

# The Telegraph

## The world's political and economic order is stronger than it looks

Stefan Zweig tells us in *The World of Yesterday* what it feels like when the wheels really do come off the global system



Erasmus sold 1m copies of his books in the early 16th century. He lived to see everything he cherished destroyed as Europe split into two fanatical camps Photo: Alamy



By [Ambrose Evans-Pritchard](#)

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Readers have scolded me gently for too much optimism over the past year, wondering why I refuse to see that the world economy is in dire trouble and that the international order is coming apart at the seams.

So for Christmas reading I have retreated to the "World of Yesterday", the poignant account of Europe's civilisational suicide in the early 20th century by the Austrian writer Stefan Zweig - the top-selling author of the inter-war years.

From there it is a natural progression to Zweig's equally poignant biography of Erasmus, who saw his own tolerant Latin civilization smothered by fanatics four centuries earlier.

Zweig's description of Europe in the years leading up to 1914 is intoxicating. Everything seemed to be getting better: wealth was spreading, people were healthier, women were breaking free.



Even during

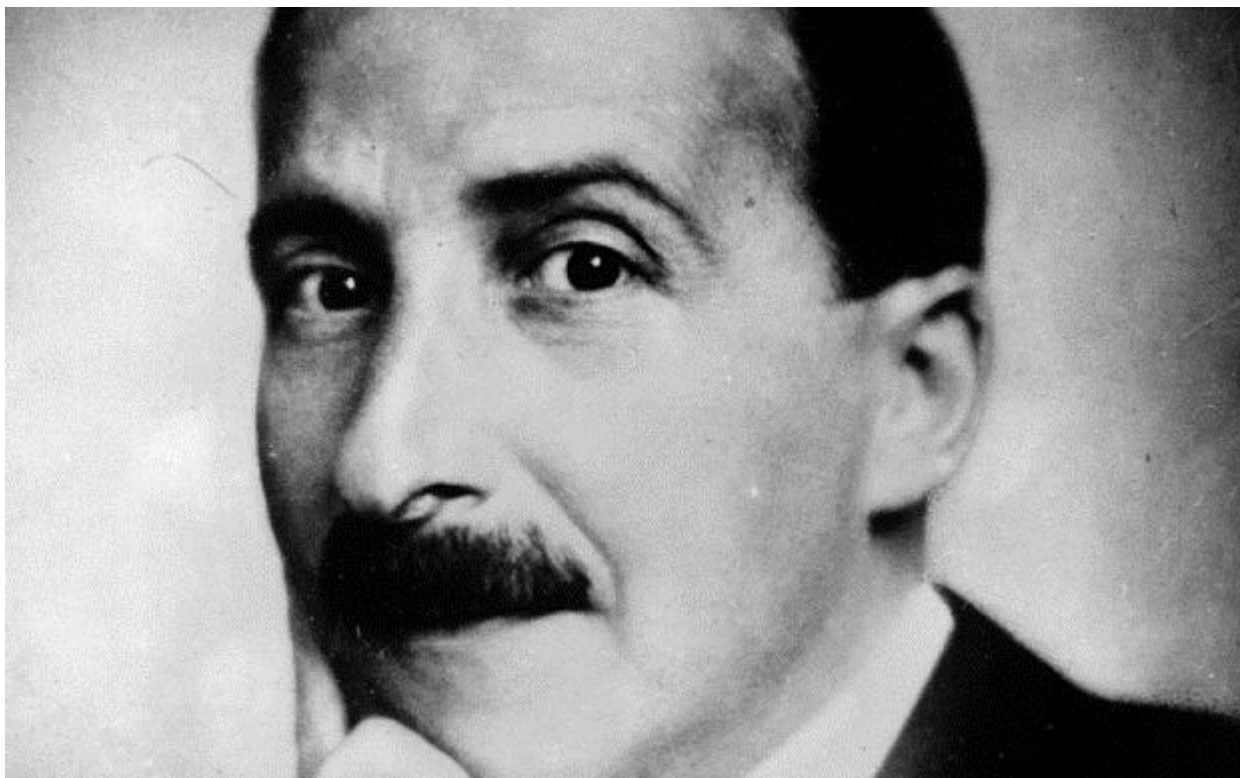
the slaughter of the First World War, Europe still had a moral conscience

He could travel anywhere without a passport, received with open arms in Paris, Milan or Stockholm by a fraternity of writers and artists. It was a cheerful, peaceful world that seemed almost untainted by tribal animosities.

It was not an illusion, but it was only half the story. A handful of staff officers at the apex of the German high command under **Helmuth von Moltke** were already looking for their chance to crush France and Russia, waiting for a spark in the Balkans - it could only be the Balkans - that would lock the Austro-Hungarian empire into the fight as an ally.

What is striking in Zweig's account is that even during the slaughter of the First World War, Europe still had a moral conscience. All sides still bridled at any accusation that they were violating humanitarian principles.

Two decades later, even that had disappeared. Zweig lived to see his country amputated, cut off from its economic lifelines, and reduced to a half-starved rump. He saw Hitler take power and burn his books in Berlin's Bebelplatz in 1933, then in stages extend the ban to France and Italy.



Stefan

Zweig

He saw what remained of Austria extinguished in 1938, and his friends sent to concentration camps. As a Jewish refugee in England he slipped from stateless alien to enemy alien. He committed suicide with his wife in February 1942 in Brazil, too heart-broken to keep going after his spiritual homeland - Europe - had "destroyed itself".

