



IN THIS ISSUE: THE COMING REINVENTION OF AMERICA

This month's issue is devoted to "[America 3.0: The Coming Reinvention of America](#)," an essay by James Bennett and Michael Lotus published in *The American*, the Journal of the American Enterprise Institute. The authors' thesis is that America is currently in a painful transition period, but once it emerges, it will be more prosperous and free than ever before.

I devote this entire issue to the essay because it has some important, interesting ideas and concepts about how society will be organized in the future, and what we have to do to get there from the present. I like the essay because it incorporates many of the trends at work in forming our future that I have identified over the years in *Growth Strategies*.

I also like it as a companion piece to Walter Russell Mead's essay "Beyond Blue," which talks about a new social and economic model (covered in my issue #1059, March 2012).

The United States of America is in crisis. The economy is supposedly in recovery, but it is the slowest and most painful economic rebound since the Great Depression. Unemployment is high and millions have dropped out of the workforce entirely. Many American families have suffered a collapse in their net worth since 2009. During the current administration, America's debt has increased from ten trillion to sixteen trillion dollars. American businesses face a regulatory burden of well over a trillion dollars per year. Investment in start-up businesses is thwarted and innovation is far short of what it should be. The government is abusing its powers and attacking basic liberties.

All this bad news makes it easy to despair and to worry that the decline might just be permanent. But as bad as things are today — and they will likely get worse for some years to come — the future will be bright for the United States because we are, in fact, in a period of transformation, not decline.

TRANSFORMATION NOT DISINTEGRATION

America has already once made a change on the scale of that which is happening now. That was when it transformed itself from the rural and agrarian society of the founding era — which we call America 1.0 — to the urban and industrial society that peaked in the mid-20th century — which

we call America 2.0. That earlier transition, from roughly 1860 to 1920, was more painful than most people think. Yet the transformed, industrial America became the wonder of the world.

The American political and economic regime now in crisis was built for the world of America 2.0. Today, we are in the midst of a dramatic transition to a new technological and political configuration — which we call America 3.0. Institutions that once looked permanent are cracking at the foundations. Technology will drive the transition, and the shape of future technology can only be known in broad outline.

Most importantly, the cultural foundation of America, based on its unique type of family life, will remain intact. This is the continuous thread linking each of the three "versions" of America. Our deeply rooted orientation toward personal and economic freedom will allow us to dismantle America 2.0 and build a better, freer, and more prosperous America 3.0 in its place.

AMERICAN EXCEPTIONALISM: BASED ON THE AMERICAN FAMILY

American exceptionalism is based on our family structure, which has the following characteristics:

- Individuals freely select their own spouses. There are no arranged marriages and very few

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limitations on whom a person can marry; essentially, only marriage to close relatives is forbidden.

- Women enjoy a high degree of freedom, autonomy, and equality.
- Parents are free to give more or less financial assistance to different children, and they are not required to treat their children equally.
- Grown children leave their parents' homes, marry, form new households, and create new families of their own.
- Extended families are weak. People have no right to help from relatives.

These things seem normal to Americans, but many cultures have dramatically different customs. For example, in some cultures extended families act as protective networks and their members have a duty of loyalty and assistance to one another.

As a result of our family structure, American culture has the following characteristics:

- **Americans Are Individualistic.** The American family pushes Americans to be autonomous, self-reliant, and freedom-loving.
- **Americans Value Liberty.** Americans expect to be on their own, choosing their own spouses, making their own way in the world, and managing their own affairs.
- **Americans Are Non-Egalitarian.** Americans have a comparatively low interest in economic equality.
- **Americans Are Competitive.** Americans generally consider an economy with winners and losers to be fair. They believe in a minimal safety net compared to other communities.
- **Americans Are Enterprising.** The family has been the engine of economic progress in

America, creating America's well-known "go-getting" and "hustling" spirit.

- **Americans Are Mobile.** Americans form their own families, acquire their own homes, and have always been willing to move to where the work is.
- **Americans Volunteer.** Because Americans do not have extended family networks, they have formed voluntary associations as the foundation of the economy and of civil society.
- **Americans Have Middle-Class Values.** Most Americans, whatever their actual wealth, consider themselves to be middle class, and they are interested in public order and safety for their families and property.
- **Americans Have an Instrumental View of Government.** They see the government as a tool to accomplish things that benefit them and protect the interests of the middle class.

These factors led to one of America's greatest achievements: the creation of suburbia. A house that fits one family and provides some comfort and privacy is the heart of the American dream.

Where did these cultural patterns come from? The short answer: England. America inherited its family structure from its mother country. It has been a critical factor in many of the political, legal, economic, and cultural developments in England, and then in America, for 1,500 years.

AMERICA 1.0, AMERICA 2.0

When English practices were transplanted to North America, the settlers simplified them into a versatile template to convert expanses of raw land into new, functioning, self-governing communities. Soon after their arrival, Americans were able to act as citizens, jurors, legislators, militiamen, congregation members, and entrepreneurs.

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The Declaration of Independence and the Constitution are justly famous, but the Founders also provided a clear legal framework for the division of North America into real estate parcels sufficient to support English-style families. As a result, in early America millions of ordinary people achieved a prosperous and self-sufficient life. This was America 1.0, a world of family farms, small businesses, small towns, and limited government.

