

November 2, 2011

Today's Pickings has just several items, two from the November issue of Commentary. They are a debate about what might be the future of our country. [Mark Steyn](#) starts with The Case for Pessimism.

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*announced to the assembled warmongers and genociders, both actual and would-be, “can or should try to dominate another nation.”*

*As far as I’m aware, neither Obama’s translator nor anyone else screamed “I can’t take this anymore” and fled the room. But someone should have. Whether or not any nation should try to dominate another, they certainly can. And they have. Nations have sought to dominate others and have succeeded at it with ease all over the planet and throughout human history.*

*So who’s next? According to the International Monetary Fund, China will become the planet’s leading economy in the year 2016.*

*If the IMF is right, in five years’ time, the preeminent economic power on the planet will be a one-party state with a Communist Politburo and a largely peasant population, no genuine market, no human rights, no property rights, no rule of law, no freedom of speech, no freedom of the press, no freedom of association. It will mark the end of a two-century Anglophone dominance, and—even more civilizationally startling—for the first time in a half millennium the leading economic power will be a country that doesn’t even use the Roman alphabet.*

*Whether or not this preeminent China should dominate other nations, it certainly can. And it certainly will.*

*If you think like President Obama and believe nations are not defined by their differences, then China’s great leap forward is not that big a deal. But if you think, like someone who has given it a moment’s thought, that nations are defined by their differences, it is a very big deal. Most immediately, it means that the fellow elected next November will be the last president of the United States to preside over the world’s leading economy. This should be a source of shame to every American. It is not. Not yet. Instead, we battle over trivialities. ...*

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*Just so. Every time Barack Obama stands at his teleprompter and is forced to pretend that he’s interested in deficit reduction, we have taken a step toward that Milton Friedman reality. You have to create the conditions, as the Tea Party and the town hall meetings did, whereby the wrong people are forced to do the right things.*

*One cannot wait for the great leader to descend from the heavens to do the work for us. Every glamour boy, from Barack Obama to Mitt Romney to Rick Perry, proves to have feet of clay. It’s more important that tens of millions of ordinary citizens move the meter on public discourse and force the wrong people to do the right things.*

*But we don’t have much time to force them. If we don’t turn this thing around by mid-decade, if we let China become the dominant economic power in a world where the Iranians are nuclearizing and where Russia is making whatever mischief it can, we will see something new in*

*world history. Something terrifying. This will not be like the transition from Britain to America, from a crucible of liberty to its greatest exponent. This will be the greatest step backwards for the civilization that built the modern world and spread its blessings across the map. There will be no new world order. There will be no world order.*

*The only way to prevent it is to act, and act quickly. Otherwise, it's over. In 1969, in a poem about the end of the British empire called "Homage to a Government," [Philip Larkin](#) wrote: "Next year we are to bring all the soldiers home/For lack of money.../We want the money for ourselves at home/Instead of working." The narrator keeps saying that "this is all right," but he concludes with this: "The statues will be standing in the same/Tree-muffled squares, and look nearly the same./Our children will not know it's a different country./All we can hope to leave them now is money."*

*We Americans can't even hope that. And our children will know their reduced America was not the America that should have been theirs by right.*

**[John Podhoretz](#)** makes the case for optimism.

*... If the prospect of being hanged in a fortnight wonderfully concentrates the mind, as Dr. Johnson said, the fortnight is about to begin. And for the first time, in 2011, politicians have begun to address the crisis seriously. House Republicans passed Rep. Paul Ryan's revolutionary budget outline, which eliminates the Medicare entitlement in favor of a voucher system. And even Barack Obama is using the term "tax reform," though he surely doesn't mean by it what it really means—a radical simplification of the tax code that largely reverses the long trend toward using it as a means of designing a social order in keeping with the wants and interests of politicians.*

*The American people are already witness to one possible future now playing itself out in the implosion of Europe. That ongoing nightmare is providing hard evidence to anyone with eyes to see that the United States must take a different path in relation to government spending and conduct before it is too late. That is true not only of the entitlements but also the incentives that dominate the tax code, including the home-mortgage deduction; right and left are finding surprising common ground in the notion that these incentives are dangerous distortions, little more than corporate welfare that supports banks and energy producers and home builders as well. Reducing or eliminating them is the work of the next decade—complicated and grueling work that will require a complete restructuring of the tax code and an alteration in the very notion of a government "benefit," how it is received, and how it is paid out.*

