ALUMNI 2026
Filippo Gori,
Anna Fiscale, Giada Zhang

EXPECTATIONS
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BOCCONI UNIVERSITY, KNOWLEDGE THAT MATTERS

ISSUE 3 - 2026

The Divided States of America

The midterm elections and the future of a nation still shaping the world


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We made it together

In every society, there is a tension between what we inherit and what we can build. Between origins that risk determining one's destiny and the potential to change people's life paths. It is within this space that social mobility is measured. And it is within this space that a university must reflect on its role.
Education remains one of the most powerful tools for expanding opportunities. But simply opening the doors is not enough. We must ensure that talented individuals know those doors exist, are able to walk through them and, once inside, find the conditions to stay, grow and aspire. This means recognising merit even when it is less visible, reaching out to them before they exclude themselves, supporting them financially and accompanying them every step of the way.
For Bocconi, this responsibility is not a recent development. It is part of its history. From its very beginnings, the University has combined selectivity with openness, excellence with inclusion, in the belief that one's starting point should not limit the possibility of realising one's potential. Today, this mission must address new and more complex inequalities: economic, geographical, informational and relational. These are barriers that not only prevent access but, even before that, narrow the scope of what a person believes they can become.
Social mobility, however, is never the result of an isolated act. Behind every student who realises their potential there is a family, a school, teachers, classmates, alumni, donors and institutions. There is a community that supports, guides, encourages and makes the transition from an aspiration to a life plan possible.
This is the meaning behind 'We Made It'. Not merely 'we've made it', but 'we've built it together'. The verb 'made' does not merely indicate a goal achieved: it speaks of something that has been created, made real, built through the contribution of many. It therefore does not merely celebrate those who have arrived, but recognises those who made that journey possible and the responsibility to transform the opportunities received into new opportunities for others.
A university cannot, on its own, rectify all inequalities. It can, however, choose whether to limit itself to selecting talent that is already visible or to help bring out further talent. It can accept that social mobility remains an exception, or work to ensure it becomes a more tangible and frequent possibility.
This is the commitment we renew as we mark the start of Bocconi's 125th year: to continue building a university that is selective on merit and open in terms of opportunities. Together.

Francesco Billari, Rector

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Issue 3 / 2026
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Egea Via Sarfatti, 25 - Milano

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Registered at Court of Milan
numero 844 del 31/10/05

People before Numbers

The first Italian to reach the top echelons of J.P. Morgan, Filippo Gori is the Bocconi Alumni Community's Alumnus of the Year 2026. From the choices that have shaped his career to a reflection on leadership, merit and the role of Europe

by Pietro Masotti

Filippo Gori is the first Italian executive to have reached a top global position at J.P. Morgan, the world's largest investment bank in terms of both assets under management and market capitalisation. But this is not the only reason why the 51-year-old executive – who currently serves as Co-Head of Global Banking, having previously been CEO for the Asia-Pacific and EMEA regions – has been chosen by the Bocconi Alumni Community as Alumnus of the Year 2026. The award will be presented on 23 October during a ceremony that will also honour Anna Fiscale, Alumna Changemaker, and Giada Zhang, Alumna Emerging Leader.
He has earned the title through recognition of a leadership style "based on responsibility and a focus on people". "I am immensely flattered and surprised by the award and the citation," comments Gori, a native of San Giovanni Valdarno, who graduated from Bocconi with a thesis in Economic History in the late 1990s. "After 28 years of working abroad, I didn't think I was still on the community's radar, and, above all, that the qualities mentioned would be noticed. When I look at the list of past winners, many of whom hold positions of great institutional significance, I feel even more grateful and honoured."

What were your expectations when you enrolled at Bocconi, and what career path did you envisage for yourself?
I ended up at Bocconi almost by chance: I come from a family where nobody had ever gone to university. My father grew up in an orphanage, started working at the age of 10, and taught himself an incredible amount. It was he who steered me towards choosing Bocconi, urging me to sit the entrance exam even though, at the very time of the test, I was busy at a Scout camp and came to Milan more to make him happy than out of any real conviction. Given these circumstances, the first year was difficult. Meeting a group of political economy students – who later became fellow students and lifelong friends – gave me the strength I needed to see the course through to the end. After completing my dissertation in economic history, I considered an academic career and went to London to teach for a short while. Then came the call from J.P. Morgan, which turned out to be the job of a lifetime.

FILIPPO GORI
Co-Head of Global Banking at J.P. Morgan, Alumnus of the Year 2026

What aspects of the US bank convinced you to stay for so long – almost thirty years – within the same organisation?
Such a long career would not have been possible had I not shared the same values as the institution I work for. But what really made me stay were the people. Right from day one, when I met a group of young Italian analysts – who later became an international team of young managers – with whom I still share my day-to-day work and who make it easier, and indeed more enjoyable, to navigate a competitive and

EVEN WHEN FACED WITH THE MOST SERIOUS PROBLEMS, I AVOID LOOKING FOR WHO'S TO BLAME AND FOCUS FIRST AND FOREMOST ON SOLUTIONS

stressful environment such as the one in which we operate.

What principles and guiding thread have shaped your career at J.P. Morgan?
I've always made unconventional choices. For me, as I've said, even studying at Bocconi was a decision that broke with family tradition. And the same was true of my career at J.P. Morgan: when, in 2013, they asked me, for example, to go to Asia, I was already a senior managing director in Europe. The most obvious choice would have been to stay where I was. I decided to do the opposite: I went to Asia as to learn new things and really develop myself. Similarly, within the organisation, I've moved between different areas, from markets to banking. If I can offer one piece of advice to young professionals, it's to aim for roles that bring out your strengths: it's right to work on your weaknesses, but from a certain level onwards, it becomes crucial to choose roles where you can best express your talent.

Returning to the reasons behind your recognition as Alumnus of the Year, how do you balance the responsibilities that come with this role?
I try not to take myself too seriously, reminding myself that nobody is indispensable. Even when faced with the most serious problems, I avoid wasting time looking for someone to blame and focus first and foremost on solutions, whilst also trying to put myself in other people's shoes – perhaps even those of the person who made the mistake. After all, ours is a people-centred business: both internally and in our relationships with clients. For this reason, maintaining a focus on the human aspect is essential for growth, achieving results and tackling our commitments with greater balance. Finally, it is important to remember that an institution like JPMorganChase exists not only for its own success, but also to contribute to the improvement of the communities in which it operates.

From your vantage point in the US, what is your view of Italy and its economic system in recent years?
Italy is doing well, probably better than it is given credit for. That said, the European context should be given greater recognition. Looking at Europe from the United States — and for many years from China — one realises clearly just how crucial the Old Continent is to ensuring we are not crushed between these two superpowers. It is in everyone's interest that Europe remains prosperous and continues to grow, not least to defend the values of peace and freedom that are not universally shared. For me, this issue holds special significance: it is closely linked to my family's history — my grandfather was deported to concentration camps — and, more generally, to that of many Italian families.

What advice would you give to young people wishing to pursue a career in major international investment banks?
It's a great profession! I speak of it with humility and gratitude, as it has allowed me to have exceptional experiences and to see the best of countries and societies. It's a career that requires sacrifices, often on a personal level too, but one that gives a great deal in return. Even when it's seen as a temporary experience, it's always highly formative; it teaches you a way of working that stays with you forever. And besides, I struggle to think of a more meritocratic environment than an investment bank.

What lesson did you learn at Bocconi that you still consider most important for your professional life today?
I may be stating the obvious, but the most obvious lesson I've learnt is that, if you study and work hard consistently, results will follow – even those that, until recently, you thought were beyond your reach. Similarly, in any field, you can't just make things up or wing it; commitment is always required.

What word would you associate with Bocconi today?
Window. For me, it was a real window onto the world. I remember that in 1996–97, during lectures with Professors Giavazzi and Tabellini, we studied the effects of the introduction of the euro, which, in the years that followed, we saw coming to pass exactly as predicted. My studies at Bocconi taught me to always look at systems as a whole — observing their dynamics and interrelationships — and to carefully assess the consequences of every choice.

What advice would you give to the student Gori if you met him in the lecture hall today?
Not to leave statistics as his final exam under any circumstances!

Building Bridges, Shaping the Future, Challenging Limits: Giada and Anna's Vision of Entrepreneurship

Two different entrepreneurial journeys, united by the determination to turn business into a tool for inclusion, empowerment and collective growth. Giada Zhang, CEO of the Mulan Group and Alumna Emerging Leader, and Anna Fiscale, founder of the Progetto Quid social cooperative and Alumna Changemaker, discuss the value of social impact, the most difficult decisions they have faced and the responsibility to give back to the community. A conversation about female leadership, cultural integration, vulnerability and the future of business

by Pietro Masotti

Successful entrepreneurs, drivers of cultural integration, community builders and thoughtful advocates of the responsibility to give back to society some of the opportunities they have received. **Anna Fiscale** and **Giada Zhang** have followed different paths: the former is the founder of the Progetto Quid social cooperative, while the latter is an innovator and CEO of the Mulan Group. Yet they share many views, as well as an educational journey that included Bocconi's classrooms. Now, they are being recognized by the Bocconi Alumni Community: Anna as Alumna Changemaker and Giada as Alumna Emerging Leader. Both awards will be presented on October 23, during the ceremony that will also honor the 2026 Bocconi Alumnus of the Year.

If you had to describe yourselves as entrepreneurs in one word, what would it be?
GIADA ZHANG. Builder. Of businesses, but also of bridges between cultures, people and markets. To me, entrepreneurship means turning an idea into something real, solid and capable of lasting beyond the person who founded it.
ANNA FISCALE. Alternative - because I try to see limitations as starting points. Where others see difficulties, I try to identify potential value. Everyone at Quid is a resource who deserves a new opportunity.

> **PROFIT IS THE OXYGEN OF A BUSINESS, NOT ITS ULTIMATE PURPOSE. BUT A COMPANY THAT GROWS BY CONSUMING PEOPLE, TRUST OR RESOURCES CREATES VALUE ONLY ON PAPER**
>
> *Giada Zhang*

Your businesses stand out for their social value. Is this aspect sufficiently recognized today?
ZHANG. It is discussed a great deal, but often as though it were a separate chapter. To me, impact is the way a business is run: who grows alongside you, what opportunities you create and how you treat people, customers and the supply chain. Unless it becomes part of everyday decision-making, it remains merely a matter of communication.
FISCALE. One positive development I have noticed is

that many companies, as they draw up their development plans for 2030, are aware that they have done a great deal on the environmental front but still need to catch up on social impact. They are now asking themselves questions about human rights, ethical supply chains, diversity and inclusion.

Why is simply making a profit no longer enough for a company today?
ZHANG. Profit is the oxygen of a business, not its ultimate purpose. It enables a company to endure, invest and make independent choices. But a company that grows by consuming people, trust or resources creates value only on paper.
FISCALE. Because, in the absence of the community dynamics once represented by certain traditional institutions, companies today are being called upon to play a more central social role. Their impact is increasingly important, and they must become more active within their communities.

