

# State of the Markets

From the desk of Darrell L. Cronk



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## Independence, uncertainty, and markets: Lessons from 250 years

*“I like the dreams of the future better than the history of the past.”* — Thomas Jefferson

*“I have thought it my duty to exhibit things as they are, not as they ought to be.”* — Alexander Hamilton

As the United States prepares to celebrate the 250th anniversary of its founding on July 4, it is a moment not just for reflection, but for a deeper appreciation of what has been built and how it has endured and adapted over two-and-a-half centuries.

Being American can be exhilarating, and it can also be exasperating. That is because right from the start, America hasn't revolved around a singular idea or a singular economic world view. It is, and has always been, a competition of ideas, a tension between freedom and order, a 250-year debate marked by pendulum swings between the two until the self-governed have had enough and demand a return to equilibrium.

The United States was not born into stability or advantage. It emerged from a conflict with limited resources, fragile institutions, and an uncertain future. In fact, this nation was born with a massive war debt, defaulted loans to European lenders, no system for generating revenue (the federal government had no taxation authority under the Articles of Confederation), and an essentially worthless currency.

There were no guarantees that this experiment in self-governance would succeed. The founders rejected European imperial systems run by an aristocratic elite — there would be no ruling royal family, there would be Constitutional limits on power, and there would be a decentralized federation of states with significant power all their own.

The inherent tensions built into that system would emerge immediately. They were personified in the idealistic agrarian ruminations of Thomas Jefferson and the audacious, pugnacious arguments of Alexander Hamilton.

Hamilton, famously an orphan born into poverty and sent from his St. Croix birthplace to the American colonies for education, had an idea that a strong central government that invested in its infrastructure could make the United States an economic powerhouse.

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To him, that meant tariffs to protect industry, subsidies to incentivize innovation, a central bank to extend credit, and a national currency instead of individual state currencies. He favored a national debt, enabled by the sale of U.S. government bonds, to give wealthy investors a financial stake in the fledgling nation's survival. Hamilton envisioned a thriving industrial economy, and if that meant some grew more rich and powerful than others, so be it.

Jefferson and James Madison, on the other hand, were Virginia plantation owners who considered farming the new country's most reliable economic engine and private land ownership the ultimate expression of freedom and liberty.

They saw an America that would export its surplus raw materials, like tobacco, cotton, and timber, to Europe, which would send manufactured goods, like clothing and tools, back to America. Jefferson and Madison preferred local banks that could lend to farmers and small business owners. They abhorred national debt, central banks, federal taxation, and protectionist tariffs.

Again and again, the Hamiltonian ideal of a strong centralized federal infrastructure clashed with the Jeffersonian ideal of a decentralized economic model that encouraged self-sufficiency. And 250 years later, we see the same tensions and hear echoes of the same age-old arguments when the pendulum swings too far.

What has made this country unique over time has not been a consensus-driven vision or the absence of adversity, but the leeway self-governance provides it to adapt to change and pioneer new paths forward.

### A system that thrives in periods of transformation

One of the most remarkable aspects of the American experience has been its capacity for reinvention. Against the backdrop of a stable governance framework and a stable system of laws, this country has repeatedly transformed itself — economically, technologically, and socially.

The United States has transformed from an agrarian economy to an industrial powerhouse, and yet again into a modern, innovation-driven technology leader that continues to shape global markets and ideas. Each transition brought creative destruction, and each transition made advancements that previous generations could hardly even imagine.

Today's artificial intelligence revolution — along with the recent pockets of backlash we are just beginning to see — exhibits the same patterns that all previous periods of creative destruction followed. Our country naturally creates a tournament of ideas. Win, and you advance and attract capital. Lose, and you go home.

That's a ruthless system in some ways, but, in our view, it's also the most efficient way to determine where capital should go. The free market — not a central government — decides a new idea's growth trajectory, and we get to invest in the ones we think have the most merit.

How visionary that one of the founders' first acts as a new country was to pass the Patent Act of 1790. President George Washington in his first State of the Union address urged Congress to pass the bill, and on July 31, 1791, the first patent was filed. Instead of a ruling class or royal family owning intellectual property rights, it would be inventors, individual citizens, who owned those rights. In other words, in this country, if you have a good idea, and you protect it, you can be compensated for it.

