

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: last call | November 2 @ 5pm



Nando Pagnoncelli, Chairman of Ipsos Italia

On November 2nd, Nando Pagnoncelli presented an Ipsos Poll Conducted for Thomson Reuters on United States Core Political Data. The full survey results are available on our [website](#).

Here are some highlights:

- Things in America are heading on the wrong track for 61% of All Adult Americans, for 62% of all Registered Voters, for 87% of Democratic Registered Voters and for 68% of Independent Registered Voters, while for 59% of Republican Registered voters things are heading in the right direction.
- In all Adult Americans' opinion, the most important problem facing America in 2020 is "Healthcare" (22%); followed by the "Economy Generally" (18%).
- About President Trump: the disapproval on how is handling his job prevail with 56% with a big gap between Democratic and Republican Registered Voters.
- Strong divide on the "U.S. Economy" and "Employment and Jobs management": 47% of approval versus 48% of disapproval.
- Regarding the health crisis management, most of citizens agree on disapproval (58%) also because the level of concern about Covid-19 is high (81%).
- The most recent surveys suggest: 52% of Likely Voters support Joe Biden and 42% Donald Trump.
- Swing States are crucial: we will live a race to 270.

WEBINAR | US Elections Results | November 9 @ 5pm



Tom Ridge, Chairman Ridge Global
& **Tony Gardner**, US Ambassador to the EU 2014 – 2017

Joe Biden has been elected the 46th president of the United States, breaking records with most votes won by any presidential candidate in US history. However, the range of challenges for this new Administration are unprecedented and we still have uncertainties on presidential transition process because of Donald Trump's ongoing refusal to admit defeat. Non-cooperation could slow Joe Biden's ability to act on coronavirus and reinstatement of environmental regulations. Furthermore, the domestic agenda is very complicated also for polarizing issues in the American political parties. Trump has still a large consent, a lot of people feel disaffected and still feel like that.

The new administration will have to deal with millions of people refusing to believe in scientific evidence. Foreign policy may be easier because it could present a moment of opportunity on a range of issues including trade reform and international collaboration. Although America and its allies need to identify how to work together quickly to achieve concrete and better results to tackle the challenges of national populism. According to Ambassador Gardner, one of the biggest challenges for the future is setting standards on E-commerce, Cybersecurity and Artificial Intelligence. The digitalization changed our life and US government should work with its allies to improve transparency and common regulations. Disinformation is another crucial issue: online platforms have a strong impact on our democracies and politics must react. Governor Ridge also recalled the importance of defending the freedom of speech. And last, but not least, Georgia's on everyone's mind. The election in January will determine which party controls the US Senate — and with it, the nature of the Biden presidency. The outcome of the contests, which will play out two weeks before President-elect Joseph R. Biden Jr.'s inauguration, will either swing the majority to Democrats, handing the new president broad power to carry out his policy agenda and push through nominations as he sees fit, or leave Republicans in charge, allowing them to influence his plans.

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“America’s Political Crisis and the Way Forward”
(Project Syndicate, November 27, 2020)



Jeffrey D. Sachs, Professor of Sustainable Development and Professor of Health Policy and Management at Columbia University, is Director of Columbia's Center for Sustainable Development and the UN Sustainable Development Solutions Network. He has served as Special Adviser to three UN Secretaries-General.

The world's environmental, social, and security problems are now so complex and interconnected that only strong cooperation within and across regions will suffice to manage them. To achieve it, US President-elect Joe Biden's success in healing a deeply divided America will be essential.

NEW YORK – Owing to America's disproportionate military, financial, and technological power, the breakdown of rational politics in the United States is the most dangerous fact for the world today. And while President Donald Trump's recent election defeat is a necessary step toward restoring sanity to American politics, it is only the first of many that will be required to stop the downward slide of the US and convince the rest of the world that the country no longer poses a threat to itself or others.

There are two urgent challenges facing America and the world in the wake of the US election. First, President-elect Joe Biden must take on the long uphill struggle to restore some measure of domestic political stability. Second, other regions of the world should forge their own paths of global cooperation, rather than waiting in vain for the US to return to global leadership.