What was the most difficult decision you made in order to remain true to these values?
ZHANG. Slowing down when Mulan was growing faster than its structure could support. Saying no to immediate opportunities in order to invest in quality, processes and people. It is difficult to give up revenue today to build a better company tomorrow.
FISCALE. After the Covid pandemic, we went through a difficult period, and I decided to close our physical stores in order to focus on our relationships with companies and on the B2B channel. It was a very painful decision, one that was not fully supported by the entire board of directors, and it made me experience the full loneliness of being an entrepreneur.

When did you realize that the success of your businesses was changing people's lives?
ZHANG. When Mulan stopped being just my company and became part of other people's future: families who depended on that work, people who were growing professionally and a cuisine once perceived as "ethnic" becoming part of everyday life in Italy. That was when I realized we were also building integration.
FISCALE. I see it every day in the 180 people who work with us, each of whom has a story of rebirth and redemption. In particular, I think of the people who work while in prison and who, once they have served their sentence, continue working in our workshops. That transition is crucial in preventing reoffending.

***GIADA ZHANG**,*
CEO of the Mulan Group, 2026 Alumna Emerging Leader

How do you experience the responsibility to "give back" to society what you have received?
ZHANG. I do not see it as an occasional act of giving back, but as a way of multiplying opportunities. I had access to education, encounters and environments that broadened my horizons. Today, I feel a responsibility to open doors, especially for those who lack social capital or role models in whom they can see themselves.
FISCALE. It is part of my company's DNA, but also of my personal story. Quid was born also from a personal wound that I was able to heal and transform into an opening through which light could pass. In this way, I flourished again and was able to help women who had suffered much deeper wounds than mine to flourish as well. My own empowerment journey became a tool for empowering others.

Is there a milestone that would make you feel you had truly "made it" as entrepreneurs?
ZHANG. I will feel I have made it when Mulan no longer needs me in order to function, but continues to identify with the values on which we built it. The goal is not to be indispensable: it is to create a company that produces new leaders and opportunities beyond its founder.
FISCALE. I do not think an entrepreneur ever feels they have truly arrived. In my case, Progetto Quid's impact can always become broader. By 2030, for example, we aim to build a nationwide network with

other social tailoring businesses across Italy that employ vulnerable people in their local communities.

What quality do you most often look for in the people you work with?
ZHANG. Ownership: not merely solving a problem once it has been assigned, but noticing that the problem exists in the first place. I look for people who feel responsible for the outcome, not just for their own task. Skills can be learned; this kind of care is much rarer.
FISCALE. I like people who can find solutions and new perspectives by thinking outside the box. What really frustrates me, by contrast, is when the first reaction is, "It can't be done" or "It has never been done before." At the beginning, everyone said the same things to me: you will never succeed, no one has ever done this before.

Have you ever been underestimated because you are women? How did you react?
ZHANG. Yes, because I was young, a woman and of Chinese origin. At first, I tried to correct other people's perceptions immediately. Today, I no longer waste energy trying to convince them. I let the results make their initial judgment irrelevant.
FISCALE. To be honest, I have never felt that other people particularly distrusted me because I was a woman. In my experience, being young has always been more of a disadvantage. Of course, the combination of the two certainly does not help.

QUID WAS BORN ALSO FROM A PERSONAL WOUND THAT I WAS ABLE TO HEAL AND TRANSFORM INTO AN OPENING THROUGH WHICH LIGHT COULD PASS *Anna Fiscale*

If you could launch a new project with your fellow interviewee, what would it be?
ZHANG. Together with Anna, I would create a replicable model to help women return to work after leaving the labor market because of motherhood, personal vulnerability or migration. It would combine training, food production workshops and retail. Not welfare, but a business capable of transforming invisible talent into economic independence.
FISCALE. With Giada, I could imagine opening a restaurant or retail outlet that combines healthy, high-quality Asian food with employment opportunities for people who have experienced vulnerability. We could easily bring our respective expertise together, including in the food retail sector.

***ANNA FISCALE**, founder of the Progetto Quid social cooperative, 2026 Alumna Changemaker*

Is there a lesson you learned at Bocconi that still influences your decisions today?
ZHANG. Rigor. Bocconi taught me that ambition and discipline must go hand in hand. Intuition opens a path, but numbers, scenarios and difficult questions tell you whether that path can hold up.
FISCALE. Valuing everyone's contribution. I remember that, as students, our comments in class were taken very seriously. It is an environment that helps people bring out the best in themselves.

One word you associate with Bocconi today.
ZHANG. Horizon. Because it allowed me to see possibilities that, in the environment I came from, I did not yet know I could imagine.
FISCALE. Fertile ground. Because it is like a rich soil, full of different stimuli and capable of generating new perspectives.

One person you are grateful to?
ZHANG. My parents. As immigrants, they built their lives quietly, without ever calling it a sacrifice. They taught me that work is dignity, and that integration does not mean erasing your origins, but turning them into value.
FISCALE. The first person who comes to mind is my partner, Daniele, who supports me and puts up with me.

What advice would you give your twenty-year-old selves?
ZHANG. Do not confuse independence with loneliness. You do not have to prove everything immediately or become so strong that you no longer need anyone. Choose the right people, ask for help before you reach your limit and build systems that do not depend solely on you.
FISCALE. Do not devote so much energy to worrying about what other people say about you and your project. Do not allow that to restrict your freedom to make mistakes and to approach reality with your own ideas.

And what do you hope your future selves will find changed compared with today?
ZHANG. I hope female leadership will no longer be portrayed as a heroic exception. I would like to see a wider range of role models, a fairer sharing of caregiving responsibilities and fewer women forced to prove that they deserve the positions they hold while silently carrying the entire burden.
FISCALE. I hope there will be greater support from institutions, as well as more training and guidance to help people navigate all the bureaucracy involved in starting a business.

The Present Comes at a Price

In her latest book, The Cost of Cynicism, Sylvie Goulard argues that Europe's real problem is not excessive idealism, but the tendency to prioritize short-term interests over preparing for the future. Reflecting on the link between competitiveness, security, biodiversity and democracy, she calls for overcoming ideological conflicts to address long-term challenges

by Barbara Orlando

For years, we've told ourselves that Europe was naive. Naive in delegating its security to the United States, in its dependence on Russian gas, in leaving China in control of crucial segments of manufacturing and green technologies. But according to **Sylvie Goulard**, this interpretation is wrongheaded. The EU's problem hasn't been idealism. It has been cynicism.

"We preferred the comfort of the present to preparing for the future," argues the former French Defense Minister, former Member of the European Parliament and former Deputy Governor of the Banque de France. She articulates this thesis in her latest book, The Cost of Cynicism: There is no prosperity without respect for nature (*Il costo del cinismo*, published by EGEA), where she addresses the greatest challenge of our time: the relationship between the economy and the environment. For decades, governments, businesses and citizens have benefited from a growth model that treated natural resources, biodiversity and climate stability as if they were inexhaustible

***SYLVIE GOULARD**, Vice President of the Institute for European Policymaking @ Bocconi University*

endowments. Today, Goulard warns, the bill is coming due.
Her criticism is not exclusively environmental. On the contrary. The issue concerns the very functioning of our economies, the EU's ability to remain competitive, the security of its supply chains, and the stability of democratic institutions. Currently Vice President of the Institute of European Policymaking @ Bocconi University (IEP@BU), as well as Professor of Practice at the SDA Bocconi School of Management, Goulard offers a reading at the intersection of economics, geopolitics and sustainability, rejecting both climate denialism and the idea that the ecological transition is incompatible with growth.
At a time when the European continent is simultaneously confronted with global technological competition, geopolitical fragmentation and the consequences of climate change, the question that runs through her reasoning is as simple as it is uncomfortable: what will be the cost of inaction?

THERE IS NO COMPETITIVENESS IN AREAS THAT ARE LOSING WATER, SOIL FERTILITY AND QUALITY OF LIFE

Why do you argue that Europe's problem was not naiveté but cynicism?
Because naiveté implies a lack of awareness. In many cases, however, we were perfectly aware of our dependencies. We knew that entrusting our security entirely to the United States carried risks. We knew that depending on Russia for energy or China for certain strategic industries made us vulnerable. Yet, we gave priority to immediate benefits. The same is happening today with nature. We know the scientific data, we know the effects of biodiversity loss and global warming, yet we continue to postpone difficult decisions. This is not idealism. It is a form of collective cynicism.

In the European debate, the word competitiveness has become almost omnipresent. What do we risk losing if we interpret it too narrowly?
We risk forgetting that competitiveness is a means to an end. It creates jobs, innovation and prosperity. But if we reduce it exclusively to cuts in costs or market deregulation, we end up weakening the very foundations of our economy. There is no competitiveness in areas that are losing water, soil fertility, air quality or the ability to attract talent. The real challenge is to combine innovation, sustainability and social cohesion.

You emphasize the concept of natural capital. Why is it so difficult to incorporate it into economic decisions?
Because for centuries, we have considered nature as a free resource. Economic and accounting systems measure very well what we produce and consume, but much less what we destroy. Yet, water, soil quality, pollination and climate stability are indispensable conditions for any economic activity. When these services provided by ecosystems are degraded, the cost emerges later in the form of lower productivity, health damage or extreme weather events. The problem is that we continue to view these as side effects, not as central consequences of the system.

Many citizens perceive the climate transition as a threat to their wellbeing. Has politics failed to sell the green imperative?
I think so. In some cases, too much emphasis was placed on prohibitions and too little on opportunities. In others, the impression was given that all the burden falls on individual citizens. The transition certainly requires changes in individual behavior, but above all, it requires investment, innovation, infrastructure and coherent public policies. People must feel involved and supported, not blamed.

What is the economic and strategic cost of continuing to consider nature as an issue separate from security?
We've become used to considering spending billions on defense normal, while we almost never ask ourselves how much it costs us to lose an aquifer, degrade agricultural soil or depend on external suppliers for energy and raw materials. Yet these are strategic vulnerabilities in their own right. Security isn't only about protecting borders. It means protecting a society's ability to continue functioning. If we don't understand that

SECURITY IN THE 21ST CENTURY IS NOT MEASURED SOLELY IN MILITARY TERMS: IT IS ALSO MEASURED BY THE ABILITY TO GUARANTEE ENERGY, FOOD AND WATER

nature, the economy and security are part of the same system, we risk having to continuously increase spending to manage the consequences of problems we could have prevented.

What role can finance play in this process?
Finance has the tools to assess risk and direct capital towards activities that create long-term value. We've grown accustomed to thinking that environmental issues were marginal to financial stability. Today, we know this isn't the case. Risks related to climate instability and biodiversity loss are also economic risks. This is why finance can become a powerful accelerator of the transformation.

