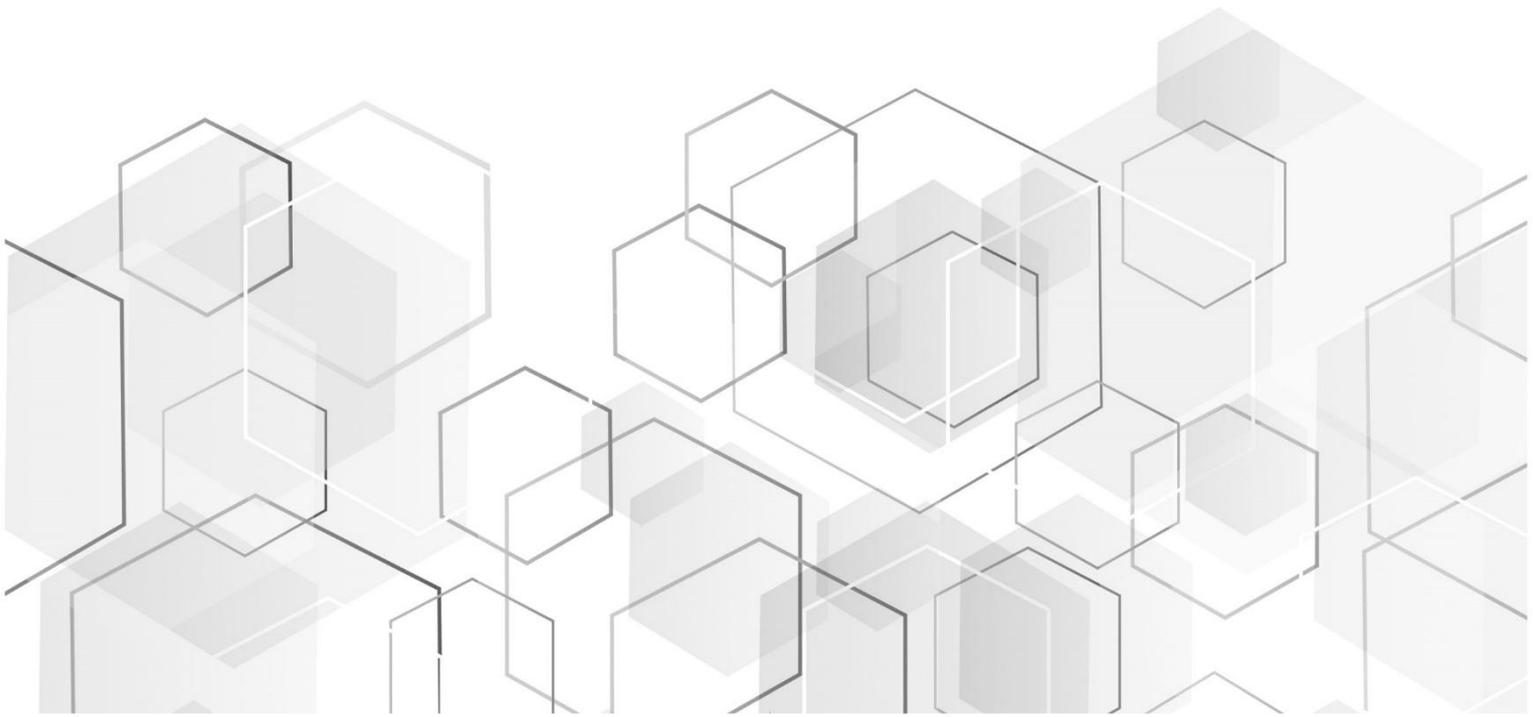


Welfare Transformation Ushers in "Super-Boom Period" in the United States

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Table of Content

Abstract	错误! 未定义书签。
Disclaimer	3
Counties determine U.S. grassroots politics	4
U.S. Society will Transit to Welfare Society	6
Influence of European Model on the Transition of American Social Welfare	9
Welfare Transformation will Usher in "Super-Boom Period" in the U.S.	11

Abstract

After Democrat candidate Joe Biden wins the U.S. presidential election, the United States will enter the “Biden era” with a certain regressive nature from the “Trump era” which disrupted the United States and the world. The U.S. election this year has seen a very high turnout rate even under the severe pandemic. More than 153 million voters across the country voted, and the grassroots society at and below the county level has been effectively mobilized, which fully expresses the American public opinion and puts forwards new demands towards the Biden administration.

