

Review Article

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The Future of US Economy

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ABSTRACT

The purpose of this research paper is to look at the future US economy, and see what will determine how it will grow and develop in the years to come. The article is based on an in depth review of four sources, all of which have something to say about where the US economy is right now and where it could go in the future. The US economy has long served as a bedrock of economic globalization that drives commerce, technology and foreign policy. This is a report on how the U.S. economy is performing right now and how it reflects GDP growth, unemployment, inflation, and trade balance. But also, it covers emerging trends, challenges and opportunities to help understand the driving forces behind the future direction of the U.S. economy. Lastly, the paper looks at what the policy, technology and international environment might mean for the U.S. economy.

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Introduction

The world's largest economy, the US, was a place of prosperity and innovation that catalyzed global economic growth and was a model for the rest of the world. But in the past few decades, there has been a succession of problems for the nation which may influence its economic future [1]. Innovation and technology development have been among the strengths of the US economy. Digital economy in particular has been one of the biggest engines of economic growth for the country and the US is world's largest digital economy.

US economics, a measure of how well the world's economies is doing, are diverse, innovative and robust. It's in the early 21st century and it has the potential and the threats of technological advances, geopolitics, climate change and internal socioeconomic inequality. This article will attempt to take a look at these drivers and give a forward-looking look at where the U.S. economy might be headed.

The Impact of COVID-19

The COVID-19 pandemic is deeply affecting the US economy causing thousands of jobs, companies to close and economic activity to decline significantly [2]. The pandemic has revealed how fragile the US economy is, and how it should be more resilient and flexible when the world throws a curve ball.

The world economy has lost nearly \$90 billion in the first year of the pandemic, according to one estimate, the largest economic depression in the past century. [2] The US economy – the world's most advanced economic superpower until the late 19th century – has been harmed too, and the federal government has a mounting budget deficit as social entitlements for unemployment and workers who lost their jobs during the crisis grow [2].

The pandemic has also revealed the global interdependencies and vulnerabilities of the US economy, with the contraction of global trade and the disruption of supply chains having a significant impact on economic activity. In 2020, global GDP declined by 3.0 percent,

a sharp contrast to the 2.8 percent growth in 2019 [3]. As the US continues to grapple with the economic fallout of the pandemic, it will be crucial for policymakers to implement a comprehensive and coordinated response that addresses both the immediate challenges and the long-term structural issues facing the economy [2-5].

But the pandemic has also taught us how technology can contribute to economies becoming more resilient and driving growth. This new era of business demands on digital technologies during the pandemic gave a fresh start in technology upgrading and adoption that might be the future economic driver in the US. 'Technology is becoming the lifeline needed to strengthen economies and support economic growth,' stated one study. The digital economy has been a huge part of the US economy and the US ranks first in the world.

Employment and Labor Market

The US economy has been badly affected as well by the pandemic the unemployment rate in April 2020 was at 14.7%, the highest since the Great Depression. That has affected household incomes and consumption spending and has only made the economic issues worse in the country. But the US economy has endured these strains with unemployment level easing to 6.7% as of December 2020. But it hasn't been an even recovery, with some industries and certain segments of the population experiencing greater hardship than others. Inflation and monetary policy in the US have also been negatively affected by COVID-19. In an effort to buoy the economy, the Federal Reserve has used several actions such as interest rate cuts and asset purchases. But inflation has not been good this year, as rising inflation could dampen the Federal Reserve's motivation and capacity to be countercyclical. This could also have a serious consequence for the US economy, as the growth-interest rate cycle determines the US economy's direction and its influence in emerging markets. It has done this by focusing very hard on what the US economy is like and what drivers will determine its future, and by doing this, the paper gives us a good overview of the challenges and potentials of the world's largest economy.

Global Geopolitical Dynamics

The pandemic has also exposed the weak spots of global supply chains and trade relations, as the impact of lockdowns and travel bans on the world economy has been a major ripple effect. This global loss of trade and investment has hurt especially hard the US, a leading exporter and importer of goods and services.

Policymakers will have to implement a multipronged solution spanning short-term crisis response with long-term structural change to strengthen the resilience and competitiveness of the US economy. It might involve infrastructure, education and workforce investments, new trade agreements and the renewal of old ones [2,6,7]. The study also looks at the more general geopolitical circumstances in which the US economy operates, such as how the power balance between the US and China is changing, the influence of growing nationalism and protectionism, and the risk of greater global instability and wars. Both of these forces could have a significant effect on the US economy, directly (in terms of trade and investment) and indirectly (in terms of global stability and confidence).