Why is public debate on these issues so polarized?
Because it has turned into a clash of identities. On one side, there are those who deny the existence of the problem. On the other, those who present every solution as a radical transformation of society. The intermediate space for pragmatic debate has shrunk. I believe we should discuss solutions, not the existence of verified facts. Physical reality belongs neither to the right nor to the left.

What role can businesses play?
Firms should not be considered simply as entities to be regulated. They can be protagonists of innovation. Many have already understood that access to natural resources, the resilience of supply chains and consumer trust are strategic factors. Sustainability and competitiveness increasingly coincide. Using fewer resources, reducing waste and innovating production processes can generate tangible economic benefits.

Many young people look to the future with concern. What would you say to those who fear it's already too late to change course?
The history of Europe is replete with crises that seemed insurmountable, but which were addressed thanks to our ability to innovate and cooperate. The situation is serious, but we have scientific knowledge, technological tools and resources that previous generations lacked. The real question is not whether it's too late. It's whether we will be able to use those tools with sufficient determination.

What is the decisive challenge for Europe in the next decade?
Learning to look ahead again and bring together all the actors of change. Our democracies tend to focus on the short term, while the great challenges of our time require a broader vision and collective effort involving institutions, businesses, research and citizens. Climate, biodiversity, technological innovation, security and demography are processes that unfold over decades and cannot be addressed separately. The European Union was born from the ability to imagine the future beyond the emergencies of the present. Today, it must rediscover that same ambition.

THE BOOK. *Learning to look out to the future again and bring together all the actors of societal change. Our democracies tend to focus on the short term, while the major challenges of our time require a broad vision and collaboration between institutions, businesses, research and citizens. Climate, biodiversity, technological innovation, security and demography are processes that develop over decades and cannot be addressed separately. Europe was born from the ability to imagine the future beyond the contingencies of the present. Today, it must rise to the same ambition, as Sylvie Goulard explains in* Il costo del cinismo *(Egea 2026, 132 pages, €14.90, in Italian).*

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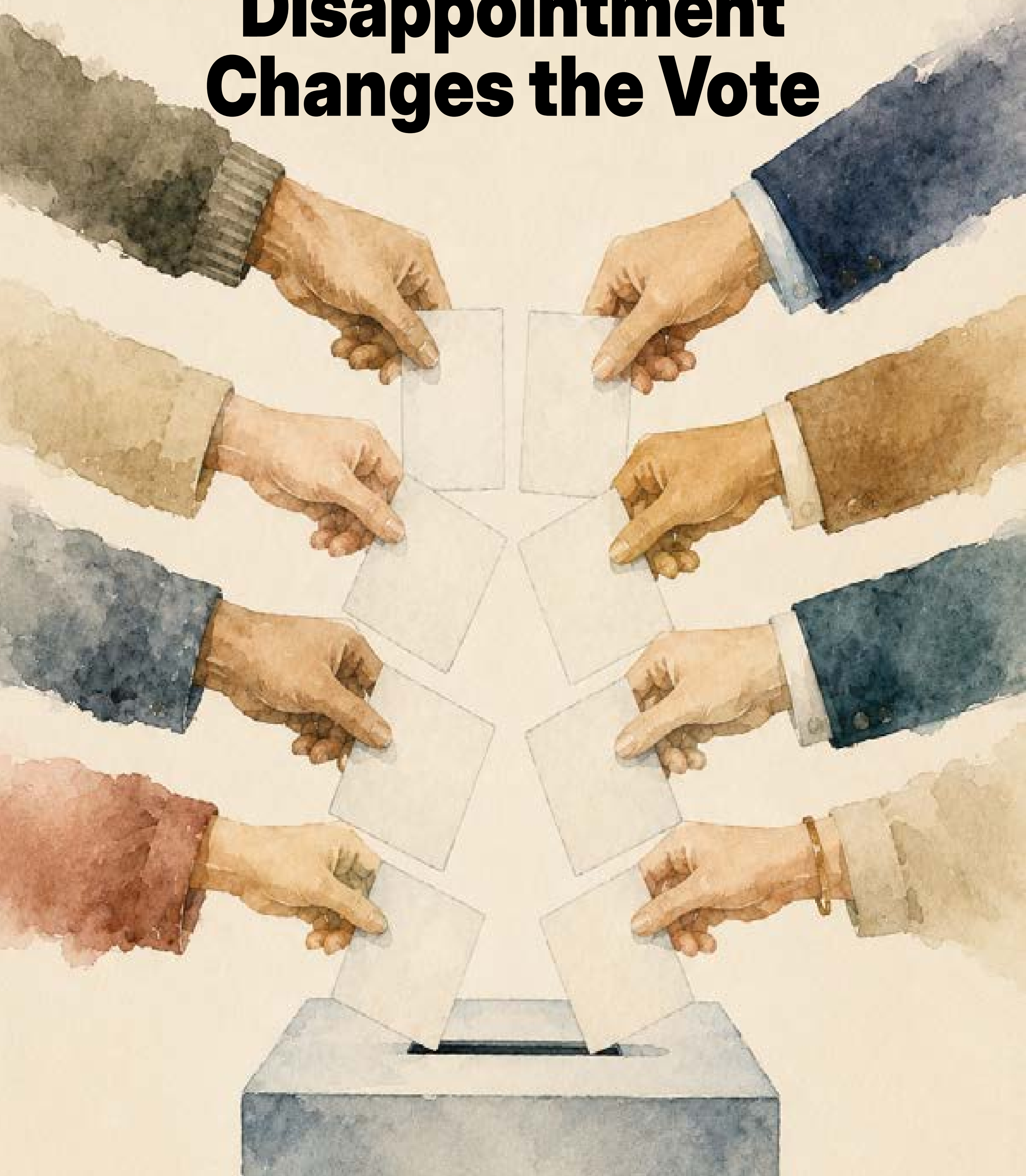
When Economic Disappointment Changes the Vote



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Political decisions depend not only on income, but also on the gap between what people get and what they expected. When expectations are frustrated, both the well-off and the disaffected will tolerate higher risks thus paving the way for populist agendas

by Fausto Panunzi, Nicola Pavoni, Guido Tabellini

In recent years, in many Western democracies — from the United States to the United Kingdom to Italy — right-wing populist parties have gained support among voters experiencing economic hardship. It's a seemingly paradoxical fact: these forces often propose programs that favor the wealthy, with lower taxes and less redistribution, yet they garner votes precisely among those left behind. And a national populism electorate is surprisingly heterogeneous, combining the disillusioned working-class and affluent voters. Hence the question we asked: Why does this happen, and what consequences does it have for economic policy?

THE DISAPPOINTED, RISK-LOVERS

To answer this question, in our article *The Political Implications of Reference-Dependent Preferences* in the *Journal of the European Economic Association*, we constructed a model of electoral competition based on an idea borrowed from economic psychology: people evaluate their income not in absolute terms, but in relation to a reference point, that is, what they expected to get. Those who fall below this threshold — "the disappointed" — experience an aversion to losses that, paradoxically,

THE PAPER.
The Political Implications of Reference-Dependent Preferences, *by Fausto Panunzi, Nicola Pavoni and Guido Tabellini*

PEOPLE EVALUATE THEIR INCOME RELATIVE TO WHAT THEY EXPECTED TO GAIN. THE DISAPPOINTED EXPERIENCE AN AVERSION TO ECONOMIC LOSS THAT MAKES THEM POLITICAL RISK-TAKERS

POPULISTS CAN CHANNEL THE VOTES OF THE RICHEST (ATTRACTED BY LOW TAXES) AND THE POOREST AND MOST DISAPPOINTED (ATTRACTED BY RISK)

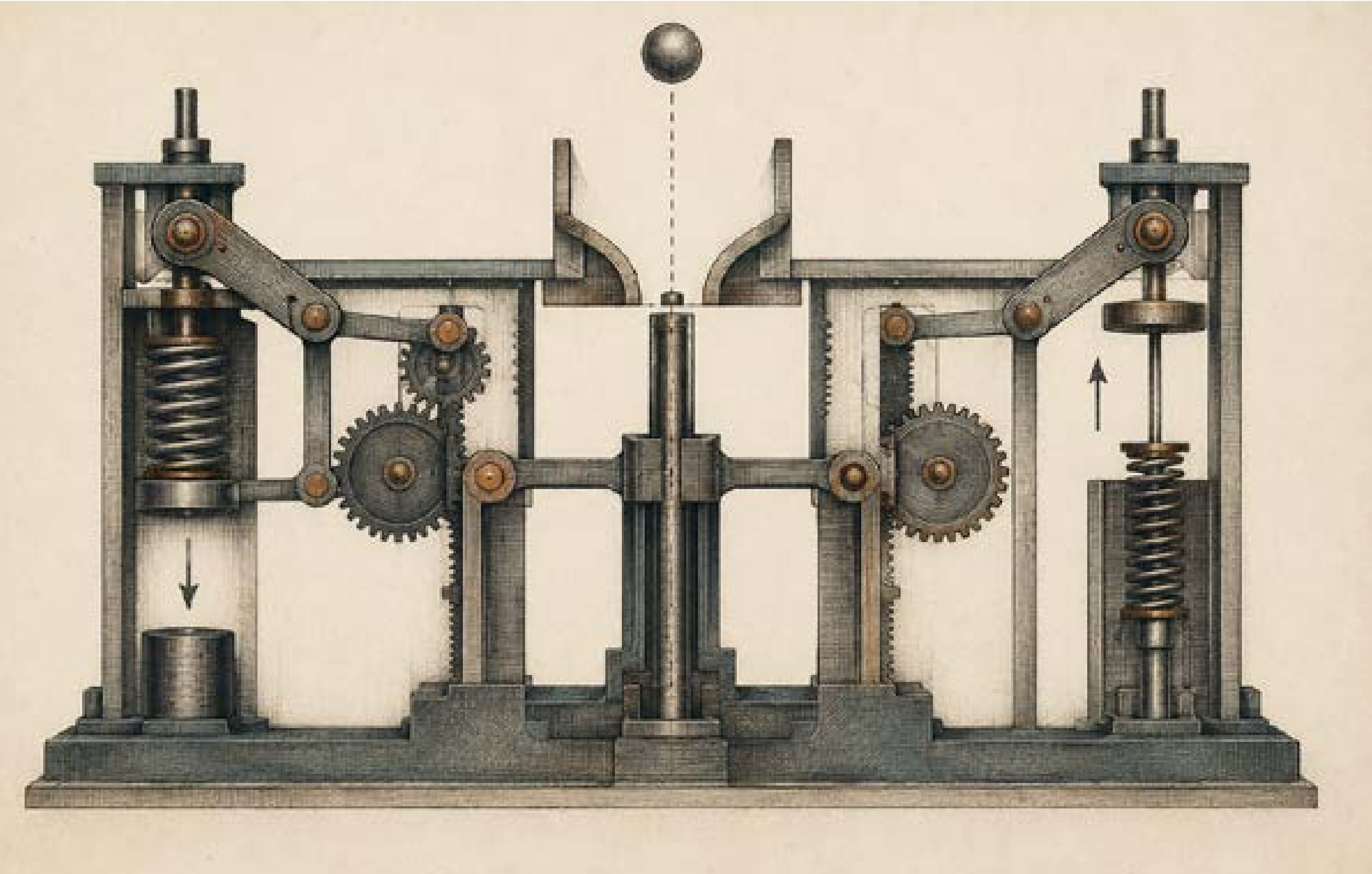
makes them risk-lovers for a gamble that offers the possibility of recovering lost economic ground.
In our model, two candidates compete for the vote by choosing how much to tax and redistribute. One is "moderate:" safe and predictable. The other is "populist:" riskier and less efficient, because they are inclined to unconventional policies with uncertain outcomes. Disappointed voters are attracted precisely by the populist's intrinsic riskiness. But here the central mechanism comes into play: more redistribution reduces the disappointment of the poorest, bringing them closer to their reference point and thus making them less risk-loving — and less seduced by the populist candidate. The populist therefore has a weaker incentive than the moderate to promise high taxes, because increasing redistribution would make him lose some of the appeal on which his support is based.