Researchers from ANBOUND believe that the future of American society is likely to opt for transformation towards welfare-oriented, which is an important direction to promote the long-term prosperity of American society and economy. American society’s demand for improved welfare has been increasing in recent years. From the Affordable Care Act (commonly known as “Obamacare”) promoted by former President Barack Obama to Senator Bernie Sanders's "democratic socialism" that resonated throughout the United States, both of which show that there is an increasingly widening gap between the rich and the poor within the American society and they are eager to improve welfare, reduce medical expenses, and promote social equity.

There are three areas in the United States which can be the main focus of welfare transformation. (1) Medical security: If the coverage of medical insurance is expanded and universal medical insurance is achieved, medical expenditure in the United States is estimated to reach US\$ 5 trillion, forming a huge national healthcare consumer market. (2) Education: The total expenditure in this area will exceed US\$ 2 trillion. (3) Consumer sector: In the field of health consumption alone, the health consumption expenditure of American residents in a year amounts to US\$ 2.4 trillion. In the above three areas, if the United States fully implements welfare transformation, it will create a super consumer market of nearly US\$ 10 trillion.

In particular, if the United States relies on national credit expansion, uses Modern Monetary Theory (MMT) to fuel the welfare transformation, and controls the ratio of national welfare expenditure to GDP at a reasonable level higher than the current level, it will have a high possibility of entering a "super-boom period." This view is of course completely different from the view that "the collapse of the U.S. is imminent". We believe that this is a realistic process of American society and deserves special attention.

Obviously, the welfare process of American society will likely continue its global influence, which will not only change the American economy and society but will also have a major impact on the global economy and geopolitics. The subsequent changes in the international environment will see a profound impact on China's future development as well.

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Welfare Transformation Ushers in "Super-Boom Period" in the United States

With Joe Biden emerging victoriously in the U.S. presidential election, the "Trump Era" that disrupted both the United States and the world is coming to an end. However, the internal changes in American society as reflected in the general election is beyond simple winning or losing. Americans showed great enthusiasm in voting this year, and more than 153 million voters cast their ballot even under the severe COVID-19 outbreak. As of November 19, Biden had received more than 79,683,058 votes, accounting for approximately 51.06% of voters; Trump received 73,698,448 votes, accounting for approximately 47.23%¹.

The election this year not only sets the highest turnout rate in more than 100 years, but also the highest number of voters in history. Considering the seriousness of the pandemic in the United States, the participation of American society in the election is nothing short of astonishing. On Biden's side, his efforts and the possibility of bringing changes to the United States have won a record number of supporters among the Americans. On the other hand, on Trump's side, although his performance in the measures against the COVID-19 can only be described as extremely bad, he still gained the support of more than 73 million Americans, an indication that "Trumpism" is still embraced by many Americans. The public opinion in the American society reflected in the figures is profound and cannot be ignored, as it will have an important influence on the future development of American politics and economy.

Counties determine U.S. grassroots politics

Many have mistaken American politics to be merely about Congress, the President, and the Pentagon. The reality is that the foundation of American politics lies not in these places, but in counties. From the perspective of the U.S. electoral process, although

¹ Data is as of November 19, 2020 (U.S. local time), from the Associated Press (AP). Due to the large number of postal votes in the U.S. election this year, coupled with Trump's refusal to admit defeat and lawsuits in a few places, the overall vote count has been delayed, though this does not affect the final result.

Biden is the winner, the whole process was rather "tortuous" as there have been many twists and turns. The process of Biden's victory, as a matter of fact, was more complicated than previously expected by the ANBOUND research team, and the gap between the two parties was also smaller than what had been previously thought². In our view, the fierce competition in this election shows that the degree of mobilization of American society, the degree of organization of social groups, and the degree of high-level participation of various ethnic communities have reached a high level. The superficial polls and data analysis from the media are full of errors and are incapable of reflecting the internal changes in the American society, especially among the grassroots⁴.