The Civil War launched America into a new age: one of a modern industrial economy, big cities, big railroads, big factories, and big businesses employing thousands of workers. This was America 2.0.

Revolutionary changes swept through American life, providing benefits to many but also removing most Americans' capacity to be self-sufficient. Middle-class American life came to mean getting a "good job." Millions of Americans suffered severe hardship during the frequent economic panics and downturns. The Great Depression was the great turning point, leading to the New Deal and to a permanently larger role for the federal government. President Johnson's Great Society and President Nixon's expansion of the regulatory state further solidified the growth of government power.

In recent years, American government has become increasingly dysfunctional and crushingly expensive. Moreover, it is failing to fulfill many of its most basic obligations. The America 2.0 template no longer fits and no longer works.

THE EMERGENCE OF AMERICA 3.0

As the 2.0 state fails, we are seeing increasing awareness, urgency, and activism in response to a deepening crisis. The emerging America 3.0 will reverse several key characteristics of the 2.0 state: decentralization versus centralization; diversity and voluntarism rather than compulsion and uniformity; emergent solutions from markets

and voluntary networks rather than top-down, elite-driven commands. Strong opposition to the rise of America 3.0 is inevitable, including heavy-handed, abusive, and authoritarian attempts to prop up the existing order. But this "doubling down" approach is doomed. It is incompatible with both the emerging technology and the underlying cultural framework that will predominate in America 3.0.

Political change is likely to lead to real policy change in the governance of America. The existing system is likely to be replaced by pro-growth laws and regulations that will lead to a vibrant and growing economy. A key theme of any such policy proposals will be a radical decentralization of power to increase the options of individuals, families, businesses, communities, and states to choose their own paths. Economic regulation and taxation will vary across jurisdictions, permitting Americans to select the regime they want to live under. Historically, this type of "regulatory arbitrage" has been a great force for freedom and prosperity.

A major first step for successful reform must be the creation of an open and accountable process to unwind current government obligations at all levels, with protection to the extent possible for older Americans who have relied on government promises. This "Big Haircut" will likely require a one-time, across-the-board debt restructuring, accompanied with realistic measures to get entitlements under control and unleash American productivity. The danger lies in being too timid or too tardy, not in being too bold.

Similarly, structural reform should include a "peace treaty" in the culture wars. In the future, cultural norms will not be imposed on a nationwide basis and communities will be allowed genuine diversity in the way they govern themselves. This will allow true diversity and a full range of options, so that the 400 million Americans of tomorrow

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can pursue their happiness freely. This is what our Founders intended.

America 3.0's reforms will come to pass in the coming years because they are consistent with the technological changes that are undermining the employment and manufacturing foundations of America 2.0, or what is left of it in the private sector. Just as 1.0 institutions no longer met the needs of the industrialized America of 1913, 2.0 solutions are failing the emerging 3.0 America today. America is fortunate to have deep-rooted social characteristics that are inherently compatible with the needs of the emerging 3.0 society.

A NEW MORNING

We guesstimate that by 2040, America 3.0 will be in full flower. The painful transition period will be over and 400 million Americans will be living in a prosperous and free society marked by rapid and exciting technological change. We anticipate many such changes, including:

- Network technology will allow us to work anywhere, and with anyone, remotely. Individual- and family-scale businesses will be far more common and immensely more productive.
- Driverless cars and other innovations in transportation will revolutionize how we travel and where we live and work, allowing us to disperse across the continent into exurban and semi-rural living.
- 3D printing and related technologies will lead to an "internet of atoms" with localized and even in-home manufacturing. There will be a manufacturing renaissance in the United States and the factory floor will be everywhere.
- Medical technology will transform health care, with great gains in health and

longevity achieved through enhanced diagnostics, custom-tailored drugs, and fewer medical emergencies.

- Education will be delivered through a variety of media and methods, and traditional brick and mortar schools will be far less important than they are today.

The foregoing are only a few, rather conservative, guesses about the future economy. Moore's Law will remain in effect, allowing technologies we cannot even imagine today. We can only guess what productive breakthroughs lie a few decades before us, waiting to be awakened by the creative powers of the American people.

Without some sort of major shock, external or self-inflicted, an unreformed America might drift on for quite a while — certainly another 25 or 30 years — without facing and tackling the fundamental problems facing it. The institutions of America 2.0 can survive a while longer by borrowing irresponsibly, defaulting silently on creditors through inflation, squeezing taxpayers with more thorough intrusion and coercion, confiscating the private savings of Americans in the guise of "rescuing" them, eating our seed corn by confiscating medical facilities and running them down without proper reinvestment, and in general stripping and looting the country.

But the political and economic model we now live under cannot go on forever. Some shock may force reform. Let us hope disaster doesn't strike before we can replace and rebuild our current rickety system. The best course would be for the American people to find the will and the leadership to build something better.

We will get through the painful transition to a new economic and technological age, as we have done before. And the bedrock of our freedom-loving and hard-working culture will remain, evolving but continuous, as it has for over a thousand years.