

# NEWSLETTER

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## 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: What's at stake | October 5 @ 5pm



**Gerard Baker**, Editor at large, The Wall Street Journal

October 5, less than 30 days to the elections. In the United States every election is described as the most important election of our life time, but this time we are living a remarkable and unpredictable elections campaign.

What's at stake? In particular we have two issues, at international level the global movement of populism, at national level the rethinking of what America represents and stands for.

In the past five years we saw the rise of populism all over Europe and in the United States. Political events, such as the election of Donald Trump in 2016 and Brexit, have voiced the rejection of the international political order. Now, if Trump is going to lose the election it will be perceived, especially in the West, as the restoration of the pre-existing political order. Before 2016, we had a broad acceptance on the liberal international order, the global collaboration and multilateralism. Trump rejected all of them and brought a great change in the international scenario: new international tensions and the rejection of America International role. If Joe Biden is going to win, we won't have a proper restoration because many important changes that Trump represents are here to stay.

Also, the polarization of the American Public has created a strong partisan conflict.

The prominence of protest movements in the United States clearly demonstrate what's at stake today: a pretty fundamental re-examination of the American society and a reconsideration of the whole American system.

Lots of people that support Biden think that America is a terrible Country built on slavery, oppression and white supremacy and what's at stake therefore in this elections; it's a fundamental reimagining of the American society.

On the other side, there are Trump's supporters believing that while America has its faults, it's a country built on the fundamental value of freedom. If Biden is going to win the election, his victory will spread a new set of values.

Lastly, how Covid19 will affect these last days of electoral campaign? Since Trump gets ill, the dominant opinion on media seems to be: finally there is a punishment for his approach to the pandemic. Certainly, the President didn't take seriously the spread of the pandemic, he was dismissive about social distancing and masks. So it's important to remember that if Trump is going to lose, it will be primarily because of Covid10. Trump's handling of coronavirus pandemic hits record low approval in polls.

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## “The US Election’s Chaos Quotient”

(Project Syndicate, October 27, 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. His website is [NourielRoubini.com](#), and he is the host of [NourielToday.com](#).

*While hoping for a conclusive outcome on November 3 (or immediately thereafter), market watchers unfortunately must prepare for the worst. After all, US President Donald Trump and the Republicans are not even hiding their plans to steal the election.*

NEW YORK – Opinion polls in the United States have long pointed to the strong possibility of a Democratic Party sweep in the election on November 3, with Joe Biden winning the presidency and Democrats gaining control of the US Senate and holding on to the House of Representatives, putting an end to divided government.

But if the election turns out to be mostly a referendum on US President Donald Trump, Democrats might win just the White House while failing to retake the Senate. And one cannot rule out the possibility of Trump navigating a narrow path to an Electoral College victory, and of Republicans holding on to the Senate, thus reproducing the status quo.

More ominous is the prospect of a long-contested result, with both sides refusing to concede as they wage ugly legal and political battles in the courts, through the media, and on the streets. In the contested 2000 election, it took until December 12 for the matter to be decided: the Supreme Court ruled in favor of George W. Bush, and his Democratic opponent, Al Gore, gracefully conceded. Rattled by the political uncertainty, the stock market during this period fell by more than 7%. This time, the uncertainty could last for much longer – perhaps even months – implying serious risks for the markets.

This nightmare scenario must be taken seriously, even if it currently seems unlikely. While Biden has consistently led in the polls, so, too, had Hillary Clinton on the eve of the 2016 election. It remains to be seen if there will be a slight surge in “shy” swing-state Trump voters who are unwilling to reveal their true preferences to pollsters.

Moreover, as in 2016, massive disinformation campaigns (foreign and domestic) are underway. US authorities have warned that Russia, China, Iran, and other hostile foreign powers are actively trying to influence the election and cast doubt on the legitimacy of the balloting process. Trolls and bots are flooding social media with conspiracy theories, fake news, deep fakes, and misinformation. Trump and some of his fellow Republicans have embraced lunatic conspiracy theories like QAnon, and signaled their tacit support of white supremacist groups. In many Republican-controlled states, governors and other public officials are openly deploying dirty tricks to suppress the votes of Democratic-leaning cohorts.