In the past two U.S. elections, there has been mobilization of voters in American grassroots society. In the election four years ago, the Trump team successfully gained the support of many low-income white Americans in the Rust Belt region. These supporters, like those described in *Hillbilly Elegy*⁵, the Scotch-Irish descents in the Rust Belt region of the United States are mostly white working-class citizens without a college degree. Their living areas, cities, and businesses are decaying, and they are inheritably poor, often referred to as "hillbillies", "rednecks", or "white trash" by other Americans. In this current election, the number of voters who voted increased by 25 million (the total number of votes four years ago was 128 million), which means that more incremental voters have joined in (including young and old voters). This level of social mobilization is higher than in the past.

ANBOUND's observations found that in this year's general election, counties are highly important, and the level of grassroots organizations at and below the county level is relatively high. Among the 3,042 counties in the United States, a considerable number

² As of November 19, 2020 (local time), the difference in the number of ordinary votes obtained by Biden and Trump is about 5.9846 million votes.

⁴ A feature of this year's U.S. election is that the conventional media poll results, used to be the indicators of the election, are now rather different from the actual situation. This shows that in the internet age, there are major issues in the way of polling, public response and representativeness of conventional media.

⁵ J.D. Vance. *Hillbilly Elegy*. New York, NY: HarperCollins, 2016.

of them are better mobilized compared to four years ago. The participation of grassroots voters in the recent election is impressive, and this year's election effectively reflects the popular opinions of grassroots voters. According to the real-time tracking of the "ANBOUND 100+" platform⁶, the election process in Georgia, Arizona, Pennsylvania, Michigan, Wisconsin and other states alternated between blue and red, and finally there was turnaround. The changes of voting pattern in "county politics" played a big part throughout the United States; even in a red state like Texas which primarily consists of Republicans, this trend holds true. With such volatility in election, if "county politics" is ignored, one would not understand the social organization and mobilization of this level, and it will be difficult to have an objective prediction of Trump's early lead and the subsequent turnaround.

The extremely high voting participation rate in the 2020 U.S. election not only shows the foundation of the American public opinion, but also contains the source of power for American social and economic development in the future. The new U.S. government must pay attention to these aspects: What do these grassroots voters who have been mobilized in large numbers want? How should the new U.S. government meet their needs? These thoughts, decisions and related policy actions will be related to the future political and economic development of the United States.

U.S. Society will Transit to Welfare Society

Researchers at ANBOUND believe that the post-Trump American society is likely to opt for a welfare-oriented transition, which is not only the mainstream political view in American society today, such consensus is also determined by the "county politics" of the United States, and supported by a growing number of academic institutions. Therefore, the transition towards welfare society is likely to become an important direction to promote the long-term prosperity of American society and economy.

⁶ ANBOUND 100+" is a high-end discussion group platform developed and operated by ANBOUND Think Tank, which closely tracks global geopolitical issues and provides relevant analysis and forecasts. Participants of the platform are joined in the form of membership.

From both an economic and political economy perspective, the vitality and sustainability of capitalism come from its self-evolution and improvement according to the needs of social development. Generally speaking, when a country's economy has developed to a considerable extent, the level of social welfare will be improved. Unlike the developed capitalist countries in Europe (mainly Western and Northern European countries), which have generally opted for a high-welfare model, the United States, which favors liberal capitalism, does not have a high level of social welfare. It is staggering that the United States, the world's major superpower, does not have universal health coverage⁷. That was in fact one of the key reasons why former U.S. President Barack Obama pushed for the Affordable Care Act (commonly known as "Obamacare")⁸.