AMERICA'S RATIONALITY CRISIS

The profound crisis of US politics has been starkly demonstrated in two ways this year. First, the federal government failed utterly to suppress the COVID-19 pandemic – or even to try. As 2020 draws to a close, the daily rate of new cases is approaching 200,000, far exceeding the previous peaks in April and July. During the week of November 15-21, the US had nearly 1.2 million newly confirmed cases, while China, America's putative Great Power rival, had just 86 newly confirmed cases, despite having more than four times the US population.

Second, the US can no longer manage presidential elections according to basic democratic standards. While the voting itself was highly orderly, with a large turnout and a careful, transparent ballot-counting process, the election did not produce the needed consensus on the outcome. Trump falsely and notoriously claimed victory on election night, and

then, as Biden took the lead as mail-in ballots were counted, Trump brazenly claimed massive electoral fraud without a shred of corroborating evidence. Yet Trump's claims were backed by senior members of the Republican Party, leading commentators in the right-wing media ecosystem, a burgeoning number of Facebook groups, and a shockingly high 75% of Republicans.

One is tempted to blame the COVID-19 and election fiasco on Trump himself, and Trump's personal role was no doubt both malign and essential. He is a sociopath and a demagogue, whose political repertoire has consisted of fueling division, evading responsibility, and promoting delusions.

But factors beyond Trump are also at play. This is the fourth US presidential election in a generation, after all, that has been followed by a crisis of legitimacy. The 2000 election was decided only by a contentious Supreme Court decision that stopped a recount in Florida, handing the state – and the presidency – to George W. Bush by 537 votes. Following Barack Obama's victory in 2008, Trump concocted doubts about Obama's birthplace and citizenship. So-called birtherism was as destructive of public trust as it was phony to the core. The 2016 election was heavily influenced by Russian meddling that Trump both welcomed and denied. Moreover, in both 2000 and 2016, the Republican candidate won in the Electoral College despite losing the national popular vote. And, despite Trump's extraordinary personal flouting of norms, most GOP leaders, many media outlets, and millions of voters supported and facilitated his outlandish behavior. Trump is not only a mentally disordered individual, but also a symptom of a gravely damaged body politic.

A FAILED GREAT POWER?

The events of 2020 are the latest additions to a growing list of American political debacles, both foreign and domestic. Since 2000, US foreign policy has been erratic at best. The US-led or US-backed wars since 2000 have created political and humanitarian disasters in Afghanistan, Iraq, Syria, Libya, and Yemen. Obama's two foreign-policy successes, joining the Paris climate agreement and negotiating a nuclear agreement with Iran in 2015, were both reversed by Trump, despite nearly global opposition.

At home, the US has failed to reinvest in its own dilapidated infrastructure, despite the rising frequency of massive losses from natural disasters such as wildfires in the West and flooding following devastating tropical storms. In addition to COVID-19, the US has suffered an epidemic of what Anne Case and Angus Deaton call, chillingly and accurately, "deaths of despair" (from suicide, drug overdose, and alcoholism) among working-class families, also without a meaningful policy response. And the US budget deficit is now chronically high at roughly 5% of GDP – even reaching an extraordinary 16% of GDP in 2020 due to COVID-19 – reflecting the lack of any semblance of political consensus about the federal government's long-term funding and priorities.

The list goes on and on. Reflecting the breakdown of the legislative process, there has scarcely been a major domestic federal policy in the past 20 years that has been enacted by Congress rather than implemented by executive order of the President. The exceptions, such as the 2010 Affordable Care Act (Obamacare) and the 2017 tax cut, were approved by tiny margins with no support from the losing party.

There are many explanations for the derangement of US politics, and there are no doubt many intertwined processes at work. Surveying them makes clear that while Trump's psychopathy has surely aggravated America's political crisis, his presidency reflects the decline of US problem-solving and consensus-building over the course of more than four decades.

SOURCES OF SYSTEMIC STRAIN

Among the factors underlying decades of increasingly frequent national failures and bouts of malaise, observers have identified an array of economic, cultural, and political trends.

Rapid technological change. The US and some other high-income countries are in the grips of the "future shock" envisaged 50 years ago by the futurologist Alvin Toffler. The rapid shift to the digital age has deeply disrupted and divided US society. A huge and growing gulf has appeared between a professional class, comprising those with a bachelor's degree or higher, most of whom have experienced rising incomes and living standards, and workers with

less than a bachelor's degree, who have tended to suffer falling earnings, home foreclosures, and the effects of automation on the labor market. Trump rode the resentment of disaffected white, working-class voters to power in 2016.

