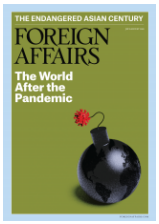

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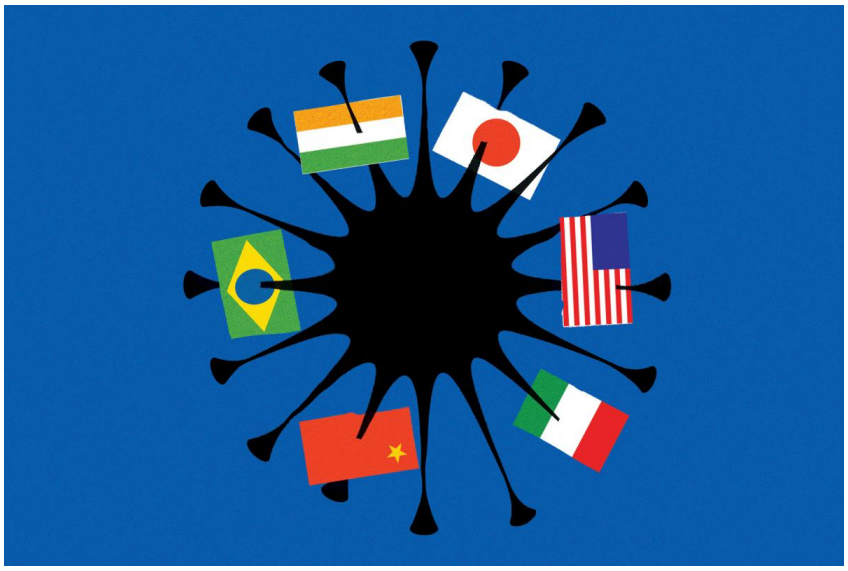
By Francis Fukuyama July/August 2020



Heads of State

Play

Major crises have major consequences, usually unforeseen. The Great Depression spurred isolationism, nationalism, fascism, and World War II—but also

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led to the New Deal, the rise of the United States as a global superpower, and eventually decolonization. The 9/11 attacks produced two failed American interventions, the rise of Iran, and new forms of Islamic radicalism. The 2008 financial crisis generated a surge in antiestablishment populism that replaced leaders across the globe. Future historians will trace comparably large effects to the current coronavirus pandemic; the challenge is figuring them out ahead of time.

It is already clear why some countries have done better than others in dealing with the crisis so far, and there is every reason to think those trends will continue. It is not a matter of regime type. Some democracies have performed well, but others have not, and the same is true for autocracies. The factors responsible for successful pandemic responses have been state capacity, social trust, and leadership. Countries with all three—a competent state apparatus, a government that citizens trust and listen to, and effective leaders—have performed impressively, limiting the damage they have suffered. Countries with dysfunctional states, polarized societies, or poor leadership have done badly, leaving their citizens and economies exposed and vulnerable.

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The more that is learned about COVID-19, the disease caused by the novel coronavirus, the more it seems the crisis will be protracted, measured in years rather than quarters. The virus appears less deadly than feared, but very contagious and often transmitted asymptomatically. Ebola is highly lethal but hard to catch; victims die quickly,

and will continue to, spread widely across the globe, causing vast numbers of deaths. There will be no moment when countries will be able to declare victory over the disease; rather, economies will open up slowly and tentatively, with progress slowed by subsequent waves of infections. Hopes for a V-shaped recovery appear wildly optimistic. More likely is an L with a long tail curving upward or a series of Ws. The world economy will not go back to anything like its pre-COVID state anytime soon.

Economically, a protracted crisis will mean more

business failures and devastation for industries such as shopping malls, retail chains, and travel. Levels of market concentration in the U.S. economy had been rising steadily for decades, and the pandemic will push the trend still further. Only large companies with deep pockets will be able to ride out the storm, with the technology giants gaining most of all, as digital interactions become ever more important.

The political consequences could be even more significant. Populations can be summoned to heroic acts of collective self-sacrifice for a while, but not forever. A lingering epidemic combined with deep job losses, a prolonged recession, and an unprecedented debt burden will inevitably create tensions that turn into a political backlash—but against whom is as yet unclear.

The United States has bungled its response badly and seen its prestige slip enormously.

The global distribution of power will continue to shift eastward, since East Asia has done better at managing the situation than Europe or the United States. Even though the pandemic originated in China and Beijing initially

covered it up and allowed it to spread, China will benefit from the crisis, at least in relative terms. As it happened, other governments at first performed poorly and tried to cover it up, too, more visibly and with even deadlier consequences for their citizens. And at least Beijing has been able to regain control of the situation and is moving on to the next challenge, getting its economy back up to speed quickly and sustainably.