There is a strong demand to improve welfare in American society. U.S. Senator Bernie Sanders, who has performed brilliantly in the last two U.S. elections, has gained support in the U.S. because of his welfarist ideas, including significantly increasing the level of welfare, reducing health care costs, and promoting social justice. In the capitalist United States, Sanders' political positions lean toward the "socialism". In His book "Our Revolution", he wrote, "[w]e brought attention to the grotesque level of income and wealth inequality in this country and the importance of breaking up the large banks that brought our economy to the brink of collapse. We exposed our horrendous trade policies, our broken criminal justice system, and our people's lack of access to affordable health care and higher education... the support that we won showed that our ideas were not outside of the mainstream. We showed that millions of Americans want a bold,

⁷ According to public records, the United States is the only developed country that does not have universal health coverage or a national health service system. The U.S. government has established medical facilities specifically for military and veterans, and has provides health insurance for the elderly and the poor. The health risks to the general citizen of the United States can be covered through the purchase of private health insurance. According to official statistics, 44 million people in the United States are currently covered by Medicare, the government's preferential medical insurance for the elderly and the disabled; 61 million poor people are covered by Medicaid's preferential medical insurance; 163 million people under the age of 65 have health insurance through employment; and 18 million people have purchased health insurance on their own in the insurance market. However, there are still about 46 million people in the United States who lack medical insurance coverage. They make up more than 15% of the U.S. population, and 80% of them belong to working families.

⁸ In 2010, the U.S. Congress passed the health care reform law enacted by then-U.S. President Barack Obama. The health care reform law will cost the U.S. government US\$ 940 billion over the next 10 years to bring 32 million uninsured Americans into the health care system. Under the new law, medical coverage in America will rise from 85% to 95%, close to universal coverage. On June 25, 2015, the U.S. Supreme Court voted 6-3 in favor of Obama's health care law, marking a major victory for Obamacare. However, the U.S. House of Representatives voted 217-213 on May 4, 2017 to repeal Obamacare.

progressive agenda that takes on the billionaire class and creates a government that works for all of us and not just for big campaign donors.”

The U.S. health care system is one of Sanders' major concerns. Throughout his political career, Sanders has advocated for a universal, single-payer health care system. He has always believed that health care is a basic right for all people, and that the United States should guarantee this basic right like other industrialized countries do. Sanders writes in his book that the United States spends US\$ 3.2 trillion annually on health care, or US\$ 10,000 “for every man, woman, and child”. In 2013, the U.S. spent 17.1% of its GDP on healthcare, 50% more than the next-highest country, France, and twice as much as the UK. According to a study by the International Federation of Health Plans, the average price of heart bypass surgery in the United States was US\$ 73,345 and it was US\$ 30,000 more than second-place Australia. Despite skyrocketing health care costs and the fact that millions of Americans cannot afford health insurance or prescription drugs, the health care industry continues to make unabated gains and pays their CEOs better compensation packages.

Improving the level of welfare is an important means of achieving balanced social development. With the development of technology and the capital market, inequality in American society is increasing. Data show that the wealth of the richest 1% of the U.S. population is US\$ 34.2 trillion, which is equivalent to 15 times the wealth of more than half of the U.S. population. Data also show that the wealth of the richest 50 individuals in the United States is equal to the combined wealth of the poorest 165 million individuals in the United States. The Federal Reserve estimates that the richest 10% of U.S. households hold 69% of the nation's wealth (or US\$ 77.3 trillion), up from 60.9% in the late 1980s. An important means to change all this, in addition to adjusting fiscal policy as some economists have suggested, is to increase the level of social welfare so that the public can live a dignified middle-class life.

Judging from the situation of the U.S. election, the future U.S. government will face greater pressure to improve the level of social welfare, which will be reflected in several

important areas such as health care, education, and consumption. Significant improvements in these areas could lead to greater support among Democrats and Republicans on both sides of the aisle. If the Biden administration were to follow this path of transformation, "Obamacare" would become "Bidencare". This is determined by grassroots politics in the United States, and a transition to a welfare society is inevitable in the United States.

Influence of European Model on the Transition of American Social Welfare

Is there any possibility for the American society to transform into a welfare society? How will it be different from now? Is there a model for the Americans to learn from? We believe that the welfare policies of some European countries do indeed provide a certain precedent and reference standard.

