

On new and old crises - two poems and one aphorism

A (feuilletonistic and non-technical) contribution of sorts to a "Crisis Colloquium",
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I have taken the liberty of consulting Wikipedia on the term this colloquium is about. This is what an anonymous wikipedist at IP address 68.153.39.82 has to say about it:

A [crisis](#)¹ (plural: "crises"; adjectival form: "critical") (from the Greek κρίσις) is any unstable and dangerous social situation regarding economic, military, personal, political, or societal affairs, especially one involving an impending abrupt change. More loosely, it is a term meaning 'a testing time' or 'emergency event'.

The page includes a link to "financial crisis" and explains (wrongly or rightly, I cannot tell) that "A financial crisis may be a banking crisis or currency crisis".

Here is an account of my own very personal experience with the most recent crises.

The banking crisis. Banks crashed, some really, some only just. I was not greatly affected, I must admit. The Moodys and S&Ps still seem to hold my bank in the highest esteem (for what it's worth). My savings did not dwindle. They had apparently not been invested in toxic assets (yet).

I have no first-hand experience either with the [EURO crisis](#)². I did not spend my holidays in Greece or in any of the other [PIGS](#)³. Now it is [on the rise again](#)⁴, our EURO – thanks to whom? Well, not to the Swiss Frank (the Zurich gnomes still seem to be more trustworthy). So better don't vacation in Switzerland.

I have not been sacked and we can still make ends meet (we are not down on our uppers), as BILD so righteously pointed out on 20 August ("[Die Luxus-Privilegien der Eurokraten](#)"⁵). Or, heaven forbid, I do not need to make a living on 359 € a month. We still own our house.

So, I was asking myself, am I a Hans in Luck? Is this my party? Or should I take the role of the devil's advocate this afternoon? What crises? Whose crises?

Upon jotting down the word "devil" (it was "diaboli" at first) it occurred to me that there might indeed be something devilish about these alleged crises. I actually remembered a very old crisis and decided that to the two poems I originally had in mind I should add a third one, or at least a quasi-poetic prelude.

Yes, those sophisticated financial instruments have been invented (or constructed?) by the devil. Once upon a time there was an emperor who was running out of gold and risked losing his empire. The devil came to his rescue as you will readily recall if you made it to form 13 of a German high-school (45 years ago!):

FAUST : PART II, Act I:

[PLEASURE GARDEN, MORNING SUN](#)⁶

EMPEROR. COURTIERS.

¹ <http://en.wikipedia.org/wiki/Crisis>

² http://www.flassbeck.de/pdf/2009/11.2.2009/Cracks%20in%20Euro_final.pdf

³ http://en.wikipedia.org/wiki/PIGS_%28economics%29

⁴ <http://www.nytimes.com/2010/08/10/business/global/10inside.html>

⁵ <http://www.bild.de/BILD/politik/2010/08/20/die-luxus-privilegien-der-eurokraten/hohe-gehaelter-ueppige-zulagen-fette-pensionen.html>

⁶ <http://www.levity.com/alchemy/faust24.html>

Faust and Mephistopheles, dressed becomingly, not conspicuously, according to the mode; both kneel.

Stewart, commander-in-chief, chancellor and treasurer are full of praise for what Mephistopheles has done. All bills are paid!! And Mephistopheles confirms:

<i>Nor gold nor pearls are half as handy as Such paper. Then a man knows what he has. There is no need of higgling or exchanging; In love and wine one can at will be ranging. If you want metal, changers are at hand; If lacking there, dig for a while the land. Goblet and chain are auctioned off and sold; Paper redeemed without delay in gold Confounds the doubter who had scoffed and taunted. This men demand, to metals they are wanted. Ready at hand the Emperor's realm will hold Henceforth enough of paper, jewels, gold.</i>	<i>Ein solch Papier, an Gold und Perlen Statt, Ist so bequem, man weiß doch, was man hat; Man braucht nicht erst zu markten, noch zu tauschen, Kann sich nach Lust in Lieb' und Wein berauschen. Will man Metall, ein Wechsler ist bereit, Und fehlt es da, so gräbt man eine Zeit. Pokal und Kette wird verauktioniert, Und das Papier, sogleich amortisiert, Beschämt den Zweifler, der uns frech verhöhnt. Man will nichts anders, ist daran gewöhnt. So bleibt von nun an allen Kaiserlanden An Kleinod, Gold, Papier genug vorhanden.</i>
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(George Madison Priest, translator)

