



## This Could Be Our 1989

JOHN MAULDIN | November 13, 2016

I think many of my readers are in the same boat I'm in: we are still sorting out the implications of last Tuesday's election. My style is generally not to shoot from the hip but to think about things before I start to write. When I have adopted the "ready-fire-aim" style of writing, I have usually found myself going back and asking, "What was I thinking?" And the answer is that I wasn't doing enough thinking.

So this weekend I'm going to hold my fire and instead share with you an essay from Jeffrey Tucker of the Foundation for Economic Education (FEE). You may wish to think of this as my Outside the Box offering for the week, and on Wednesday I'll send my regular letter – after I have done a little more head scratching.

Tucker's essay suggests that the presidential election is nothing less than a major paradigm shift. Let me give you a couple especially insightful paragraphs:

All these details of the Trump platform are still important, but strike me as less relevant to what we can expect going forward. The more I look at it, the less it seems to me that the election results are less about what Trump believes and more about what he represents: a fundamental shattering of an old paradigm. And I'm finding the widespread commentary that this represents some kind of triumph of racism, misogyny, etc. etc., to be superficial and even preposterous. And you know this if you visit with any regular voter.

What lies in ruins here is not common decency and morality – much less the character of a whole people and nation – but rather an anachronistic, arrogant, entitled, smug, conceited ruling elite and ruling paradigm. You can see this in the clues that show that the vote was not so much for a particular vision of one man, but against a prevailing model of managing the world.

I found myself nodding in agreement that much of what he says. If this were my essay, there would be a few omissions and additions, but I think he has the essential direction correct. There is big change brewing, and it is up to us to determine what that change will be. When I read (somewhat bemusedly) that the halls of power in Europe are in an uproar over our election, I think that they should be. Not because Trump is now president but because elites everywhere – the people who "know" how the world should be run and expect the "little people" to stay in line – are an endangered species. Thankfully. This gets back to the heart of what I've been writing about: the Protected versus the Unprotected.

It is up to the leadership of countries and communities to make sure that everyone is protected – equally – and to do so without burdening future generations with the task of paying for the solutions they come up with. The world is transforming around us. The old institutions are not up to the task of managing a world awash in massive and ever faster technological and social changes that are not leaving us enough time to adjust. We went from a world where 50% of us worked on family farms to where less than 2% do today, but that took 8-10 generations. What are we going to do when the multiple millions who make their living in the transportation industry, whether in trucking or as taxi drivers, see their jobs evaporate in just half a generation? This same employment paradigm shift is going to happen in dozens of industries, and seemingly all at once. At least that's what it will feel like to the workers who are bounced from their jobs.

To my friends around the world who shudder at the thought of a Trump presidency, let me offer a simple bit of advice: get a grip. Understand the system we have. We elected a president, not a king. US presidential candidates have made campaign pledges for 200 years, on both the winning and losing sides. And their supporters and opponents have misinterpreted those pledges and overestimated what the incoming president could really do. Presidents are actually quite limited in their range of powers.

We do not have an imperial presidency – yet. And I don't think we will. We have a system of checks and balances; and while I don't know Mitch McConnell or Paul Ryan personally, I know a lot of the people around them. They are not likely to fall over backwards at every idea thrown at them. They are jealous of the power and prerogatives of the legislative branch, as have been every Majority Leader and Speaker of the House since the the Republic's inception. Plus, they have to herd a room full of cats who have their own ideas about how things should go. Presidents can lead, but they cannot dictate. The simple fact is that no matter what Trump would like to do, 90% of the things he proposes have to be approved by Congress.

Further, look at the people he has appointed to run his transition team. Now, some of my liberal friends will shake their heads and say “Exactly.” But these are not wild-eyed, trash-the-system conservatives. They are thoughtful, and they recognize the importance and respect the majesty of a change of order in the Republic. And frankly, as I look at them, this is a new brand of conservative. Oh, I admit that my friend Newt Gingrich, who is now vice-chair of the transition team, considers himself a Reagan Republican. And in some ways, maybe he is. But he's also a conservative who wrote the book *Breakout*, about how we need to replace the Prison Guards of the Past. As he argues, it's not a battle between the left and the right but between the past and the future. Newt is not someone who wants to take us back to the good old days, and no one that I know on the transition team (and I know a few) does, either. They are looking to the future and understand the transformation and the challenge that is coming at us.

Sidebar: Frankly, there is nothing that thrills my heart more than the potential – the hope – that Newt Gingrich will help or maybe lead the effort to install a new paradigm at the Food and Drug Administration. I have been writing about this for years. The FDA is the biggest obstacle to healthcare in the world. Period. It does not need to be reformed, it needs to be replaced with a 21st-century drug regulatory authority. (The food administration guys seem to do a pretty good job.) I don't care whether you are an arch liberal or a rock-ribbed conservative, better healthcare and a longer healthspan should be of paramount interest to you. And the people that are blocking that future should be moved out of the way. And let me point out that 80% of the revolutionary biotechnology comes from the US. If we could simply free that up for small business and investors to exploit, we could create hundreds of thousands if not millions of high-paying new jobs. You want to see things change? Just saying...