TWO POSSIBLE EQUILIBRIA
This trade-off leads to two possible equilibria. In the first, the two candidates converge on the same tax rate. In the second, more interestingly, the platforms diverge: the populist proposes lower taxes and less redistribution than the moderate. An "anomalous coalition" is thus formed: the populist collects the votes of the richest (attracted by low taxes) and the poorest and most disillusioned (attracted by political riskiness), while the moderate retains the support of those close to their point of reference — the most risk-averse voters, who fear they will lose significantly if the populist fails to win. The divergence emerges especially when the economic shock is large enough and the populist's inefficiency is sufficiently great.

A MODEL THAT EXPLAINS THE POPULIST RIGHT
Alongside the theoretical results, we offer some empirical evidence. First, we test the hypothesis that populist leaders are indeed riskier and less efficient: using the synthetic control method, across 27 instances of populist government in 18 countries, we find that populism in power reduces per capita GDP by about 9% and increases its volatility by circa 20%. Second, using European social surveys, we show that right-wing populist parties are indeed supported by an anomalous coalition: those reporting economic hardship are about 10 percentage points more likely to vote for them, but voters in the richest income quintile are also about 11 percentage points more likely to vote for populist right. Left-wing populists, by contrast, primarily attract the votes of the poorest: our theory explains right-wing populism, not the entire phenomenon across the political spectrum.

THE UNPRECEDENTED ALLIANCE
Ultimately, reference-dependent preferences help resolve an apparent paradox. After a strong shock, economic disappointment turns many voters into political risk-seekers, and this pushes the riskiest candidate to run on a low-tax platform, supported by an unprecedented alliance between the wealthy and those who feel they've lost everything.

THE BOOK. *In* La strada, il palazzo, la piazza*, political scientist Jan-Werner Müller shows that bringing architecture and democracy together yields an unexpected benefit. By reflecting, on the one hand, on built spaces—streets, buildings, squares, as the title suggests—and on symbols, and, on the other, on our conception of democracy, we may begin to glimpse possibilities we had not seen before: how to create spaces in which citizens can reclaim politics. (Egea, 2026, 204 pp., €22, in Italian).*



Why the Oil Shock Didn't Cause a Recession

Spikes in oil prices do not have unvarying effects on the economy. A research study shows that their impact especially depends on central banks' decisions on interest rates

by Dmitriy Sergeyev

The 2026 war in Iran has reminded us how fast oil prices can move and how long they can stay elevated. After Tehran closed the Strait of Hormuz in early March, stranding a significant share of the world's oil and gas exports, Brent crude rose from about $70 a barrel at the end of February to $138 in early April. A summer ceasefire brought it back to $70. But the reopening has stalled, and by late August Brent had climbed again to about $95. This is a classic oil supply shock, and it raises an old question: must such a shock end in recession?

TEXTBOOK OIL SHOCKS

The textbook answer is that it usually does, for at least two reasons. The first runs through firms' reactions. Oil is an input to production, so a higher price raises firms' costs, cuts output, and lifts prices. This is the uncomfortable mix of stagnation and inflation that gives stagflation its name. The second runs through household spending. As the energy bill eats up more of the household budget, families have less to spend on everything else, and those who cannot borrow spend less to soften the blow.

THE ROLE OF CENTRAL BANKS

But this account is incomplete, and the missing part is substantial. Economists have long suspected that what matters is not just the shock itself but how the central bank responds to it. As oil prices rise, inflation and expectations follow, prompting the central bank to raise its policy rate. The real (inflation-adjusted) interest rate rises, forcing spending to fall. According to this interpretation, much of America's long history of recessions following oil price spikes reflects monetary policy responses, not the direct effects of oil price changes.

THE ZERO LOWER BOUND

This points to a stranger possibility. Suppose the central bank does not raise its interest rate, because, for example, it sits at the Zero Lower Bound (ZLB) on the short-term nominal interest rate, the floor below which ordinary monetary policy cannot go. Inflation expectations still rise, but the nominal interest rate is stuck, so that the real interest rate falls instead of increasing. Lower real rates stimulate household spending. The same shock that weakens the economy in normal times can now be neutral, or even expansionary.

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THE PAPER.
How Oil Shocks Propagate: Evidence on the Monetary Policy Channel, *by Wataru Miyamoto, Thuy Lan Nguyen, Dmitriy Sergeyev*

OUR RESEARCH STUDY

In recent research, Wataru Miyamoto of the University of Hong Kong, Thuy Lan Nguyen of the Federal Reserve Bank of San Francisco, and I put that idea to the test. We compared ZLB periods with normal ones in Japan, the United Kingdom, and the United States from 1975 to 2019. We identified oil shocks using changes in oil-futures prices around OPEC announcements about oil supply. The responses differ not just in size but in sign. In Japan, a shock increasing the oil price by 10% lifts industrial production by about 1% a year later when rates are at the ZLB, but reduces it by more than 1% in normal times. In the United States, the figures run from +0.8% to −0.9%. The reason shows up in the data. At the ZLB, nominal rates barely move while expectations rise, so the real rate falls. In normal times, the real rate increases instead.

THE CURRENT SITUATION

This brings us back to the present. Unlike the episodes in our sample, the major central banks are no longer at the zero lower bound. As of August 2026, the Fed's target range is 3.50–3.75%, the Bank of England's rate is 3.75%, and the ECB's deposit rate is 2.25%. They sit in the normal regime, where central banks are free to change their interest rates in any direction. For now, only the ECB has increased its rate from 2% to 2.25%. Our findings suggest that central bank choices, more than the shock itself, will decide how costly the recent oil shock proves. By holding rather than hiking, they would lean toward the milder outcome. If they change course, as each has hinted, they would risk tilting their economies towards recession.

THIS WAS A CLASSIC OIL SUPPLY SHOCK, AND RAISES AN OLD QUESTION: MUST SUCH A SHOCK ALWAYS END IN RECESSION?

The Hidden Power of Jargon at Work

A shared shorthand can make—or break—performance in modern organizations

by Andrea Costa

In many workplaces, jargon is treated as a nuisance — an opaque layer of language that excludes outsiders and obscures meaning. But what if jargon is not a flaw of communication, but one of its most powerful features?
A recent study by **Ronald S. Burt** (Bocconi University), together with **Ray E. Reagans** (MIT) and **Donald D. Liu**, turns this assumption on its head. Published in *Sociological Science*, the paper explores how teams develop their own linguistic shortcuts and how these accelerate both learning and performance.

FROM COORDINATION PROBLEM TO LINGUISTIC SOLUTION

The starting point is a familiar challenge: when individuals come together in a team, they must align not only their actions, but also their understanding. Language becomes the key infrastructure for this coordination.
Over time, however, that language changes. As the authors note, "team jargon naturally emerges through learning by doing." Repeated interaction leads team members to replace long explanations with compact expressions — words that carry shared, implicit meaning.

RONALD S. BURT
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THE PAPER. Jargonization, Language Development, and Team Performance, *by Ronald S. Burt, Ray E. Reagans, Donald D. Liu*

WHEN INDIVIDUALS ARE PART OF A TEAM, THEY MUST ALIGN NOT ONLY THEIR ACTIONS, BUT ALSO THEIR UNDERSTANDING. LANGUAGE BECOMES THE KEY INFRASTRUCTURE FOR THIS COORDINATION

Jargon, in this sense, is not just shorthand. It is a repository of collective experience.

THE EXPERIMENT: HOW LANGUAGE EVOLVES UNDER PRESSURE

To test their ideas, the researchers conducted a large-scale online experiment involving 465 participants organized into 93 teams of five people. Each team was tasked with identifying a shared abstract symbol — known as a tangram — across individual sets. The catch: participants could only communicate via chat, and each round was time-constrained. Success depended entirely on how effectively teams could describe and agree on labels for the symbols.
The experiment lasted up to 15 rounds, allowing researchers to observe how communication evolved with experience.
Teams were also placed in different communication structures (some more centralized, others more distributed), enabling the authors to isolate the role of language from that of network design.
In the early stages, communication was verbose and often inefficient. Participants used full sentences, mixing descriptive elements with clarifications. But over time, messages became shorter, more consistent and increasingly composed of content words — nouns, verbs and adjectives carrying direct meaning.
As the authors explain, "content words convey meaning, whereas function words... clarify relationships among them." With experience, teams relied less on grammatical scaffolding and more on shared understanding.
By later stages, communication often resembled a list of

COMMUNICATION WITHIN A TEAM MAY BECOME A LIST OF LABELS — MINIMALIST, BUT HIGHLY EFFECTIVE

labels — minimalist, but highly effective.

WHY JARGON IMPROVES RESULTS

This transformation is captured by the concept of jargonization, defined as the proportion of content words in team communication. The experiments show a steady increase in jargonization over time, alongside a reduction in message length, frequency and duration. In other words, teams don't just talk less — they talk better. More importantly, this linguistic evolution has measurable effects on performance.

The core mechanism is clarity. Jargon works because it is both explicit and mutually understood, which reduces ambiguity in communication. As the authors put it, it is "explicit and collectively understood among team members, reducing ambiguity."

This reduction in ambiguity has two key consequences. First, it accelerates the development of a shared language. Teams converge more quickly on stable meanings and labels. Second, it improves performance. With fewer misunderstandings, coordination becomes smoother and decisions more accurate. Jargon then strengthens both effects at once: teams that use more jargon learn faster and perform better.

A DIFFERENT KIND OF COORDINATION AND THE LIMITS OF SHARED LANGUAGE

Jargon operates differently from other coordination mechanisms. Communication networks, for example, involve trade-offs. Highly connected teams develop shared language quickly but gain less from it in terms of performance. Less connected teams show the opposite pattern. Jargon breaks this trade-off. It enhances both the speed of language development and its effectiveness, making it a uniquely powerful tool for coordination.