*The battles over all this will, to some extent, dominate our politics henceforward. We got a glimpse of the nature of the fight over the debt ceiling in July, and the 2012 election will pivot on it. I say "to some extent" because unexpected events, probably in the realm of foreign policy, will surely come along to complicate the picture. But when it comes to matters of their own fiscal health and the country's, we can be confident in this: the American people have made rational choices in the past, and there is no reason to believe they will cease making rational choices in the future. And you don't have to be all that much of an optimist to see that the choice between national suicide and national salvation isn't really all that difficult.*

**[Andrew Malcolm](#)** has late-night humor.

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## Commentary

### The Case for Pessimism

by Mark Steyn

*This article is from our special November issue, which focuses on the future of America. Also in the issue is John Podhoretz's [Case for Optimism](#) and a COMMENTARY symposium featuring 41 American thinkers and writers who answer the question: Are you optimistic or pessimistic about America's future? We will be posting two symposium contributions daily on our blog. Click [here](#) to read the most recently posted symposium contribution.*

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In September 2009, Barack Obama and Muammar Qaddafi both addressed the United Nations. It is a pitiful reflection upon the Republic in twilight that, when it comes to the transnational mush drooled by the leader of the free world or the conspiracist ramblings of a pseudo-Bedouin terrorist drag queen presiding over a one-man psycho-cult basket case, it's more or less a toss-up as to which of them was the more unreal.

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If the IMF is right, in five years' time, the preeminent economic power on the planet will be a one-party state with a Communist Politburo and a largely peasant population, no genuine market, no human rights, no property rights, no rule of law, no freedom of speech, no freedom of the press, no freedom of association. It will mark the end of a two-century Anglophone dominance, and—even more civilizationally startling—for the first time in a half millennium the leading economic power will be a country that doesn't even use the Roman alphabet.

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Washington spent most of the summer of 2011 gripped by the debt-ceiling showdown. Cable-news correspondents stood outside the White House and the Capitol all day long, reporting the comings and goings of the movers and shakers. Everyone was agog as to whether the president and the administration would reach a deal before the clock chimed midnight on August 2, whereupon the president's lavishly weaponized Canadian-manufactured black coach in which he toured Iowa would turn back into a pumpkin.

Now, just to put this so-called debt-ceiling battle, in which the Republicans were supposedly battling to secure budget cuts that would destroy the social safety net, in perspective: there was a dispute between Speaker of the House [John Boehner](#) and the [Congressional Budget Office](#) about the so-called scoring of the plan that eventually passed and was signed by the president.

Boehner said the plan called for \$7 billion in cuts for the 2012 budget. The CBO said the plan only reduced the 2012 deficit by \$1 billion.

Which of these numbers is correct?

Who cares?

The United States government currently spends one-fifth of a billion dollars that it doesn't have every hour, every day, seven days a week, 365 days a year including Thanksgiving, Christmas, and Ramadan. A fifth of a billion dollars every single hour—so the \$7 billion that John Boehner calls “a real enforceable cut for financial year 2012” represents what the government of the United States currently borrows every 37 hours. In the time between the Friday announcement of the plan and the Sunday morning talk shows' discussion of it, the government borrowed back every dime of those painstakingly negotiated savings.

On the other hand, if the CBO's scoring is correct, and it reduces the 2012 deficit by just \$1 billion, then the cut represents what the United States borrows every five hours and 20 minutes. Don't bother waiting for the Sunday talk shows, because the savings will all be borrowed back in the time it would take you to read this issue of Commentary. But let's give John Boehner the benefit of the doubt and concede that for a month of shuttling back and forth between the Capitol and the White House, he got a “real enforceable cut of \$7 billion.”

In September, the president swanned into Congress for a nationally televised address on jobs and proposed, off the top of his head, another \$477 billion in spending—a half trillion dollars we don't have, that the world has no desire to lend us, and the majority of which will be “electronically created” by the United States Treasury selling its debt to the Federal Reserve under the policy called “quantitative easing.”