White backlash. The US is in a long-term transition from an overwhelmingly white, Protestant nation where de jure and de facto discrimination prevailed until the 1960s, to a majority non-white nation in which people of color are finally winning civil rights. Since the 1970s, this has led to often-furious white reaction. Obama represented the vanguard of the new multiracial society, and Trump an especially brutal backlash. (In the weeks after the election, Trump openly and brazenly urged Republican election board members not to certify the votes from mostly African-American Detroit.)

The end of social democratic politics. The US had a majoritarian social democratic ethos, led by the Democratic Party, from the New Deal of Franklin D. Roosevelt (1933-45) to the Great Society of Lyndon Johnson (1963-68). Government expanded to provide a widening range of social protection, in alliance with the growing organized labor movement. Yet this majority bloc collapsed after 1968, mainly because the Civil Rights era of the 1960s spurred an exodus of white working-class voters and southern "Dixiecrats" in Congress to the Republican Party. The Republicans became the party of white backlash and social conservatives who opposed "big government," while the Democrats became the party of professionals, minorities, and social progressives calling for racial, gender, and sexual and reproductive rights. The prior consensus for social-democratic policies collapsed.

The evangelical awakening. The US experienced a surge of white Christian evangelical religiosity and activism from the 1950s till the early 2010s. Mainline Christians flocked to socially conservative evangelical mega-churches that preached a form of biblical literalism that was anti-science and fervently anti-government. Instead of funding social programs with their taxes, congregants were told by their preachers to oppose taxes and instead to give larger tithes to the churches in order to reap divine returns. White evangelicals have aggressively opposed the civil-rights and progressive social agenda, as well as government social protection. They were ardent supporters of the Cold War as a crusade against the godless Soviet Union, and more recently have supported wars against militant Islam and trade wars against atheistic China. In 2016 and 2020, they voted overwhelmingly for Trump.

Plutocracy. Policy gridlock has served the interests of the wealthiest Americans, who are benefiting from the greatest transfer of wealth from the poor and middle-class to the rich in human history, while also being assured that political paralysis will keep them free of new federal taxes. The plutocracy has been abetted by successive Supreme Court rulings that have permitted unlimited anonymous campaign contributions. It is estimated that \$14 billion was spent in the 2020 elections, with each party backed by dozens of billionaires.

Antiquated political institutions. The longevity of political institutions is a double-edged sword. The core of the US constitutional system dates back to 1787. It included dysfunctional anomalies such as the Electoral College, first-past-the-post voting in single-member election districts, and an overly powerful president. These institutions are now baked into the US political system, even as they lead to over-weighting of votes from sparsely populated states, a two-party system that severely distorts the representation of public opinion, an autocratic executive, a near-moribund Congress, and a Supreme Court that has been weaponized by the main political parties.

Social media. Marshall McLuhan was right that fundamental changes in the media of communications reshape politics and culture. Radio broadcasting and mass-circulation newspapers led to the rise of public relations, mass advertising, and highly personalized politics through mass communication. The new social media have led to the disintegration of a single national discourse and the pervasive misrepresentation of reality. With as many "truths" as Facebook groups, agreement on basic facts, much less a consensus about what they mean, has collapsed.

(For a play-by-play account of the rise of many of these forces during the 1970s, see Rick Perlstein's Reaganland).

THE BLEAK AMERICAN EXCEPTION

Each of these factors shines a light on one facet of today's reality. Some of them are common to most high-income democracies. Western Europe, like the US, faces rising inequalities from technological change, a social media-driven breakdown of consensus, and deepening political divides caused by tensions accompanying its societies' changing

ethnic composition. In the US, ethnic change reflects the growing share of Hispanic and Asian populations, whereas in Europe it has been driven largely by four decades of immigration from the Middle East and Africa.

Yet many of the factors are specific to the US. Europe has not experienced a collapse of social democratic norms, which are deeply embedded in the European Union's laws and institutions. Europe does not have America's entrenched white supremacist politics, which the earth-shattering crimes of Nazism discredited and uprooted more thoroughly. Nor does Europe have the religious-based and politicized social conservatism seen among America's white Evangelicals. And by virtue of Europe's utterly tumultuous history, notably the wars and revolutions of the nineteenth and twentieth centuries, its parliamentary democracies are generally more up-to-date and better structured than America's eighteenth-century presidential model.