Yet the story does not end there. Jargon also has a darker side. Because it encodes tacit knowledge, it can create barriers for outsiders and newcomers. It can signal belonging — but also exclusion. In some contexts, it may even reinforce power dynamics, giving those fluent in the language an advantage over others. The same mechanism that enables fast coordination within teams can therefore hinder communication across them.

RETHINKING HOW TEAMS COMMUNICATE

Language is not just a medium of communication — it is a central component of how teams learn and perform. Jargon, often dismissed as unnecessary complexity, is in fact a sign that a team is functioning at a high level of alignment. It reflects shared experience, mutual understanding and efficient coordination. The challenge for organizations is not to eliminate jargon, but to manage it, leveraging its benefits while preventing it from becoming a barrier.

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Midterms: A Test of Checks and Balances

A Democratic majority in the House could slow the administration's agenda but won't neutralize the use of executive orders. The November vote will measure Congress's ability to limit presidential power

by Alessandra Casella, Massimo Morelli, Dmitrii Petrukhin

The first 19 months of Donald Trump's second term have been explosive, both metaphorically, with a head-spinning series of radical decisions (tariffs, ICE, slashing of government agencies, universities and research) and literally (endangering international alliances, unconditional support for Israel's campaigns in Gaza and Lebanon, the Iran war). Although the committed MAGA community for now maintains its support, results have been largely unpopular not only abroad but also domestically. According to *The Economist*, by the beginning of June, Donald Trump's net approval rating was the lowest since the magazine started the survey in 2009. With

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midterm elections in November, it is natural to ask what will change.

MIDTERM ELECTIONS, A DIFFICULT TEST
Midterm elections — elections that arrive at the midpoint of the president's term and renew the entire House of Representatives and about one third of the Senate — are always a difficult test of a presidential mandate. With the exception of George W. Bush in 2002 (only one year after the September 11 attack on New York), every recent president has seen his party lose seats in the midterms and lose control of one of the houses of Congress. Clinton lost both the House and the Senate in 1994, and so did George W. Bush in 2006; Obama lost the House in 2010 and the Senate in 2014; Trump lost the House in 2018 and so did Biden in 2022.

As of this writing (June 2026), the quasi-totality of polls predict the Democrats will win the popular vote. As of June 14, out of 495 polls tracked by The New York Times, 412 favor Democrats. Although in most polls the advantage is in the single digits, and Republicans have scored recent victories in the redistricting battle, on betting markets, the margin in favor of a Democratic House is high (83% on Polymarket as of 14 June).

IF THE DEMS TAKE THE HOUSE
The question then becomes: supposing Democrats win the House, what difference will that make to US policy decisions? Long experience with midterm political reversals has resulted in a few lessons.
Predictably, divided government leads to fewer major legislative decisions than unified government. While the impact on total legislative activity is ambiguous, the literature agrees in identifying a decline of about 30–40% in the number of non-trivial, significant laws.

THE LESSON OF HISTORY
The reduction in legislative activity is typically decried as an example of the immobilism created by parliamentary divisions. If there are fewer pieces of legislation, however, they may be of superior quality — and thus more durable — because they are less subject to future amendments or repeals. Recent research has studied this hypothesis with contradictory results, but measuring the quality of laws is difficult. The hypothesis aligns with intuition and experience: an ongoing study finds that checks and balances reduce the negative effects of polarization and dampen the impact of populism. Divided government is a plausible form of checks and balances.
Thus, history teaches us that a Democratic House is likely to issue fewer landmark laws, although possibly better and

ASSUMING DEMOCRATS CONTROL THE HOUSE, WHAT DIFFERENCE WILL THAT MAKE?

SINCE COMING TO POWER, DONALD TRUMP HAS ISSUED 265 EXECUTIVE ORDERS, OR AN AVERAGE OF ABOUT ONE EVERY TWO DAYS

more durable ones. But how relevant is history for this most unusual of administrations, Donald Trump's second term? Can we be sure that the impact would be more than minimal?

THE USE OF EXECUTIVE ORDERS

The reason to wonder is the unprecedented style of the current government, and in particular, Trump's exceptional reliance on tools of unilateral presidential power, executive orders most visibly. In the US, contrary to Italy, executive orders do not need to be approved by Congress within any specified delay and remain in force until either superseded by laws, invalidated by the courts or canceled by the next president. In the most recent 16–17 months since coming to power, Donald Trump has issued 265 executive orders, or an average of about one every two days. This is more than three times the number issued by any of the preceding five administrations over the same length of time, and much higher than the number issued over the entire length of these administrations. In addition to their number, Trump's executive orders stand out for the variety and importance of the matters they address: immigration and border enforcement; federal agencies; trade and tariffs; energy and environmental policy; foreign affairs and national security; cultural and education issues; technology and artificial intelligence.

How much are midterms likely to matter then, even if the Democratic Party does indeed win a majority in the House? The answer must consider the use (and abuse) of unilateral presidential actions. A divided government typically increases the relative frequency of presidential measures, but even if the pace were to remain constant or even slightly decrease, the president's recourse to unilateral action would leave much of his power undiminished.

TWO POSSIBLE EFFECTS

In our opinion, there would be two main effects. The first is institutional, but would express itself only in the longer term. Under divided government, converting executive actions into laws would be harder. This would deprive the president of some room for constraining future governments: a future president can easily cancel Donald Trump's executive actions, but is much less likely to be able to reverse measures that have been codified into laws. The second effect, more likely to be felt in the short term, is political rather than institutional. Translating the decline in popularity captured by the polls into electoral losses would make vivid the risks to the Republican Party of its current supine position for the next presidential election. In the wake of the Iran war, some of this reckoning appears to have started. The midterms could solidify it.

Democracy Thrives on Trust

Harvard economist and Bocconi alumna Eliana La Ferrara explains why inequality, identity and information fragmentation are changing how contemporary democracies work

by Barbara Orlando

"It's not just that people think differently, but that they no longer know what others are thinking." According to **Eliana La Ferrara**, this observation underlies one of the most profound transformations in American society. In a fragmented information ecosystem where everyone lives immersed in their own bubble, it is not only consensus on what counts as fact that disappears, but also the the common ground of shared expectations that allows citizens to trust each other, coordinate and recognize each other as part of the same community. More than just an electoral event, the November midterm vote therefore represents a test of the stability of US democracy in a country marked by political polarization, growing inequality, culture wars and a crisis of trust in institutions. It is a reality that continues to influence the rest of the world and, for this very reason, deserves to be observed well beyond the immediate outcome of the polls. Development economist and Professor of Public Policy at the John F. Kennedy School of Government of Harvard University, Eliana La Ferrara is an Alumna of Bocconi University, where she also held the Invernizzi Chair in Development Economics and founded the Laboratory for Effective Anti-poverty Policies (LEAP). Now part of the INSPIRE center, it is dedicated to the design and rigorous evaluation of effective anti-poverty policies, one of Europe's leading research centers in the field.
In this interview, La Ferrara interprets the fractures in America through the lens of her research. The result is an analysis that goes beyond US politics and concerns all Western democracies: because the real risk, she explains, is not just a more divided society, but a society that loses the ability to build trust, cooperation and a shared vision of the future.

***ELIANA LA FERRARA**, Professor of Public Policy, Harvard Kennedy School, Bocconi Alumna*

IT'S NOT JUST THAT PEOPLE THINK DIFFERENTLY, BUT THAT THEY NO LONGER KNOW WHAT OTHERS ARE THINKING

You live and teach in the United States during a period of strong political and social polarization. What is the most profound change you have observed in American society in recent years?
There's much talk about the intensification of "partisan identity" as the lens through which Americans interpret reality, and this is certainly one of the things I've observed since moving to Boston four years ago. What has struck

(and concerned) me most over the past two years, however, is the growing willingness to accept forms of behavior that violate shared norms: norms of mutual respect, norms of solidarity. It is as if there were a sense of individual powerlessness in the face of certain events — which is almost paradoxical in a culture built on the idea that every individual is the architect of their own destiny.

In your work on trust and civic participation, you've shown how social cohesion is an essential component of well-functioning communities. Do you feel that in the United States the bonds of trust that allow a democracy to recognize itself as a collective project are weakening today?
Data from the General Social Survey document a significant decline in interpersonal trust in the United States from the 1970s to the present, especially with regard to generalized trust, i.e. that "bridging capital" that unites different people. Recent research on perceptions of inequality also shows how Americans have become increasingly pessimistic about the existence of shared opportunities. There is a growing perception that the economy is a zero-sum competition, and this reduces the possibility of sustaining mechanisms of cooperation.

Are the divisions that exist today in the United States primarily economic or cultural? Or do these two dimensions reinforce each other?
The distinction has become increasingly less useful, because the two dimensions feed each other. The economic decline of many communities has translated into social disintegration and fueled resentment that has given rise to identarian narratives. These narratives, in turn, make more difficult the building of political coalitions geared towards redistribution, fueling a vicious circle. Those with an interest in blocking redistributive policies can benefit from stoking cultural divisions.

Do you get the impression that in the United States the main boundary lines between groups are no longer ethnic or religious, but rather political?
In the American context, political identity and religious identity are merging, especially on the conservative right. "Christian nationalism" is the most recent instance of this, where Christian identity (predominantly white and evangelical) and political affiliation tend to coincide. This is dangerous for democracy because it brings into play an "emotional mobilization" that makes dialogue on the facts and evidence underpinning various policy alternatives increasingly difficult.

How much does information fragmentation contribute to making it more difficult to build trust and social cohesion today?
Mass media have never been neutral in shaping social preferences and identities. With social media, the problem has worsened: "echo chambers" have been created that expose users almost exclusively to content reinforcing their own beliefs. But there's a further dimension, which I find fascinating. The media influences not only what individuals think, their so-called "first-order beliefs." They also influence their "second-order beliefs," i.e. what each individual thinks others are thinking. For instance, when I watch a widely followed program, I know that others are watching it too, and I can therefore anticipate the orientation of their opinions. This shared awareness allows people to coordinate and act together, trusting that others are reasoning from similar premises. In a fragmented information ecosystem, this mechanism fails: it's not just that people think differently, but that they no longer know what others are thinking. And without this common ground, building trust and undertaking collective projects becomes more difficult.

Are the tensions currently affecting US campuses a phenomenon internal to the academic world, or do they reflect deeper societal transformations?
Universities are places where tensions traditionally emerge in a concentrated form for several reasons: they put in contact young people from very diverse backgrounds in the same space, often their first time of experiencing diversity, and they are venues where ideas are explicitly tested and debate is encouraged. The tensions we observe today in

> **THOSE WHO HAVE AN INTEREST IN BLOCKING REDISTRIBUTIVE POLICIES CAN BENEFIT FROM STOKING CULTURAL DIVISIONS**

MASS MEDIA HAVE NEVER BEEN NEUTRAL IN SHAPING SOCIAL PREFERENCES. WITH SOCIAL MEDIA, THE PROBLEM HAS WORSENED

universities over freedom of expression, the relationship with national history and representation reflect the same fractures that exist in wider society. To regard them as a self-referential phenomenon of the academic world would be an error of perspective.