In regard to social policy legislation, the English promulgated the Act for the Relief of the Poor as early as 1601, establishing the relief system for the poor in the form of legislation for the first time. Generally speaking, scholars believe that the birth of the modern social security system is based on the Health Insurance Act of 1883, Accident Insurance Bill of 1884, and Old Age and Disability Insurance Bill of 1889 promulgated in the German Empire by Otto von Bismarck. The prevailing view is that the first welfare state in the world was Britain in the 1940s. After Clement Attlee, the leader of the British Labor Party became the Prime Minister in 1945, he promulgated a series of social security laws such as the National Insurance Act and the National Assistance Act. In 1948, Attlee announced that Britain took the lead in establishing a welfare state. Since then, almost all developed countries in Europe have successively passed relevant social security system legislation, gradually establishing and improving a complete set of welfare-oriented social security systems.

Danish sociologist Gøsta Esping-Andersen divided the European and American welfare states into three types: (1) Liberal welfare state system (United Kingdom): In this type of welfare system, social assistance of varying degrees dominates, supplemented by a small amount of inclusive transfer payments or social insurance plans with limited

effects. (2) Conservative welfare state system (Germany, Austria, and Italy): The characteristic of this type of welfare is that only when the function of family security is severely weakened, the state begins to provide relevant social welfare services. (3) Social Democratic welfare state system (Sweden, Denmark, etc.): This type of welfare state aims to seek a considerable level of equal standards of service and payment, rather than simply satisfying the minimum needs for equality like some countries. The social democratic welfare state is based on the principle of universality and aims at the highest level of fairness through high taxes⁹.

Table 1: Welfare State Typologies ¹⁰

Measures	Social Democratic (Sweden, Denmark)	Conservative (Germany, Italy)	Liberal (UK)
Decommodification	High	Medium	Low
Social Rights	Universal rights	Employment-related	Basic citizen rights
Welfare supply	Public service	Transfer payment	Public-private sector mix
Benefit	Decommodification (redistribution)	Payment-related	Fixed benefit

Among the above three welfare models, liberal welfare states have the lowest level of security, and social democratic countries have the highest. The American-style welfare system is more based on the market, and two conditions must be met to fulfill the universal standard. The first of the conditions is full employment; it is necessary to ensure that all citizens, after leaving school and before retiring, have the full possibility of getting well-paid jobs. The second condition is a high level of wages; the minimum wage level must be high enough to enable all citizens to privately purchase the necessary pension and insurance plans that can protect them from disease, disability, temporary

⁹ This is another study being conducted by ANBOUND. Only an appropriate level of welfare can promote economic growth and increase national satisfaction.

¹⁰ Adapted from G. Esping-Andersen, *Three Worlds of Welfare Capitalism*, Princeton, NJ: Princeton University Press, 1990; G. Esping-Andersen, *Social Foundations of Postindustrial Economics*, Oxford: Oxford University Press, 1999.

unemployment, and old-age burdens. To a considerable extent, the liberal welfare system in the United States is based on a relatively harsh market and is controlled by insurance capital, just as insurance funds penetrate and control multiple industries in the United States. In this context, the U.S. welfare transformation reform needs to move closer to the European welfare system in order to increase the level of welfare protection.

The thinking that "welfare state generates laziness" is outdated. The current research and thinking on welfare focus on choosing a reasonable level of welfare, and this will be discussed in another research report by ANBOUND. However, it is obvious that a reasonable welfare system is a type of productivity, not a burden.

Welfare Transformation will Usher in "Super-Boom Period" in the U.S.

What are the consequences for the United States to raise its level of welfare? ANBOUND's research team believes that this will bring a longer period of super-prosperity to the United States. A question that may be asked is that, if it is just a change in system and policy, and just relying on welfare transformation which is essentially an expansion of credit, can it bring about a long-term prosperity to the United States?