There will be no quick fixes for the US. Only with good fortune and skilled leadership will the US pull itself out of the downward spiral of internal division and external war that has characterized the country for more than 40 years. Biden will aim to heal American divides, a task for which he is well suited. He is a centrist, a moderate, a rationalist, and a gentleman. He understands disaffected white America as well as any US political leader, and he knows that he needs to win the support of swing states and Republicans in Congress, not run over them. Nor does he bear grudges. He knows that sharp elbows are part of politics and wisely shrugs off the jabs, insults, and preposterous claims.

But these highly favorable personal traits will not be sufficient. When Trump's predecessor, Obama, took office in 2009, the Democrats controlled both houses of Congress and immediately began to pass legislation on almost straight party-line votes over united Republican opposition. Such party-line voting was unusual for the US Congress and was a clear expression of political polarization. But since 2010, when the Democrats lost their majority in the House of Representatives, divided government has prevailed, with the exception of 2017-18, when Republicans controlled the White House and both houses of Congress. This has blocked nearly all legislative initiatives.

Parliamentary democracies can function routinely with straight party-line voting, because the government (almost by definition) has the majority or plurality of votes needed to enact legislation. In the US, by contrast, whenever the president and at least one house of Congress are controlled by different parties, or when there is an effective blocking coalition in the 100-member Senate due to the filibuster rule (which requires a 60-vote supermajority for some legislation), party-line voting means paralysis.

There is a slight chance that Biden will have a working majority in both houses of Congress, if the Democrats win the two Senate runoff elections in Georgia on January 5. A sweep for the Democrats would give each party 50 seats, with Vice President-elect Kamala Harris casting a tie-breaking vote.

It is more likely, however, that Biden will need Republican votes in the Senate, and often in the House as well (when a few Democrats vote against the president). This will pit the structural factors leading to division in the US against the legislative imperatives for action and change. Biden will then need to take his case to the people in an effort to win over some moderate Republicans to restart the gears of the federal government.

In the US system, a president can do much without legislation. Trump managed his entire foreign policy, including trade and sanctions, almost without any congressional input, and Biden, too, will no doubt govern by decree, at least in some areas. Yet this practice has several serious downsides. First, it is autocratic. Second, executive orders alone generally do not provide federal financing, only regulatory changes. Third, executive orders are easily overturned by the next president, and therefore do not bind future governments or promote the necessary long-term changes to business investments.

THE ACTIVE EXECUTIVE

In any event, Biden will have no choice but to rely on executive orders at the start of his administration. This will be necessary to re-establish the federal role in containing COVID-19, which will be enormously beneficial in overcoming the crisis. Likewise, Biden will not have to rely on Congress to return the US to United Nations treaties and agencies, including the Paris climate agreement and the World Health Organization. He will most likely return the US to the Iran

nuclear deal and other UN agencies and processes as well, and rescind various unilateral tariff measures and sanctions imposed by Trump. And he will likely announce by executive order the US goal of reaching net-zero greenhouse-gas emissions (“climate neutrality”) by 2050, in line with the EU, Japan, Korea, and China (which has set 2060 as its target date).

Yet accomplishing more than this will require ending the logjam in Congress, which can be accomplished only if enough independent and Republican voters get on board. By dint of personality and pragmatic policy vision, Biden has the skills to win such backing. The question is whether today’s deeply divided Americans can revive a long-dormant capacity to reason together.

Biden will have to convince conservative white working-class voters that COVID-19 control, more accessible health care, higher taxes on the rich, and relief on crippling student debt are policies intended for them and their families, rather than being narrowly aimed at Democratic Party constituencies that these voters shun. To win cross-party support, Biden has to sell the inclusiveness of social democratic policies, rather than relying on identity-based appeals.