The United States, in contrast, has bungled its response badly and seen its prestige slip enormously. The country has vast potential state capacity and had built an impressive track record over previous epidemiological crises, but its current highly polarized society and incompetent leader blocked the state from functioning effectively. The president stoked division rather than promoting unity, politicized the distribution of aid, pushed responsibility onto governors for making key decisions while encouraging protests against them for protecting public health, and attacked international institutions rather than galvanizing them. The world can watch TV, too, and has stood by in amazement, with China quick to make the comparison clear.

Over the years to come, the pandemic could lead to the United States' relative decline, the continued erosion of the liberal international order, and a resurgence of fascism around the globe. It could also lead to a rebirth of liberal democracy, a system that has confounded skeptics many times, showing remarkable powers of resilience and renewal. Elements of both visions will emerge, in different places. Unfortunately, unless current trends change dramatically, the general forecast is gloomy.

RISING FASCISM?

Pessimistic outcomes are easy to imagine. Nationalism, isolationism, xenophobia, and attacks on the liberal world order have been increasing for years, and that trend will only be accelerated by the pandemic. Governments in Hungary and the Philippines have used the crisis to give themselves emergency powers, moving them still further away from democracy. Many other countries, including China, El Salvador, and Uganda, have taken similar measures. Barriers to the movement of people have appeared everywhere, including within the heart of Europe; rather than cooperate constructively for their

common benefit, countries have turned inward, bickered with one another, and made their rivals political scapegoats for their own failures.

The rise of nationalism will increase the possibility of international conflict. Leaders may see fights with foreigners as useful domestic political distractions, or they may be tempted by the weakness or preoccupation of their opponents and take advantage of the pandemic to destabilize favorite targets or create new facts on the ground. Still, given the continued stabilizing force of nuclear weapons and the common challenges facing all major players, international turbulence is less likely than domestic turbulence.

Wage laborers returning home from Delhi, India, March 2020
Johann Rousselot / laif / Redux

Poor countries with crowded cities and weak public health systems will be hit hard. Not just

social distancing but even simple hygiene such as hand washing is extremely difficult in countries where many citizens have no regular access to clean water. And governments have often made matters worse rather than better—whether by design, by inciting communal tensions and undermining social cohesion, or by simple incompetence. India, for example, increased its vulnerability by declaring a sudden nationwide shutdown without thinking through the consequences for the tens of millions of migrant laborers who crowd into every large city. Many went to their rural homes, spreading the disease throughout the country; once the government reversed its position and began to restrict movement, a large number found themselves trapped in cities without work, shelter, or care.

Displacement caused by climate change was already a slow-moving crisis brewing in the global South. The pandemic will compound its effects, bringing large populations in developing countries ever closer to the edge of subsistence. And the crisis has crushed the hopes of hundreds of millions of people in poor countries who have been the beneficiaries of two decades of sustained economic growth. Popular outrage will grow, and dashing citizens' rising expectations is ultimately a

classic recipe for revolution. The desperate will seek to migrate, demagogic leaders will exploit the situation to seize power, corrupt politicians will take the opportunity to steal what they can, and many governments will clamp down or collapse. A new wave of attempted migration from the global South to the North, meanwhile, would be met with even less sympathy and more resistance this time around, since migrants could be accused more credibly now of bringing disease and chaos.

Finally, the appearances of so-called black swans are by definition unpredictable but increasingly likely the further out one looks. Past pandemics have fostered apocalyptic visions, cults, and new religions growing up around the extreme anxieties caused by prolonged hardship. Fascism, in fact, could be seen as one such cult, emerging from the violence and dislocation engendered by World War I and its aftermath. Conspiracy theories used to flourish in places such as the Middle East, where ordinary people were disempowered and felt they lacked agency. Today, they have spread widely throughout rich countries, as well, thanks in part to a fractured media environment caused by the Internet and social media, and sustained suffering is likely to provide rich material for populist demagogues to exploit.

OR RESILIENT DEMOCRACY?

Nevertheless, just as the Great Depression not only produced fascism but also reinvigorated liberal democracy, so the pandemic may produce some positive political outcomes, too. It has often taken just such a huge external shock to break sclerotic political systems out of their stasis and create the conditions for long-overdue structural reform, and that pattern is likely to play out again, at least in some places.

The practical realities of handling the pandemic favor professionalism and expertise; demagoguery and incompetence are readily exposed. This should ultimately create a beneficial selection effect, rewarding politicians and governments that do well and penalizing those that do poorly. Brazil's Jair Bolsonaro, who has steadily hollowed out his country's democratic institutions in recent years, tried to bluff his way through the crisis and is now floundering and presiding over a health disaster. Russia's Vladimir Putin tried to play down the importance of the pandemic at first, then claimed that Russia had it under control, and will have to change his tune yet again as COVID-19 spreads throughout the country. Putin's legitimacy was already weakening before the

crisis, and that process may have accelerated.