On top of all this, Trump has repeatedly claimed – falsely – that mail-in ballots cannot be trusted, because he anticipates that Democrats will comprise a disproportionate share of those not voting in person (as a pandemic-era precaution). He also has refused to say that he will relinquish power if he loses, and has instead given a wink and a nod to right-wing militias (“stand back and stand by”) that have already been sowing chaos in the streets and plotting acts of domestic terrorism. If Trump loses and resorts to claiming that the election was rigged, violence and civil strife could be highly likely.

Indeed, if the initial reported results on election night do not immediately indicate a sweep for the Democrats, Trump would almost certainly declare victory in battleground states before all mail-in ballots have been counted. Republican operatives already have plans to suspend the counting in key states by challenging such ballots’ validity. They will be waging these legal battles in Republican-controlled state capitals, local and federal courts stacked with Trump-appointed judges, a Supreme Court with a 6-3 conservative majority, and a House of Representatives where, in the event of an Electoral College draw, Republicans hold the majority of state delegations.

At the same time, all of the white armed militias currently “standing by” could take to the streets to foment violence

and chaos. The goal would be to provoke leftist counter-violence, giving Trump a pretext to invoke the Insurrection Act and deploy federal law enforcement or the US military to restore “law and order” (as he has previously threatened to do). With this endgame apparently in mind, the Trump administration has already designated several major Democratic-led cities as “anarchist hubs” that may need to be put down. In other words, Trump and his cronies have made clear that they will use any means necessary to steal the election; and, given the wide range of tools at the executive branch’s disposal, they could succeed if early election results are close, rather than showing a clear Biden sweep.

To be sure, if early results on election night show Biden with a strong lead even in traditionally Republican states such as North Carolina, Florida, or Texas, Trump would find it much harder to contest the result for more than a few days, and he would concede sooner. The problem is that anything short of a clear Biden landslide will leave an opening for Trump (and the foreign governments supporting him) to muddy the waters with chaos and disinformation as they maneuver to shift the final decision to more sympathetic venues such as the courts.

This degree of political instability could trigger a major risk-off episode in financial markets at a time when the economy is already slowing and the near-term prospects for additional policy stimulus remain grim. If an election dispute drags on – perhaps into early next year – stock prices could fall by as much as 10%, government bond yields would decline (though they are already quite low), and the global flight to safety would push gold prices higher. Usually in this type of scenario, the US dollar would strengthen; but, because this particular episode would have been triggered by US-based political chaos, capital might actually flee from the dollar, leaving it weaker.

One thing is certain: a highly contested election would cause further damage to America’s global image as an exemplar of democracy and the rule of law, eroding its soft power. Particularly over the past four years, the country has increasingly come to be regarded as a political basket case. While hoping that the chaotic outcomes outlined above do not come to pass – polls still show a strong lead for Biden – investors should be preparing for the worst, not just on election day but in the weeks and months thereafter.

**“Rethinking Resilience in Business”**  
(Project Syndicate, October 28, 2020)



**Keryn James**, Group Chief Executive at Environmental Resources Management; **Peter Bakker**, President and CEO of the World Business Council for Sustainable Development.

*COVID-19 is forcing firms to reimagine resilience. Instead of trying to strengthen their ability to resist change, companies must learn how to adapt and adjust if they are to continue to exist as employers, value creators for shareholders, and trusted members (and servants) of communities around the world.*

LONDON/GENEVA – COVID-19 is the biggest public-health crisis in a century and has caused the deepest economic recession of the modern era. The pandemic has revealed vulnerabilities in public-health systems and social safety nets around the world, brought vast inequalities to the surface, and demonstrated how major disruptions can snowball through interconnected systems. Clearly, our societies and economies are not nearly as resilient as we had believed.

One reason we have found it so difficult to react to COVID-19 is that we have vigorously removed “slack” from our systems. Businesses have become disciples of the gospel of efficiency and just-in-time production, fiscally stretched governments struggle to provide even basic services, and we have pushed natural systems to their limits. Now that a crisis has arrived, we see that what was perceived as excessive slack was necessary redundancy.