Many of the fissures we observe in America seem to be emerging, in different ways, in Europe as well. Which ones should we observe more closely because they could predict our future?
I suggest we should carefully observe three dynamics. The first is the speed at which "partisan identity" can replace other forms of belonging, rendering acceptable norms and behaviors that in the past would have been sanctioned. The second is the loss of a shared informational reality and a reduction in the weight of scientific evidence and established facts in shaping prevailing narratives. The third, perhaps more unexpected, is the psychological dynamic affecting younger generations. We are witnessing a backlash against inclusion policies and a return to more conservative positions, especially among young men. This may be a sign of a generation that feels excluded from the promise of progress.

If you had to identify a priority for rebuilding trust and cooperation in contemporary democracies, where would you start?
I would start with two interconnected conditions. The first is investment in intermediary institutions: schools, public spaces, local associations. The literature on the "contact hypothesis" shows that trust is built through real and repeated interactions, in which people meet as individuals and not as representatives of a category. This is profoundly different from virtual exposure: on social media, everyone projects an image of themselves that tends to reinforce stereotypes, one that neither gives nor asks anything of others. Lived contact, with its difficulties and the opportunity to learn who the others are, is for me a crucial tool for rebuilding trust. The second condition concerns collective expectations about what is right to do. Democratic norms are not just formal rules: they are social balances that hold as long as people believe that other people are respecting them too. This is why public language matters: every time a leader normalizes contempt for institutions, they erode everybody's expectations. Rebuilding trust also means reaffirming that it is still a shared norm to take into consideration the needs of different groups and respect the rules of the democratic game.

Overhaul Project Put to the Test at the Polls

The midterms measure not only the administration's approval, but also the sustainability of its institutional transformation project. At stake is the relationship between the executive, the judiciary, Congress and a new alliance between politics, tech capital and anti-liberal nationalism

by Alberto Bisin

The US midterm elections in November 2026 will put all 435 seats in the House of Representatives and 35 out of 100 Senate seats up for renewal. The Republican Party currently controls both Congress and the White House, but this is highly likely to change after the midterms. On the main prediction markets, Democrats are currently considered the clear favorite to win the House, with a substantial chance of also winning the Senate (on Polymarket, associated probabilities are 81% for the House and 43% for controlling both).
The Trump administration has a lot at stake in these elections. The first two years of this administration have implemented an extremely ambitious policy of redefining the country's institutional framework and the ways in which the United States' central geopolitical and geoeconomic role in the world is manifested. The midterm elections risk making the continuation of this strategy much more complex. Therefore, the administration has several institutional initiatives in the pipeline to shift the outcome in favor of the Republicans. They include the "SAVE America Act," which imposes more stringent requirements for voter registration, restrictions on mail-in voting, and above all, a massive push for electoral redistricting (gerrymandering). The political and financial support for ICE can also be seen as a mechanism to limit ethnic minorities' access to the vote through a policy of intimidation and violence.

***ALBERTO BISIN**,*
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THE CLASH BETWEEN THE EXECUTIVE AND THE JUDICIARY

Beyond the potential effectiveness of these initiatives, the battle over their implementation highlights the complex and essentially conflictual relationship between the judiciary and the executive branch. This is despite the fact that according to many observers, in cases related to Trump, the Supreme Court has developed a fast-track, opaque procedure that has often ended up expanding

THE 2026 MIDTERMS WILL BE EQUIVALENT TO A NATIONAL REFERENDUM ON THE TRUMP ADMINISTRATION'S PROJECT OF INSTITUTIONAL OVERHAUL

I DON'T THINK IT'S AN EXAGGERATION TO SAY THAT THESE WILL BE THE MOST IMPORTANT ELECTIONS OF MY GENERATION, ALSO FOR THEIR IMPACT ON OUR CHILDREN'S FUTURE

or protecting presidential power.
The conflict between the White House and the judiciary has become a central issue in American politics. Important recent examples include the battle over presidential immunity in 2024, the power of domestic injunctions versus the president's executive orders, the power of the executive to impose tariffs and duties, and its discretionary power in matters of immigration and national security. This conflict is not just a recent phenomenon — for example, in 2023 the Supreme Court invalidated Biden's plan to cancel student debt — but what is new is that many policies are now being constructed with litigation as a normal step: the president acts, states/NGOs/individuals bring the administration to court, federal judges block or uphold and the Supreme Court redraws the boundaries. In such political context, the legislative branch appears now incapable of operating separately from the executive branch, so that its ability to resume doing so is a significant part of what's at stake in these midterm elections.

THE ADMINISTRATIVE REBUILDING PROJECT

Indirectly, however, these midterms are being asked to respond — as if they were a referendum — to the project of a deep overhaul of government pursued by the administration. This project has an essential component represented by a political bloc of powerful tech entrepreneurs, from Elon Musk to Peter Thiel and Marc Andreessen. Starting from the perspective of classical libertarianism, they have moved towards disillusionment with liberal democracy, and the search for spaces of private or semi-private sovereignty, down to political-institutional order — in some cases explicitly anti-democratic in form — in which creative/capitalist minorities are unencumbered by electoral majorities, bureaucracies, redistribution, universities and the media. The political philosophy of this bloc is no longer solely anchored in libertarian principle and economic interest — Musk, during the DOGE era, said he wanted to "delete the mountain of choking regulations" — but represents a fusion of tech capital, nationalism, cultural anti-liberalism, selective industrial policy and hostility toward universities/media/bureaucracy. This political philosophy has since found pragmatic support and a veritable operating manual in Project 2025, the transition and governance plan prepared by the conservative Heritage Foundation to rapidly transform a Republican presidency into an instrument of direct control of the federal state.

WHAT'S AT STAKE FOR THE WORLD

This administration's institutional refoundation project not only has a domestic relevance, as the nationalism that permeates it has also led to a redefinition in the manifestation of the country's political and economic power in international relations.
Historically, the United States has experienced long periods of intense isolationism or semi-isolationism. The country's position as a powerful guarantor of the international order — NATO, Bretton Woods, the dollar, international multilateral institutions — is relatively recent, on the heels of World War II, and has since suffered various setbacks from Vietnam to Iraq/Afghanistan. But the Trump administration's strategy is not isolationism. Rather, it is a form of anti-liberal ideological interventionism, especially in Europe. It aims to delegitimize centrist European elites (at the cost of normalizing right-wing nationalists), and weaken the EU and supranational regulation. Supporting Rassemblement National in France and AfD in Germany is the means to this end, namely to transform Europe from a relatively autonomous liberal hub into a constellation of divided nation-states, all dependent on the US militarily and technologically. In this sense, even the cultural battle being waged — portraying Europe as a white/Christian/Western civilization threatened by immigration, Islam, secularism and multiculturalism — is a means to the pursue the same end.

A DECISIVE EVENT

In conclusion, I don't think it's an exaggeration to say that this year's midterms will be the most important and significant elections of my generation, also for their impact on our children's future.

Security as a Form of Government

The 2025 US National Security Strategy redefines immigration, the economy, healthcare and public order as issues of national security. Governing by exception becomes a political method strengthening the executive branch

by Arianna Vedaschi

The Trump presidency's approach to national security is highly revealing, as it significantly impacts both the country's form of state and its form of government and therefore offers a useful vantage point on the ongoing transformation of American democracy.
More specifically, the National Security Strategy of the United States of America (NSS 2025) — adopted on the basis of a 1986 law and submitted to Congress in December 2025 to illustrate the Executive Branch's national security strategy — serves as this administration's agenda-setting on security matters. Specifically, the NSS defines the scope of national security: it identifies threats, establishes priorities and the appropriate response methods, and, above all, provides the "legitimacy" framework for the adoption of subsequent legal acts, including the well-known executive orders.

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THE DISTINCTIVE FEATURE OF THE 2025 NATIONAL SECURITY STRATEGY IS ITS IDEOLOGICAL NATURE, COUPLED WITH PROPAGANDA

THE IDEOLOGICAL APPROACH TO SECURITY

The distinctive feature of NSS 2025 is its strong ideological approach, accentuated by a propagandistic style of rhetoric, which embraces a clearly binary narrative: on the one hand, the mistakes of previous administrations are harshly criticized, while on the other, the achievements of President Trump's first term are widely celebrated. At the same time, the new objectives to be pursued in Trump's second presidential mandate are outlined, which are obviously antithetical to those established by Democratic administrations over time.
In short, considering a perspective focusing on ideological strands, domestically, there are clear sovereignist, protectionist

DOMESTIC PROBLEMS, PUBLIC ORDER, PUBLIC HEALTH ISSUES, AND ECONOMIC AND TRADE ISSUES ARE ALL BROUGHT TOGETHER UNDER THE UMBRELLA OF NATIONAL SECURITY

and neoliberal impulses, attributable to an ethical and cultural form of conservative nationalism, which finds its ultimate flaw in the idea of plebiscitarian democracy and the "messianic" role of the Head of State, the sole interpreter of the national interest. Externally, we must also emphasize a neo-imperialist stance firmly opposed to multilateralism. Ultimately, the National Security Strategy seems to reiterate the cornerstones of Trump's doctrine, and therefore offers a useful lens for reflecting on the current transformation of US democracy, which has undergone a shift that benefits executive power.

THE HEGEMONIC ROLE OF THE UNITED STATES

From the analytical perspective just proposed, it can be seen that both levels, internal and external, converge in the objective of reaffirming the hegemonic role of the United States, recalibrated in a world being divided into spheres of influence. In this context, only China is identified as the main antagonist (rectius, the other empire), while other great or middling powers are given a regional importance, that is, they are considered instrumental to the stability of given geopolitical areas.

In light of this framework, the important aspect to highlight is the political and legal process of deconstruction and redefinition of traditional categories proposed by the document in question and, more generally, by the Trumpian narrative. More explicitly, domestic problems, public order, public health issues, and economic and trade issues are all systematically brought together under the umbrella of national security. A case in point is immigration, which is continually and emphatically presented as an "invasion" of "other" subjects, dangerous to public order, and indeed as an existential threat, rather than a complex social issue requiring an interdisciplinary and cultural approach.

NATIONAL SECURITY AS THE FOUNDATION OF GOVERNMENT ACTION

These examples reveal that a process of redefining the concept of national security is underway, as distinct and traditionally autonomous spheres are now being brought under the single rubric of national interest and, via this concept, state security. National security thus becomes the organizing principle of government action.