The pandemic has shone a bright light on existing institutions everywhere, revealing their inadequacies and weaknesses. The gap between the rich and the poor, both people and countries, has been deepened by the crisis and will increase further during a prolonged economic stagnation. But along with the problems, the crisis has also revealed government's ability to provide solutions, drawing on collective resources in the process. A lingering sense of "alone together" could boost social solidarity and drive the development of more generous social protections down the road, just as the common national sufferings of World War I and the Depression stimulated the growth of welfare states in the 1920s and 1930s.

Police at an anti-lockdown protest in London, the United Kingdom, May 2020
Pierre Alozie / eyevine / Redux

This might put to rest the extreme forms of neoliberalism, the free-market ideology pioneered by University of Chicago economists such as Gary Becker, Milton Friedman, and George Stigler. During the 1980s, the Chicago school provided intellectual justification for the policies of U.S. President Ronald Reagan and British Prime Minister Margaret Thatcher, who considered large, intrusive government to be an obstacle to economic growth and human progress. At the time, there were good reasons to cut back many forms of government ownership and regulation. But the arguments hardened into a libertarian religion, embedding hostility to state action in a generation of conservative intellectuals, particularly in the United States.

Given the importance of strong state action to slow the pandemic, it will be hard to argue, as Reagan did in his first inaugural address, that "government is not the solution to our problem; government is the problem." Nor will anybody be able to make a plausible case that the private sector and philanthropy can substitute for a competent state during a national emergency. In April, Jack Dorsey, the CEO of Twitter, announced that he would contribute $1 billion to COVID-19 relief, an extraordinary act of charity.

That same month, the U.S. Congress appropriated $2.3 trillion to sustain businesses and individuals hurt by the pandemic. Antistatism may linger among the lockdown protesters, but polls suggest that a large majority of Americans trust the advice of government medical experts in dealing with the crisis. This could increase support for government interventions to address other major social problems.

And the crisis may ultimately spur renewed international cooperation. While national leaders play the blame game, scientists and public health officials around the world are deepening their networks and connections. If the breakdown of international cooperation leads to disaster and is judged a failure, the era after that could see a renewed commitment to working multilaterally to advance common interests.

DON'T GET YOUR HOPES UP

The pandemic has been a global political stress test. Countries with capable, legitimate governments will come through relatively well and may embrace reforms that make them even stronger and more resilient, thus facilitating their

future outperformance. Countries with weak state capacity or poor leadership will be in trouble, set for stagnation, if not impoverishment and instability. The problem is that the second group greatly outnumbers the first.

Unfortunately, the stress test has been so hard that very few are likely to pass. To handle the initial stages of the crisis successfully, countries needed not only capable states and adequate resources but also a great deal of social consensus and competent leaders who inspired trust. This need was met by South Korea, which delegated management of the epidemic to a professional health bureaucracy, and by Angela Merkel's Germany. Far more common have been governments that have fallen short in one way or another. And since the rest of the crisis will also be hard to manage, these national trends are likely to continue, making broader optimism difficult.

A protest at the New York State Capitol in Albany, New York, April 2020
Bryan Smith / Reuters

Another reason for pessimism is that the positive scenarios assume some sort of rational public discourse and social learning. Yet the link between technocratic expertise and public policy is weaker today than in the past, when elites held more power. The democratization of authority spurred by the digital revolution has flattened cognitive hierarchies along with other hierarchies, and political decision-making is now driven by often weaponized babble. That is hardly an ideal environment for constructive, collective self-examination, and some polities may remain irrational longer than they can remain solvent.

The biggest variable is the United States. It was the country's singular misfortune to have the most incompetent and divisive leader in its

modern history at the helm when the crisis hit, and his mode of governance did not change under pressure. Having spent his term at war with the state he heads, he was unable to deploy it effectively when the situation demanded. Having judged that his political fortunes were best served by confrontation and rancor rather than national unity, he has used the crisis to pick fights and increase social cleavages. American underperformance during the pandemic has several causes, but the most significant has been a national leader who has failed to lead.

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If the president is given a second term in November, the chances for a broader resurgence of democracy or of the liberal international order will drop. Whatever the election result, however, the United States' deep polarization is likely to remain. Holding an election during a pandemic will be tough, and there will be incentives for the disgruntled losers to challenge its legitimacy. Even should the Democrats take the White House and both houses of Congress, they would inherit a

country on its knees. Demands for action will meet mountains of debt and die-hard resistance from a rump opposition. National and international institutions will be weak and reeling after years of abuse, and it will take years to rebuild them—if it is still possible at all.

With the most urgent and tragic phase of the crisis past, the world is moving into a long, depressing slog. It will come out of it eventually, some parts faster than others. Violent global convulsions are unlikely, and democracy, capitalism, and the United States have all proved capable of transformation and adaptation before. But they will need to pull a rabbit out of the hat once again.

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