More crises await, from domino effects stemming from COVID-19, to the full impact of climate change and other disruptions of the natural systems on which we rely. Some crises will inevitably arrive as “black swans,” without warning, but many others will be what Michele Wucker calls “gray rhinos”: highly probable, high-impact threats that we know about but tend to ignore.

All chief executives should anticipate at least one major shock during their tenure, and prepare and lead accordingly. Although there is a growing body of analysis concerning the impact of COVID-19 on business, most of it is still focused



on the immediate response. In a recent issue brief, therefore, our organizations explore how companies can improve their long-term thinking and planning, and better prepare for similar future events.

Our work builds on discussions with members of the World Business Council for Sustainable Development and a series of interviews with firms headquartered in Asia, Europe, and the Americas. It also incorporates insights regarding the pandemic's impact from the 2020 GlobeScan/SustainAbility Leaders Survey, and further draws on a broader review of long-term resilience and business responses to COVID-19.

The brief highlights three key lessons for business. First, we cannot hide from gray rhinos or black swans. Companies must prepare better for both known and unknown threats – in part by returning slack to our systems. To withstand future shocks, businesses must change and extend their view of long-term resilience. Critically, they must accept that a company's resilience is determined not only by what's inside its four walls, but also by ecosystems, communities, economic conditions, the rule of law, effective governance, and more.

Second, businesses need to embed resilience, once established, more deeply in their language and especially their practice, to prevent it from atrophying. Firms that do so will be able to anticipate and prepare for all future scenarios, minimize the impact of the shocks that do hit, and recover more quickly from them. We found that companies whose values and purpose are deeply embedded and widely understood at all levels can be more agile and decisive during crises. Cultural alignment on purpose and vision within an organization helps to build trust and openness, which are essential for effective and authentic internal and external communication, as well as collaboration.

Third, companies can build greater long-term resilience through improved approaches to corporate risk management, human and social capital, and environmental, social, and governance (ESG) information. In each case, firms need to emphasize certain steps.

Better risk management calls, most notably, for a shift from traditional rules-based approaches to more flexible, regular, and process-oriented methods that enable ongoing learning and exploration. It also requires firms to incorporate tools and approaches likely to spur more outside-the-box thinking and reveal harder-to-predict threats ("unknown unknowns").

Improving the management of human and social capital requires listening and responding to people both inside and outside the organization, and ensuring that the insights gathered are used to define and uphold the company's vision. Furthermore, companies should consider extending workforce protection measures originally designed for their employees to supplier workforces and non-permanent employees throughout the value chain. In addition, as we seek to balance the health and economic dimensions of the pandemic over an extended period, we must constantly adapt and enhance the measures for workers who are interacting with one another and the public.

Finally, firms must continue to improve ESG disclosure, especially by accelerating the adoption of common standards and metrics, and providing more information on issues critical to business resilience during the pandemic (such as employee well-being, diversity and inclusion, and safety). Companies also need to improve their sustainability assessments by including a greater diversity of stakeholder perspectives, longer time frames, and broader scenario planning, as well as giving greater weight to social issues in disclosure and strategy.

Resilience is less about maintaining a steady state than about adopting agile, dynamic, and transformational behaviors and actions in response to pressure – in other words, being adaptable. This, in turn, requires firms to emphasize purpose and values in leadership, improve stakeholder engagement, and redesign supply chains. But above all, firms must embrace longer-term thinking and new and sustainable business models and behaviors.

True resilience is not about withstanding difficult conditions, but rather embracing what it takes to thrive at the organizational and systems level. Resilience stems not only from reliable access to raw materials and operational efficiency, but also from recognizing and protecting the enormous investments and value found in skilled and healthy workforces and vibrant communities. It requires protecting and enhancing vital ecosystems, and ensuring strong institutions, transparent rule of law, and healthy national and local budgets. And it means recognizing the central role of innovation in creating value in the face of challenges and disruptions.

COVID-19 is forcing firms to reimagine resilience. Instead of trying to strengthen their ability to resist change, companies must learn how to adapt and adjust if they are to continue to exist as employers, value creators for shareholders, and trusted members (and servants) of communities around the world.