

COVID-19 and the Future of the United States as a World Leader

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Much of the long-term impact of the COVID-19 pandemic will depend on how the US government manages the disruption this pandemic causes to Americans' way of life. The long-term lessons and policies resulting from this experience will reshape the country's future. In this brief, I will address two major issues: (1) long-term demographic impacts, especially regarding health and immigration policies, and (2) the US sphere of influence and standing among the nations of the world.

DEMOGRAPHIC IMPACTS, HEALTH, AND MIGRATION

Many observers and a few demagogues have argued that the United States entered this trying period from a position of strength; they claimed that the economy was stronger than ever.¹ That was a delusion based on the stock market reaching record highs and unemployment hitting record lows. Americans have already seen how fragile the stock market was—the wealth accumulated in the last three years of market rise has now disappeared. And unemployment was pushed artificially low by having larger numbers of people in retirement and disability. The proportion of the population in the workforce since 2015, at about 63 percent, remains substantially lower than it was from 1990 to 2010, at about 66 percent; accounting for this difference, unemployment is about the same as it was for most of the period since 2000.² GDP growth, a better indicator of the economy's strength, has generally been weaker—about 2 percent per year, despite strong monetary and fiscal stimulus, in the form of record-low interest rates and record-high government deficits.³ In sum, the United States entered this period of extreme economic stress with an artificially inflated stock market, historically low labor force participation, and slow economic growth rates.

This special edition policy brief is intended to promote effective ideas among key decision-makers in response to the COVID-19 pandemic. It has been internally reviewed but not peer reviewed.

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It would be indulging a second delusion to assume that the economy will automatically bounce into a strong position once the nadir of the current crisis has passed. Instead, the United States needs to accept the reality of its weak condition if its policies are to lay the foundation for rapid economic growth after the pandemic recedes. Critical to that task will be addressing the country's demographic, health, and migration challenges with novel policy solutions.

The first problem is to fund the costs of caring for an aging population. Let me be clear. Even a severe pandemic will not have much effect on the sheer number of senior citizens that the United States must support with pensions and healthcare in the near future. According to the US Census Bureau,⁴ the number of Americans age 65 and older will grow from 56 million today (15 percent of total population) to 81 million by 2040 (22 percent of total population). Even if the death toll of this pandemic is as devastating as 1 million senior citizens, the size and growth of this demographic group will remain roughly the same. What this pandemic will reveal is how costly a surge in caring for older Americans can be. Whether it is care of chronic conditions or the costs of dealing with another pandemic, such costs will only escalate dramatically over the next two decades, a period when the fraction of the population over age 65 is expected to be 50 percent larger than it is today. It is plain, therefore, that the United States needs to start now designing a surge in capabilities and dedicated facilities to cope with a quickly aging population and the consequent surge in fiscal costs of providing Social Security and Medicare to that aging population. To pay the bill, the United States needs a growing economy and a healthy and growing labor force—ideally with both growing faster than in the years before the pandemic.

A second challenge is that the United States has a relatively unhealthy population. This problem exacerbates both its vulnerability to crisis and the weakness of its economy. Even before this pandemic, the United States ranked 27th in life expectancy among Organisation for Economic Co-operation and Development countries.⁵ And as many as 100 million adults in America out of a total 258 million—that's 40 percent—are at a high risk of serious illness from COVID-19 owing to age or medical conditions such as high blood pressure, diabetes, obesity, emphysema, and other heart and lung conditions.⁶ Therefore, the healthcare system needs drastic reform, not only to deliver acute care at lower costs but to provide better primary, preventive, and long-term care to the population. This is not only a good in itself, but it also has an effect on economic productivity and social resilience in the face of pandemics. US health policy should have its prime focus on achieving robust health for its population rather than just treating illness.

A third puzzle to resolve is the renewal of the labor force. The United States has neither enough healthy workers nor enough young workers coming into the labor market. Fertility in the United States has fallen to record lows and remains well below replacement at just 1.73 children per woman.⁷ Consequently, without substantial immigration, the US working population will rapidly decline in the next few decades.

