We wish we had a dollar for every time we’ve heard that the bull market in equities is only due to loose money. We have consistently disagreed, arguing that although the Federal Reserve is loose, the bull market is primarily a function of the rebound in profits after the disaster in 2008-09.

The government’s economy-wide measure of profits – the one’s it releases with the GDP reports – was $2.15 trillion at an annual rate in the fourth quarter of 2016, up 9.3% from the prior year and very close to a record high. In turn, given the strong statistical link between the S&P measure of profits and the government’s measure, as well as the robust gains in S&P profits reported so far for the first quarter, we wouldn’t be surprised at all if the economy-wide measure of profits is hitting a record high in Q1.

The gains in profits are a testament to the enduring ability of entrepreneurs in the face of what has been a bipartisan movement toward more government involvement in the economy dating back to the latter couple of years of the Clinton Administration. These include more government spending, new entitlements, and much heavier regulation.

Now it looks like government policy stands a solid chance of becoming a tailwind to growth rather than a headwind, with less regulation on the energy sector paired with respectable prospects for major reforms of Medicaid and Obamacare as well as supply-side tax cuts.

These changes will sustain the growth of corporate profits even in the face of an acceleration of wage gains as the unemployment rate declines. Notice the lack of a negative equity reaction to Wednesday’s Fed statement that sent a clear signal a June rate hike was on the way. Supply-side policies are the way policymakers can break through the Keynesian mindset that labor and capital have to battle it out for the upper hand and that a “tight” labor market must mean weakening profits.

Meanwhile, it looks like France, and, in turn, the EU can continue on a bullish path. Emmanuel Macron, France’s incoming president, has proposed curbs on France’s wealth tax, wants to decentralize corporate bargaining with unions, plans to cut the corporate tax rate to 25% from 33%, and wants to reduce government jobs (through attrition).

The European Union is in dire need of economic reform, to move toward free-market capitalism rather than (democratic) socialism. But the best way to do this is for major countries in the EU, like France, to reform their economies themselves.

If some countries move toward freer markets, other countries will have to follow or capital will move toward more freedom, leaving the others behind. Now it looks like one of those countries is on its way.