The politico-media class of this country seems to think it entirely normal that we should spend two months in tense, difficult, painstaking negotiations over how to go seven billion steps forward—and then breezily spend 20 minutes going 447 billion steps backwards. The inconsistency between the bottomless pit that supposedly awaited us on August 2 and the airy coverage of September 8 tells us a great deal about the unlikelihood of meaningful course correction in this country.

The other day a friend of mine watched the film *The People Versus Larry Flynt*, which tells in part of the battles between the title pornographer and a conservative activist named Charles Keating, who owned Savings and Loan. The film's final card portentously informs us that “Charles Keating was part of the Savings and Loan scandal that cost American taxpayers \$2 billion.” *The People Versus Larry Flynt* came out in 1996. That was a mere 15 years ago. And yet, just as we find it hard to comprehend that the average peasant in medieval England had to get by on six pennies a day, we now find it difficult to imagine an age lost in the myths of antiquity when there were scandals that cost American taxpayers a mere *two billion dollars*.

What a primitive society that must have been, barely advanced out of subsistence agriculture! Today, the government of the United States borrows \$2 billion every 11 hours. We could have 220 Savings and Loan scandals for the cost of the Obama jobs bill. We could have 500 Savings and Loan scandals for the cost of one Obama stimulus package. We could have 850 Savings and Loan scandals for the cost of this year's budget deficit. We could have vast armies of

Charles Keating clones rampaging across the fruited plain, and they would barely make a dent in America's finances.

Here's another example of the kinds of dollars that are being thrown around now. The Obama administration's \$38.6 billion clean-technology program was supposed to "create or save 65,000 jobs." Half the money has been spent, \$17.2 billion, and we have 3,545 jobs to show for it. That works out to an impressive \$4,851,904.09 per green job created. A world record! People say America can't be number one anymore, but mister, we're number one at *this*. The previous world record was held by Spanish taxpayers who subsidized every job on a solar panel assembly line to the tune of \$800,000 per post. I'll bet Spain thought that record was safe for a couple of years. Not so fast, amigos. The American taxpayers took it and sextupled it—not \$800,000 per green job, but \$4,800,000 per green job. I'd like to see those cheeseparing Spaniards reclaim that record any time soon!

Nobody spends like this. Nobody except us. Nobody uses the T word—trillion—except us. It's easy to look at debt-to-GDP ratios and conclude there's nothing to worry about, but when you're squandering \$4.8 million per artificial non-job, it's not the comparative numbers that will kill you. It's the sheer dollar sums.

There were three great citadels of Western civilization: Rome, Athens, and Jerusalem. It took a fourth, London, Washington's immediate predecessor as the dominant power, to disseminate the ideas of Athenian democracy and Roman law and the Hebrew Bible to the farthest corners of the earth. America has signs of decline that follow the examples of all four.

Rome once built aqueducts, and then it stopped building aqueducts, and then the aqueducts it had built started to decay. At the dawn of big government, in the 1930s, we built the Hoover Dam. Then we stopped building dams. In September, in the town of Port Angeles in the state of Washington, there commenced the destruction of two century-old dams in order to "liberate" the [Elwha River](#). So now we're dismantling dams.

You can see this at work—or rather, not at work—every time you're on the isle of Manhattan. The Empire State Building was put up in one year and 45 days in the middle of a depression. Ground Zero is still a building site after a decade. 9/11 is something America's enemies did to us. The 10-year hole in the ground is something we did to ourselves.

Now consider the people who went rampaging through the streets this summer in London. These are the children of dependency, people who have been marinated in stimulus within an inch of their lives, and they're good for nothing but lobbing concrete through store windows so they can steal the latest models of electronic toys. They tore apart a city that, within living memory, governed a fifth of the earth's surface and a quarter of its population. When you're imperialist on that scale, you make a lot of mistakes. But nothing the British did to any of their subject peoples in far-flung corners of the globe compares with what they did post-imperially to their own population.

These are the great-grandchildren of a tiny island that stood alone against the Germans during the Blitz in that terrible year after the fall of France. If those Britons of mid-century were to come back, they would assume they had landed in some bizarro alternative universe—until, like Charlton Heston rounding the corner and seeing the shattered Statue of Liberty poking up out of

the sands, they realize that the Planet of the Apes is their own. The evil of big government is not that it is a waste of money, but that it lays waste to people.

