

# The Instability of Modernity

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The financial markets have entered the new year in a relatively sanguine mood, but the specter of political instability remains a real threat to economic and market stability in the year ahead. The failed terrorist attack by Al Qaeda on a commercial airline flight from Amsterdam to Detroit on Christmas Day was a grim reminder that the global economy remains one accident away from lapsing back into a sharp slowdown. The adage that governments fighting terrorism must be successful 100 percent of the time while terrorists have to succeed once is singularly true with respect to attacks on commercial airlines, where a single incident has the potential to freeze global travel and harm the global economy. The world was fortunate on Christmas Day 2009, but it cannot afford the lapses in security that led a young Nigerian student with virtually no military or terror training to down a commercial airliner over a large American city. The line between failure and success in such matters is perilously thin. Unfortunately, the line between stability and instability in most important economic and political matters in today's world is similarly fragile.

On the other hand, events around the world suggest anything but stability. Iran poses the greatest danger right now. *The New York Times* revealed what intelligence agencies have surely known for quite awhile, the news that Iran has constructed an enormous complex of underground tunnels in which to conceal its nuclear ambitions. These tunnels render a military attack on Iran extremely difficult to carry off with any degree of success, leaving the West with few options other than negotiation with a country that now holds all the cards and has little constructive to offer. Sanctions are a likely next step, but sanctions will do little to prevent Iran from joining the nuclear club and becoming an even greater menace. The Iranian regime is facing greater resistance from political opponents on the ground, and will likely have to resort to more draconian measures to maintain power. This will lead to greater outrage in the West and louder calls for action against a regime that wants to govern a 21<sup>st</sup> century society according to ancient rules.

Events in Afghanistan are deteriorating even with a stepped-up American troop presence, as the Taliban grow bolder in their attacks on civilian targets. It is difficult to understand how anything less than a total military commitment to flush out the Taliban will succeed in wiping out a group that feels justified in blowing up civilians watching high school sporting events like it's just another day at the office. The Taliban, like the Iranian mullahs, are fighting the forces of modernity, although Afghanistan is a far less modern country and culture than Iran.

Pakistan remains a hotbed of Islamic radicalism, and the world can add Yemen as the latest refuge of those who want to destroy anything Western, modern or rational. Fighting is now breaking out again in Somalia as well. It may be 2010, but it might as well be 1010 in terms of the mindset and conduct of the leaders of significant parts of the world's population.

**Ironically, one of the most-advanced and powerful societies in the world is heading toward political gridlock. The once-strong Democratic Party ruling coalition in the United States is on the verge of collapse, suggesting that it was never as strong as the Obama-infatuated media portrayed. President Obama is watching his initial strong support dissipate due to his miscalculation of just how far to the left he could steer the nation. The health care bill that the president made his top domestic priority – when it was frankly nobody else’s top priority in the midst of the biggest financial crisis in a century – has turned out to be a terrible miscalculation that will cost him tremendously whether or not a bill is ultimately passed. Among its casualties may be the Democratic majority in the Senate even before the mid-term 2010 elections. Expectations that Mr. Obama would become a transformational president can be safely disposed of; he will be fortunate to make it through the next three years with any further meaningful legislative victories. Congress will soon be back in Republican hands, and the U.S. government will enter a period of gridlock that financial markets tend to favor since neither party can inflict too much damage on the polity in such an arrangement. This may actually bode well for stability, but it is not the outcome that many were expecting a year ago.**

**Financial markets are paying virtually no attention to the possibility that any of these political or geopolitical issues will cause damage in 2010. It may be perfectly reasonable to view a gridlocked U.S. government as a positive development until one realizes that the world needs the United States to lead the way in dealing with Iran, Afghanistan, Pakistan and Yemen. The United States is also needed to set the standard in financial reform, which is essential to establishing a stable global financial system capable of dealing with geopolitical challenges. In today’s world, finance lies as the center of every nation’s ability to deal with challenges to its sovereignty and safety, so financial reform and the war against Islamic terrorism are linked.**

**Unfortunately, in both areas, the U.S. is failing to exert meaningful intellectual or moral leadership. On financial reform, Congress and the Obama Administration have been persuaded to leave the most dangerous practices in place (such as naked credit default swaps), meaning that the cycles of boom and bust will continue and assure the world of another financial crisis in the near future. In international affairs, President Obama has yet to learn how to exert American power in a manner that brings the world together while sending a message to those who refuse to abide by the laws of the human community that their anomie will not be tolerated. One can only hope that his able Secretary of State Hilary Clinton can guide him in the direction of asserting American leadership more constructively and forcefully in the year ahead, for the growing instability in Iran, Afghanistan, Pakistan, Yemen and Iran are problems not just for the people living in those regions but for the entire world.**

