

III. Economics

EUROPEAN ECONOMIES

A Descent into the Maelstrom —and How To Escape It

by Alexander Hartmann

The author gave this presentation in October 2023 at an Impulswelle Zürich seminar.

October 2023—Do you know Edgar Allen Poe’s short story, “A Descent into the Maelstrom”? It is highly topical, because it provides us with an educationally useful metaphor for our current situation.

In this story, Poe describes how two men in a small boat get caught in a storm at sea that drives them into the maelstrom. The two men react very differently to this situation.

One, paralyzed by his fear, ties himself to the boat’s mast to avoid being washed into the sea; but he is pulled into the abyss along with the boat, and dies.

The other sees the sublime nature of the spectacle in the apparently hopeless situation, and finds in this aesthetic moment the inner peace that allows him to look at things as if he were an outsider, and not in the middle of the storm and the whirlpool. He realizes that only large and heavy things are pulled into the abyss by the whirlpool, but smaller and lighter objects circle the abyss without falling into it. Instead of clinging to the ship, he ties himself to a barrel and jumps from the seemingly safe ship into the swirling water. The barrel holds him above the abyss until the storm subsides and the change of tide brings the maelstrom to a standstill. He survives.

The Maelstrom of Deindustrialization

This story describes the situation in the Western economies quite well. Financial speculation, the Great

Reset, the sanctions and the confrontation with Russia and China, as well as the economic war of the U.S.A. against the rest of the world, have, in their combined effect, created a storm and a maelstrom that is dragging [Europe’s] manufacturing economy, especially the middle class, into the abyss.

This is especially true for Germany. Caught between dramatically increased production costs and fall-

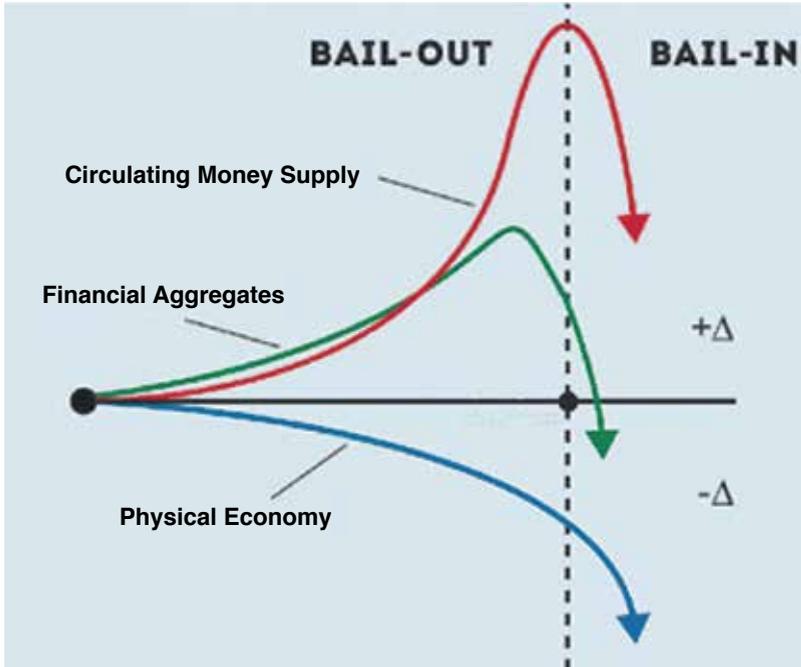


A volunteer puts up a new BüSo party poster in Germany with the message, “Work with the BRICS, Vote out the warmongers!”

ing sales figures, more and more companies in Germany are preparing to emigrate—to China, the U.S.A., or elsewhere. According to a survey conducted by the Association of German Chambers of Industry and Commerce (DIHK) in Autumn 2023, 43.4% of all German industrial companies with more than 500 employees were considering relocating all or part of their capacity abroad. Thousands of other companies, that cannot emigrate for various reasons, are faced with the choice

FIGURE 1

A ‘Triple Curve’ Collapse Function



of either waiting for bankruptcy, or simply giving up. More than 18,000 companies had to file for bankruptcy in 2023, an increase of 23.5%. Germany is sinking into the maelstrom of deindustrialization.

The fact that representatives of the German government deny these facts, or simply do not want to acknowledge them, reminds us of Sebastian Brant’s famous book, *Ship of Fools*, in which the fools argue about who should take the helm of the ship, although none of them has any idea where the promised land of “Narragonia” [a play on the German word *Narr*, or “fool”] is to be found. So, the ship of the German economy is heading straight for the abyss, and it will drag the other economies of Europe into the abyss with it, if they do not manage to get out of the sinking ship and find a lifeboat.