Obviously, not every country can seek super prosperity by raising the level of welfare. To achieve this goal, there must be two conditions that exist simultaneously. The first is to be "rich", and the second is to produce large-scale welfare consumption. Therefore, to realize the welfare transformation of the United States, a fundamental question is that "where does the money come from"? To answer this in simple terms, there are two sources of money to support the transformation of the welfare system. The first is from the growth of fiscal revenue, such as tax growth through sustained economic development; the second is from the continuous printing of money, i.e. relying on the country to continuously expand credit. For the United States, the former is a conventional approach, and it is an important foundation for supporting the welfare system. However, the speed of relying on tax growth to support the welfare system is too slow, and there

are difficulties in meeting the huge needs of the United States for the transition to welfare in the short term. The latter is what the United States has been doing after the financial crisis in recent years, i.e. expanding credit through continuous printing of money and expanding debt to support current spending needs. This approach in the United States has, to a certain extent, already possessed the characteristics of modern monetary theory (MMT) that fiscal expenditure precedes revenue and fiscal deficits are not restricted.

However, whether under the conventional fiscal and monetary theory or under the MMT, the increase in government debt and fiscal deficit is accompanied by credit expansion, and the continuously expanding credit requires a huge market to digest and cooperate. A country's welfare transformation should then provide such a huge "market"-welfare consumption. Among countries in the world, based on the credit as a major power and the strong dollar system, the United States has the ability to support the transition to welfare-oriented through continuous expansion of credit. If this mechanism runs smoothly, it will bring about a huge change in American society and may usher in a period of super prosperity in the United States.

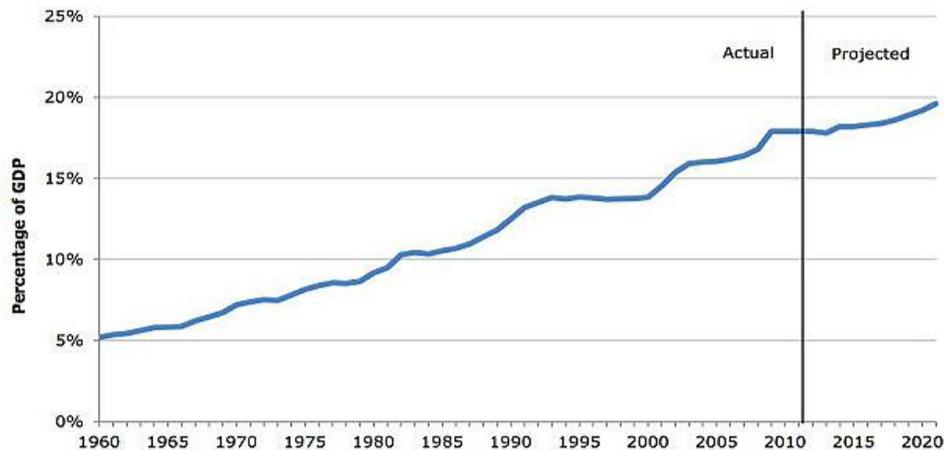
For the United States, welfare improvements in the following three areas are likely to bring significant results.

The first is medical security. The United States spends hugely in the medical field but lacks universal coverage. Data reveal that from 1996 to 2013, the U.S. medical and health expenditure soared by US\$ 900 billion. In 2013, the total U.S. medical and health expenditure reached US\$ 2.1 trillion; in 2018, it was approximately US\$ 3 trillion. Now, this figure may have exceeded US\$ 3.2 trillion, equivalent to 18% of the total U.S. economy¹¹. ANBOUND's research team estimates that if the coverage of medical insurance is expanded and universal medical insurance is achieved, the medical expenditure in the United States would reach US\$ 5 trillion. Using this to calculate medical consumption, a huge national healthcare consumer market will emerge in the

¹¹ From the research conducted by Joseph L Dieleman's research team at the Institute for Health Metrics and Evaluation.

United States. Under the state's main responsibility for universal medical insurance, commercial insurance companies will turn to the elite high-end market. Although their market share will become smaller, they will not necessarily suffer huge losses as the overall cake becomes larger.

