

# NEWSLETTER

May 2020

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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 | The Geopolitical Outlook - Thursday, May 14, 2020 @ 5pm



**Niall Ferguson**, Senior Fellow at the Hoover Institution, Stanford University and Senior Faculty fellow at the Belfer Center for Science and International Affairs, Harvard University

Right now, being a historian can help very well to understand the dynamics of a pandemic. When Prof. Ferguson was at the WEF in January, he pointed out the strangeness of focusing on a threat like climate change when in fact the risk of a COVID pandemic was already evident, given the worrying signals coming from Wuhan. This shows that we were not fully aware of the seriousness of the situation, despite the warnings.

Here, too, history teaches us. According to Ferguson, more than with other epidemics of the past, the Coronavirus pandemic has many characteristics in common with WWI. An epochal event that he simultaneously defines as "black swan" (i.e. "that seems to us to be impossible"), "grey rhino" (i.e. "dangerous, obvious, and highly probable") and "dragon king" ("so extreme that it lies outside a power-law distribution"). Like WWI, COVID-19 is one such event. The pandemic, in fact, was openly predictable and expected, starting from Bill Gates' statements. Nevertheless, it surprised and shocked us like a "black swan", proving that no warning, however important, prepares us for such phenomena. Moreover, because of its unprecedented consequences, the Coronavirus is an exceptional "dragon king": not because of the devastation it brings in terms of deaths, but because of the tremendous impacts on society and the economy, with disruptive and long-term effects of radical change.

Compared to WWI, the COVID-19 obviously has differences. However, unpredictability and uncertainty about the duration of the phenomenon are common features. What is certain is that the pandemic will also have important effects on globalisation - which will inevitably slow down - and on the global geopolitical order, as well as the Great War. While the pandemic has exacerbated the ongoing "Cold War II" between Beijing and Washington, it is still too early to say that China will undermine the US as the world's first superpower. Could it not be China itself that is in the greatest difficulty?

After all, Chernobyl docet. That time it was Moscow that saw its international image ruined. Today it could be Beijing.



WEBINAR | Italy and US at the time of Covid-19 - Friday, May 29, 2020 @ 4pm



**Nando Pagnoncelli**, *President, IPSOS Italy*

Starting from an analysis of the general scenario, the data tell us that since the beginning of the pandemic, the perception of the threat at an individual level is lower than that for the own country, both in the United States and in Italy. In general, in both countries the trend in the perception of the virus as a threat has seen a slight but steady reduction in recent weeks, after the surge in March. In Italy, the initially confusing communication of the Government has fuelled disorientation that has not allowed citizens to fully understand the seriousness of the problem.

As for the size of the COVID-19 threat, the comparison between Italy and the USA shows that American citizens are much more critical of the national media, accused of having exaggerated the extent of the epidemic: at the beginning of May, as many as 41% of Americans thought so, against 26% of Italians. Everywhere, however, there are strong fears for the financial impact of the economy and for a recovery that is expected to be weak: both in Italy and in the USA, more than two thirds of the population is worried about the serious economic consequences that countries will have to face.

Regarding the effectiveness and reliability of their government, two Italians out of three express a positive opinion towards the Conte executive in May. The Americans are instead more critical: only 43% of them consider Trump's choices positive. Also on the front of the political communication of the emergency, the Americans are more critical than the Italians: only 38% of them (against 63% of Italians) consider the Government as a reliable source of information on the Coronavirus.

Analysing, specifically, the American context, the consensus for President Trump's actions remains stable at 41%, while the absolute majority (54%) disapproves it. In the voting intentions, Trump would now have 37%, compared with 41% for his rival Joe Biden. In general, there are many discrepancies in the perception of COVID as a threat between Republican and Democrat voters: while 66% of the former consider the virus as a strong personal threat, 77% of the latter consider it as such. This also has a significant impact on citizens' daily behaviour and their perception of the most pressing problems: for example, only 48% of Republicans say they regularly wear a mask, compared to 68% of Democrats; similarly, immigration is the most important problem for the United States according to 13% of Republicans and 3% of Democrats.

Regarding Italy, the concern about contagion still tends to prevail, even if that for the loss of job and income is constantly increasing. On the other hand, there are no substantial changes in the predominantly positive opinion on the work of the Government, Regions and Municipalities, demonstrating that the need for national cohesion has prevailed - without, however, avoiding profound changes in the popularity of the various parties of government and opposition. The approval of the Government and the Premier Conte remain at relatively high levels (61% for the Prime Minister and 55% for the executive at the end of May), as well as confidence in the institutions of the country (49%).

Nevertheless, considering the analysis of April, the worrying figure comes from the confidence in the European institutions, which is clearly decreasing: if the difference between euro-supporters (53%) and those nostalgic for the lira (32%, against 23% in March) decreased during the pandemic, fewer Italians (44%, against 52% in March) think that Italy should remain in the EU. Evidently, the dialectic of a litigious Europe prevails over the reality of the unprecedented economic instruments put in place by its institutions to face the crisis.

## MEMBERS AREA

### COVID-19 THE NEXT GREAT EQUALISER?



By **Edoardo Campanella**, Future World Fellow at IE University in Madrid and author of *Anglo Nostalgia* with Marta Dassù for Oxford University Press

Rising inequality is widely regarded as the defining economic challenge of our time. Yet, while today's levels of inequality are alarming, they are hardly exceptional by historical standards. Income inequality in the United States is just as high now as it was in the years leading up to the 1929 stock-market crash. Going further back in history, from pharaonic Egypt to czarist Russia, Victorian England, the Ottoman Empire, and China under the Qing Dynasty, the pattern has always been the same: wealth tends to concentrate in the hands of a privileged elite.

