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TIME

FROM THE MAGAZINE

Sunday, Feb. 5, 2006

Don't Believe the Hype. We're Still No. 1

What the doomsayers don't say: America is a marvel of creativity

By CHARLES KRAUTHAMMER

What would the most advanced, most forward-looking, most self-assured country in history do without its periodic crises of confidence? In 1957 the Soviets put a tin can into space, and the U.S. thought the sky was falling. In the 1980s we began crying into our soup because Sony was selling so many nifty Trinitrons. "American decline" was all the fashion until the vaunted Japanese model of tight organization and industrial planning took a nosedive and a bunch of twentysomething Americans tinkering in their garages created untold wealth and took over the world.

Now, 20 years later, our newest fix of pessimism. Why? Our economic growth rate is second in the West only to tiny Finland's. It's probably just a symptom of \$3 gasoline. Nonetheless, it's back. This time it's not Russia or Japan but other inscrutable foreigners, Indian and Chinese. What was once rather unkindly said about Brazil--"the country of the future and always will be"--I say of them. I'm not worried.

You can pick your statistics. Mine are that the U.S. leads the world by an immense margin in just about every measure of intellectual and technological achievement: Ph.D.s, patents, peer-reviewed articles, Nobel Prizes. But in the end, it's the culture, stupid. The economy follows culture, and American culture is today, as ever, uniquely suited for growth, innovation and advancement.

The most obvious bedrock of success is entrepreneurial spirit. The U.S. has the most risk-taking, most laissez-faire, least regulated economy in the advanced Western world. America is heartily disdained by its coddled and controlled European cousins for its cowboy capitalism. But it is precisely America's tolerance for creative destruction--industries failing, others rising, workers changing jobs and cities and skills with an alacrity and insouciance that Europeans find astonishing--that keeps its economy churning and advancing.

Some are alarmed that government R&D funding has fallen from a 60% to a 30% share of total funding. So what? Does government necessarily make wiser investment decisions than private companies? The mistake of the Soviets, Japanese and so many others was to assume that creativity could be achieved with enough government planning and funding. But the very

essence of creativity is spontaneity. A society's creativity is directly proportionate to the rate of free interaction of people and ideas in a vast unplanned national chemical reaction. There is no country anywhere more given to the unencumbered, unfettered, unregulated exchange of ideas than the U.S.

And not just ideas but also the people who give life to them. America is uniquely socially mobile, ethnically mixed and racially tolerant. America is, in Ben Wattenberg's phrase, the first universal nation, indeed the only universal nation. Every street corner in New York City is a rainbow of humanity. The resulting interaction and fusion of cultures produce not just great cuisine and music and art but also great science and technology. Intel was cofounded by a Hungarian, Google by a Russian, Yahoo! by a Taiwanese. We are the world's masters of assimilation. Where else do you see cultures and races so at home with one another? In China?

Those cultural traits create the bottom line of our success: productivity, the closest measure of national efficiency, as well as technological creativity and ultimately wealth creation. In those areas, the U.S. continues to be the wonder of the world. From 1947 to the oil shock of 1973, our productivity grew annually at an average compounding 3% rate. For the next 20 years that rate was mysteriously cut in half, the background for much of the declinist vogue of the '80s. Then in the past decade, when we finally stopped playing with our newfangled computers and figured out how to use them, productivity returned to the magic 3% level of the immediate postwar era when America bestrode the world like a colossus.

Indeed, in the past five years, our productivity hit 3.5%, surpassing those magic years. Our only rivals at the top of the productivity list are the postage-stamp Scandinavians (Finland, Denmark and Sweden), while the lumbering giants we so fear, China and India, rank 49th and 50th.

True, we can ruin our future if we listen to the voices of defeatism and give in to the classic isolationist tendencies of protectionism and xenophobia. Fear could lead us to cut off trade both in goods and in brains, keeping out those wily foreigners who come here to learn our secrets and take them home. Of course, some do. They always have, but the majority are seduced by the openness, tolerance and energy of America and stay here to enrich us.

Our gloom amid boom is a comment more on our national mood swings than on the state of our economy or scientific culture. If we can just keep our heads, take our meds and resist fear itself, we'll do just fine.