There are a dozen different paths that the paradigm shift that Jeffrey Tucker writes about could take. As he says, that is the lesson we should all take from Hayek. Can I see a dark path ahead? Absolutely. Several of them. But can I see a better and more hopeful path? Certainly. The path will be chosen by us.

The choices we have already made make the future we face uncertain and difficult. I know that many Republican leaders are pondering one of my favorite Churchill quotes: “The problems of victory are more agreeable than those of defeat, but they are no less difficult.” Dealing with the deficit, the debt, taxes, healthcare, ISIS, and a whole host of problems in a world that is transforming around us is no less difficult today than it was last week, before we had an election. There will obviously be different answers to those problems, and we will often disagree about them, but they won’t go away. Before we rush to judgment about the path the new administration is opening up, let’s see who Trump brings in to work with him.

But no matter whom he appoints, there will be no miracles to suddenly dissolve the problems that loom before us. For many of those problems, we are left only with choices that are limited and unpleasant.

This country is divided on the way forward, but I think it is safe to say that a majority of our citizens are looking for change. The Trump administration has four years to effect change that a majority will find favor with. Otherwise there will be a new administration.

And, as I have been saying for the past several months, it has been quite a while since we have had a recession. And when we do, it’s going to further limit our choices.

I will have more to say in my letter on Wednesday. For now I will just note that the economic realities of the world have not shifted much in one week. We still have too much debt, not just in the US but around the world. Budget deficits are out of control, not just in the US but around the world. The reactionary forces of protectionism are loose, and the results might not be salutary for investors. Markets are stretched to valuations that have historically been dangerous.

I remain, as ever, a cautious optimist. But one who realistically knows that the future is uncertain and that Winter Is Coming.

How on God’s green earth are we supposed to make sense, from an economic and investment portfolio view, of what is happening? Seriously. That is the question I’m asking myself right now and have for several years. So let me leave you with the Jeffrey Tucker’s thoughtful, hopeful essay and go back to my studying and thinking.

But first, I want to invite you to a special event. We’re having a “Teleforum” this Monday at 6:00 PM ET, in which I’ll be joined by two of our top Mauldin Economics analysts, Robert Ross and Patrick Watson. I’ll give you a few thoughts and then we’ll take some live questions from the audience.

This won’t be pre-recorded; it will be live so that we can share our latest thoughts. We’re trying out a new technology that has some interesting features, too. Instead of you having to dial in or download special software, you register with your phone number. The system will dial you at the appointed time, and we will all be connected. I hope you’ll join us. Just [click here](#) to register.

Your concerned about economic reality analyst,

John Mauldin

# This Could Be Our 1989

**Jeffrey Tucker**

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You might think that the greatest political, cultural, economic shock of our lifetimes, right here in the USA, would unleash a torrent of salient and incisive commentary. There's been some good, some confused, some angry. But mostly what I've seen is a kind of mouth-open shocked.

Here's the problem: all the experts were wrong. I'm in the same boat as almost everyone else. We followed the cues we had – polls, betting odds, our own intuitions – but they were all misleading, and everyone underestimated the vulnerability of the status quo. Admitting this takes humility – vast oceans of it. It challenges us to throw away what we thought we knew and consider a new way of thinking.

Trump triumphed over every bit of conventional and establishment wisdom on the whole of planet earth. What was once regarded as expertise lies in ruins. Not even the people with skin in the game, those betting on the outcome, came close to being right. It's the greatest smashing of a paradigm – a devastating crush of not only opinions but every existing establishment left, right, and center – I can imagine happening in real time.

And perhaps this is just the beginning. There could be more exciting times to come.

## A Paradigm Ends

Most of us have spent the last several days just trying to get reoriented. Just last week, speaking in two states that swung the election, I spoke about a coming meltdown of the old days and the emergence of something new, hopefully a new freedom. I've written for several years that the old ways of politics are dying and the institutions it gave rise to are dying as well.

Here's the problem in brief. The institutions of government we know all too well were built for a world that is rapidly fading away. Their systems no longer work. And they are too costly. In times when people are watching every dollar, bargain hunting on every website, government looks ever more like a ripoff. As a result, there is an increasing disconnect between our lives and the regime under which we live.

Such a situation is not sustainable for the long term. Government is powerful, but not powerful enough to bend reality to its wishes.