In Israel in the mid-1990s, an idea called *normaliut* seized hold of its populace. What it meant was that Israel wanted to live like any normal Western society. That was the real attraction of the 1993 Oslo peace accords. In a sense, it offered not merely a treaty negotiated in Oslo but the possibility to *be* Oslo, the chance for Israelis to live as Norwegians, to live as any other advanced Western nation. Instead, Israelis are on the military call-up list until 55—or about the age a Greek hairdresser gets to retire on full salary. Israel's example suggests that if you think you're an advanced Western democracy, but you don't get to live like one, eventually the conflict between what you are and what the difficult circumstances ensuring you are not obliterated from existence require of you, you get worn down over time.

Israel implemented the terms of the Oslo accords, and in return Israelis got an Arafatist terror squat on their Eastern flank, suicide bombers on their buses, Iranian proxies to their north and west—and, in the wider world, isolation, demonization and delegitimization accompanied by a resurgent and ever more respectable anti-Semitism. The dream of *normaliut* didn't work.

In 2008, the U.S. electorate also voted for *normaliut*. Americans voted to repudiate the previous years, dominated by terror attacks and Code Orange alerts and anthrax scares, and thankless semicolonial soldiering in corners of the map no one cared about. They were under the sway of a desperate hope that wars can simply come to an end when one side decides it's all a bit of a bore. In reality-TV terms, the Great Satan wanted to vote itself off the island.

But as Israel understands by now, sometimes who you are is more important than anything you do. And sometimes who you are is an offense to those indifferent to anything you might or might not do. America will discover, as Israel did, that a one-way urge for *normaliut* will lead to a more dangerous world.

When you have government on the scale Europe enjoys and America has moved toward, there are hard choices to be made: as postwar Britain came to understand, you can have Scandinavian-style entitlements or a military of global reach, but you can't have both. The current "supercommittee" or the next will find it easier to cut military commitments for which the public has little appetite than to shrink in any meaningful sense an ever more deeply ingrained transgenerational dependency culture.

And without a military or global reach, we will find the spaces in the Pax Americana left unoccupied like an underwater house in a Nevada real-estate development quickly filled by anti-American menaces. Last year, *Die Welt* reported that on a recent visit to Tehran, Hugo Chavez had signed an agreement to place Iranian missiles at a jointly operated military base in his satrapy, Venezuela. That's how it begins. In the years ahead, distant enemies of this country will seed new proxies in Latin America as Iran did to Israel with Hamas and Hezbollah.

It starts with the money, but it doesn't stop there: as all dominant nations learn, when money drains, power drains.

Nowhere can we see the effects of that truth better than in East Asia. China is already the world's biggest manufacturer. It is already the world's biggest exporter. It is the postcolonial

patron of resource-rich Africa. It is the post-downturn patron of cash-strapped Mediterranean Europe. It is the biggest trading partner of India, Brazil, and other emerging powers. We should not be surprised that in such a world, getting on with America will matter less and less.

There have been moments, without question, when this has proved to be unexpectedly good news for us. Washington and its geriatric EU allies wanted the Copenhagen climate change deal in 2009, the biggest exercise in punitive liberalism ever mounted, an embryo exercise in global government. Brazil and India joined with China to block it. It's a mark of the perversity of the age that it takes the Politburo to save global capitalism.

Sometimes, though, it's not so good. In 2010, the Royal Australian Navy participated in its first naval exercises with Beijing. A few weeks later, Britain and Germany declined to support the United States in its efforts to get China to increase the value of its currency. Why would they? Even for America's closest allies, the dominance of both the Pentagon and the almighty dollar has become conditional.

We will not like this post-American world, which will not even bring us *normaliut*. America will discover, as Britain has in twilight, that, long after imperial grandeur has faded, imperial resentments linger. We will not be left alone to fade into second-rate status. We will be taunted and humiliated and haunted and chased on the way down.

And yet, even in my deepest and most pessimistic vision, I can see a different future for the United States. For as the past few years have taught us, the great thing about the United States is that it is not Europe. When the economy headed south in 2008 and 2009, everywhere around the planet, people besieged their parliaments, asking them, "Why didn't you, the government, do more for us?" They did it in Iceland. They did it in Bulgaria. They did it in Lithuania. They did it in Greece. They did it in the United Kingdom. They did it in France.

