

## Year in review: Reasons for hope

by Robert\_J\_Caldwell

Americans are in a somber mood as the book closes on 2007. Economic worries, underperforming politicians and an unsettled world mar America's traditional optimism. Yet, a closer look yields more reasons for hope than many imagine.

Start with the economy. True, most forecasts see a slowing economy, perhaps even recession looming. Declining home prices, after the giddy run-up of recent years, are making millions of American families feel less affluent even as mortgage defaults rise and a resulting credit crunch increases the cost of debt. Throw in the declining dollar, rising energy prices and continuing increases in health care costs and the future can indeed look daunting.

Even so, the numbers for 2007 were surprisingly good, argues the buoyantly optimistic Larry Kudlow, an unapologetic apostle of pro-growth economic policies. Kudlow has a case. Economic growth for 2007 should finish at a credible 3 percent after a booming 4.9 percent increase in 2007's third quarter. Job creation remained strong, averaging about 100,000 new jobs per month throughout the year. After-tax, inflation-adjusted income was up more than 3 percent this year. Consumer spending, accounting for about 70 percent of the economy, grew in 2007 by nearly 3 percent. Inflation remained modest at about 2.5 percent with core inflation, excluding food and energy, at only 2 percent.

Keeping taxes down and investment incentives up, Kudlow's time-tested mantra, through 2008 should provide a cushion for tougher economic times.

On to politics. A Republican president and a Democratic Congress alike share dismal poll ratings, reflecting a disappointed public. George Bush is commonly written off these days as a failed, or at least weak and fumbling, president. The new Democratic Congress is widely viewed as ineffective and overly partisan, a rebuff of expectations just a year ago.

Bush, however, demonstrated through 2007 that he's hardly irrelevant. In fact, he's on something of a roll.

The Bush administration's troop surge in Iraq, embodying the new Iraq strategy that Democrats tried and failed to stop, is undeniably working. Even Senate Majority Leader Harry Reid, famously defeatist in early 2007, has been forced to admit that the surge is "helping." Across Iraq, violence, terrorist attacks, Iraqi civilian deaths and American casualties are all down dramatically, by factors ranging from 60 to 90 percent. The 11 Americans killed in action in Iraq this December (as of last week) were the fewest in any month since 2003.

Defying predictions, Bush has kept congressional Republicans together in support of the surge and a winning

new strategy. Concurrently, Bush has defeated every attempt by Democrats in Congress to force a premature withdrawal from Iraq or to withhold funding for the troops.

The Iraq issue, thought earlier this year to be a lethal cudgel for Democrats to use against Republicans, is so devalued politically that it has barely been mentioned in the most recent Democratic presidential debates.

Meanwhile, Bush maneuvered a new energy policy through Congress, on his terms, that wielded his veto to stop new taxes and a faulty expansion of "children's" health insurance, won at least a temporary victory on excluding the middle class from the archaic alternative minimum tax, and scored modest wins on spending restraint.

Not bad for a supposedly failed president.

The 2008 presidential election started in earnest in 2007, a clear malfunction caused by the unwisely front-loaded primary system. Blame the states and both political parties for this distortion that could see nominees effectively selected by Feb. 5, and a presidential campaign stretch over a politically debilitating year and a half.

As for the world in 2007, it offered the usual mix of hope and dismay. Typically, the bad news tended to obscure the good, a kind of Gresham's Law of international affairs.

The tragic assassination of Benazir Bhutto undeniably cast ominous doubts about Pakistan's stability, an evil omen for a key U.S. ally in the global war against Islamic terrorism. Iran continued to advance its uranium enrichment program, the single most important step toward achieving nuclear weapons capability. Vladimir Putin's Russia grew less democratic at home and more troublesome abroad for the West. The long-running tragedy in Darfur, genocide by some measures, continued while the world, notably including an ineffective United Nations, did too little to stop it.

But, then, there was more than a little good news, too.

As noted, the turnaround in Iraq offers new hope that America's strategically vital mission there might yet turn out at least a partial success. The Israelis and Palestinians are talking for the first time in seven years, thanks to the Bush administration's perhaps belated but nonetheless welcome initiative.

The overweening ambitions of Hugo Chavez, Venezuela's demagogic troublemaker, were checked for the

moment by his own electorate. Fidel Castro's half-century dictatorship in Cuba continued its twilight decline.

New leaders in France and Germany improved U.S. relations with Old Europe. A newly elected president in South Korea will help repair Washington's frayed ties with that key Asian ally, and offer a more unified approach to dismantling North Korea's nuclear weapons program.

Africa, despite some egregious exceptions such as collapsing Zimbabwe, moved haltingly toward more democratic governments and some heartening signs of economic growth.

A global free-trade regime that has raised living standards around the world held together through 2007 despite political strains in some advanced countries, including the United States. Similarly, the technological revolution that is remaking economies and so much else in the modern world continued apace in 2007, most notably in the economically freest countries.

Above all, the spreading global consensus that democratic governance and free-market economics offer the best hope of better lives for the great majority of humankind remained firmly in place through 2007.

Good and hopeful news, indeed.

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