While inequality has been a persistent feature of civilisation, it has not been constant. Long stretches of high inequality were followed by bursts of violent compression, owing to cataclysmic events like wars, revolutions, natural disasters and pandemics. At least in theory, viruses, bacteria and germs are perfect equalisers. In a war, there are political and military hierarchies that determine the likelihood of being deployed on the battlefield and so the probability of dying in combat. Killer pathogens, instead, are blind to wealth, class, age, gender and race.

Yet, COVID-19 looks like the great exception to well-established historical patterns. If anything, the current pandemic is exacerbating inequality. In their attempt to flatten their epidemiological curve, governments across the world have, unintentionally, upended the livelihoods of the least advantaged. Only in March the US economy destroyed more jobs than over the entire Great Recession, with workers with less than college education taking the largest hit like shop-keepers, waiters, receptionists, or hairdressers. To add injury to insult, the wealth of America's billionaires has increased by at least 10% since the onset of the crisis.

In order to understand why this time is so different, we need to compare the epidemiological features of COVID-19 with the plague - the usual historical benchmark, given its continuous occurrence over the last 1,500 years, to understand the link between pandemics and inequality. The plague used to kill 60% of the infected, targeting primarily adults in the prime of life who left behind widows and orphans. A decimated workforce created upward pressures on wages. At the same time, a shortage of workers implied a shortage of consumers as well, that depressed the value of land whose fruits could be sold on smaller markets. As a result, higher wages for labourers and lower rents for landowners dragged down inequality.

The economic mechanic behind COVID-19 is quite different. Hopefully, its lethality ratio is, at around 2%, relatively low. Moreover, with older people being its main target, the size of the workforce is roughly unaffected. But, unlike with the plague, the recession that is triggered by the health crisis is creating an oversupply – not a shortage – of workers that over time will push wages down – not up. Since social distancing measures are likely to remain in place for long, preventing the least skilled to regain their livelihoods even when the recovery is in full swing, the distributive effects of a temporary shock to the economy risks to become permanent.

In other words, the equalisation process via a pandemic requires a degree of human suffering that the world has, luckily, avoided this time. The Black Death wiped out up to one-third of the European population between 1334 and 1372. "Its poison is so rapid," wrote a plague chronicler, "and slips so subtly into the body, that it is one and the same thing to feel oneself affected and to see oneself placed in the tomb." However, there is something that has not changed. During an epidemic, the poor suffer disproportionately more than the rich. Killer pathogens might be blind to wealth, but wealth can erect high barriers to stem them off. This is true today as it was in the past.

Available evidence suggests that the risk of falling seriously ill from COVID-19 in the West is higher among individuals with lower income and lower levels of education. Moreover, mobility data for the US analysed by the New York Times shows that the wealthy limited their mobility sooner and more drastically than the bottom 10%, thus drastically reducing their exposure to potential infections. While millions of white collars are comfortably working from home, essential workers like cashiers, bus drivers or street cleaners have always been forced to show up at work, thus exposing themselves to the contagion.

Equally, in the past, anti-pestilence measures forced the poor to confine themselves in crowded and unhygienic places, thus increasing their exposure to infections, while the rich could enjoy their quarantine in large and isolated spaces. The term *villeggiatura* (spending time in a villa) was coined in Florence immediately after the Black Death. When a new wave of plague broke out, rich people withdrew from the city to a country farm and waited for the epidemic to subside. The villas of the Medici family that are spread across Chianti were built precisely for that reason.

COVID-19 is not going to be the next great equaliser, and hopefully so. Governments should find less brutal ways to bring more fairness into society.



## FOCUS U.S. ELECTIONS

Like everywhere else in the world, COVID-19 is having severe impacts on U.S. affairs, especially if combined with the protests related to the George Floyd case. There is no doubt anymore: the pandemic is and will be a crucial game changer, especially for the results of the presidential elections next November.

### 1. COVID-19 and Conventions

While the Coronavirus seems unwilling to stop in the United States, where the confirmed cases are over 1,5 million and the death toll is rapidly reaching 100.000, both the Republicans and the Democrats are considering to substantially modify some milestones of the electoral campaign. The Republican Party, indeed, will probably reduce the entity of the Convention taking place in Charlotte, North Carolina, at the end of August, when President Trump - whose consensus is stable at 41% according to Ipsos - will be formally given the nomination. The same goes with the Democrats, who are considering transforming the Convention in Milwaukee - scheduled one week before the rivals - into a digital event.

### 2. COVID-19 and unemployment

The economic consequences of Coronavirus in the U.S. have been unprecedented and much deeper than during both the financial crisis of 2008 and the Great Depression in the 20th century. With about 2,5 million requests to access unemployment benefits received and almost 40 million people who lost their job, the Government will be forced to deploy another impressive package of economic aid in order not to allow the damages to become structural for the national economy. Another bazooka is on the horizon: is it going to be enough to avoid the fall of Trump's popularity?

### 3. COVID-19 and China

Washington DC and Beijing are not friends at the moment, this is clear. However, before the pandemic both Trump and Xi seemed to have accepted the rules of a temporary cohabitation in the global order: the trade war truce signed in January was its brightest proof. Now that the virus has completely overturned the scenario, the superpowers are reviving the rush for the global supremacy. How and where? In one of the pillars of multilateralism, the World Health Organization, against which President Trump is planning to definitely cut contributions, and in the challenge to find and produce the COVID-19 vaccine. For Donald Trump, this would be the key to win the second term at the White House in November: much more than an antidote is at stake.



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## SAVE THE DATE

June 18<sup>th</sup> from 5pm to 6pm (CET)

WEBINAR | Geopolitical Implications of the Covid-19. Winners and Losers

With **Jami Miscik** (CEO and Vice Chair of Kissinger Associates, Inc)