Erasmus was also the best-selling author of his day, attaining a dominance that has probably never been challenged by any other author in history, except perhaps Karl Marx posthumously. More than 1m copies of his works had been printed by the early 16th century, devoured by a Latin intelligentsia in the free-thinking heyday of the Renaissance, chortling at his satires on clerical pedantry and the rent-farming of holy relics.

But after lighting the fire of evangelical reform, he watched in horror as the ideologues took over and swept aside his plea that the New Testament message of love and forgiveness is the heart of Christianity.

They charged headlong into the Augustinian cul-de-sac of original sin and predestination, led by Martin Luther, a rough, volcanic force of nature, or the "Goth" as Erasmus called him.



Christian

Europe split into armed camps rather than yield an inch on abstruse points of doctrine

Luther preferred to see the whole world burn and Christian Europe split into armed camps rather than yield an inch on abstruse points of doctrine. And burn they did. The killing did not end until the Treaty of Westphalia in 1648. By then the **Thirty Years War** had left a fifth of Germany dead. So perspective is in order as we look at the world in late 2015. The fateful rupture between the US and China that many feared has not in fact happened. Washington has so far managed the rise of a rival superpower more or less benignly.

China has just been admitted into the governing elite of the Bretton Woods financial system with the backing of the US Treasury. To wide consternation, Barack Obama and Xi Jinping steered through a sweeping climate change accord in Paris, the template for a new G2 condominium. This is not to deny that the Pacific Rim remains the world's most dangerous fault-line. The South China Sea is on a hair trigger. The US Navy faces the unenviable task of defending the global commons of open shipping lanes without crossing an invisible strategic line.





The South

China Sea is on a hair trigger

Yet the Chinese hubris that seemed so alarming four years ago has faded with the dawning realisation that they are not magicians after all - and America is not in decline after all - and that they risk the middle income trap soon enough if they make any further mistakes.

Russia's Vladimir Putin has gained little by overthrowing Europe's post-war order, and seizing a piece of recognized Ukrainian territory by armed force. He has kept Crimea but his attempt to foster revolt in the Donbass through agitators and proxies has fizzled, and in the process he has transformed what was previously a neutral Ukraine into a hostile rampart of the West.

His hopes of dividing the Atlantic alliance have come to nothing. Europe has just renewed sanctions. They are biting deep. The country is shut out of Western capital markets. Unless oil recovers, the Kremlin will have exhausted its reserve fund by 2016, and will face a fiscal crisis by mid-2017.

There are grounds for hoping that the world economy is at last starting to free itself from a low-growth trap. The global savings rate has peaked at 25pc of GDP and seems to be trending down very slowly as China switches to a consumption-led growth model. Or put another way, the underlying imbalance of capital over spending that has bedevilled us for so long is finally correcting.



China is

switching to a consumption-led growth model

Icing the cake, we have the net global stimulus of the oil slump. It is a windfall gain in spending power for importers in Asia and the West. Yet the petro-powers are not cutting their spending *pari passu*: they are running down their wealth funds to prop up their welfare states.

So why is there such populist ferment in the West, and so much political angst? Joschka Fischer, the former German foreign minister, calls it - a little carelessly - the **fascism of the affluent**.

"It is a fear based on the instinctive realisation that the White Man's World is in terminal decline, both globally and in the societies of the West," he said. "It has become increasingly clear that globalisation is a two-way street, with the West losing much of its power and wealth to the East." Perhaps, but his evidence for this chauvenist lurch in America is that Donald Trump is scoring well in the polls. Whether the Republicans will really vote for him in the primaries is questionable, and US elections are prone to wild moments. We forget too easily that Texan billionaire Ross Perot won 19pc of the presidential vote in 1992 with a third-party bid on a protectionist platform.

As Washington correspondent in the early 1990s I covered the Oklahoma bombing - America's worst act of home-grown terrorism - and the sudden eruption of state militia movements, mostly blue collar workers from states like Texas, Oklahoma or Montana, who had fallen through the bottom of the globalised economy and spent their weekends training with assault rifles for a showdown with the "Feds". This weird revolt spread like wildfire and then disappeared again as the labour market tightened.



US

elections are prone to wild moments

Mr Fischer is closer to the mark on Europe but there is a glaring omission in his diagnosis. He never mentions monetary union, which has, for very complex reasons, ensnared the eurozone in a seven-year depression.

Output has yet to match its earlier peak in 2008. The overall damage has been worse than the equivalent period from 1929 to 1936. There are still 17.2m unemployed in the eurozone, and the **youth jobless rate** is still 47.9pc in Greece, 47.7pc in Spain, 39.4pc in Italy, 31.8pc in Portugal and 24.7pc in France.

The underlying deformities of the eurozone have not been corrected. There is still no fiscal union. The tensions will return in the next global downturn. But for now the quadruple stimulus of a cheap euro, cheap oil, quantitative easing and the end of fiscal austerity are all combining in a "perfect positive storm", enough to give the eurozone another cyclical lease of life.



The one great disorder we have in the world right now is the collapse of the century-old **Sykes-Picot** dispensation in the Middle East, made more combustible by the Sunni-Shia battle for regional mastery.

It is certainly a humanitarian tragedy, but in hard-headed geostrategic terms it is a regional problem, a particular struggle within Islam to come to terms with modernity. It is sui generis and of no universal relevance.

Nor should we overestimate the staying power of the Wahhabi caliphate as it attempts to hold fixed ground against a world now seriously roused in wrath, and without fixed ground, constant infusions of money and the allure of rising momentum, Isis does not add up to much.

Yes, the world is a mess, but it has always been a mess, forever climbing the proverbial wall of political worry even in its halcyon days. So let us drink a new year's toast with a glass at least half full.

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