

How to Handle Economic Disruption

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Executive Summary

We live in an era of [megachange](#), where large-scale transformations are disrupting our domestic economy, internal politics, and international order. There are shifts in areas ranging from technology and geopolitics to climate and domestic politics. Many features of life, which previously showed some degree of consistency and stability, are becoming unmoored and generating substantial change in how people communicate, make decisions, and relate to one another. It is a time when everyone needs to think carefully about how to navigate key developments and enable others to adjust to shifting realities.

This paper outlines a series of steps designed to help people handle economic disruption. Among other things, we need to reduce the digital divide so that more people can share in the benefits of a digital economy; retrain workers; reshore and near-shore our production capabilities; and adopt a new social contract that better serves the needs of regular people.

Tech Disruption and Automation

Technology disruption is proceeding at a rapid pace. The COVID-19 pandemic accelerated remote work, e-learning, e-commerce, and telehealth, among other areas. Even as the spread of the disease slows down, there is little indication that the pace of digital innovation will follow suit. On major aspects of digital transformation, we are not likely to return to the pre-COVID world, as many of the things that were implemented during that time will likely remain with us and facilitate even faster tech adoption in the future.

New developments, such as [artificial intelligence, machine learning, and data analytics](#), are being implemented in many sectors, and altering business, government, and civil society. Automation is transforming factories, warehouses, and offices and shifting the relationship between employers and workers. It is a time that offers a number of benefits, yet also one that tests the resilience and adaptability of many people. Everyone is having to adjust to a different way of life, and some are having difficulty handling that transition. In our rush to embrace the online world, we have to make sure large numbers of people are not left behind.

International Shifts

The global order is fracturing, and new alignments are unfolding. China is rising economically, politically, and militarily; Russia is asserting control over another country's territory; many European nations are coming together to deal with the Ukraine war; and developing nations are dealing with a number of different challenges.

With the speed of all these developments, it is hard to predict how alignments will shift, what a new order will look like, and what it means for international trade and commerce. Many places are erecting new barriers to economic relationships and placing restrictions on the movement of goods and people across borders. Even in the face of a global pandemic, it was hard for countries to cooperate on disease tracking, mitigation, and treatment. The more complicated geopolitics becomes, the more chaotic and less predictable the

world becomes, and the less coordination and cooperation there is across nations.

Climate Change and Extreme Weather

Climate change is shifting weather patterns, generating extreme weather events, and impacting agricultural production, water access, and human migration. With most countries used to set weather patterns, it is hard for individuals in many places to cope with a warming climate, and the droughts, floods, wildfires, and natural disasters it brings with it.

Most major cities are located on rivers, lakes, or oceans, and have power plants and transportation routes that lie close to waterways. When those routes dry up or become flooded, it wreaks havoc on energy generation and transportation. Businesses are not able to move products, and shortages pop up in [global supply chains](#).

Weather-related fluctuations encourage people to move elsewhere from drought-stricken areas, which sometimes intensifies boundary disputes and strains international relations. Mass migration deprives countries of needed talent while generating resentment and cost concerns in the new places that displaced people are moving to. Many nations experience internal discontent and a rise in anti-migrant sentiment when immigration increases.

Political Chaos

In the United States, there are major challenges in terms of demography, voting rights, institutional performance, and the rule of law. At a time of high political polarization and growing extremism, people increasingly see opponents as enemies who are not to be trusted with the

nation's future. Many isolate themselves within echo chambers that reflect their own points of view and do not want to deal with those from other beliefs or backgrounds.

For example, a recent [NBC News/Generation Lab survey](#) of college students found that half did not want to live with someone who voted a different way and didn't want to date someone with different political views, while two-thirds indicated they wouldn't marry someone from a different political background.

In my book [Power Politics: Trump and the Assault on American Democracy](#), I argue that the United States faces major threats to our political system based on authoritarian sentiments, poor institutional performance, a toxic information ecosystem, and the weaponization of information. There is a perfect storm brewing that is endangering our democratic traditions and the way in which we choose political leaders. It is a risky time for the United States and the world as a whole.

