

# NEWSLETTER

September 2020

n. 6

THE COUNCIL FOR THE  
UNITED STATES AND ITALY



CONSIGLIO PER LE RELAZIONI  
TRA ITALIA E STATI UNITI

## ABOUT THE COUNCIL FOR THE UNITED STATES AND ITALY

The Council for the United States and Italy is a private non-profit organization, founded in Venice in 1983 by Gianni Agnelli and David Rockefeller, who served as honorary presidents until 2003. Marco Tronchetti Provera followed them as Chairman, then Sergio Marchionne until 2018. Domenico Siniscalco is the current Chairman, Gianni Riotta Executive Vice Chairman. The Council for the United States and Italy promotes and creates economic relations between Italy and the United States, linking them to Europe, Asia and Africa through knowledge and free trade. Its members are leaders in the economy, industry, finance, technology, services, consulting, law and culture - a team in which economic growth is viewed as promoting humanity and wealth as a cultural value to be shared.

***This monthly newsletter is prepared jointly by the Council for the United States and Italy and The European House - Ambrosetti.***

WEBINAR | US Elections: understand today's America | Sept 24 @ 5pm



**Neera Tanden**, President and Ceo, Center for American Progress

Now it's time to move on the US elections and political landscape: we had (and will have) a year that is far from being a quiet one. We have two major issues about the social context that are shaping the race: the Corona Virus and the Black Lives Matter movement. In the United States, Corona virus caused about 200.000 deaths, much significantly worse than other countries. Because of the pandemic, Senior people (over 65) are supporting Joe Biden more than Hilary Clinton in the past. On the other hand, the protests were larger than ever everywhere involving city centre, suburbs and countryside: there is a urgent request for change.

The death of Ruth Bader Ginsburg and the consequent selection of a new Judge of the Supreme Court is a good chance for Conservatives to focus the attention to the Party before the election. However, according to Center for American Progress survey, these events have mobilized the Democrat voters.

But the most important thing for American people now is the election itself. This race is no different in many fundamental levels: Biden is better with senior, better with white voters (college educated or not educated) and he is competitive in those countries Trump won 4 years ago. By the way, Trump has real advantages: the conservative party is very energized, Wings states and he has more power of media environment - more than anybody. He can literally control what is on television, but he has not been able to create a public opinion in his favor on major themes such as climate change, virus and wall. Trump also stated that the possible transition, if he loses, shouldn't be peaceful.

Do American voters accept new ideas about healthcare, college, unemployment or are too related to socialism? In 2019 Trump created debate about socialism: he did not focus attention towards healthcare or college (which are common subjects in America) but against Joe Biden, who would be willing to neutralize middle class by raising taxes. However, the rest of the world has a common healthcare, college for everybody (all in Biden's agenda), but Trump is creating a kind of negative framework: socialism which raises taxes and gives advantages to others.

Today, September 24, 39 days until the elections: we expect many twists and turns.

## “The Transatlantic Tragedy” (Project Syndicate, September 28, 2020)



**Joschka Fischer**, was German Foreign Minister and Vice Chancellor from 1998-2005, a term marked by Germany's strong support for NATO's intervention in Kosovo in 1999, followed by its opposition to the war in Iraq. He entered electoral politics after participating in the anti-establishment protests of the 1960s and 1970s, and played a key role in founding Germany's Green Party, which he led for almost two decades.

*While today's mounting global disruptions have accelerated an ongoing shift in global power dynamics, neither China's rise nor the emergence of COVID-19 can be blamed for the West's lost primacy. The United States and the United Kingdom took care of that on their own, with a complacent Europe watching it happen.*

BERLIN – Between the intensifying Sino-American drama and the persistent COVID-19 crisis, the world is undeniably undergoing fundamental, historic change. Seemingly immutable structures built up over many decades are suddenly exhibiting a high degree of malleability, or simply disappearing altogether.

In the ancient past, today's unprecedented developments would have put people on guard for signs of a coming apocalypse. In addition to the pandemic and geopolitical tensions, the world is also confronting the climate crisis, the balkanization of the global economy, and the far-reaching technological disruptions brought on by digitization and artificial intelligence.

Gone are the days when the West – led by the United States, with the support of its European and other allies – enjoyed unchallenged political, military, economic, and technological primacy. Thirty years after the end of the Cold War – when Germany was reunified and the US emerged as the world's sole superpower – the case for Western leadership is no longer credible, and East Asia, with an increasingly authoritarian and nationalistic China at the helm, is moving swiftly to replace it.