The United States is the only country in the world where a mass movement took to the streets in 2009 to say we could do just fine if you, the government, stayed the hell out of our pockets and the hell out of our lives. That fact, that populist refusal to be Europeanized, represents the best hope for this country. Those now-caricatured, much-maligned Tea Partiers moved the meter of public discourse significantly back in the direction of sanity. And that includes Barack Obama.

In 1975, Milton Friedman said this: "I do not believe that the solution to our problem is simply to elect the right people. The important thing is to establish a political climate of opinion which will make it politically profitable for the wrong people to do the right thing. Unless it is politically profitable for the wrong people to do the right thing, the right people will not do the right thing either, or if they try, they will shortly be out of office."

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## Commentary

### [The Case for Optimism](#)

by John Podhoretz

There is a growing propensity to place the blame for the disastrous fiscal and economic condition of the United States on the supposedly damaged spiritual condition of the American people. President Obama himself, inclined these days to blame the nation's economic woes on his predecessor and on millionaires and billionaires, stepped on his own storyline recently when he told a Florida TV reporter that the American people had "gotten a little soft." By saying this, he was echoing the view that something had gone wrong inside the body politic over the past decade or longer. The American people wanted benefits they didn't want to pay for; they borrowed money they didn't have; they refused to make tough choices. "The richest society the world has ever seen has grown rich by devising better and better ways to give people what they want," Michael Lewis, the most influential financial journalist in America, writes in his new book *Boomerang*. "The boom in trading activity in individual stock portfolios; the spread of legalized gambling; the rise of drug and alcohol addiction—it is all of a piece."

This secular-Calvinist argument has achieved standing because it seems to take seriously the most nagging aspect of the past 10 years: the role we should assign to personal responsibility when we attempt to understand what happened, how to keep it from happening again, and how to deal with the pressing matters ahead of us. It is also alluring because it spreads the blame far and wide, which seems appropriate for a cascading series of events that developed over decades and then all came crashing into each other.

No other theory of wrongdoing draws a straight line from the expansion of the Community Reinvestment Act in 1995, which led to the growth in subprime lending that helped create a new market in derivative products from that lending, to the seemingly unrelated pension and medical-care crises afflicting state and local governments now and that will soon overwhelm the federal

government if the spending trajectory isn't altered. The fault lies not in Democrats, nor in Republicans, not in unions or cosseted banks; the fault, dear Brutus, lies in ourselves. We are the constant: the overindulged, overindulgent, overweight American people, wanting things heedlessly, getting things hedonistically, and ruining things wantonly. We are \$14 trillion in debt because we ate the debt.

It is a powerful argument. But it is wrong. And by understanding the ways in which it is wrong, we can see the contours of the case for optimism about the American future taking shape. Americans made entirely rational choices in the years leading up to the crisis in 2008; they responded properly to a series of incentives created over the preceding decades by politicians who meant well but were satisfying the interests not of the public as a whole but of constituent groups that stood to benefit far more than the ordinary voter from the creation of those incentives. Just as Americans responded to the realities of the time before the crisis, they will respond to the realities of the United States in which we now live. And the nation will come out the stronger for it.

When you are living in the heyday of a bubble—and we've been through two in the past 15 years, one involving the Internet and the other real estate—you are presented with two opposing realities. The first is that something miraculous is going on around you, something so transformative it seems almost magical. And you know it is real, because the miracle workers are everywhere you look, peering at you from the covers of magazines, confident and smiling and looking like a billion bucks. To become like them, you need to take the steps they took; and because they took those steps and benefited, following in their footsteps doesn't really seem risky at all.

The former CEO of Citigroup, Chuck Prince, notoriously said, even as he saw the housing collapse coming: "As long as the music is playing, you've got to get up and dance." That remark has been taken as proof of his bank's malfeasance and that of all Wall Street firms, and there is some of that in it; but it also describes perfectly the psychological condition of almost everyone during bubble time. If you're not in, you're out. Better to be in than out. At least you have skin in the game.

The other, contradictory reality is this: you know (because how can you not) that what you are seeing is *not* real, that something akin to a violation of the elementary laws of physics is happening before your eyes. When a piece of property that seemed overvalued at \$250,000 costs \$500,000 three years later, but nothing else has changed much—the economy isn't growing all that quickly, you're not all that much better off than you were, and your friends aren't either—the cognitive dissonance should be overwhelming.