As a result of ideas like this, the American story is infused with a spirit of bold entrepreneurship. Throughout history, U.S. growth has been fueled by the contributions of those who build, invest, and innovate, whether it's

the inventor in a garage workshop, the founder who starts a small business, or the innovator who disrupts an industry. The global landscape has changed many times over the past 250 years, but the American entrepreneurial spirit persists.

The strength of American capital markets, the rule of law, and the durability of its economic system have provided a foundation for long-term prosperity. Equally important has been the country's financial dynamism as the world changes — its ability to develop institutions that extend beyond any one moment or generation. This system was not built perfectly or all at once; it has been tested, refined, and strengthened over time.

Financial historians will recall the secret meeting at Jekyll Island, Georgia, in 1910. The creative destruction of the Industrial Revolution would regularly lead to financial panics — in 1873, 1893, and a panic in 1907 that nearly spelled the end of the U.S. banking system.

The country's most powerful bankers gathered on Jekyll Island, telling acquaintances they were going on a duck hunting trip, and they drew up the framework for what would become the Federal Reserve Act of 1913. The advent of our modern Federal Reserve Bank meant that our financial system would have a lender of last resort, oversight over state-chartered banks, and a system to more easily move money around the growing country.

And once again, you saw the clash between Hamiltonian and Jeffersonian mindsets — some objected mightily to the power a central bank would give the federal government and Wall Street and feared the influence of the wealthy elite. That tension brought compromise in the form of 12 regional Federal Reserve Banks, overseen by the Federal Reserve Board.

And thus the pattern goes. In periods of transformation when the big fish are running, we cast our line and give it as much slack as it needs. Then when trouble hits — the speculation of the Great Depression, runaway monopolies with unhealthy pricing power, and scandals that break public trust — we tighten the line with regulation and governance, and we seek equilibrium once again.

### Perseverance over perfection

The United States' capacity to adapt has sustained rising standards of living, deep capital markets, and one of the most influential economic systems in the world.

Perhaps equally as powerful, this country was built on a set of aspirational ideals rather than a fixed identity. The concepts of freedom, democracy, individual rights, and the rule of law have served as guiding principles — even as we acknowledge that practice and progress have often lagged aspiration.

The framers of the Constitution knew this new country would always be an unfinished project, and they put mechanisms in place to enable the United States to fix its flaws and move toward “a more perfect union.”

The Constitution could be amended. The courts would have the power to curb overreach and interpret whether the ideals in the Constitution were being breached in practice. The people would be endowed with freedom of speech, freedom of the press, the right to peaceably assemble, and the right to petition the government for a redress of grievances.

The past 250 years, to be certain, have not been without division or difficulty. Periods of disagreement, economic stress, and social change have been defining features of our journey.

Yet these moments have also revealed a deeper strength: the ability of the system to absorb turbulence and change course when it must. Progress has not been linear, but over a span of 250 years, it has been constant.

Our pride is not rooted in perfection, but in perseverance. The American experiment — still imperfect, still evolving, still aspirational, still hanging in the unresolved tension of our origin — remains one of history's most compelling examples of what can be achieved when a society invests in enterprising individuals and their ideas.

Perhaps most importantly, I am proud of the idea that progress in this country has been cumulative. Each generation has contributed in its own way, and each has adapted and innovated to rise to the challenges of the future. This great nation has never been static. It has repeatedly confronted its own flaws and redefined how it acts on its ideals, and it has emerged stronger because of that progress.

While July 4th serves as a defining historical milestone, independence itself was not achieved in a single moment. The Declaration of Independence did not prescribe the United States a fixed set of directions for its future; rather, it was a philosophical compass to be used to navigate difficult crossroads. This message is both enduring and relevant for Americans and investors.

The most consequential decisions — then as now — are not made in moments of clarity, but in periods of uncertainty. History suggests those who remain engaged through these periods, those grounded in sound principles, are the ones best positioned to prosper. Uncertainty is the price of opportunity.

***Epilogue:*** *This piece was not easily written. Many drafts were set aside, each dismissed for being too long. Over time, however, I came to accept that its length may be appropriate — reflective of lessons that are enduring and deserving of the space they require. In the final edit, I noticed it totaled exactly 1776 words. I chose to take that as a sign.*

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