After all, that devilish paper can without delay be redeemed in gold!! Or so the devil claims! He likely exaggerates. Be that as it may, it has of course changed in the meantime. Gold has been replaced by ... hot air? good will? trust? in what? perhaps our oil in foreign sands? And paper is gradually being replaced entirely by bits and bytes, magnetic traces and flip-flops in electronic storage devices. But this is probably a mere technicality.

By the way, if we are to believe the Swiss economist [Hans Christoph Binswanger](#)⁷, Goethe did not make this story up at all. He was, after all, the minister in charge of economic affairs in the little dukedom of Weimar. His alleged model though was Louis XV or, rather, the then regent, Philippe II, Duke of Orléans, who appointed [John Law](#)⁸, an inventive Scotsman, to the post of Controller General of Finances of France. I quote from an [interview](#)⁹ with Binswanger in the Sankt Gallener Tagblatt (3 June 2005): "*It is well known that the French regent who invited Law to the Court was constantly in need of money. To help him out he at first employed a group of alchemists. But when Law explained to him his theory of paper money he dismissed them all. He understood that the neo-alchemist John Law would be far more successful than those magicians of the old school.*"

Again, by the way, Law was responsible for some of the worst financial-economical crises in pre-modern (if that historical qualification exists) France, leading to the so called "[Mississippi bubble](#)"¹⁰ (Louisiana in those days was a French colony) and the complete collapse of the Banque Generale (that he had founded). He was indeed a wheeler-dealer par excellence (ending, incidentally, as a pauper, somewhere in Italy).

A typical case of casting out devils by Beelzebub! A popular strategy ever since, as very recent events clearly seem to confirm. ([Paulson](#)¹¹, [Summers](#)¹², [Geithner](#)¹³?)

⁷ http://www.alexandria.unisg.ch/Personen/Hans-christoph_Binswanger

⁸ http://en.wikipedia.org/wiki/John_Law_%28economist%29

⁹ http://www.iep.uni-karlsruhe.de/download/Die_Magie_des_Geldes.pdf

¹⁰ <http://mshistory.k12.ms.us/articles/70/john-law-and-the-mississippi-bubble-1718-1720>

¹¹ http://en.wikipedia.org/wiki/Henry_Paulson

¹² http://en.wikipedia.org/wiki/Lawrence_Summers

¹³ http://en.wikipedia.org/wiki/Timothy_Geithner

Mephistos seem to be given free rein in the domains at issue. ([Friedman](#)¹⁴ and the "[Chicago boys](#)¹⁵", the "[Washington Consensus](#)¹⁶"?)

As we have now already entered the realm of poetry I should no longer withhold the two stanzas I had in mind when I thought about the subject matter of this colloquium, about some of its more foundational aspects, rather.

The first one is in Caput I of [Heinrich Heine](#)'s¹⁷ [Winter's Tale](#)¹⁸. Although there it appears to be situated in the context of theist ideologies it is an equally fitting comment on more mundane austerity measures ("Sparpakete" and the like):

<i>I know the tune, I know the text, I even know the honourable authors. O yes, they took to wine in secrecy, And publicly preached waters.</i>	<i>Ich kenne die Weise, ich kenne den Text, Ich kenn auch die Herren Verfasser; Ich weiß, sie tranken heimlich Wein Und predigten öffentlich Wasser.</i>
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It jars a bit, my home-grown English version, but you get the gist of it.

No, no, I do not want to denounce the members of our political class. Sure, some of them do like to take to wine, in some EU Member States more so than in others, although chances to get really drunk mostly are limited. But they do seem to cater to the big-time wine connoisseurs and to widen the gulf between those and the rest of humanity. Do they really want this? Can they not help it? And if so why?

Do we (the rest of humanity) really want this? I doubt it.

