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Opinions

America on the way up

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Short-term economic trends in the United States are encouraging. Unemployment is down, growth is up, deficits are less than half what they were during the “Great Recession,” gas prices have plummeted, citizens have “deleveraged” their debt considerably and consumer sentiment is very positive.

For many, however, these realities are merely a soothing veneer over a troubled picture. They see America in decline, the middle class adrift, the world in shambles and political acrimony more entrenched than ever over issues ranging from immigration and U.S. policy on Iran and Cuba to taxes and health care. This pessimism is not limited to the home front. With major U.S. allies in Europe and East Asia enduring sustained economic malaise, worrisome demographics and declining power, many believe the Western world is in retreat.

Those sentiments are generally unfounded, however, when it comes to the United States and North America. Recent positive headlines have not masked deeper problems so much as they have heralded the kind of future this nation can enjoy — especially if political leaders can make a few sensible, non-Herculean compromises on issues that beg attention.

The United States is, in fact, better positioned than any other country for the next 20 to 30 years — and, very likely, beyond. Together with Canada and Mexico, the United States also enjoys mutually reinforcing sources of competitive advantages in geopolitics, demographics, energy and natural resources, manufacturing and industrial competitiveness and, above all, innovation and technology. If the 20th century was the American Century, the 21st is poised to be the North American Century.

Since we first offered this view some two years ago in *The Post*, a number of favorable trends have solidified or even accelerated:

- The United States is now the world's largest producer of both oil liquids and natural gas, with Canada and Mexico important players in the energy arena, as well.
- U.S. manufacturing, while still far from its heyday, has added hundreds of thousands of jobs over the past two years, and Mexico is now fully competitive with China and other Asian manufacturing hubs in a variety of industries.
- The United States leads the world in high-tech sectors such as aerospace and pharmaceuticals.
- The U.S. federal budget deficit, while still too high, is below 3 percent of gross domestic product, and publicly held debt as a fraction of the GDP has stabilized at around 75 percent.
- Relative to GDP, U.S. household debt is down significantly from pre-Great Recession levels.
- U.S. small business confidence is the highest it has been in nine years, and consumer confidence is at its highest in 11 years.

- Crime rates in America are the lowest in a generation.
- America's demographics are far and away the healthiest among the developed economies, as well as Russia, China and India, with a nice and steady 1 percent annual population growth rate.
- The U.S. military, while under budgetary strain and still in harm's way, has weathered not only the brunt of wars in Iraq and Afghanistan but also the ax of "sequestration" and downward pressure on budgets for half a decade.
- The United States and Germany are, according to the World Economic Forum, neck and neck in respective claims to be the world's most competitive major economy. U.S. strengths in market size, entrepreneurial culture and financial networks roughly equal Germany's strengths in modern manufacturing and social cohesion.
- U.S. GDP growth is now exceeding 3 percent. Indeed, at present it appears that the U.S. economy may, for the first time in some nine years, grow more in absolute dollar terms than China's does. (China's growth rate, though declining, is likely to be nearly twice as fast; however, as measured in classic terms, its GDP is still only a bit over half as large as our own.)

This last point is crucial. China has recorded historic achievements, but its ascent to superpowerdom is not a given. Leaving aside the limited appeal of China's political and economic model, it faces the imperatives of transitioning from a low-cost labor provider to a value-added and services economy, reducing the world's largest debt-to-GDP ratio, cutting pollution and corruption, dealing with insufficiently competitive state-owned enterprises and addressing numerous other domestic challenges. In fact, Brookings Institution scholar David Dollar has argued that, even if China overtakes the United States in absolute GDP within a couple of decades, the United States may regain the top spot later in the century, especially if China's political model remains autocratic.

There is, of course, much that the United States needs to do. We need comprehensive immigration reform. Our education system is highly uneven in quality and requires an overhaul to prepare students for the economy of the future. Our lower and middle economic classes have seen minimal real wage growth since the Great Recession. Crime is still high by Western standards. And the U.S. deficit will get worse again within a half-decade or so if nothing is done on entitlement spending and tax reform. Beyond that, our infrastructure — which is central to future productivity gains — needs major improvement. And, of course, climate changes remain a threat, as do Islamic extremist groups and Iran, as well as Russia.

Regardless, more than any nation on Earth, and arguably more than any in history, the United States has the assets needed to confront its problems head-on. Indeed, however our nation's political parties differ on a variety of issues, Democrats and Republicans should agree on one proposition: This is another American century, and the future has seldom looked brighter. Washington policymakers do not need to rescue the nation from the precipice so much as to make reasonable, mid-size compromises on a number of policies and otherwise get out of the way.