



# Despair Overstated?

In the late 19th and early 20th century, J.P. Morgan was the most famous banker in the world; after a stock market panic, he was asked what he thought the market would do. He replied: "It will fluctuate."

Today, the primary question is really this: Would wise old J.P. say the same thing today? In other words, are the current gyrations of the market and the stresses and strains of the financial system best seen as another spasm in the natural course of markets in which things ebb and flow, or is this something different?

If all we are going through means a weaker and less dominant America, that would be very sad and not, principally, for Americans. The history of empire is long, and whatever objections people may have to the way that the United States has wielded its power, it would be hard to find in the annals of history a less ambitious power or one with a softer touch.

Are there people who actually believe the world would have been better off if the Nazi regime had emerged victorious from World War II or if Stalin had defeated the United States in the Cold War? Is it possible, even now, that people believe that a U.S. loss in the war against fanatical Islam would make the world a more tolerant and pleasant place?

As it happens, we suspect that the chorus of despair is overstated. We have been so astonishingly lucky to live when we do — and where we do — that even small problems are perceived as catastrophes requiring immediate action and signaling fundamental changes.

For most of history, wars, depressions, panics, famines and other calamities have been the stuff of everyday life. That a life such as we have come to know in affluent parts of the world could exist — that we could fight wars with little public inconvenience, that obesity, not starvation, should be our challenge, that the outcomes of elections could be seen as so inconsequential that large numbers of people couldn't be troubled to vote — this is astounding.

Certainly history goes on and change will come. Yet it strikes us as wrong to see this change as all anti-American in its implications. Richard Nixon famously said, "We are all Keynesians now." And the best way to look at all the changes in the world is to say, "We are all Americans now."

Today there are calls for more regulation and a consciousness that our regulatory structures may have missed the mark in dealing with new and more sophisticated derivatives. The political leadership is faulted, as those on the right see a propensity to have pushed lending to promote social causes — such as ending redlining and increasing home ownership among ethnic minorities — and those on the left see an unwillingness to rein in Wall Street. Yet nobody seems to want to suggest that a "dictatorship of the proletariat," or a non-market economy, would be a better alternative.

Change in the world order is unlikely to be a problem for America; its traditional allies in Europe are changing. As Europeans fail to reproduce, the continent grows not merely increasingly Muslim but, because Europe has failed to integrate these new immigrants into its social and economic systems, the continent also grows detached from traditional European values. America will thus need new allies.

There are always short-term problems. Russia is as much a kleptocracy as a country right now, and China is a long way from liberal democracy. Yet the developing countries, such as Brazil and India, have all embraced, to varying degrees, market economics, and it is in the vibrant yearnings of people in these and similar countries to "pursue happiness" that America will be more likely to find friends of similar outlook in the future.

In the rise of the middle class of countries around the world, it is

easy to see competitors for resources. This is, however, far less than half the story. The emerging middle classes in these countries don't just eat, they produce and create. The solutions for our problems — from curing cancer to better organizing our financial system — are as apt to come from the fertile minds of these people as their newfound prosperity brings them in touch with the world conversation on these matters as it is from the traditional "West."

It is a petty kind of ethnocentrism to think our problems are, uniquely, troubling. Life has always had its challenges and ours have been fewer than most. America's flexibility makes it a likely winner in any future scenario. We

absorb great quantities of immigrants from around the globe, we educate the leadership of countries around the world, and we change, adapt and grow.

It is worth remembering that even old J.P. Morgan knew that. Speaking to friends, he told them what he had been taught:

"My father told me," Mr. Morgan was quoted as saying, "to follow my own bent in business, but whatever that business, to work hard. One thing he said I shall always remember. . . not to discount the future of America. 'Remember, my son,' he said, 'that any man who is a bear on the future of this country will go broke. There may be times when things are dark and cloudy in America, when uncertainty will cause some to distrust and others to think there is too much production, too much building of railroads, and too much development in other enterprises. In such times, and at all times, remember that the great growth of that vast country will take care of all!'"

Housing prices may fall as we have a surplus right now, and that may bring down banks and Wall Street institutions. Yet long term, this country will fill with people who yearn to breathe the freedom of America and we will need more houses built yet. In moments when many counsel despair, this is a bet as certain as any the world has to offer.

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