxation plot.

We do not intend to elaborate further here on the second escape route (a search for a tax base beyond the state's sovereign territory), but it seems apparent to us that a monistically justified claim to fiscal sovereignty will be limited neither to the property of its own citizens abroad nor to their income, nor yet to taxing international companies domiciled in non-US jurisdictions; its logical goal must be the prospect of a comprehensive *global tribute economy*. We shall note only in passing that individual interests will begin to collide with force and endanger the system from within, even in a monistic system. Not for nothing is the OECD militating for higher supervision of corporate taxation. (Sometimes such deals can even be effected without cross-border agreement; FATCA was imposed unilaterally on the rest of the world by the USA in just such a fashion with ne'er a thought of reciprocity.) *Quod licet Iovi, non licet bovi*.

CHAPTER 6

Powerless capital

The capital market – which allows the sale of bonds, against which interest is expected and repayment anticipated – is all that remains to plug the financing gaps. Under genuine market conditions, the probability of repayment would be among the factors determining interest-rate levels and these would most certainly not be close to zero, especially given current financial circumstances. But the monistic system, coinciding as it does with immensely high indebtedness, creates a situation in which there are no genuine market conditions. Instead, the central banks – which are equally bound up in the monistic system – are used to ensure that not only are interest rates kept exceptionally low but that a gigantic payment commitment has the potential to replace the capital market as the purchaser of sovereign debt at any given moment. This technique, known as “quantitative easing”, has been deployed on an industrial scale, eliciting an *anticipatory effect* that far exceeds it (namely that such a policy may be used again at any time, should the “need”, whatever that may mean, arise); the upshot is that capital markets are being severely *distorted* and capital is being insufficiently compensated.

Such circumstances are possible only through a combination of the monistic power system and the monopoly of its central banks, and we are increasingly coming to the conclusion that the all-too-recurrent problems in the financial system are ultimately attributable to this double monopoly. Capital is unable to exert its “power”, as it is ultimately denied any option to choose, thus negating the informational value and disciplining effect of the capital market – in other words, precisely those forces that the highly indebted countries dread most. Under the banner of maintaining the stability of the financial system (a concept that likewise belongs to the realm of political metaphysics),

a gigantic conglomerate of guarantors is being operated to prop up ailing state budgets. This conglomerate counts amongst its number the central banks (including the Swiss National Bank), the World Bank, the IMF, agencies such as the OECD, as well as individual, seemingly more solid, countries such as Germany and the immeasurably large USA. And they all toe the line and play their part, just as Mme Lagarde did recently, for example, when she warned against “deflationary tendencies” in the eurozone before recommending unflinching adherence to the policy of maintaining historically low interest rates. Naturally, no mention was made of the true objective – the continuation of comfortable state financing via a dysfunctional capital market.

Capital has its work cut out in a monistic system, as, economically speaking, it cannot “function” correctly. An example: as soon as yet another trouble spot flares up somewhere in the world, rather than reacting logically (i.e. seeking to spread the risks as widely as possible across a range of currencies in various parts of the world and among different debtor categories), precisely the opposite occurs: assets are concentrated in the currency and debt instruments of the locus of power, in other words in US dollars and US treasuries.

More problematic and more fundamental still is the implicit expropriation effect induced by the monistic system: investors are largely denied risk-appropriate compensation on sovereign debt and the only vaguely sensible alternative in the fixed-income sector is to be found in corporate bonds. Vast amounts of security-oriented capital has now been diverted into the risk-fraught equity market in order to take advantage of the cash flow from so-called “dividend pearls”. Here is where the price for distorting the currency and capital markets through a combination of monistic power and monetary policy is exacted: in the partial or complete absence of compensation for risk incurred and/or in the almost compulsory assumption of excessive risk in order to achieve even a scrap of return. Nothing less than an accident waiting to happen. This constellation, which experts now also refer to as “financial repression”, hollows out the earnings of investors, and thus of savers and the ultimate beneficiaries of pension fund assets.

Financial repression as a monopolistic problem: we have yet to come across this microeconomic interpretation of a macroeconomic phenomenon in the current literature, and the notion could certainly use some analytical fleshing out. For now, we shall content ourselves with positing this thesis and returning our attention to its global political aspects.

CHAPTER 7

The future: regional conglomeration

At the beginning of this *bergsicht*, we dwelt on the inconsistency and anachronism of the “heads of the leading industrial nations” gathering around their table and, in particular, we cast doubt upon their moral

claims. We then extrapolated a little theory on monistic power systems and came to the conclusion that the world had hitherto exhibited monistic characteristics, with power lying in the hands of certain persons and the authorities they represented, and that these were among those depicted in the image. So what is true? Is the image anachronistic and inconsistent or not?

Well, our response to a contradiction of our own creation is as follows: yes, it is anachronistic and inconsistent. Because of Putin. With his intervention in Ukrainian and Crimean affairs, for the first time since the end of the Cold War, someone has put some weight behind seriously invalidating the monistic claim on power; not just calling it into question or sniping from the sidelines – entirely abrogating it. And, with the exception of a few trivial sanctions, the other side has been incapable of reacting. There was no talk of “black-lists”, as had been threatened in Switzerland on several occasions, nor yet of Europe doing without Russian gas. No word of a blockade of the Dardanelles. No mention of stationing NATO troops on the Eastern Ukrainian border, as the former German Minister for Family Affairs, now the Defence Minister, Ursula von der Leyen has demanded. The *Neue Zürcher Zeitung* dubbed this “western prudence”. We believe that the monistic system ostensibly representing the global community has failed for the first time.