Biden must also convince more voters that a shift to renewable energy and away from fossil fuels will deliver a similar nationwide boon. Fortunately, most US states, both blue (Democratic) and red (Republican), have vast untapped wind and solar power potential. Moreover, the swing states of the industrial heartland (including Wisconsin, Michigan, and Ohio) and northern Appalachia (including Pennsylvania, Kentucky, and West Virginia) would play a huge role in building the solar panels, wind turbines, and electric vehicles that will form the heart of the low-carbon economy. Mayors of eight major cities in the industrial heartland recently called for precisely this kind of reindustrialization policy to build the new green economy.

THE WORLD AFTER AMERICA

Whatever happens in the US during the 2020s, important lessons for the rest of the world are already clear. Most important, the US will, at best, be a cooperating partner in the coming decade. It is far too wounded and divided – and often confused and misdirected – to provide global leadership. The Asian-Pacific region has vastly outpaced the US and Europe economically during the pandemic, and will continue to drive global growth in 2021.

Europe above all needs to look beyond its long-strained relations with the US to forge its own foreign policy, including security policy, and defense capability, as well as boost its competitiveness in the new digital technologies. The US under Biden will be a good partner, but there is no substitute for Europe achieving its goal of “strategic autonomy.” Moreover, Europe is the world’s leader in sustainable development policies, and should use its position to promote environmental sustainability and social inclusion around the world.

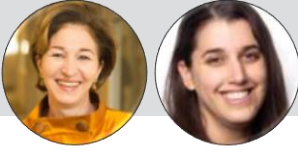
The EU needs to craft its own cooperative policies with China, rather than duck behind the US. And it needs to continue to lead on global governance issues such as digital taxation, digital security, and digital privacy, areas where Europe is well ahead of the US and will remain so for the coming decade.

Asia, for its part, has the opportunity to break free of a US cold-war mentality obsessed with “containing” China and isolating it from its neighbors – a preposterous idea that has nonetheless recently animated both US parties. Asia’s growing economic and technological strength will best be nurtured by strong regional institutions. The newly signed Regional Comprehensive Economic Partnership (RCEP), a free-trade area that includes the ten Association of Southeast Asian Nations countries, along with China, Japan, Korea, Australia, and New Zealand, is a promising harbinger of cooperation within Asia, and between Asia and the rest of the world.

In fact, the Biden administration should welcome a strong Europe and regional initiatives such as the RCEP, and aim to bring the US in as a supportive partner. We are past the era of hegemonic leadership, whether by the US or any other country. The world’s environmental, social, and security problems are now so complex and interconnected that only strong cooperation within and across regions will suffice to manage them. Biden’s success in healing a deeply divided America will be essential not only to restoring political rationality and problem-solving capacity at home, but also to enabling a constructive US contribution to the global cooperation we so urgently need.

“Crafting a Diplomacy-First US Foreign Policy”

(Project Syndicate, November 23, 2020)



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US President-elect Joe Biden's pledge to make diplomacy "the first instrument of American power" represents a welcome departure from President Donald Trump's transactional approach to the world. But crafting a diplomacy-first US foreign policy will require revamping America's foreign-policy institutions.

WASHINGTON, DC – US President-elect Joe Biden has made it clear that diplomacy will be at the center of his administration's foreign policy. Biden has pledged to rejoin the Paris climate agreement on day one of his administration, recommit to NATO allies, return the United States to the 2015 Iran nuclear deal, and convene a "Summit for Democracy" to "renew the spirit and shared purpose of the nations of the free world." As he wrote in *Foreign Affairs* in March, "diplomacy should be the first instrument of American power."

A large body of academic research has emerged to explain why wealth and income inequality are hitting new highs, and why productivity growth continues to decline. A powerful new synthesis by a leading macroeconomist shows that the two trends are deeply intertwined.

Rebuilding America's treaties and alliances will be a welcome development after four years of President Donald Trump's transactional approach to the world. Trump's "America First" foreign policy has eroded the country's relationships with its allies and impeded its ability to confront increasingly complex global challenges such as pandemics, climate change, nuclear proliferation, democratic backsliding, and inequitable trade practices.

But crafting a diplomacy-first foreign policy to address issues like these depends on more than the new administration's policy choices in its first year, as important as they will be. It requires fundamentally revamping the relevant US institutions to make diplomacy and development the permanent center of foreign and national-security policy.

Such efforts should begin with a rethink of what security is and whom it is for. Practitioners and political scientists have traditionally defined security in the narrow sense of protecting a nation-state's territorial integrity and political independence, which naturally leads to a focus on military capabilities.