Taking this angle, Donald Trump's second term appears driven by the intent of disruption. The impulses to distort factual reality and the legal instruments employed to address it, all deformed by the imperative of national security, ensure that the latter becomes instrumental to the progressive weakening of institutional checks and balances, explaining the backsliding of American democracy. Indeed, the fact that numerous issues are now within the sphere of national security affects the balance of powers outlined by the constitution, both on the horizontal axis of the separation of powers (i.e. the form of government) and on the vertical axis of federalism (i.e. the structure of the state).

CHECKS AND BALANCES

In conclusion, the atypical nature of the Trump presidency emerges from the constant effort to alter the system of checks and balances: this radicalism has triggered transformative mechanisms, marking a surge in processes erosive of democracy already underway, and attributable to other presidencies, both Republican and Democratic. Ultimately, the goal of the Trump administration seems to be the overcoming of neoliberal constitutionalism, accompanied by a redefinition of the world order.

The Patchwork Republic

The United States is divided not only by values or voting patterns, but increasingly also by public policy regimes that differ from state to state. On issues ranging from voting rights and abortion to climate policy and immigration, federalism has become a battleground for polarization

by Anthony Bertelli

It's understandable that the approaching midterm elections will be seen as a national referendum on the direction of the country. But it's important to see that the United States is not just polarized in its rhetoric, in its support of political parties or in its cultural interests. The country is increasingly governed as a patchwork republic, one in which core public functions are administered differently (often very differently) across the states, and are justified according to competing understandings of governmental authority.

ANTHONY BERTELLI, *Professor of Political Science, Department of Social and Political Sciences, Bocconi University*

VOTING AS A FEDERAL BATTLEGROUND

This is rather clear from the administration of elections themselves. The federal government does not run federal elections. States and localities do. Yes, Congress has passed laws that set certain baseline rules and protections. But state and local officials register voters, manage polling places, count ballots and certify results. Recent presidential efforts to assert control over election administration are directly challenging that allocation of power. These days, the very act of conducting an election reveals a deeper conflict over the meaning of federalism.

THE COUNTRY IS INCREASINGLY GOVERNED AS A PATCHWORK REPUBLIC, ONE IN WHICH CORE PUBLIC FUNCTIONS ARE ADMINISTERED DIFFERENTLY ACROSS THE STATES

PUBLIC POLICY IS INCREASINGLY DIVERGING

That same conflict appears across substantive public policies. The old story was that polarization stimulates policy differences because policymaking power has been devolved to the states. But observers now recognize a few more pathways to policy divergence.

When the Supreme Court in Dobbs v. Jackson Women's Health Organization returned abortion regulation to the states, the majority quoted Justice Scalia: "The permissibility of abortion, and the limitations, upon it, are to be resolved like most important questions in our democracy: by citizens trying to persuade one another and then voting." Yet recent evidence suggests that some conservative states enacted laws more restrictive than the preferences of the average resident preferred, while liberal states retained permissive regimes. That is not the idea of democratic responsiveness that

OUR DIVISIONS ARE NO LONGER JUST A FEATURE OF OUR POLITICS. THEY HAVE BECOME A DOMINANT FEATURE OF OUR REPUBLIC

many Americans have in mind. What's more, the federal government has also increasingly threatened punishment to keep subnational actors from making policies it doesn't like. It has gone beyond threats, too. The US Environmental Protection Agency withdrew California's Clean Air Act waiver after the state struck a deal with automakers to maintain tough vehicle-emissions standards. Federal grant funds were withheld from "sanctuary" cities unless they complied with a variety of federal requests. During the pandemic, subnational governments that aligned views about masking or lockdowns with the administration in Washington were often praised or rewarded, while opponents were criticized or denied support.

A DIVIDE OVER HOW AUTHORITY IS EXERCISED

I think a deeper American divide is not only over which policies government should pursue, but also over how authority should be exercised when managing public affairs. If governance means the exercise of public authority in the management of public affairs, then values such as legality, impartiality, accountability, transparency, integrity and efficiency are not merely things for officials to consider. These values shape how individual programs are implemented and how a political system manages the larger question of whether authority should be centralized or fragmented.

LOCAL SPARKS AND THE BIG FEDERAL FAN

Seen in this light, the fight over redistricting is only the electoral tip of a much larger iceberg. Both parties are indeed trying to reshape the electoral landscape before November. At the same time, subnational institutions are polarized, and they are shaping fiscal and regulatory power across the nation. James Madison hoped that a well-constructed union would prevent local sparks from becoming national flames. But there are an awful lot of sparks across the country right now, and the federal government has very a big fan.

THE GLOBAL IMPLICATIONS OF A DIVIDED REPUBLIC

This has worldwide implications. In The Federalist, No. 4, John Jay warned that "whether firmly united under one national government, or split into a number of confederacies... foreign nations will know and view [America] exactly as it is; and they will act toward us accordingly." A country that increasingly governs itself through rival regimes looks incoherent from abroad, if not less powerful. America's commitments seem more contingent on which political faction controls which institutions at which moment. Our divisions are no longer just a feature of our politics. They have become a dominant feature of our republic.

The Constitution Is Not Enough

Democratic rules endure only when a political culture is willing to defend them. From gerrymandering to concentrated economic power and civil resistance, the midterms show how fragile a system can become when norms are hollowed out from within

by Giunia Gatta

The United States is approaching the midterm elections with its Constitution, its ideals and its rules mocked and disregarded by its most powerful citizen. That same Constitution, invoked as a precious safeguard during the first Trump administration, now seems to waver under the political weight of the judges appointed during that very period. Each day offers a new example of how rules and laws, even those traditionally held in the highest regard, are essential but effective only when supported by a political culture, political will, and a shared commitment to defend and enforce them.

WHEN POWER MEETS RESISTANCE

It seemed that political decency and respect had become relics of the past, replaced by the law of the strongest. And yet something shifted, precisely when the triumph of cynicism and brute force appeared complete. The overwhelming power of the United States government met resistance. At home, in Minneapolis. Abroad, in the authoritarian government of Iran. To be sure, that power remained overwhelming in principle: protesters in Minneapolis could have continued to be killed, and the threat of wiping out an entire civilization could have been carried out, at least in principle. Yet in the first case courage, and in the second, the sense of having nothing left to lose, were enough to call the bluff of the most powerful country in the world. America discovered that politics remains a subtle game of alliances and credible threats. It is still, to some extent, a world of taboos, even if the boundary between what is acceptable and what is not has shifted considerably in recent years. We have not yet reached the moment when the world's oldest modern democracy can kill its citizens with impunity or level an entire country to the ground. A growing unease is becoming visible among supporters of this administration. There is the disappointment of those who hoped for relief from the extraordinary cost of living in the United States, and those who expected renewed international prestige, but are instead witnessing a capitulation born of reckless and unfounded arrogance. After months in which electoral promises have largely gone unfulfilled, the reality in the wallets of those who voted for this administration is beginning to replace their faith that things will improve.

MIDTERM ELECTIONS AND CHECKS AND BALANCES

Many on the left are already celebrating a possible Democratic victory in the midterm elections. In the House of Representatives, which is renewed in its entirety every two years, every seat will theoretically be up for grabs. In the Senate, only one-third of the seats will be contested, and although a majority of those seats are currently held by Republicans, the prospects for Democratic control of the Senate remain slim. Gaining control of even one chamber of Congress could help revitalize the system of checks and balances envisioned by the American Constitution.

GIUNIA GATTA,
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THE ISSUE OF GERRYMANDERING

There are, however, two deeply undemocratic practices that may stand in the way of the outcome Democrats hope for. The first is the extraordinary economic and technological power concentrated in the hands of a small number of individuals who may choose to wield it, as has already happened, in support of this administration. The second is the practice of redrawing electoral districts in

RULES ARE EFFECTIVE WHEN SUPPORTED BY A POLITICAL CULTURE, POLITICAL WILL, AND A SHARED COMMITMENT TO DEFEND AND ENFORCE THEM

order to engineer desired political outcomes, the process known as gerrymandering.

Recent Supreme Court decisions have reinvigorated this practice, which has been used and abused by both parties for more than two centuries. In particular, less than two months ago, Louisiana v. Callais determined that it is unconstitutional to take racial composition into account in certain districts for the purpose of guaranteeing representation for African Americans. This is allowing many Southern states to redraw their districts in ways that dilute the electoral power of these minorities or concentrate it into fewer districts, a practice known as "cracking" or "packing." Many commentators have seen in these developments an attempt to dismantle the Voting Rights Act of 1965, the landmark legislation for which Martin Luther King Jr. and Malcolm X fought in radically different ways, and which sought to bring an end to a century of barriers preventing African Americans from exercising their right to vote.

Some traditionally Democratic states, such as California, are responding with similar tactics in an effort to counter what they see as an undemocratic path to Republican victory. But the method remains undemocratic, regardless of which party chooses to employ it.

THE DIGNITY OF POLITICS AS A RESPONSE

And so we return to the dignity of politics, the care of institutions and resistance against the cynicism of those who break the rules with which we began. For a long time, those who defended these values were dismissed as naive idealists. Today we can see the destruction, but also the ineffectiveness, that cynics and "realists" have brought to the world. Perhaps it is worth giving rules and dignity another go.

America in a Permacrisis

Wars, tariffs, AI, energy crises and new inequalities are reshaping the global economy. A change in the congressional majority could place constraints on the executive branch, but it would not be enough to reverse the transactional trajectory of American politics

by Michael Spence

In 2023, Gordon Brown, Mohamed El-Erian and I wrote a book the publisher decided to title *Permacrisis*. The motivation and the main idea was that shocks from multiple sources — including pandemics, wars, climate change and geopolitical tensions — along with secular structural trends like aging, and — to complicate matters — parallel transformative breakthroughs in AI, technology, biomedical and life sciences, as well as green energy technology, were leading to permanent and consequential changes in the architecture and performance of the global economy.

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A COMPLEX AND UNCERTAIN ENVIRONMENT

That was the fall of 2023. The pandemic was ending and the Ukraine war was underway. Since the publication, we have had two further wars, and most significantly a dramatic shift in the directions of US economic policy with the election of President Trump. In addition, the world economy has experienced a sustained period of higher real interest rates, a huge energy shock — one of the largest ever, but with a still unknown duration — a shift in economic policy pretty much everywhere to a focus on resilience and security, and stunning (and at times frightening) progress in AI with the scope and power of the AI tool set exploding, all accompanied by an enormous investment boom associated with the development and deployment of AI. To put it mildly it is a complex environment with high degrees of uncertainty.

THE IMPACT OF DEMOCRATIC VICTORIES IN THE HOUSE AND EVEN THE SENATE WOULD BE SIGNIFICANT ON THE ONE HAND BUT EASY TO OVERSTATE ON THE OTHER

AMERICA'S TURNING POINT

US policy has been at the center of much of the turbulence. The Trump administration viewed the election as a mandate to upend and redirect both domestic and international economic and security policy. On the domestic side, deregulation in many areas, an aggressive reset of immigration policy and the pursuit of undocumented residents with ICE at the center, a largely hands-off approach to AI technology development and an abrupt stop to programs targeting green energy and sustainability.