You *know* all this, but the anesthetic effect of the bubble's music means that you don't *feel* it. And when a mortgage broker tells you that you can afford a \$500,000 mortgage on a salary of \$52,000, you know for sure that someone is getting screwed as part of the deal, since that's what happens when deals are too good to be true. And you know, what's more, that it might be you who will be getting screwed; but what was true for Citi is true for you as well. The music is playing. You've got to get up and dance.

The point is that ordinary people didn't just get up and dance because it was fashionable. They were presented with powerful motivations to do so, mostly in the form of lowered interest rates that not only made borrowing cheap but also allowed them to cash out the equity they had invested in their own homes without having to sell. People drained their own future wealth by

spending it in short-term ways, but given the fact that housing prices were rising, it appeared they would make up for the lost equity in increased value. People didn't believe falsely, or greedily, or hungrily, that money was free. Money was free. And the incentive to participate in this free-money game was general. America's politicians have recently found it convenient to rage at the mortgage brokers and banks that were handing out subprime loans so cavalierly, but they too—and those who borrowed from them—were also acting in accord with incentives created by the Federal Reserve and federal government policy.

Lending money, borrowing money, creating derivatives from the mortgages—these were all entirely understandable acts based on the realities of the time. The only true failure was believing the notion that somehow there was little or no risk involved. There is always risk in any financial transaction. But the anesthetic quality of Chuck Prince's music dulled the anxiety that should accompany any kind of risk-taking—the very anxiety that functions as a counterweight to the thrill, the still small voice that warns against doing something that poses a long-term danger.

The music ended, and now we are in the fourth year of life in the crushing silence that followed. And the odd thing is this: the emotional psychology of the silence is very similar to the emotional psychology of the music. Almost no one is up on the dance floor, and in part for the same reasons that everyone was up on his feet as long as the tinny piano was playing. It is part of human nature to extrapolate from the condition of the present moment to the limitless future; just as we could not feel that there would be an end to the bubble, we cannot feel that there will come a time when we will rise from the mire of the Slough of Despond.

The image of the “slough of despond” comes from John Bunyan's 17th-century allegory, *The Pilgrim's Progress*. As Bunyan's hero, Christian, travels toward his redemption, along the way he is trapped in a bog where “scum and filth that attends conviction for sin doth continually run.” Getting mired in it is an element in Christian's redemption, because “as the sinner is awakened about his lost condition, there ariseth in his soul many fears, and doubts, and discouraging apprehensions, which all of them get together, and settle in this place.”

Christian's “many fears, and doubts, and discouraging apprehensions” are mirrored in the way we think about the problems facing the United States. We fear we cannot make our way back, we doubt the resilience of our political system, and we have apprehensions about a future in which health-care entitlements will swallow our economy whole unless we change course. And when we think about what it will mean to change course, we are all discouraged. It can't be done.

Of course it can.

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The evidence that a change in trajectory is more than possible can be found in the American political system over the past few years. The electorate has demonstrated a remarkable, almost unprecedented taste for shifting direction. Control of the House of Representatives, held for 40 uninterrupted years by the Democrats and then for 12 uninterrupted years by the Republicans, has switched hands twice since 2006. Democrats won 32 seats in a landslide in 2006 that George W. Bush called a “thumpin’”; Republicans won 63 seats in a landslide in 2010 that Barack Obama called a “shellacking.”

Republicans won control of the Senate in 2002, lost it in 2006, went some ways to winning it back in 2010 and will probably do so in 2012. At the presidential level, the conservative Republican won 51 percent of the vote in 2004, and in 2008 the liberal Democrat won 53 percent. Independent voters, obviously the most likely to bounce between the parties, preferred Obama over John McCain by 17 points—and then, in 2010, preferred the Republicans to the Democrats by 8 points, a 25-point shift in only two years.

