

TIME

The Brain Drain That Is Killing America's Economy

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Each spring I get antsy WhatsApp messages from friends across the U.S., as well as London, Dubai, Hong Kong, and Singapore. Their high school senior kids have just been admitted to colleges in America, Canada, Britain, and elsewhere, and they want my opinion on the best option. Over the past decade I've been tracking these late teens' decisions and the trend has been unmistakable: Less America, more Canada. Canadian education is as good as America's and more affordable. Universities such as Waterloo have blended apprenticeships into their curricula as a requirement for graduation, and McGill has established itself as a global innovation hub. The next beneficiary of America's reputational fall from grace is Europe, especially universities in England, Scotland, and Ireland. The Netherlands is also very much in vogue as many countries switch to English instruction.

Global teen talent choosing non-American higher education—and some of America's best and brightest doing the same— couldn't come at a worse time. The country's demographics have been deteriorating since before the 2008 financial crisis, with economic insecurity leading to a sharp drop-off in fertility. The "baby bust" that followed the financial crisis implied that America would have fewer 18-year olds entering college by 2026—and thus many colleges would have to shutter.

But thanks to COVID-19, that reckoning has come much sooner. Not only have dozens of colleges closed since 2008 (particularly across the South), but poor finances and unpreparedness for the pandemic remote shift have led to double-digit declines in applicant numbers across the collegiate heartland from the Northeast to the Mid-Atlantic through the Midwest. College enrollment is plummeting as never before across all categories, from community colleges to private four-year universities. The recession has forced many youth to choose between education and employment, with many choosing the latter, leaving educators uncertain as to whether they will ever go to college. Now, the COVID-19 “baby bust” is far more severe than even that of the 2008 financial crisis, meaning even under a roaring economic rebound scenario, many more colleges will go belly up by 2038.

Demographic forecasting is a generational exercise, and America’s shrinking youth base is the result not only of lower fertility and rising economic uncertainty, but also because the country has failed to maintain what used to be a huge edge in attracting young talent from around the world. America launched the “War on Terror” over twenty years ago, invading Afghanistan and soon after Iraq. Even as President Obama sought to rebuild America’s prestige, the annual inflow of Chinese and Indian students began to taper and decline during the latter years of his administration. Then came Donald Trump’s visa bans, border walls, and immigration restrictions. Taken together, as the startling data from the latest Census reveals, American immigration has plummeted to an all-time low of only 0.1% between mid-2020 and mid-2021, which amounts to barely 200,000 new migrants. At this rate, America’s population may well soon *decline*.

Even with sanity restored to the White House, America’s reputation remains at a nadir. More than half the world’s population is under the age of forty. From Colombia to Morocco to Afghanistan, they’ve grown up watching America flail militarily and disgrace itself politically. From 9/11 to the war on terror, the financial crisis and rising inequality, all have diminished America in the eyes of the younger generation.

Today's most important battleground is people, not places. There is a *global war for young talent* to recruit young students, professionals, taxpayers, caregivers, entrepreneurs, investors, and others to ensure healthy demographics, tax base, industry, and innovation. But the young people America needs are a slippery target. Since the 2008 financial crisis, the number of American expats has doubled, many of them young professionals seeking opportunity across fast growing economies from Eastern Europe to the Far East.

Now comes the remote revolution. COVID-19 has been a “great reset” in our lifestyles, workplace habits, and other aspects of social and professional life. It will be for global talent migration as well. According to research firm IDC, more than forty percent of the global workforce—at least 1.5 billion people—is “location independent.” The capacity for remote work has graduated from latent to actual. Professionals are moving as never before, both within and across borders—and this is only the immediate mid-pandemic phase. Now imagine the pace of relocation once borders have actually reopened and corporate culture fully adapts to digital platforms. At the moment, asynchronous collaboration is Google Docs and Slack, but soon enough it will be more Github and Metaverse.

Many people are quitting their jobs due to burn-out but promising that their next job will be remote. According to the Y-combinator funded Hacker News, the number of job posts featuring remote work have quadrupled since 2017. American tech companies have been the most progressive in embracing remote work. That alone will drive many to seize the moment to relocate abroad. But they've also said they plan to hire the best people anywhere for each new position. Suddenly the Bay Area coder may be competing with talent in Kenya. As Simon Kuper wryly warned in the *Financial Times*, “If you can do your job from anywhere, then someone anywhere can do your job.” Even though the Biden administration is encouraging companies to “buy American” or “hire American,” their DNA guides them to constantly arbitrage the world for taxes, technology and talent.

A friend from a major tech company recently flew to Portugal to recruit Europeans and Americans who have planted roots there and corral them into a new co-working space.