But it wasn't the escalating rivalry with China that weakened the West. Rather, the West's decline has been driven almost entirely by internal developments on both sides of the Atlantic, particularly – though not exclusively – within the Anglo-Saxon world. The United Kingdom's Brexit referendum and US President Donald Trump's election in 2016 marked a definitive break in the transatlantic commitment to liberal values and a global rules-based order, heralding the revival of a narrow-minded fixation on national sovereignty that has no future.

The transatlantic West, a concept embodied in the establishment of NATO after World War II, was the result of the military triumph of the US and UK in the Pacific and European theaters. It was these two countries' leaders who created the post-war order and its principal institutions, from the United Nations and the General Agreement on Tariffs and Trade (the precursor to the World Trade Organization) to the World Bank and the International Monetary Fund. As such, the “liberal world order” – and indeed “the West” generally – was wholly an Anglo-Saxon initiative, one that victory in the Cold War further vindicated.

But in the ensuing decades, the Anglo-Saxon world's powers have been exhausted, and many of its people have begun to long for a return to a mythical imperial golden age. The prospect of reclaiming past greatness has become a successful political slogan in both countries. Between Trump's “America First” doctrine to UK Prime Minister Boris Johnson's effort to “take back control,” the common denominator is a yearning to relive idealized moments of the nineteenth and twentieth centuries.

In practice, these slogans amount to a self-defeating reversal. The founders of an international order that enshrines democracy, the rule of law, collective security, and universal values are now dismantling it from within, thereby undercutting their own power. And this Anglo-Saxon self-destruction has created a vacuum, leading not to a new order but to chaos.

Of course, Europeans – starting with the Germans – are in no position to sit back complacently or point the finger at the Anglo-Saxons. By free-riding on security matters and simply shrugging their shoulders at persistently high trade surpluses, they, too, bear responsibility for today's nationalist resurgence.

If the West – as an idea and as a political bloc – is to survive, something will have to change. The US and the European Union will each be weaker alone than as a united front. But Europeans now have no other choice but to transform the EU into a genuine power player in its own right. A deep rift has opened up between continental Europeans – who must hold on to the traditional Western construct – and increasingly nationalistic Anglo-Saxons.

After all, Brexit is not really about pragmatic questions of trade; rather, it represents a fundamental break between two value systems. More to the point, what happens if Trump is re-elected in November? The transatlantic West almost certainly would not survive the next four years, and NATO would probably face an existential crisis, even if Europeans increase their defense spending in response to US demands. For Trump and his followers, the money isn't really the issue. Their primary concern is with American supremacy and European fealty.

By contrast, if former US Vice President Joe Biden is elected, the tone of transatlantic relations would certainly become friendlier. But there is no going back to the pre-Trump era. Even under a Biden administration, Europeans would not quickly forget the deep distrust that has been sown these past four years.

Whoever wins in November, the US will have to deal with a Europe that puts much greater stock in its own sovereignty – particularly on technological matters – than it has in the past. The cozy interdependencies of the immediate post-Cold War years are long gone. The relationship will have to be remodeled, and both sides will need to adjust. Europe will have to do much more to safeguard its own interests, and America would do well to understand that Europe's interests may diverge from its own.

## “Why Biden Is Better Than Trump for the Economy”

(Project Syndicate, September 29, 2020)



**Nouriel Roubini**, Professor of Economics at New York University's Stern School of Business and Chairman of Roubini Macro Associates, was Senior Economist for International Affairs in the White House's Council of Economic Advisers during the Clinton Administration. He has worked for the International Monetary Fund, the US Federal Reserve, and the World Bank.

*The presumption that Republicans are better than Democrats at economic stewardship is a longstanding myth that must be debunked. For all Americans who care about their and their children's future, the right choice this November could not be clearer.*

NEW YORK – Joe Biden has consistently held a wide polling lead over US President Donald Trump ahead of November's election. But, despite Trump's botched response to the COVID-19 pandemic – a failure that has left the economy far weaker than it otherwise would have been – he has maintained a marginal edge on the question of which candidate would be better for the US economy. Thanks to Trump, a country with just 4% of the world's population now accounts for more than 20% of total COVID-19 deaths – an utterly shameful outcome, given America's advanced (albeit expensive) health-care system.