But national security should actually mean protecting people from the threats – ranging from disease and violence to fire and floods – that affect their everyday lives. The fact that these threats disrupt the most vulnerable communities the most is a result of policy, not chance. Security must therefore begin with developing a set of national and global tools to reduce the risks that these groups face.

Diplomacy, on this calculus, starts at home. If pandemics threaten national security, for example, then the US will need to invest in a more robust health system while substantially ramping up its engagement in international institutions like the World Health Organization to prepare for the next virus.

If political violence threatens Americans' safety – and New America has shown that more Americans have died from right-wing terrorism than from jihadi terrorism since the September 11, 2001, terrorist attacks in the US – then the US will need to invest more in tracking tools at home and abroad. We must also invest in rebuilding trust in our democratic institutions, including our voting system, while working with partners around the world to counter democratic backsliding and fight the spread of disinformation.

Likewise, if unequal Internet access prevents some Americans from obtaining education and health care, as well as a growing number of government and private services, then the US government must focus on how to make digital connectivity as ubiquitous as electricity across the country. At the same time, it must work with other governments and international organizations to create a far more equal and accessible digital world.

A Biden administration should also devise a plan to reinvent the US State Department, starting with the Foreign Service. As one of us recently argued in the journal *Democracy*, the twentieth-century conception of the Foreign Service as a corps of career officials “deprives the United States of the talent, connections, and agility we need to advance national interests and address global challenges effectively in the twenty-first century.” A service that welcomed the talents of professionals from NGOs, universities, and faith-based groups, among others, would be better equipped to tackle complex transnational problems that demand personnel from diverse backgrounds with a wide range of experience and expertise.

Finally, a diplomacy-first US foreign policy would recognize a far greater role for development, which requires its own diplomacy. Ideally, a Biden administration would work with Congress to overhaul the 1961 Foreign Assistance Act and establish a new cabinet-level department of global development. Short of that, elevating the director of the US Agency for International Development (USAID) to a cabinet-level position could signal that the US regards economic development as a critical tool in its efforts to increase global human welfare.

Other countries can similarly rethink their diplomatic strategies and how they define diplomacy and security. This will require their legislatures to play a role. In the US, Congress is responsible for deciding how much funding each federal agency and program gets. In the 2019 fiscal year, defense accounted for about half of the federal government’s total discretionary spending, while the entire international affairs budget amounted to less than 4%.

Congress can help to build America’s diplomatic capacity by devoting more resources to reforming and increasing funding to the State Department and USAID. In addition, via its oversight role, it can prevent the executive from relying too much on military tools. At its most assertive, Congress can revoke its authorizations for the use of military force, block US arms sales, and restrict or place conditions on funding for security cooperation.

Faced with a global pandemic and climate change, political leaders around the world should re-examine exactly what makes their citizens more or less secure. They will find that investing in domestic resilience and international diplomacy and development makes more sense than boosting military budgets. As Biden prepares to take office, we need a collective surge of new global diplomacy to enable greater cooperation in the face of common threats.

“Division or Dialogue with China?”

(Project Syndicate, November 26, 2020)



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Joe Biden’s presidency amounts to a golden opportunity to initiate a direct and honest dialogue with China on issues that require constructive engagement. But time is of the essence. If Biden begins his term by choosing division over dialogue, changing course will soon become difficult, if not impossible.

HONG KONG – Americans don’t agree on much of anything nowadays. Yet they are largely united in their belief that China represents an existential challenge to their country and the international order it has long led. This combination of internal division and external demonization has made the Sino-American rivalry increasingly inescapable – and potentially catastrophic.

America's internal divisions have been fueled in recent years by social media, which, by populating users' feeds with tailored content, creates "echo chambers" that reinforce, rather than challenge, their beliefs and values. When alternative ideas do make it into the echo chamber, they are often distorted or smeared. And when someone within the chamber calls into question shared beliefs, they risk being instantly ostracized or, in contemporary parlance, "canceled."

This ultra-reactive demonization of diverging views not only flattens discourse; it also narrows the space between disagreement and conflict – even violent conflict. Widespread frustration with leaders' failure to deliver justice, security, and opportunity heightens the risks further.