And who is really in power? At this point it may be fitting to mention an interesting but apparently not very eagerly embraced branch of sociology, called "[power structure research](#)¹⁹", initiated in the 1950s by the American sociologist [Charles Wright Mills](#)²⁰. Current representatives include [William Domhoff](#)²¹ and, in Germany, [Hans-Juergen Krysmanski](#)²². Their web sites are worth visiting.

Anyway, my good friend [Bertolt Brecht](#)²³ put in a nutshell what seems to be a basic law of the now universally prevailing economic order, characterised, in Friedmanian terms, by "[Capitalism and Freedom](#)²⁴". In 1934, not long after the economic crisis with the most catastrophic (long-term) consequences (so far), he wrote under letter "R" of "[Das Alfabet](#)²⁵":

<i>Rich man and poor man faced each other in a van; said the poor one with a twitch: Were I not poor you wouldn't be rich.</i>	<i>Reicher Mann und armer Mann standen da und sah'n sich an, und der Arme sagte bleich: Wär' ich nicht arm, wär'st du nicht reich.</i>
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(Again, my amateurish translation.)

¹⁴ http://en.wikipedia.org/wiki/Milton_Friedman

¹⁵ http://en.wikipedia.org/wiki/Chicago_Boys <http://www.naomiklein.org/shock-doctrine>

¹⁶ <http://www.iie.com/publications/papers/williamson0904-2.pdf>

<http://www.watsoninstitute.org/bjwa/archive/9.2/Feature/stiglitz.pdf>

¹⁷ http://en.wikipedia.org/wiki/Heinrich_Heine

¹⁸ http://en.wikipedia.org/wiki/Germany:_A_Winter%27s_Tale

¹⁹ <http://pages.uoregon.edu/vburris/whorules/>

²⁰ http://en.wikipedia.org/wiki/C._Wright_Mills

²¹ <http://sociology.ucsc.edu/whorulesamerica/>

²² <http://www.uni-muenster.de/PeaCon/krysmanski/>

²³ http://en.wikipedia.org/wiki/Bertolt_Brecht

²⁴ http://www.thirdworldtraveler.com/Economics/Milton_Friedman_Unmasked.html

²⁵ <http://free.pages.at/brecht-archiv/gedichte/003.html>

A few years earlier Brecht, in his [Three-Penny](#)²⁶ story, had the comparatively small-time crook Mackie Messer (or was it Peachum?) come up with a nice piece of good advice: “[Why rob a bank when you can set up one?](#)²⁷” An advice that surely has retained its currency to this day, especially in view of the recent massive bail-outs and the top-ups our able and well-trained bankers receive for their valuable services (against which a eurocrat’s pay pales). (I am not quoting the beginning and ending of Mackie’s line, though. And, no, this has not been the aphorism yet.)

Back to more serious matters. Yes, of course, there has been a crisis. Decisions of great import had to be taken, lest a vital system break down and cease to function. And, yes, people have been affected, and do suffer, some greatly so. We heard, saw, read about it in "the media", high-level and low-level alike. And there have been plenty of analyses (the “[Future of Capitalism](#)²⁸” in the “[Financial Times](#)²⁹”, for example). We also hear that the crisis is not over yet, that the worst is still to come. While this may be true it is worth taking note of the aphorism (one of my favourites, and at last!) coined more than a hundred years ago by the British novelist and satirist [Samuel Butler](#)³⁰ (1835-1902):

“The most important service rendered by the press and the magazines is that of educating people to approach printed matter with distrust.”

Today, of course, he would have included Radio, TV, and the innumerable Blogs on the Internet. And he may just as well have included the many essays and pamphlets produced by highly reputed economists. It would be good if Butler’s assertion were true. Unfortunately, sizeable factions of our media do not even bother to make people doubt anything. They tend to do exactly the opposite, often lulling people, catering to trends the Italian linguist-philosopher [Raffaele Simone](#)³¹ describes in terms of “three commandments” (I quote from an [interview in Le Monde](#)³², 12 September 2010):

(1) *Le premier commandement est consommer. C'est la clef du système. Le premier devoir citoyen. Le bonheur réside dans la consommation, le shopping, l'argent facile, on préfère le gaspillage à l'épargne, l'achat à la sobriété, le maintien de son style de vie au respect de l'environnement.*