From Tulum, Mexico, to Athens, Greece, to Phuket, Thailand, entire colonies have sprung up catering to mobile youth in search of sunny, low-tax hubs. Digital nomads are geographically mercenary, using websites like Expatistan and nomad-themed message boards to calculate where to find the best balance between cost of living and quality of life. And those websites are steering them towards Berlin, Prague, Tbilisi, and Bali—not New York and Los Angeles. And according to VanHack, one of the largest platforms of digital nomads in the software industry, Canada, Britain, Germany, the Netherlands, Ireland, and Spain all rank ahead of the U.S. as top destinations for relocating among the more 600,000 developers surveyed. Americans are making Europe great again.

A generational shift has occurred that Boomers and even older Gen-X don't quite grasp: Today's young professionals don't identify themselves by their nationality—they identify as talent. Millennial and Gen-Z are content with portfolio careers and working abnormal hours, even for less pay, in exchange for less work and more time for travel and passion projects.

Business degrees are a particularly powerful agent of mobility. For all intents and purposes, an MBA is a passport. The world's eight hundred business schools spread across fifty countries are perhaps the leading agents in stirring the pot in the global war for talent. They recruit worldwide for students and compete fiercely to feed their graduates into multinationals, which then circulate them around the world.

Corporate executives may no longer control where employees want to be, but still determine who gets to rise to the top. Executives cluster near headquarters, and human resource departments are starting to emphasize longitude to avoid the inefficiencies of asynchronous coordination. For the same reason, venture capital funds will often have board members in two out of the three—America, Europe, or Asia—but rarely all three.

The end-state for global companies might resemble the “Twenty hubs but no HQ” model business guru CK Prahalad prophesied nearly two decades ago.

Dozens of countries want to be those hubs. Smart governments are rolling out the red carpet for this new global nomadic class. Before Covid, almost no nation had special “nomad visas” save for Estonia. Now almost 70 countries do. Dubai’s Golden Visa program has attracted hundreds of young entrepreneurs who are given grants and other perks to innovate the country’s AI and drone programs. Sweden and Singapore have “tech pass” programs that actively give grants to start-ups. More broadly, many governments have adopted more clearly tiered migration systems, ladders that residents climb on the pathway from migrant and stakeholder to resident and citizen.

America is history’s greatest winner in the war for talent, but the competition is heating up. A decade ago, the U.S. still took in as many migrants as the rest of the rich world combined. But as of 2019, according to a recent CATO Institute study, that gap had narrowed to zero—and that was before COVID-19 travel restrictions. Continued suspicions over Chinese espionage have turned off many Chinese students and scholars. Universities are losing billions of dollars in tuition, property owners are losing tenants, and the cottage industry of language tutors and professional coaches have far fewer clients to assimilate into American life. As Stanford professor and Nobel laureate Steven Chu put it, “We’re shooting ourselves not in the foot but in something close to the head.” Until foreign students are guaranteed a green card with their degree, talented foreign youth may take their brains elsewhere.

Don’t be surprised if many of them move over the border and work remotely instead. After all, Canada appears to be the new home of the American Dream. Canada’s points-based immigration policy is luring young people from around the world with the promise of a pathway to citizenship. Even better, the vast majority of new jobs created are full-time rather than just temp work. Meanwhile, only ten percent of America’s immigration application forms are available online.

For the cash-rich Asians who represent the majority of global millennials and Gen-Z, Europe is even closer than North America. The U.K. capitalized on Trump's odious image, admitting a record number of foreign students in 2020. Aging Europe has few children and needs to fill its classrooms with foreigners. Across Europe's IT sector one finds Indian software engineers and data scientists with degrees from Manchester or Amsterdam, and they're snapping up EU blue cards instead of American green cards.

The Biden Administration has its work cut out for it to attract the world's best and brightest to America in anything like the numbers it used to. It has managed to let Trump's H1-B visa restrictions expire, and plans to allow spouses of H1-B holders to work, a boost for would-be two-income households. But immigration reform remains an epic mess, held up by Congressional inaction on the Build Back Better Act whose provisions include a massive overhaul of green card processing that would immediately affect nearly one million current foreign workers. If those workers leave, there won't be enough skilled Americans to take their place.

We need to forecast scenarios for the future distribution of talent from the perspective of Gen-Y and Gen-Z. Hundreds of millions of young people are becoming geography-free. But *where* they physically go matters. America's national debt has exploded (100 percent of GDP and climbing), and young workers and taxpayers are needed to power a real recovery beyond today's artificial stimulus. An aging country with a declining population and crumbling infrastructure isn't fit to prevail over China, much less outlast its 1.4 billion people in the long run.

Despite record-low unemployment, there are still millions of job vacancies. Even after stimulus cheques are spent and wages rise, people aren't going to rush back into menial labor unless they have to. Furthermore, as hundreds of billions of dollars are deployed on infrastructure across the country, far more workers will be needed to get it all done in any meaningful timeframe. America will need an army of migrants to truly build back better.

Demographic renewal requires vigorously competing to attract the next generation.
Collecting people is collecting power.

The war on terror lasted twenty years. The war for talent should be America's main mission for the next twenty.