The same tendencies can be seen in America's approach to China. For example, the US State Department's just-released report, "The Elements of the China Challenge," villainizes the Communist Party of China, describing it as "unconstrained by respect for individual liberty and human rights."

The report also stokes fear of China's supposed "authoritarian goals" and "hegemonic ambitions," which imply a desire to infuse the US-led global order with its own social and political model. And it recommends that the United States build a united front against China, in order to secure – by military force, if necessary – "freedom" for the world.

None of this has gone unnoticed in China, which has been conducting its own, increasingly unfavorable assessment of the US. It now seems clear to China's leaders, citizens, and businesses that, far from a land of freedom and opportunity, the US is a deeply fragmented society, blighted by systemic racism, rising inequality, and a lack of common purpose – ills that have long been obscured by fantasies about the "American Dream."

Moreover, far from being the exemplar of democracy, the US has a highly distorted political system. Its institutions, including the Electoral College, the Senate, and the Supreme Court, and practices such as gerrymandering, strategic reduction of polling places, and onerous voter verification rules, mean that the majority does not always rule. Wealthy donors purchase influence, whether by financing campaigns or buying up the media.

As China has shed long-held illusions about the US, its hopes for a constructive bilateral relationship have diminished. To be sure, President-elect Joe Biden is unlikely to sustain the roller-coaster ride of surprise attacks, reversals, disruptions, and near-misses President Donald Trump engineered. But less chaotic does not necessarily mean less confrontational: Biden has called Chinese President Xi Jinping a "thug" and pledged to lead a coordinated campaign to "pressure, isolate, and punish China."

So, China is preparing for the worst. This may mean a continuation of Trump's trade war or more senseless finger-pointing over the spread of COVID-19. It may even mean military tensions involving Taiwan, the South China Sea, and China's western borders.

But this does not mean China is stooping to American-style isolationism and demonization. On the contrary, despite the ham-fisted "wolf warrior" tactics of some diplomats, China has taken important steps to advance international cooperation in key areas of shared concern. For example, on climate change, Xi committed at the United Nations to achieve peak carbon-dioxide emissions before 2030 and to aim for carbon neutrality before 2060.

On trade, China has signed the Regional Comprehensive Economic Partnership, whose 15 member countries account for 30% of humanity. Much to the world's surprise, it has also indicated that it might join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which emerged after Trump withdrew the US from the original Trans-Pacific Partnership.

The US – which is struggling to get the pandemic under control, and seems to be headed toward a double-dip recession – would do well to take a similar approach. Trade is the only way it can escape its current economic predicament. That includes trade with China – the first major economy to recover from the pandemic shock, and the only one to record positive GDP growth in 2020.

But this will be impossible, as long as misapprehensions, antagonism, and mutual suspicion dominate the bilateral relationship. As former Secretary of Defense Jim Mattis said, the US has two key powers: the power of inspiration and the power of intimidation. In dealing with China – an economic powerhouse with a population of 1.4 billion – intimidation will not work. China will not be cowed into submission on its domestic affairs, such as Hong Kong, Xinjiang, and Taiwan.

There is still time, however, for the US to use the power of inspiration to show that it and China can be equal partners in peace, working together to confront shared challenges. There is a moral dimension to this imperative. Many outsiders, including Chinese, cannot comprehend how the world’s most technologically advanced country could have allowed over 260,000 people to die from a virus that much poorer countries have combated far more successfully with simple measures. For cooperation to work, the US needs to demonstrate its ability to think in terms of “we,” rather than “I.”

As Rabbi Jonathan Sacks explains, “The world is divided into the people like us and the people not like us, and what is lost is the notion of the common good.” China’s enduring commitment to multilateralism indicates that it recognizes this. It is time for the US to do the same, and to embrace a direct and honest dialogue on issues that require constructive engagement.

Biden’s presidency amounts to a golden opportunity to initiate this crucial conversation. But time is of the essence. If Biden begins his term by choosing division over dialogue, changing course will soon become difficult, if not impossible.

“A Tale of Two Economies?”

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NEW HAVEN – Suddenly, there is a credible case for a vaccine-led economic recovery. Modern science has delivered what must certainly be one of the greatest miracles of my long lifetime. Just as COVID-19 dragged the world economy into the sharpest and deepest recession on record, an equally powerful symmetry on the upside now seems possible.