The Need for Meaningful Action

In this rapidly changing situation, we need to think about ways to mitigate key developments and help people adjust to changing realities. There are a number of steps that would ease negative consequences and enable people to lead safer and more prosperous lives. The remainder of this article outlines concrete steps that would improve the current situation and put America and the world in a better position to handle economic disruptions.

Reducing the Digital Divide

It is vital that we reduce the [digital divide](#)

so that all can reap the benefits of digital technology. Right now, around 20 percent of Americans do not have high-speed home broadband and that excludes them from the digital opportunities that have opened up in recent years. They are not able to apply online for jobs, work remotely, stream videos, take advantage of electronic instructional materials, or engage in online consultations with medical providers. Many of the tools that helped others survive the pandemic and maintain their financial viability were not available to those who have been left behind by the digital revolution.

Others may have access to broadband, but the speeds are too low to take classes online or engage in e-commerce. Due to these limitations, they fall behind others, and income inequality increases. These individuals are at risk of losing economic opportunity; can only access jobs that are likely to be automated in the coming years; and could become financial victims of trade or geopolitical disputes. To stop that from happening, we have to invest in digital infrastructure and make sure broadband costs are affordable for all people. Building an inclusive economy has to be a top priority for our political leaders.

[Retraining Workers and Encouraging Lifelong Learning](#)

As the world shifts from an agrarian and industrial to a digital economy, workers may not have the skills necessary for the new jobs that are being created. Old jobs will be lost through automation and corporate reorganization, and those without proper retraining will fall even further behind in the new economic order.

To reduce these risks, we need to retrain workers for the needs of the new economy.

The old model of investing in education through age twenty-five has to give way to [lifelong learning](#) in which people learn new skills at every point in their lives. The pace of economic and digital transformation will accelerate to the point where people will need to learn new skills at ages thirty, forty, fifty, and sixty. They will need to take online courses, get certified in new areas, and reskill on a regular basis. Failure to do this will increase our already high level of inequality and fuel political and social unrest.

[Reshoring and Near-Shoring Manufacturing Capacities](#)

Manufacturing has long been a vital sector in the United States and other countries around the world. People with limited skills could get high-paying jobs in factories that would provide economic opportunity. In recent decades, though, manufacturing jobs have moved abroad and shrunk the opportunities available to the middle class. Millions have lost jobs and often suffered a substantial decrease in their earning power.

The COVID pandemic revealed the limitations of this model when [shortages developed](#), geopolitical shifts disrupted existing alignments, and countries could not get products vital to public health, safety, and wellbeing. For example, the US suffered from shortages of many pharmaceutical products are manufactured in China and India. Other sectors experienced supply issues because most computer chips are made in South Korea and Taiwan.

For vital industries that are key to national security and economic competitiveness, it is important that some production capabilities be returned to the United

States or to friendly nations where the risk of geopolitical tensions causing shortages is low. This does not mean that all sectors should follow that strategy, as it would be costly and inefficient to decouple the United States from global manufacturing altogether. But in cases where public health or national security would be at risk, we need to invest public and private resources that enhance domestic production capabilities.

Adopting a New Social Contract

As the world faces megachange, deglobalization, tech disruption, and geopolitical complications, we need a [new social contract](#) that promotes inclusivity and economic opportunity for all. Income inequality is at a 100-year high and erodes economic opportunity, increases societal divisions, and puts our political system under great stress. Just as we made changes in our social contract in the early twentieth century as the country shifted from an agrarian to an industrial economy, we need to figure out ways to train and retrain workers, reshore manufacturing capability, pay for lifelong learning, and deal with digital transformation. It is hard for our current political system to make the necessary changes, but we need stronger relationships with workers to help them deal with current challenges and enable them to make a smooth transition to the emerging digital economy.