LaRouche’s ‘Triple Curve’ Collapse Function

But the decline of the manufacturing economy is only one aspect of the crisis, the basic mechanisms of which were summarized by the late American economist Lyndon LaRouche in his famous “Typical Curve Collapse Function” (Figure 1). It illustrates three interwoven components of the crisis.

There is the ever-increasing mountain of financial aggregates (the green curve)—in fact, it is a mountain of unpayable debts, which in one form or another are recorded as “assets” in the books of creditors.

In order to finance this mountain of debt, these creditors are withdrawing more and more capital from the rest of the economy, at the expense of the manufacturing economy and the standard of living of the population. We can see the resulting decline of the physical, manufacturing economy in the lower, blue curve.

When the productive economy is no longer able to maintain the apparent value of the financial bubble and it threatens to burst, the central banks tend to delay bankruptcy by increasing the supply of money, and using this liquidity to support securities—this is the red curve, which is rising ever more steeply.

These processes reinforce and accelerate each other. The collapse of the system occurs, LaRouche warned, as soon as the growth of the money supply exceeds the growth of the financial aggregates. And that is exactly where we have arrived.

Since the Global Financial Crash in 2008, the financial aggregates have been supported by the money-printing policy of “quantitative easing,” and interest rates have been reduced to zero in order to prevent the debt bomb from exploding. But this system has already reached its limits.

Where Can We Find a Lifeboat?

So much for the sinking ship. The question is: Where can we find the lifeboat, or at least the barrel that we can hold on to, in order to avoid falling into the maelstrom?

The good news is: This lifeboat already exists. There are countries whose economies are continuing to grow, and that can help us survive the crisis; and, that are willing to do so. These are the countries of the expanding BRICS group.

Even before the new members were admitted in early 2024, the BRICS had surpassed the G7 in terms of economic power, as the following figures from the World Bank show (Table 1).

TABLE 1

Comparison of G7 and BRICS Nations (GDP by purchasing power parity, in U.S. \$ billions)

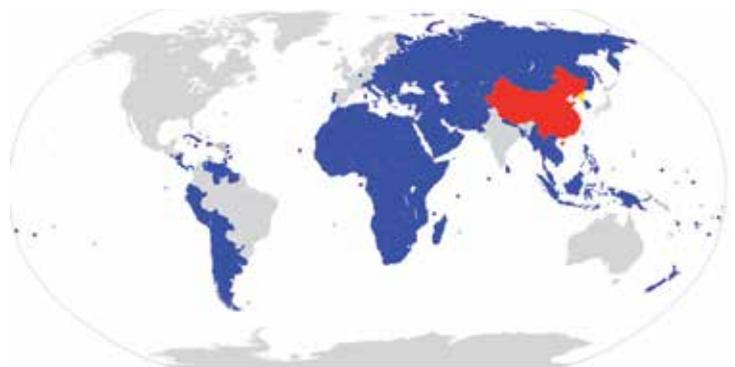
G7	(2017)	(2022)	Change
U.S.A.	19,846.7	25,462.7	(+28.3%)
Japan	5,224.8	5,702.3	(+ 9.1%)
Germany	4,238.8	5,309.6	(+25.3%)
France	2,832.2	3,769.9	(+33.1%)
Great Britain	2,798.0	3,656.8	(+30.7%)
Italy	2,322.1	3,052.6	(+31.5%)
Canada	1,742.8	2,273.5	(+30.5%)
Total	39,005.4	49,227.4	(+26.2%)
BRICS	(2017)	(2022)	Change
China	23,009.8	30,327.3	(+31.8%)
India	8,443.4	11,874.6	(+40.6%)
Russia	3,875.7	5,326.8	(+37.5%)
Brazil	2,989.4	3,837.3	(+28.4%)
South Africa	680.0	952.6	(+40.0%)
Saudi Arabia	1,543.2	2,150.5	(+39.4%)
Egypt	1,223.0	1,674.9	(+36.9%)
Iran	1,044.3	1,600.6	(+53.3%)
UAE	655.8	828.2	(+26.3%)
Ethiopia	264.0	346.9	(+31.4%)
Total	43,728.6	58,700.7	(+34.2%)

Source: World Bank

This global cooperation is closely intertwined with the Belt and Road Initiative (BRI), which was initiated by China in 2013 and translates the ideas discussed at BRICS meetings into concrete economic activities. By July 2023, around three-quarters of the world's countries and more than 30 international organizations had signed agreements to cooperate with China under the Belt and Road Initiative (**Figure 2**).