The presumption that Republicans are better than Democrats at economic stewardship is a longstanding myth that must be debunked. In our 1997 book, *Political Cycles and the Macroeconomy*, the late (and great) Alberto Alesina and I showed that Democratic administrations tend to preside over faster growth, lower unemployment, and stronger stock markets than Republican presidents do.

In fact, US recessions almost always occur under Republican administrations – a pattern that has persisted since our book appeared. The recessions of 1970, 1980-82, 1990, 2001, 2008-09, and, now, 2020 all occurred when a Republican was in the White House (with the exception of the double-dip recession of 1980-82, which started under Jimmy Carter but continued under Ronald Reagan). Likewise, the Great Recession of 2008-09 was triggered by the 2007-08 financial crisis, which also occurred on the GOP's watch.

This tendency is not random: loose regulatory policies lead to financial crises and recessions. And, compounding matters, Republicans consistently pursue reckless fiscal policies, spending as much as Democrats do, but refusing to raise taxes to make up for the resulting budget shortfalls.

Owing to such mismanagement under the George W. Bush presidency, President Barack Obama and Vice President Biden inherited the worst recession since the Great Depression. In early 2009, the US unemployment rate surpassed 10%, growth was in free fall, the budget deficit had already exceeded \$1.2 trillion, and the stock market was down almost 60%. Yet, by the end of Obama's second term in early 2017, all of those indicators had massively improved.

In fact, even before the COVID-19 recession, US employment and GDP growth, as well as the stock market's performance, were better under Obama than under Trump. Just as Trump inherited millions from his father, only to squander it on business failures, so he inherited a strong economy from his predecessor, only to wreck it within a single term.

The rally in equity prices this past August coincided with a hardening of Biden’s polling lead, suggesting that markets are not nervous about a Biden presidency, or about the prospects of a Democratic sweep of Congress. The reason is simple: a Biden administration would be unlikely to pursue radical economic policies. Biden may be surrounded by progressive advisers, but they are all fully within the political mainstream. Moreover, his vice-presidential pick, US Senator Kamala Harris of California, is a proven moderate, and most of the Democratic senators who would be seated in a new Congress are more centrist than the left wing of their party.

Yes, a Biden administration might raise marginal tax rates on corporations and the top 1% of households, which Trump and congressional Republicans cut merely to give wealthy donors and corporations a \$1.5 trillion handout. But a higher tax rate would result in only a modest hit to corporate profits. And any costs to the economy would be more than offset by closing the loopholes that allow for tax avoidance and shifting profits and production abroad, and with Biden’s proposed “Made in America” policies to bring more jobs, profits, and production home.

Moreover, while Trump and his fellow Republicans have not even bothered to formulate a policy platform for this election, Biden has proposed a suite of fiscal policies designed to boost economic growth. If Democrats take control of both houses of Congress and the White House, a Biden administration would pursue a larger fiscal stimulus targeted at households, workers, and small businesses that need it, as well as job-creating infrastructure spending and investments in the green economy. They would not invest in tax cuts for billionaires, but rather in education and worker retraining, and in proactive industrial and innovation policies to ensure future competitiveness. Private business would no longer be terrorized by the president in Twitter tantrums.

Democrats also are calling for higher minimum wages to boost labor income and consumption, along with more sensible regulations to reduce carbon dioxide emissions. They would push for policies to restore some bargaining power to workers, and to protect savers from predatory financial institutions. And they would have a much more sensible approach to trade, immigration, and foreign policy, repairing US alliances and partnerships and pursuing a policy of “coopetition” rather than lose-lose containment vis-à-vis China. All these measures would be good for jobs, growth, and markets.

Although Trump ran as a populist, he is a wannabe plutocrat – a pluto-populist – and that is how he has governed. His economic policies have been disastrous for US workers and long-term economic competitiveness. Trade and immigration policies that were billed as measures to restore US jobs have had the opposite effect. The “deaths of despair” that disproportionately afflict white blue-collar and precariat workers have not fallen under Trump; with more than 70,000 drug overdose deaths in 2019, this American carnage continues. If the US is to fill the high-value jobs of the future, it will need to train its labor force, not embrace self-destructive protectionism and xenophobia.

The choice for US voters who are concerned about America’s economic prospects could not be clearer. Biden, who has long tapped into blue-collar concerns, is the only presidential candidate in recent history without an Ivy League background. He has a better chance than anyone of rebuilding the Democratic coalition and winning back the support of disaffected, working-class voters. For all Americans who care about their and their children’s future, the right choice this November could not be clearer.