

# Follow the Fundamentals

The New York Times

November 27, 2007

Op-Ed Columnist

By DAVID BROOKS

Beijing

Lou Dobbs is winning. He's not winning personally. He's not going to start winning presidential awards or elite respect. But his message is winning. Month by month the ideas that once prevailed on the angry fringe enter the mainstream and turn into conventional wisdom.

Once there was a majority in favor of liberal immigration policies, but apparently that's not true anymore, at least if you judge by campaign rhetoric. Once there was a bipartisan consensus behind free trade, but that's not true anymore, either. Even Republicans, by a two-to-one majority, believe free trade is bad for America, according to a Wall Street Journal/NBC poll.

Once upon a time, the fact that hundreds of millions of people around the world are rising out of poverty would have been a source of pride and optimism. But if you listen to the presidential candidates, improvements in the developing world are menacing. Their speeches constitute a symphony of woe about lead-painted toys, manipulated currencies and stolen jobs.

And if Dobbsianism is winning when times are good, you can imagine how attractive it's going to seem if we enter the serious recession that Larry Summers convincingly and terrifyingly forecasts in yesterday's Financial Times. If the economy dips as seriously as that, the political climate could shift in ugly ways.

So it's worth pointing out now more than ever that Dobbsianism is fundamentally wrong. It plays on legitimate anxieties, but it rests at heart on a more existential fear — the fear that America is under assault and is fundamentally fragile. It rests on fears that the America we once knew is bleeding away.

And that's just not true. In the first place, despite the ups and downs of the business cycle, the United States still possesses the most potent economy on earth. Recently the World Economic Forum and the International Institute for Management Development produced global competitiveness indexes, and once again they both ranked the United States first in the world.

In the World Economic Forum survey, the U.S. comes in just ahead of Switzerland, Denmark, Sweden and Germany (China is 34th). The U.S. gets poor marks for macroeconomic stability (the long-term federal debt), for its tax structure and for the low savings rate. But it leads the world in a range of categories: higher education and training,

labor market flexibility, the ability to attract global talent, the availability of venture capital, the quality of corporate management and the capacity to innovate.

William W. Lewis of McKinsey surveyed global competitive in dozens of business sectors a few years ago, and concluded, “The United States is the productivity leader in virtually every industry.”

Second, America’s fundamental economic strength is rooted in the most stable of assets — its values. The U.S. is still an astonishing assimilation machine. It has successfully absorbed more than 20 million legal immigrants over the past quarter-century, an extraordinary influx of human capital. Americans are remarkably fertile. Birthrates are relatively high, meaning that in 2050, the average American will be under 40, while the average European, Chinese and Japanese will be more than a decade older.

The American economy benefits from low levels of corruption. American culture still transmits some ineffable spirit of adventure. American students can’t compete with, say, Singaporean students on standardized tests, but they are innovative and creative throughout their lives. The U.S. standard of living first surpassed the rest of the world’s in about 1740, and despite dozens of cycles of declinist foreboding, the country has resolutely refused to decay.

Third, not every economic dislocation has been caused by trade and the Chinese. Between 1991 and 2007, the U.S. trade deficit exploded to \$818 billion from \$31 billion. Yet as Robert Samuelson has pointed out, during that time the U.S. created 28 million jobs and the unemployment rate dipped to 4.6 percent from 6.8 percent.

That’s because, as Robert Lawrence of Harvard and Martin Baily of McKinsey have calculated, 90 percent of manufacturing job losses are due to domestic forces. As companies become more technologically advanced, they shed workers (the Chinese shed 25 million manufacturing jobs between 1994 and 2004).

Meanwhile, the number of jobs actually lost to outsourcing is small, and recent reports suggest the outsourcing trend is slowing down. They are swamped by the general churn of creative destruction. Every quarter the U.S. loses somewhere around seven million jobs, and creates a bit more than seven million more. That double-edged process is the essence of a dynamic economy.

I’m writing this column from Beijing. I can look out the window and see the explosive growth. But as the Chinese will be the first to tell you, their dazzling prosperity is built on fragile foundations. In the United States, the situation is the reverse. We have obvious problems. But the foundations of American prosperity are strong. The U.S. still has much more to gain than to lose from openness, trade and globalization.