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Europe's free-market horse keeps trotting.

The headlines are black and the sky seems to be falling quite often, in the investment world (Wall Street, for short.) How often is "quite often?" The answer is "almost countless times" . . . because of the old saying, "The market has predicted 10 of the last 2 recessions." Once every few years, more or less, Main Street gets a little sick; and once every few decades it gets more than a little sick. It gets well again in both cases, because free-market capitalism makes it as strong a horse. But the headlines and the markets would like us to think Main Street gets seriously ill—or is just about to—around twice a year, on average.

There is a galactic-sized gap between Main Street's reality and Wall Street's never-ending readiness to get spooked, isn't there? One reason for that gap is that normal human beings (on Wall Street and Main Street alike) always find it hard to understand "really big things." Let's glance at a picture.

Inside the green circle we see factory production in America (blue) and Europe (red) since the brief Lockdown Recession of 2020. As a whole, the picture highlights the sharp difference in economic vitality between America and Europe, especially after the Financial Calamity of 2008 – 2009. The hand of government (taxation and regulation) is very much heavier in Europe—and the cost is slower growth. But the interesting thing about this picture, today, is Europe's red line since 2020. It's interesting because while it's struggled hard to advance . . . it's also refused to retreat. That refusal to retreat means Europe's factories have kept chugging along—especially this year—while carrying a shocking burden of problems: skyrocketing energy costs and supply chain chaos redoubled by the Ukraine War, compared to the same burdens in the U.S.

A truly long list of experts have been predicting Main Street Europe's serious illness all year. They've done that because those "<u>skyrocketing</u> energy costs" and that "supply chain <u>chaos</u>" actually deserve those colorful words. They're not just splashy headlines, this time: they're the fact. But somehow, the factories on Main Street Europe which should have been most sickened by "skyrocketing chaos" (for short) have <u>not</u> buckled under the weight and checked into the hospital. Somehow they've found ways to keep working.

Why?

Because of one of those "very big things" which we all find hard to understand: a giant, free-market-capitalist economy. No need for a textbook chapter here, on that subject. We can just say that "giant, free-market capitalist economies" can take a <u>lot</u> of punishment and keep ticking. They can take a lot of punishment even when they're a very long way from an "ideal" free-market economy; when that hand of government is pretty heavy and getting heavier. Besides Europe, we are watching China's Main Street trying to do exactly what Europe has done, at this moment—and China's economy makes Europe's look like the "gunslingers in the Old West" version of "make your own rules" freedom, by comparison.

Those sky-is-falling headlines would like to persuade us that whatever Big Problem they're highlighting is so big and powerful it'll send Main Street to the hospital for sure. Europe's factories, this year, remind us that it takes a lot more than the headlines' "Big Problem of the Moment" to send a free-market horse to the hospital.

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