Figure 1: U.S. National Health Expenditure as a Share of GDP, 1960 – 2021



Source: Centers for Medicare & Medicaid Services

The second is the education. The United States implements a public education funding allocation model, which is jointly funded by the federal government, state governments, local governments (school districts) and private entities. State governments and local governments (school districts) are the main sources of public education funding. Since 1980, the proportion of U.S. education expenditure to GDP has been relatively stable at more than 5%¹². In fiscal year 2017, the U.S. government’s public expenditure on elementary and secondary education (preschool to 12th grade) for each student in 50 states and the District of Columbia was US\$ 12,201 per student, and the total expenditure was US\$ 610.3 billion. In the 2017-2018 academic year, the total expenditure of degree-granting higher education institutions in the United States was US\$ 604 billion, of which the total expenditure of public institutions was US\$ 385 billion, private non-profit institutions were US\$ 207 billion, and private for-profit institutions were

¹² Source: <http://www.usgovernmentspending.com>

US\$12 billion¹³. Roughly speaking, the annual education expenditure of all levels of government in the United States exceeds US\$ 1.2 trillion.

Although the U.S. government's allocation in education is high, American college students still need to pay high tuition fees and have to bear the burden of education loans. So far, the balance of student loans in the United States is approximately US\$ 1.5 trillion, surpassing auto and credit card debt, and second only to housing debt. According to the *Report on the Economic Well-Being of U.S. Households in 2018* released by the Federal Reserve, 53% of college students and graduates rely on loaning or partial loaning to pay for academic expenses. In 2018, most of the students who loaned the money ranged from the amount US\$ 20,000 to US\$ 25,000. High student loans have become a heavy burden of the graduates, where many young people not only have to curb consumption, but also postpone major life events such as getting married and buying a house, and even change career choices. High debt burdens may cause people to abandon high-risk occupations such as entrepreneurship or low-paying jobs such as public service. Related surveys show that 84% of American adults say that student loans have a negative impact on the amount they save for retirement.

It can be seen that the education sector is also an important area of welfare transformation; rough estimation shows that its scale is more than US\$ 2 trillion, accounting for about 10% of the U.S. GDP.

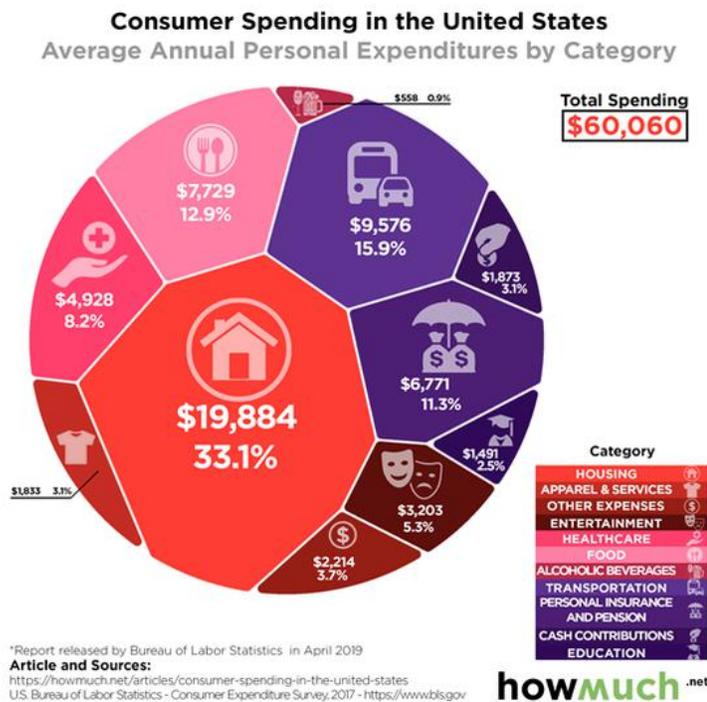
The third is the consumption. The United States is a major consumer market. An increase in welfare supply equals an increase in wages, which is the basis for consumption growth. According to 2017 data from the U.S. Bureau of Labor Statistics (BLS), housing expenditures accounted for the highest proportion of consumption expenditure in the United States, at 33.1%, accounting for one-third of average after-tax income. This is followed by transportation expenses, accounting for 15.9%. The third is food, accounting for 12.9%. Personal insurance and pension expenditures accounted for 11.3%; education expenditures accounted for only 2.5%; clothing and service

¹³ National Center for Education Statistics. <https://nces.ed.gov/fastfacts/display.asp?id=75>

expenditures accounted for 3.1%. In addition, medical insurance and entertainment expenditures accounted for 8.2% %, 5.3%. The proportion of personal insurance, education, and medical insurance mentioned above is about 20%.