If only it were that easy. With COVID-19 still raging – and rates of infection, hospitalization, and death now spiraling out of control (again) – the near-term risks to economic activity have tipped decidedly to the downside in the United States and Europe. The combination of pandemic fatigue and the politicization of public health practices has come into play at precisely the moment when the long anticipated second wave of COVID-19 is at hand.

Unfortunately, this fits the script of the dreaded double-dip recession that I warned of recently. The bottom-line bears repeating: Apparent economic recoveries in the US have given way to relapses in eight of the 11 business cycles since World War II. The relapses reflect two conditions: lingering vulnerability from the recession, itself, and the likelihood of aftershocks. Unfortunately, both conditions have now been satisfied.

Vulnerability is hardly debatable. Notwithstanding the record 33% annualized snapback in real GDP growth in the third quarter of this year, the US economy was still 3.5% below its previous peak in the fourth quarter of 2019. With the

exception of the 4% peak-to-trough decline during the 2008-09 global financial crisis, the current 3.5% gap is as large as that recorded in the depths of every other post-WWII US recession.

Consequently, it is ludicrous to speak of a US economy that is already in recovery. The third quarter snapback was nothing more than the proverbial dead cat bounce – a mechanistic post-lockdown rebound after the steepest decline on record. That is very different than the organic, cumulative recovery of an economy truly on the mend. The US remains in a deep hole.

Just ask American consumers, who, at 68% of GDP, have long accounted for the dominant share of US aggregate demand. After plunging by an unprecedented 18% from January to April, total consumer spending has since recouped about 85% of that loss (in real terms). But the devil is in the details.

The rebound has been concentrated in goods consumption – big-ticket durables like cars, furniture, and appliances, plus soft-good nondurables like food, clothing, fuel, and pharmaceuticals that have more than made up for what was lost during the lockdown-induced plunge. In September, goods consumption in real terms was 7.6% above its pre-pandemic January 2020 high. The bounceback benefited significantly from a surge in online buying by stay-at-home consumers, with e-commerce going from 11.3% of total retail sales in the fourth quarter of 2019 to 16.1% in the second quarter of 2020.

But services consumption, which makes up over 61% of total US consumer spending, is a different matter altogether. Services accounted for fully 72% of the collapse in total consumer spending from January to April. While services have since partly bounced back, as of September, they had recouped just 64% of the lockdown-induced losses earlier this year.

With COVID-19 still raging, vulnerable American consumers remain understandably reluctant to re-engage in the personal interaction required of face-to-face services activities such as restaurant dining, in-person retail shopping, travel, hotel stays, and leisure and recreation activities. These services collectively account for almost 20% of total household services outlays.

The understandable fear of personal interactions in the midst of a pandemic brings us to the second ingredient of the double-dip: aftershocks. With the current exponential rise in COVID-19 cases, lockdowns are back – not as severe as in March and April but still aimed at a partial curtailment of person-to-person activity heading into the all-important holiday season. Precisely at the moment when the economic calendar typically expects an enormous surge of activity, the odds of a major seasonally adjusted disappointment are rising.

This poses serious risks to the still-battered US labor market. Yes, the overall jobless rate has come down sharply from 14.7% in April to 6.9% in October, but it remains essentially double the pre-COVID low (3.5%). With weekly claims for unemployment insurance only just starting to creep up in early November as new curfews and other lockdown-like measures are put into place, and a dysfunctional US Congress failing to agree on another relief package, the risk of renewed weakness in overall employment is growing.

The news on vaccines is truly extraordinary. While the logistics of production and distribution are daunting, to say the least, there is good reason to be hopeful that the end of the COVID-19 pandemic may now be in sight. But the impact on the economy will not be instantaneous, with vaccination unlikely to bring about so-called herd immunity until mid-2021 at the earliest.

So, what happens between now and then? For a still vulnerable US economy now in the grips of predictable aftershocks, the case for a relapse, or a double-dip, before mid-2021 is all the more compelling.

To paraphrase Charles Dickens, this is the best of times and the worst of times. As financial markets celebrate the coming vaccine-led boom, the confluence of epidemiological and political aftershocks has pushed us back into a quagmire of heightened economic vulnerability. In Dickensian terms, to reach a “spring of hope,” we first must endure a “winter of despair.”