Surveys of political attitudes show that Americans tend to overestimate the size of the immigrant population and its rate of growth.⁸ That population is, in fact, small and declining. Between 2017 and 2018, out of a total population of 331 million, the number of foreign-born individuals living in the United States increased by only 203,000 people, or less than 0.06 percent.⁹ That is the smallest increase since 2010, and it represents only a quarter of the more typical recent inflows of 0.33 percent per year. At this rate, the United States will soon face the same demographic headwinds as rival economies, a fate it had largely escaped over the 20th century. In order to become again the world's leading economy, the United States will have to become again the leading destination for qualified workers, entrepreneurs, and talent from around the world.

A major risk of this pandemic is that xenophobia will likely be on the rise. If that translates into higher barriers to population movement and chokes off immigration, its effect will be disastrous for the US economy, both in terms of its economic growth rate and the ability to meet its obligations to current and future generations. As the United States enters two decades of very rapid aging and dramatically low fertility, it is hard to think of anything that would be more counterproductive to fast economic growth than adopting permanent restrictions on immigration in the wake of today's necessary short-term emergency measures. Instead, to boost recovery, long-term immigration reforms should encourage more, higher-skilled, and more entrepreneurial immigrants.¹⁰ Should the United States stop or even slow down immigration, it may very well shift its long-term economic trajectory in a negative direction.

GLOBAL COOPERATION AND LEADERSHIP

The challenges the country faces from this pandemic are not only economic. The United States is being confronted with a test of how its constitutional system can manage a crisis of this magnitude. As coronavirus cases continue to soar in the West—while China has achieved a leveling off, Italy, Germany, and Spain together already have had more cases, and half again as many deaths, from the disease as all of China¹¹—China is already presenting itself as having developed a political system that is much more effective in protecting its population than the seemingly disorderly, dysfunctional democracies of Europe and the United States. China was able to carry out an effective shutdown through authoritarian means. In the United States and Europe, the challenge is whether those regions can demonstrate that voluntary compliance with directives issued by elected governments can be equally effective in the face of a dangerous pandemic.

The United States got off to a late start, too late for rapid containment. This problem was exacerbated by mixed and inconsistent messages from the White House. These delays, and their consequences in terms of the spread and fatalities of the disease, are playing right into the narrative of China and authoritarians around the world that democracy is less able to deal with this sort of crisis. This narrative is only bolstered by the fact that European countries are now turning to China, not the United States, for aid and leadership in responding to COVID-19.¹² The prestige of

the Western democratic system of government was already dealt a severe blow in 2008 when the Great Recession struck and was followed by a very slow recovery. If the international reputation of Western democracy takes another severe blow from mishandling this crisis, it may not recover.

Going into World War II, the United States was slow to grasp the threat and entered the conflict only after being attacked. But once the economy was put on a war footing and the government signaled its commitment to win the war, the United States proved to be equal to the challenge. It now needs to replicate that effort, this time at a global scale. It needs to reaffirm its alliances with other countries. It must complement diplomacy with efforts on the ground by deploying its vast resources to building up and sharing stocks of medical equipment and supplies and developing and testing vaccines. This is a global problem, and it is by their contribution to a global solution that nations will establish their standing in the new world order that succeeds this crisis. If the US contribution is modest, or worse, if a poor policy response in the United States leads to it becoming the leader in coronavirus casualties, the center of global economic and political power is likely to shift from the West to the East.

Past pandemics have changed the world order. In the 2nd century AD, a great plague ended the golden age of Rome and put the western empire on a long-term path of decline. But in the 14th century AD, the Black Death in Europe was followed by the Italian Renaissance and the shift of world leadership in arts, science, and technology to the West. How successfully the United States, as leader of the democratic West, manages its resources and designs its long-term policies to respond to this pandemic will determine its role in the new global order that emerges in the aftermath.

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NOTES

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