Voters were not being flighty or silly or stupid. These dramatic shifts were substantive, the result of inarguable policy failures. Bush's failure to win in Iraq and to handle Hurricane Katrina competently caused the 2006 Congressional thumpin'; the Republican party's failure to manage the financial meltdown competently led to Obama's easy victory in 2008; Obama's failure to generate the recovery he had promised with his stimulus and his swelling of government caused the 2010 shellacking. Voters took a chance that Obama could bring about the change he had promised; the bet didn't pay off, to put it mildly; and they tore up their tickets. If the 2012 election follows the same form, and at this moment there is no reason to think the dynamic will be different from what it has been since 2006, it will not go well for him.

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Somehow, we still think of the United States as a young country, and in comparison with the other great nations of the Earth it is; but its political and social system is now among the world's oldest. Indeed, the amazing durability of the American system over 235 years is the primary reason for optimism about the American future. The glory of the United States does not reside in the untold wonders of its people—that is politician-speak—but rather in the flexibility of the American system. The nation has weathered crises far worse than the present crisis and come out the better for them eventually because the spine of the American system is at once sufficiently ironclad and sufficiently flexible to bend, but not break—the exception, of course, being the Civil War, when that spine was fractured and, at enormous cost, put into traction and forced back into alignment.

That system, the direct outgrowth of the Declaration of Independence and the Constitution, extends beyond the country's political structures to an idea that courses through all its public and private institutions—the primacy of the individual. The centrality of the individual over the collective in the American system has not been cost-free for this nation and its people. Taken to extremes, it can destroy communities and induce a hunger for the material and a taste for the superficial that can corrode the character of the nation's citizenry. Still, the American system has functioned because its revolutionary acknowledgement of the primacy of the individual also confers on the individual a sense of responsibility for himself, his loved ones, and his community that is unique in history.

Finding the balance between liberty and license has been a national challenge for centuries. So has finding the balance between the freedom of the individual and the common needs of the larger society. Everyone, from right to left, seems to feel that the nation's equilibrium has been lost in the past few years, that we are out of balance politically, socially, fiscally, and culturally. This is what undergirds Michael Lewis's contention that Americans are fat, greedy, sloppy addicts who got themselves into all kinds of trouble knowingly and without forethought.

But that impressionistic sense is not borne out by the realities of life in the United States. There are surprisingly few signs of social instability even as the financial crisis enters its fifth year, and even when, as one census report suggests, household incomes have fallen dramatically

throughout the country. Crime continues to decline; divorce rates are not rising; dropout rates are not rising; hospitals are not reporting an increase in domestic violence.

The American people do not seem unhealthy (though they could stand to lose a few, as could I). The political system does. But not because debates are ugly, and not because it is too partisan, and not because some fools call Obama a Kenyan or because Joe Biden, also a fool, dubs the Tea Party “terrorists.” These are all transitory unpleasantnesses, and they have their parallels in every era. The political system is uniquely unhealthy at the present moment because of twin temptations to which politicians at every level and in both parties have succumbed—temptations whose consequences were not all that visible during the boom times but have been cast in stark relief by the bum times.

The first temptation has been to direct the behavior of the citizenry through the manipulation of the tax code, which (over time) creates a system of perverse incentives. It may seem, for example, that the mortgage-interest deduction is a vital tax break, but it is an accident of history, a holdover from a time before modern levels of federal taxation when all interest payments were deductible. Its continued existence has undeniably had an inflationary effect; the result of its disappearance would be a revaluing of all property downward in equal proportion. The transition would be complicated and confusing and would require careful management, but the end result would be a more honest valuation. The real benefit of the home-mortgage deduction over time has been to the industries that compose the real-estate sector, because having the government favor ownership over renting has created greater demand for home construction and home flipping than would otherwise be the case.

The moral argument for favoring home ownership is that owners are better citizens than renters, and therefore that it supports a greater common good. But we have now seen the damage that can be done by driving people into home ownership who had no business making—and might even have had little desire to make—that kind of long-term commitment. If ownership is a good in itself, people will pursue it without the incentive of the tax break. Indeed, even as the value of the deduction grew in the post–World-War II period while income tax rates rose and more brackets were created, the level of home ownership remained startlingly constant, just over 60 percent of households. It was not until the push to broaden the numbers of borrowers began in the mid-1990s that the rate began to jump to nearly 70 percent.