At its core, this cooperation is about implementing large-scale programs—especially infrastructure programs—in the participating nations, that drive the economic development of those nations, and with great success: If you compare the map of the Belt and Road countries with a world

FIGURE 2
China, and the Nations (in Blue) that Have Joined the BRI



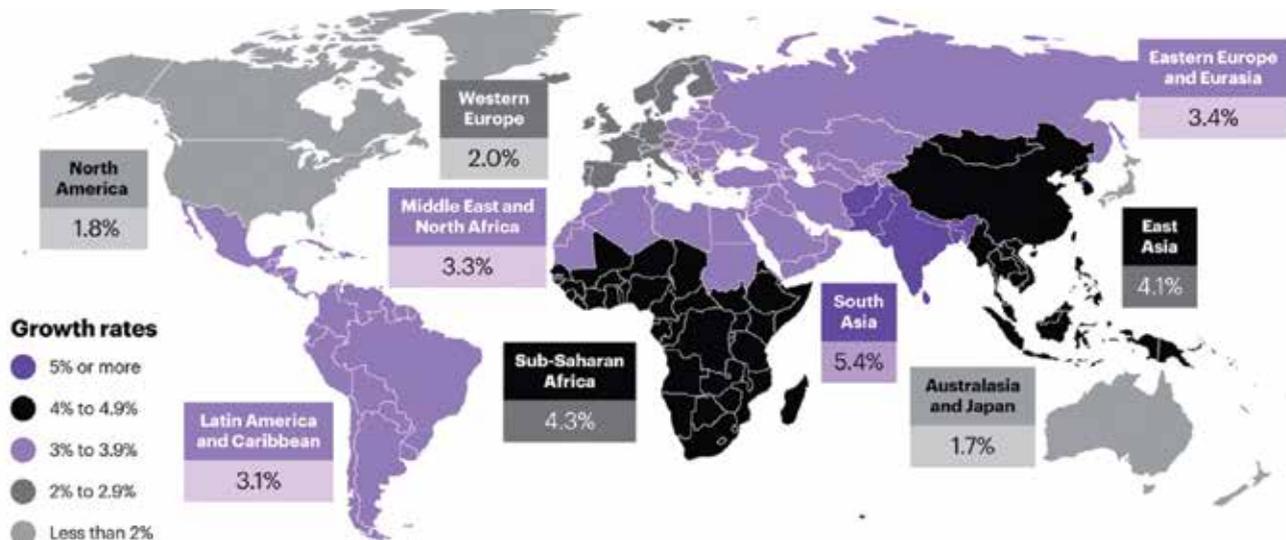
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About three-quarters of the world's countries have joined China's "Belt & Road Initiative."

FIGURE 3

Asia Continues To Lead the Global Economy as Expansion Slows

Real GDP Growth, 2019-2023 (%)



Sources: International Monetary Fund World Economic Outlook, October 2018; Kearney analysis

map that shows the real economic growth of the various regions of the world in the period 2019-23 (**Figure 3**), you will see that all of these regions are experiencing noticeable economic growth—in contrast to the economic misery in the West.

Closely linked to this is the rise of China as a global economic power—and the decline of American influence. Around the year 2000, the U.S.A. was the largest trading partner for around two-thirds of the world’s countries; but this now applies to China. Africa and South America, and even half of Europe, have, in a sense, changed sides, which is why the U.S.A. and the EU are putting great pressure on their satellites to “de-couple” themselves economically from China.

The key to the success of the BRI and the BRICS is the fact that they fill a painful vacuum for the Global South—or the Global Majority, as they also call themselves—because in recent decades the West has effectively pursued a policy of non-development in the Third World. The West systematically uses its influence in the World Bank, the International Monetary Fund, and the other international development bodies, in close cooperation with the Anglo-American financial world, to sabotage the development of other countries—through credit conditions; manipulation of the financial markets; sanctions; and, if necessary, the destabilization and elimination of development-oriented

governments. There have been repeated, staged financial crises that have plunged developing countries into the debt trap and kept them there.

In this environment, the BRICS initiatives have had a liberating effect, not least through the loan offers initiated by the BRICS through institutions such as the BRICS New Development Bank (NDB), the Asian Infrastructure Investment Bank (AIIB), and the BRICS-initiated regional development funds, as well as bilateral agreements to finance investments, by Chinese companies in particular.