Why? Because Putin’s deed is a highly visible piece in the wider puzzle of a world reconfiguring itself. Two months ago in the fifth edition of *bergsicht* (“Renationalising the world?”), we pointed out nationalistic elements in the new economic policy adopted by Abe, the Japanese prime minister, and highlighted the major investments being made in the arms industry. We have collected further material on the subject of renationalisation in the meantime, addressing such topics as the Chinese government’s take on world politics, and here too there is a strong sense that things are heading towards hegemony. Back then we wrote that the ideas of the old world are on a pre-programmed collision course with the hegemonic notions of the *arrivistes*, but that such a development would take shape so quickly in the real world was at the time way beyond our wildest imaginations. But here we are. And now it’s time to imagine the “world afterwards”, in the wake of the demise of western monism.

The first question: is open conflict between the West and Russia looming because of Ukraine? We think this is unlikely. The price to be paid by both sides would be too high, and Ukraine is of too little overall consequence. This will remain true as long as reason and cool calculation hold sway, but accidents in the sense of knee-jerk reactions can of course not be ruled out entirely – even for a KGB-hardened chess player or the “heads of the leading industrial nations”.

Equally, in our opinion, it is fairly *unlikely* that the world will *fall apart*, as it were, or that actual walls and border fences will be put back up. The advantages of generally accepted rules and precedents are also all too apparent, and there is little gainsaying the advantages of global trade and the free movement of capital. Will renationalisation return to displace transnational

organisations and treaties? It would be difficult to imagine purely interstate solutions in which the real terms of trade were regulated by what would amount to a gigantic nexus of bilateral free trade, service and double taxation agreements, as such an arrangement would require monstrous investment and effort. Instead, we anticipate the advent of *regional “hubs” around the world*, a system of network nodes whose rules are fixed and/or specified and whose participants will amalgamate into a kind of internal market; the high-level challenge for organisations like the WTO will be to prevent such hubs from becoming protectionist snares.

The allure of such regionalisation of the world will ultimately reside in the end of the monistic system. Competition between systems – which has hitherto been largely impossible, hence the coincidence of extreme indebtedness among the “leading industrial nations” – will thus not only be possible, but highly probable. Autonomous currencies with autonomous payment systems would be part of this regionalisation (we assume that Putin is aware of just how vulnerable revenue streams for commodity purchases remitted in US dollars are, even if they are routed via neutral Switzerland, but that’s a matter for another day). Capital will once again be able to exert its “power” by efficiently withdrawing from one location in order to be available at a more advantageous one.

CHAPTER 8

Strategic work is called for

This is some cause for optimism. To be perfectly candid, until fairly recently, we took a rather gloomy view of the chances of the world’s financial system being able to free itself from the clutches of the cash-strapped debtor nations, as the only genuinely effective precondition for forcing a system-wide political clean-up – *capital scarcity* – was nowhere in evidence. Competition between regional hubs and a number of viable global currencies will swiftly change and improve the situation as the prospect of systemic competition will have an anticipatory effect and hasten a return to “normal” macroeconomic conditions. But that’s enough macroeconomics for now.

As far as the microeconomics of companies is concerned, we wonder if a multinational company – which is organised to the nth degree and where all regional redundancies have been eliminated – will survive the end of the monistic world order. The structuring of firms by technical specialisation and of powerful sales forces by country and region certainly has considerable (cost) advantages – you can carry out research where the best scientists are, manufacture things where low-cost expert staff are available, go looking for financial backing where the capital markets are most efficient, allow management free rein where it is most socially acceptable – and many international concerns are more or less set up like this; in a globalised world that is largely dominated by a monistic system, it is hard to see any downsides.

A networked company – which at first glance seems to be operating less according to considerations of efficiency – delegates responsibilities in departments such as research and development, but also in manufacturing, to decentralised units. It thus risks duplication of effort, as we have mentioned, but has the advantage of flexible interfaces and pre-determined stress points that may make the difference between life and death in extreme circumstances. However good the tight ship of a centralised treasury department may be at saving money, it is equally adept at generating dangerous transfer risks that would be eliminated by decentralised financing; there are certainly examples of companies that are set up in this manner. The logic of global pluralisation suggests more *regional solutions* for corporate structures are likely to emerge.

It is another question altogether how a certain Alpine republic – hitherto informally embedded in the monistic system although nominally independent, then as now – should comport itself in a regionalising world. We have, for the moment, had recourse to tried-and-trusted neutrality – long a *shibboleth* across the entire federal administration, although the appeal of the doctrine has been rediscovered in the face of a rather rocky incumbency as chair of the OSCE – but whether this return to old principles will survive the expediency of the hour, or how matters will turn out if the “heads of the leading industrial nations” do indeed pluck up the courage for more swingeing sanctions, is anyone’s guess. The strategic challenge over the medium and longer term is to decide whether we would rather plump for settling down in a regional hub (which for good or ill would be Europe, as we can’t up sticks and move our country) or if there is a way of greater independence, to remain – or even to more absolutely become – what we already are: a truly global player.

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