The second temptation is to secure long-term control over public office by creating a constituency among public-sector workers through contracts that have, over time, made those in the employ of the government or those receiving retirement benefits from the government twice as wealthy as the people who are employing them. We are told, by Michael Lewis and others, that these problems are due to the fact that people want big government but do not want to pay for it. But what actual evidence, other than big government’s failure to shrink in size, is there for this contention? States and localities are beginning to go bankrupt due to pension obligations and absurdly generous deals with public-sector unions. When a firefighter in Vallejo, California (Lewis’s example), can join the ranks at 45 and retire at 50 with a full pension on the public dime—a case that sounds extreme but is replicated in many localities in many states—what benefit does the taxpayer get?

Of course, the most popular benefits are national ones—Social Security and Medicare. Medicare is far more dangerous to the public weal, especially with the baby boomers beginning to retire. And certainly the case for controlling the costs of Medicare (and to a lesser degree, Social Security) is vastly tougher than the case against the public-sector workforce. But the

unjust transfer of wealth from the young to the old—something that has been an impossible subject to raise in political life over the past several decades—will be an inescapable reality in very short order. If it is not halted or redirected, it will, as Yuval Levin has put it simply, “leave us with a national debt larger than our economy in just a decade and twice as large in the 2030s.”

If the prospect of being hanged in a fortnight wonderfully concentrates the mind, as Dr. Johnson said, the fortnight is about to begin. And for the first time, in 2011, politicians have begun to address the crisis seriously. House Republicans passed Rep. Paul Ryan’s revolutionary budget outline, which eliminates the Medicare entitlement in favor of a voucher system. And even Barack Obama is using the term “tax reform,” though he surely doesn’t mean by it what it really means—a radical simplification of the tax code that largely reverses the long trend toward using it as a means of designing a social order in keeping with the wants and interests of politicians.

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The American people are already witness to one possible future now playing itself out in the implosion of Europe. That ongoing nightmare is providing hard evidence to anyone with eyes to see that the United States must take a different path in relation to government spending and conduct before it is too late. That is true not only of the entitlements but also the incentives that dominate the tax code, including the home-mortgage deduction; right and left are finding surprising common ground in the notion that these incentives are dangerous distortions, little more than corporate welfare that supports banks and energy producers and home builders as well. Reducing or eliminating them is the work of the next decade—complicated and grueling work that will require a complete restructuring of the tax code and an alteration in the very notion of a government “benefit,” how it is received, and how it is paid out.

The battles over all this will, to some extent, dominate our politics henceforward. We got a glimpse of the nature of the fight over the debt ceiling in July, and the 2012 election will pivot on it. I say “to some extent” because unexpected events, probably in the realm of foreign policy, will surely come along to complicate the picture. But when it comes to matters of their own fiscal health and the country’s, we can be confident in this: the American people have made rational choices in the past, and there is no reason to believe they will cease making rational choices in the future. And you don’t have to be all that much of an optimist to see that the choice between national suicide and national salvation isn’t really all that difficult.

**Investor's.com**

**[This year's most popular Halloween costume is...](#)**

by Andrew Malcolm

**Letterman:** So they caught Libya's Gadhafi in a storm sewer, dragged him out, beat him and shot him. Or as they call that in the Middle East, an orderly transfer of power.

**Letterman:** Then they buried Gadhafi in an unmarked grave. It had to be unmarked. No one knows how to spell his name.

**Fallon:** President Obama announces a new student loan plan. It forgives debt after 20 years. The U.S. president says forgiving debt is a very honorable thing to do. Then Obama said it again in Chinese.

**Fallon:** Joe Biden says he hasn't made up his mind about running for president in 2016. Which raises the question: Who was raising that question?

**Fallon:** President Obama was [in Las Vegas for another fundraiser](#). He spent the visit working on his new economic recovery plan, "Come on, seven!"

**Letterman:** Don't you love these Occupy Wall Street protesters? I mean what better way to send a message to Wall Street than by sitting in a pup tent banging a drum?

**Fallon:** The East Coast prepared for a big snowstorm last weekend, right before Halloween. That explains this year's most popular costume: a slutty Eskimo.

**Fallon:** President Obama dined with a U.S. postal worker who won a campaign fundraising contest. The mailman was like, "Wow, someone who takes longer to deliver than I do!"

**Fallon:** Mattel is facing criticism over a new Barbie doll that comes with permanent tattoos and pink hair. Daddy issues sold separately.