Demographic Shift and Oil Impact

We also see demographic changes in the US economy population growth, low birth rates, and rising immigration. These developments have critical consequences for the labor force, consumption and public demand. Politicians will have to take these demographic changes and the effects on the economy seriously, and design policies that will ensure a strong and happy labor market while meeting the needs of the increasing older population. The US is a major producer and consumer of oil, and fluctuations in oil prices can have significant implications for economic growth, inflation, and the balance of trade. The paper could explore how changes in global oil prices have affected the US economy in the past, and how the country's energy policies and strategic positioning in the global energy market could shape its economic future.

International Impact on US Economy

Although the research paper covers the whole US economy and outlook well, one should not ignore the influence of the economies of South America countries [8, 9].

The economies of South American countries are also inseparable from the US economy through trade, investment and remittances. If the US economy for example, if the US dollar fluctuates or consumer demand shifts then it can cause large impact on South American economies [10].

But the political and economic health of South American nations also exerts pressure on the US economy in energy, agriculture, and natural resources [8].

US Tariff war with China

Another major issue in the US economy is trade war with China. The US has maintained its strategic control of China in many directions, from science and technology to economy and trade to finance, politics and international rules, since 2018. That has been a great influence on the way China gets further embedded into the global industrial chain and commerce, which has ramifications beyond the global economy. Sanctions on over 200 Chinese companies, institutions and individuals by the US have had a direct effect on the continued assimilation of China into the international industrial chain and trade system. The latter may have wider repercussions for the world economy, with China an enormous trade and investment powerhouse.

The US has also faced challenges from Chinese companies that have been rapidly expanding their presence in the US market. According to a report by Deloitte, China was ranked as the world's most competitive manufacturer in 2016, overtaking the US. This has led to concerns about the impact of Chinese competition on US manufacturing and the potential loss of jobs in the sector. However, the report also suggests that the US is expected to regain its position as the world's most competitive manufacturer by 2025, driven by its heavy investment in talent and technology.

Outsourcing and Manufacturing

It might be a segment in which the US would have to take its shot: IT outsourcing. Companies are in greater need of digital technologies than ever before, due to the pandemic, and will be in the future as well. But there could also be disruption to US supply chains, as China trade tensions continue to play out. According to one report, "China's geopolitical war against the United States has positioned high-tech manufacturing in competition with older manufacturing facilities in a way that is forcing importers to think about reshaping their supply chains to keep customers and profit intact".

Another key challenge facing the US economy is the rising cost of manufacturing. As noted in one study, "the loss of manufacturing jobs over the last two years has concealed a looming shortage of highly skilled employees that could undercut manufacturing competitiveness and further weaken the US economy." The study notes that skilled baby boomers will be retiring within the next 15 to 20 years, and the only source of new skilled workers is from immigration.

This shortage of skilled workers could lead to a further increase in manufacturing costs, which could impact the competitiveness of US-made products in the global market. US information technology sector has been a great engine of growth over the past decades, but the sector also struggled with outsourcing. 'China-US geopolitical competition has pushed high-tech manufacturing to the forefront along with more traditional manufacturing in a way that is compelling importers to restructure supply chains to maintain customer relationships and profitability,' according to one report. This may impact the US IT sector as businesses will have to think again about their supply chain and other sources of high-tech parts and services.

On the other hand, the US IT industry has also benefited from the growth of the Indian IT industry, with major US tech companies like Microsoft, Amazon, and Google establishing large operations in India. This has allowed US companies to tap into a large pool of skilled and cost effective IT professionals, which has helped to drive innovation and growth in the US tech industry.

Challenges and Opportunity

For the US economy going forward, there are a few possible problems that could have implications for its long-term growth and prosperity. One reason is ageing and the pressure on the health system. When baby boomers keep on retiring, that's going to be a massive drain on the healthcare system, as well as the government's programs such as Social Security and Medicare. Another risk is geopolitical and trade conflict disruptions to supply chains globally. As mentioned earlier, the trade war between the US and China has already hit US companies hard and it's forced them to rethink their supply chains and look for alternative providers of products and services.