The only analogy that really comes to mind is the [collapse](#) of the Soviet Union and its satellite states. The evidence of the end became obvious in 1989 with the revolution in Poland, and continued in Hungary, Romania, Czechoslovakia, and East Germany. Protests came to Tiananmen Square in China. The Berlin wall was brought down. Then the unthinkable: the Soviet Union itself dissolved as 14 countries declared their independence.

No one expected this to happen either. It was like an uncontrollable wave. People were in shock. There was a sudden sense that no one knew what was going on, that events were taking a course that outsmarted everyone, that all expertise was destroyed, and that there was a seismic shift in the universe.

In those days, the champions of freedom rejoiced about the devastation wrought to the Old World and we celebrated the possibilities of a New World.

I've written that something similar could and would happen in the Western democracies. Our systems seem stable. We have our establishments. We have our embedded expectations of how the world is supposed to operate, with its politics, economics, and culture. But real world events will take a different course, one that challenges everything we thought we knew.

What would this look like? No one could anticipate. I've speculated about the gradual decline to irrelevance of the old bureaucracies and institutions. Gradual but relentless – that's how I imagined it would happen. And yet there are always those [black swan events](#) that make a mess out of all our wildest expectations.

## The Black Swan

That is precisely how this strikes me right now – a black swan that is huge, fast, and ominous to the point that it causes mass intellectual and psychological meltdown. What's striking is this event is not as intellectually clean as the collapse of socialism, at least not to us. But that's probably because we all watched the events in Russia and Eastern Europe from afar. Our perspective, watching on television, was simple: the bad guys are being kicked out and freedom is winning.

The reality on the ground was more complicated. The revolutionaries had their own designs for power. The new people prepared to take power had their own agendas. There were political machinations all around, as instability provided hope but also enormous danger. And while the universal results were a vast improvement, there was no clean line of travel between tyranny and freedom. Whole societies and regimes had to be rebuilt on a different basis and a different view of politics and economics.

In the last year and a half, I warned often of Trump's politics and his views. Many are illiberal in uncountable ways. But in other ways, there is a great deal of good here too. It's a wheat and chaff problem. On the plus side, what happened represents a serious blow to a technocratic, Progressivist, and managerial regime that could only perpetuate the status quo. On the downside, what stands to replace it is not the embodiment of the ideals of either the Scottish Enlightenment or a digital-age libertarianism.

All these details of the Trump platform are still important, but strike me as less relevant to what we can expect going forward. The more I look at it, the less it seems to me that the election results are less about what Trump believes and more about what he represents: a fundamental shattering of an old paradigm. And I'm finding the widespread commentary that this represents some kind of triumph of racism, misogyny, etc. etc., to be superficial and even preposterous. And you know this if you visit with any regular voter.

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## Our Uncertain World

Now, look at this from a Hayekian lens. This lens asks us to be humble in the face of an unknowable future and the uncertainty of a world that constantly resists planning and top-down rule. Here we can begin to make sense of what has happened.

Now, to be sure, there are dangers ahead. No one can deny that. The great risk is replacing a failed paradigm with yet another one of a different flavor. Maybe it will be worse. There is no way to know for sure until it happens. But here is where the role of ideas comes into play, and where the role of public intellectuals and institutions like the Foundation for Economic Education truly matter.

What we've learned from populist revolutions past is that they can turn in many different directions depending on the ideas that prevail in their wake. We've learned that it is not enough to hate the status quo and overturn an existing ruling class.

We need to be clear on what it is that we love, what kind of society we want to live in, what kind of people we want to be, how we regard our fellow human beings, what kind of ethical core should be at the center of our lives.

Here the liberal tradition has the answer. We need peace. We need opportunity for all, leading to a shared prosperity. We can depend on the spontaneous order to build the kind of world we desire. We can't plan it from the top. It must be ordered from below, through the lives, choices, behaviors, and decisions of millions and billions of people who are pursuing happiness above all else.

## Speak Out with Courage

In other words, this is not the time to sit in stunned silence, much less join the chorus of people who are cursing the darkness around us or wishing that what is already done had occurred in a different way. This is the time for Leonard Read's candle to be lit and passed around the room, from person to person, room to room, city to city, nation to nation, all over the world.

Maybe this is it. Maybe this is the opportunity we've waited for for so long. It hasn't taken the form we expected, or even wanted. So it goes in life. No one explained this better than Hayek. We've been granted a glorious opportunity. The world is seeking out a new answer.

We are living in times that Thomas Kuhn would call "pre-paradigmatic." The old is going away, or already gone. What the future holds depends on the ideas that prevail in the great intellectual struggles of public life. I hope we all do what we can to shed light and wisdom on the present and for the future.

As Hayek said, this task will consume the whole of our lives going forward.

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Let me hear your thoughts on this essay.

John Mauldin



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