A Chinese government white paper published ahead of the Belt and Road Forum 2023 documented the success of the BRI in its ten years of existence. China’s trade with the countries participating in the BRI reached a total of \$19.1 trillion in 2013-2022, with an average annual growth rate of 6.4%. Cumulative mutual investment between China and partner countries reached \$380 billion, of which \$240 billion came from China, according to the white paper.

Political Detachment

This liberation from the yoke of the Anglo-American debt trap is also accompanied by a political detachment from the West by many countries. We can see this, for example, in the attitude of these countries to the economic sanctions against Russia imposed by the

West (Figure 4), which have been adopted practically nowhere outside the West.

From the West's perspective, the international summits of 2023 were a bitter disappointment and a sobering shock: Neither at the ASEAN meeting in Indonesia, nor at the G20 meeting in India, was the West able to enforce its anti-Russian and anti-Chinese positions, and the UN General Assembly in September became a general reckoning of the Global South with the West's anti-development policy. There was no sign of the desired isolation of Russia and China at the Eastern Economic Forum in Vladivostok, the St. Petersburg Economic Forum, or the Belt and Road Forum in China.

The admission into the BRICS group of Saudi Arabia and the United Arab Emirates (UAE), with the enormous financial resources of their sovereign wealth funds, will significantly increase the financial opportunities of the BRICS, and thus significantly accelerate the overall process. In this context, there is also intensive discussion about the creation of a new reserve or settlement currency for the BRICS.

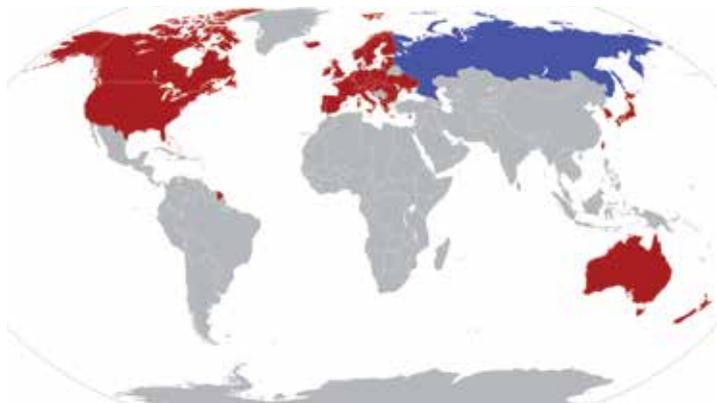
But it is not just the financial architecture that is being discussed, but also the rules of international relations in general. In view of the escalating crisis, Helga Zepp-LaRouche, the leader of the Schiller Institute, formulated "[Ten Principles for a New International Development and Security Architecture](#)" last year, which are intended to guarantee the sovereignty and right to development of all countries, in order to initiate a general debate on these issues. And these questions are now actually being discussed, and at the highest level.

At the end of September, for example, the Chinese State Council published a 40-page white paper entitled "A Global Community with a Shared Future: China's Proposals and Measures" that aims to tackle humanity's unprecedented crisis with a proposal for a completely new system of international relations based on fundamental philosophical principles and a universal view of man.

Russian President Putin has also taken up the issue of the "Principles of the New International Order" at the 2023 Valdai Discussion Club meeting in Sochi. The most important part of his opening speech was devoted to a vision of what the new paradigm must look like. He criticized attempts to impose one

FIGURE 4

Nations with Financial Sanctions Against Russia



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Roughly 40 countries (in red) have joined the sanctions against Russia (in blue); the rest of the world is refusing to do so.

nation's values on other civilizations:

The civilizational approach opposes these tendencies because it is based on the fundamental, long-term interests of states and peoples—interests that are not dictated by the current ideological situation, but by the entire historical experience and heritage of the past, on which the idea of a harmonious future is based.

If everyone were guided by this, I believe there would be far fewer conflicts in the world and the approaches to solving them would be much more rational, because all civilizations would, as I said, respect each other and not try to change anyone based on their own ideas.

There will always be people who hope to make a profit by swimming in the wake of the powerful, even if this happens at the expense of national interests and national sovereignty. But there are also forces in all countries of the world that are committed to defending the interests, sovereignty and development of their countries.

The BRICS now act like a crystallization nucleus around which all countries that aspire to this can gather, and more and more countries are actually gathering. They see the BRICS as a kind of barrel that we can use as a lifeboat to survive the crisis, the maelstrom that is dragging the Anglo-American dominated Western financial system into the abyss.