Among the major issues for the US economy in the next few years are trade disputes with China, manufacturing costs, and global supply chains breaking down. Meanwhile, there are great opportunities for the US to make good use of new technologies and industries like IT outsourcing and expansion of the Indian IT industry. Defending itself as a player in the global economy will continue to be a priority for the US, both in terms of talent, technology and innovation, and also with respect to the demographic and geopolitical problems ahead. If the US leverages its strengths and tackles its vulnerabilities, it will be able to stay ahead of the curve in the economy and prosperity [11-13].

Climate and Sustainability

The impact of climate change and the sustainability of business is another issue the US economy has to contend with. 'The economic slump in many jurisdictions including the USA,' writes one report, 'has created a scenario in which the need to rethink previous decision criteria and business systems, and to focus again on the need to foster value-creation for the long term in any strategy of technological and innovation management, and the activities required to efficiently and effectively create economic and social value, should be at the forefront [14]. For the US economy to be competitive and be set up for sustained growth, investing in renewable energy, green technologies, and other sustainable technologies will have to come first. This will not only be in response to climate change, but also open up new economic growth and new industries that can power future prosperity and innovation. If we do all this in order to find the answers to the key US economic challenges and opportunities and invest in long-term and clean technologies and methods, then the US can be well-placed to prosper and remain the dominant economy in the world [1,14,15].

Challenges and Risk

The US economy has some fundamental issues and risks that might obstruct future growth and prosperity. One of them is that global supply chains can be disrupted due to geopolitical issues and trade wars. As one study put it: "the geopolitical war between China and the United States has positioned high-tech manufacturing in front of more traditional manufacturing in a way that is prompting importers to consider shifting supply chains to retain customers and profit". This could be a big deal for the US IT industry as businesses will have to think outside of their current supply chain and look for alternative sources of high-tech components and services. A second threat is the possibility of the US falling behind other nations in critical industries and technologies. 'The leading role of the United States in the global economy has declined over the past few decades as other countries have outpaced the U.S. in the expansion of their educated populations,' wrote one research paper. Other countries have meanwhile significantly increased basic research and innovation spending and US investments stagnated. This means the US must continue to invest in education, research, and innovation if it is to stay on top of the world economy.

Opportunity for Growth

However bad things have gotten for the US economy, there is also a lot that can get better in the future. The US can make a great use of these new technologies and industries like IT outsourcing or the rise of Indian IT industry, to name but a few. According to one research "technology will become an important lifeline to improve economies' resilience and spur economic growth". By investing in and harnessing these technologies and industries, the US can be on the right track to stay in economic leadership and innovation.

Another is that the US could become a force to reckon with world issues, like climate change and sustainability. According to one report: "The cooling economic environment in nations such as the US has created a current condition that calls for reengineering of decision criteria and business models of the past, and it is time again to reinforce the need for long-term value creation in any strategic tech and innovation management model, as well as the operational infrastructure required to deliver and produce economic and social value in an efficient and effective way".

With renewable energy, green technology and other sustainable practices the US not only can reduce the growing threat of climate change, it can develop new economic sectors and markets that can fuel future development and innovation.

Result

Based on the literature review and analysis, several key findings emerge regarding the future of the US economy:

- **Challenges and Risks:** The US economy faces several significant challenges and risks, including potential disruptions to global supply chains due to geopolitical tensions and trade disputes, as well as the risk of losing ground to other countries in key industries and technologies. [1,14,15].
- As noted in one study, "the geopolitical competition between China and the United States has put high-tech manufacturing in the spotlight alongside traditional manufacturing capabilities in a manner that is forcing importers to consider adjusting their supply chains to maintain customer relationships and profitability." [16].
- Another risk is the potential for the US to lose its competitive edge in key industries and technologies, as other countries have made significant investments in research, innovation, and workforce development [1].
- **Opportunities for Growth:** Despite the challenges, there are also significant opportunities for future growth and prosperity in the US economy.

Conclusion

In conclusion, the future of the US economy will be shaped by a complex interplay of challenges and opportunities. To ensure continued growth and prosperity, the US will need to pursue a multi-faceted strategy that addresses the risks and leverages the emerging opportunities. This will require sustained investment in education, research, and innovation, as well as a focus on building resilient and diversified supply chains. By taking a proactive and strategic approach, the US can position itself for continued economic leadership and success in the years to come. The U.S. economy, in spite of its ills, is on the right path to growth and innovation. With the proper policymaking and public-private partnership, uncertainties can be overcome and new opportunities taken advantage of. Addressing structural deficiencies and engaging in disruptive trends can keep the U.S. at the forefront of the economic world and evolve with the needs of a world in rapid flux.

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