(2) *Le deuxième commandement est s'amuser. Le travail, de plus en plus dévalorisé, devient secondaire dans l'empire de la distraction et du fun. L'important, c'est le temps libre, les week-ends, les ponts, les vacances, les sorties, les chaînes câblées, les présentatrices dénudées (et pas que dans la télé de Berlusconi), les jeux vidéo, les émissions people, les écrans partout.*

(3) *Le troisième commandement c'est le culte du corps jeune. De la jeunesse. De la vitalité. L'infantilisation des adultes. Ici le "monstre doux" se manifeste de mille manières, terrorise tous ceux qui grossissent, se rident et vieillissent, complexe les gens naturellement enrobés, exclut les personnes âgées.*

Debatable, sure, yet well observed, as far as I can tell.

²⁶ http://en.wikipedia.org/wiki/The_Threepenny_Opera

²⁷ http://books.google.com/books?as_isbn=0292706383

²⁸ <http://www.ft.com/indepth/capitalism-future>

²⁹ <http://www.ft.com/>

³⁰ http://en.wikipedia.org/wiki/Samuel_Butler_%28novelist%29

³¹ http://fr.wikipedia.org/wiki/Raffaele_Simone

³² http://www.lemonde.fr/politique/article/2010/09/12/pourquoi-l-europe-s-enracine-a-droite_1409667_823448.html

But apart from mediating a reality, media also define and generate – it is often not quite obvious on whose behalf or for whose benefit - a reality of their own, setting trends and creating mindsets, even talking/writing crises (viz. fear and panic) into existence. It may well be partly based on what the psychologist [Carl Gustaf Jung](#)³³ once called the “[collective unconscious](#)³⁴”.

Political structures, the economy, the media, plus other elements of our social fabric: they determine key dimensions of our specifically human environment, the system we as individuals are parts of. As an ex-mathematician of sorts I like to view societal phenomena in terms of [Dynamical Systems](#)³⁵ theory. Crisis is a household concept in that theory, usually occurring as either “[chaos](#)³⁶” or “[bifurcation](#)³⁷”. So it should not come as a surprise to see this sort of thing happening in socio-economic systems as well, systems that are about as complex as it can get (in particular given that millions, billions of brains are involved).

But I would like to end on a positive note. We should not give up the enlightened optimism, encapsulated in [Gotthold Ephraim Lessing](#)'s³⁸ famous dictum “[Kein Mensch muss muessen](#)³⁹” (“For humans there is no such thing as a must”, apart from dying and a few other bio constraints), and interpreted by [Friedrich Schiller](#)⁴⁰ in his essay “[Ueber das Erhabene](#)⁴¹” (“[On the sublime](#)⁴²”). I still believe that this also applies, *mutatis mutandis*, to our societies at large, even if viewed globally.

We may appear to be a self-organising system, abiding by natural laws, if studied from afar by martians. But we know we can deliberately organise ourselves, we can be both subject and object, we can set the law, locally and globally, and may thus be capable of preventing the ultimate crisis, the ultimate negative externality of our economic activities - lubricated by dollars, yuan renminbi, perhaps euros, and of course all sorts of hotly contested natural resources; a crisis that would entail the risk of the ultimate chaos, and the destruction of the basis of human life on this planet.

Let’s keep our fingers crossed! Thank you.

³³ http://en.wikipedia.org/wiki/Carl_Jung

³⁴ http://en.wikipedia.org/wiki/Collective_unconscious

³⁵ http://www.scholarpedia.org/article/Dynamical_systems

³⁶ <http://www.scholarpedia.org/article/Chaos>

³⁷ <http://www.scholarpedia.org/article/Bifurcation>

³⁸ http://en.wikipedia.org/wiki/Gotthold_Ephraim_Lessing

³⁹ <http://www.archive.org/details/lessingsnathanw00lessgoog>

⁴⁰ http://en.wikipedia.org/wiki/Friedrich_Schiller

⁴¹ <http://gutenberg.spiegel.de/?id=12&xid=2405&kapitel=1&cHash=f02826dfcf2>

⁴² <http://www.studiocleo.com/librarie/schiller/essay.html>