Nationally, in 2018, the consumption expenditure of U.S. households was US\$ 14.14 trillion, which was divided into two parts, namely consumer goods and services. The former accounted for 35%, and the total household consumption expenditure reached US\$ 4.94 trillion; the latter accounted for 65%, and the total household consumption expenditure reached US\$ 9.19 trillion. Service consumption includes seven industries including housing, healthcare (17%), transportation services, entertainment and recreation services, catering and accommodation, financial services, and others¹⁴. If only healthcare is considered, the healthcare consumption expenditure of American households a year amounts to US\$ 2.4 trillion. If we look at the spillover of welfare consumption, consumption growth will be more intense and comprehensive.

Figure 2: Consumer Spending in the U.S. (US\$, %)

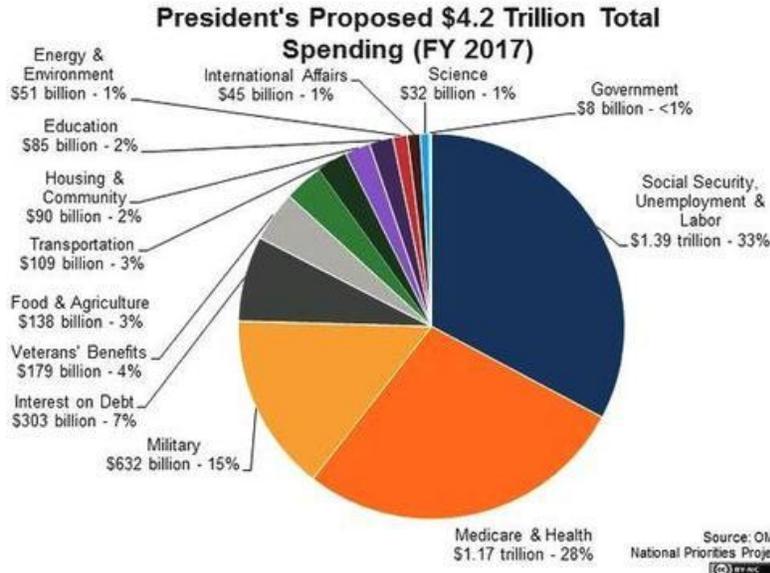


¹⁴ Source: <https://36kr.com/p/1725013753857>

Source: BLS, howmuch.net

Judging from the different data above, if the U.S. government effectively undertakes medical and education security, the money saved by American households is equivalent to a salary increase, which will effectively stimulate American consumption. In simple calculations, the annual alternative "income" of Americans in medical security and education should exceed US\$ 2.4 trillion, which will be converted to other consumption to a considerable extent.

Figure 3: Proposed Spending of the U.S> Government, 2017



Source: Office of Management and Budget, OMB

Based on the above three areas, if the United States fully implements welfare transformation, it will create a super consumer market of nearly US\$ 10 trillion. It should be noted that this US \$10 trillion market scale is not created out of thin air by the Fed through money-printing. Through the U.S. welfare process that has actually been initiated¹⁵, the follow-up process advocated by Bernie Sanders and others will create a new scale of consumption and provide sufficient support for the development of the U.S.

¹⁵ This refers to Obamacare and it is a process that has also begun.

economy itself and for this market. At the same time, the situation where unlimited money issuance in the United States can be maintained before the status quo of the United States' national capabilities and national credit, and the U.S. dollar system are being truly threatened.

This signifies that a system reform can indeed create a huge market. It is entirely possible for the United States to achieve prosperity for a long period of time through welfare transformation, and the United States will usher in a "super-boom period." It should be emphasized that if the United States relies on national credit to start a welfare transformation and enters a "super-boom period", it will likely continue its global influence, which will not only have a significant impact on the U.S. economy and society, but also on the global economy. This in turn, will exert great significance in the global geopolitics. For China, such changes in the external development environment will have a profound impact on its future