On the international side, the most obvious has been raising tariffs across the board including against traditional trading partners and allies. This has been accompanied by withdrawal from a broad range in multilateral institutions, signaling a disinterest in and disregard for these long-standing approaches to managing international interdependence.

POLARIZATION, INSTITUTIONS AND EXECUTIVE POWER

Internally, political and social polarization has only increased, though it preceded the Trump election. A wide range of institutions including universities have been criticized and penalized for elitism,

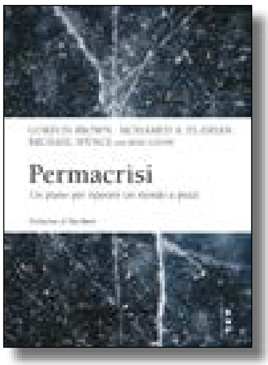
DEI policies and failures to maintain environments of free speech. Threats include cuts to research funding, lawsuits and taxes imposed on endowment income. All of these have short- and long-term domestic and international effects.
Courts have resisted some of the Trump policies, both domestic and international, largely on constitutional grounds. Congress, where Republicans hold majorities in both the House and the Senate, have been largely more compliant. However, there is considerable resistance to the executive power to initiate war without Congressional oversight.
In early November of this year, the midterm elections will be held for both the House and Senate. These are consequential domestically, but also especially for the international community, because a change in majorities in one or both parts of Congress could shift the current balance of political power and lead to more constraints on executive action. There is little doubt that shifting power to the executive and specifically to the president has been an important policy theme in this administration.

MIDTERMS AND POLITICAL UNCERTAINTY

There are a variety of views about the likelihood of this outcome. Polls indicate a notable shift in the attitudes of independents and swing voters away from Republicans: these are the voters who gave President Trump the victory in the last presidential election, as they expressed their dissatisfaction with economic and social conditions under the Biden administration.
This change in sentiment is particularly noteworthy among the young who face a problematic job market. The Iran war is not popular as gas prices rise and inflation — with a significant energy component — has soared above 4%.
On the other hand, there is frenzied activity involving both parties and the courts around redistricting (sometimes called gerrymandering) to try to shift the electoral playing field in their favor. Though some are confidently predicting a shift in the House of Representatives to the Democrats, I think it is fair to say that the outcome remains uncertain at this point with the balance of the odds probably favoring that result.
The impact of Democratic victories in the House and even the Senate would be significant on the one hand but easy to overstate on the other. While the Trump administration would face more resistance and budgetary constraints from Congress, it would not abandon its general approach to domestic and international policy. President Trump will not become a multilateralist overnight, or one who greatly values long-term relationships with traditional allies. A transactional approach to international relations seems set to continue. As to the constraining effect of a Democratic House, it is well to keep in mind that the Democrats are far from a homogeneous group with respect to cultural attitudes and policy.

GROWTH, INEQUALITY AND AI RISK

The US economy's trajectory is complex. Growth is relatively high, powered in substantial part by a huge investment boom associated with AI frontier model building and deployment, energy capacity, data centers and the like. On the other hand, there is a notable, though not new, pattern of rising income and wealth inequality that is trending to extremes. These two trends, growth and distribution, are related. The polarizing impact of rising inequality is much larger in a low- or no-growth environment. The current growth momentum in the US is therefore a favorable factor with respect to political and social stability. But the attitudes toward AI are complex and far from uniformly positive. And concerning its economic impact, the trend is distinctly negative across a large part of the citizenry. If there is a major negative shift in sentiment among investors with respect to the long-run returns and benefits to AI investments, one can expect an economic, financial and social convulsion with far-reaching consequences across the entire global economy.



THE BOOK. *Brown, Spence, and El-Erian, three of the most respected thinkers of our time, reflect on stunted growth, inflation, inadequate policy responses, the climate emergency, worsening inequality, the rise of nationalism, and the decline of global cooperation. Drawing on their different perspectives, they have sought a common goal: workable solutions that can help heal our shattered world. This book is the result of these reflections (Bocconi University, 2024, 316 pp., €29.50, in Italian).*

The Dollar Under Political Pressure

The tension between the White House and the Federal Reserve fuels uncertainty over the level of interest rates, the value of the dollar and central bank independence. For the ECB, the issue goes beyond the dollar, with American monetary policy increasingly exposed to populist pressure

by Donato Masciandaro

The euro, the dollar and Trump. In the days leading up to the fall midterm elections in the US, the ECB is bound to navigate rough seas. To understand why, the starting point is asking what determines the dollar's performance.

TRUMP PLUS WARSH EQUALS UNCERTAINTY ABOUT THE DOLLAR, AND THEREFORE THE EURO

THE FED'S INDEPENDENCE IN THE CROSSHAIRS OF POPULISM

Monetary policy decisions certainly play a central role, which in turn depend on the Fed's degree of independence from political power. It should be immediately clarified that the Fed certainly doesn't have the level of independence that distinguishes, for example, the ECB. Therefore, analyzing the makeup of those who lead the nation — on the one hand — and those who govern the central bank — on the other — is crucial. The current president of the United States is a populist. Populists seek to maximize consensus, like other politicians, but their distinctive feature is their use of "exclusive" policies, which prioritize the needs, real or even perceived, of certain categories of households and/or businesses, who feel harmed by traditional parties. Populists thus end up on a collision course with all institutional rules that limit their ability to pursue exclusive policies. This is the case with central bank independence: a populist would like to have full control over government liquidity and the level of interest rates; therefore, the presence of an independent bureaucracy becomes an obstacle to be neutralized. A populist monetary policy is therefore characterized by two facets. On the one hand, populists want to control the currency, interest rates and exchange rates. On the other hand, and by extension, they want to reduce the independence of the central bank. This is the dual nature of Donald Trump, ever since his first term.

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TRUMP, POWELL AND THE DIGITAL CURRENCY CHALLENGE

For Trump, the dollar must be weak to favor the manufacturing sector, and interest rates must be kept low at all times. Low interest rates are popular with businesses,

ROUGH SEAS AHEAD FOR LAGARDE AND HER COLLEAGUES. SAFE SAILING TO THEM

and they also provide relief for the cost of managing US public debt. At the same time, Trump used media aggression as a political pressure tool, systematic in method and violent in verbiage, against Fed Governor Jerome Powell — and not only that. Trump went so far as to call Powell a "moron" and a "numbskull."
To further weaken the Fed, Trump is exploiting the opportunities opened up by new digital currency technology, with two moves. First, he is banning the Fed from issuing digital dollars, unlike what is happening in the EU, where we will have the digital euro. Second: he is legalizing "pseudo-stable" private digital currencies to sate a financial lobby close to him, not only electorally but also personally. The result? The effect of a systematic battle between the chief of the executive and the central bank is to augment uncertainty; very bad news in an increasingly complex international economic and geopolitical landscape.

WARSH: HAWK, DOVE OR HERON?

But uncertainty will be further fueled by the fact that the Fed has a new chair, appointed by Trump in June: Kevin Warsh. His CV says he is a "hawk," that is, a central banker that closely monitors inflation trends and is therefore oriented toward monetary discipline, i.e. a policy of high interest rates. However, during Trump's first term as president, as well as on the eve of the elections that sealed his second mandate, he repeatedly criticized Powell's Fed for being too restrictive on monetary policy. Consequently, his successor's profile is more that of a heron, the name given to central bankers changing sides, who can be both hawkish and dovish.

ROUGH SEAS AHEAD FOR THE ECB

The next few weeks seem tailor-made to see whether Warsh will be a hawk or a heron who switches sides. From an economic standpoint, the Middle East crisis translates into an aggregate supply shock, simultaneously triggering both the risk of inflation and the risk of stagnation. From a political standpoint, midterms are in the fall, and Trump has already started playing the flute of low interest rates since 7 June. A flute that will turn into a trombone as autumn approaches, unless rising inflation makes the president fear his voters will turn their backs on him. How will hawk Warsh avoid angering dove Trump? He seems to have had an idea: he argues that artificial intelligence is a positive supply shock to the US economy, whose effects balance out those of the Middle East crisis, so rates need not be raised. Could this be true? In his first official statement in June, Warsh certainly played the heron: by keeping the Fed rate unchanged, he effectively followed the same dovish course as Powell, but played the hawk in rhetoric. And the dollar reversed its downward trend.

The Private Currency of Power

Stablecoins, the digital dollar and conflicts of interest are at the heart of the midterm campaign. The administration's crypto policy aims to strengthen the dollar's global dominance, but it risks sacrificing transparency and financial stability

by Brunello Rosa

The November 2026 midterm elections are not a routine democratic exercise. They are, in the plainest analytical terms, a referendum on whether the institutional architecture of the American republic survives a second Trump term intact — and, by extension, on whether the post-war international order retains its principal architect. The stakes extend well beyond Washington; they reach Geneva, Beijing, Frankfurt and the trading desks of every sovereign wealth fund currently reassessing its exposure to dollar-denominated assets.

***BRUNELLO ROSA**, Adjunct Professor, SDA Bocconi School of Management*

A DECISIVE CHALLENGE FOR THE CONTROL OF INSTITUTIONS

At stake is control of the US House of Representatives, the Senate and more than 30 governorships. History is unmistakably unkind to the incumbent's party: Trump's net approval rating sits at -18.4 percentage points — the lowest of his second term — with average national polls recording 39.1% approval against 57.5% disapproval. Given this low approval rate, Trump fears losing control of Congress, and for this reason his team has worked hard to redesign electoral constituencies (via redistricting) in order to keep a majority in both branches of Congress.

THE MIDTERM ELECTIONS ARE NOT A ROUTINE DEMOCRATIC EXERCISE, BUT A REFERENDUM ON THE RESILIENCE OF US INSTITUTIONS

THE SCENARIO OF A DEMOCRATIC VICTORY

What happens if, despite these structural interventions, Democrats reclaim the House — and potentially the Senate? Here the analytical record provides cold comfort. Trump has never accepted electoral defeat as a legitimate outcome; the institutional guardrails that prevented the subversion of the 2020 result have been materially weakened since. What can be said with precision is that a Democratic House would immediately acquire investigative authority over an administration whose conflicts of interest are, by any historical measure, extraordinary in scale.

CRYPTOCURRENCIES AND CONFLICTS OF INTEREST

None more so than in the crypto domain. Trump's annual financial disclosure, released in June, shows more than $1.4 billion in income from cryptocurrency ventures during 2025, including over $500 million from World Liberty Financial and $635 million from the sale of his TRUMP meme coin. Trump also made over $196 million from an equity sale of Stablecoin Holdco, the parent company of World Liberty Financial's USD1 stablecoin business. The conflict is self-evident and structurally embedded: the administration was simultaneously rewriting federal crypto policy while the president was accumulating these positions — supporting and signing the GENIUS Act into law, reducing crypto enforcement at the Justice Department and the SEC, and promoting the United States as the global center for crypto business.
In geopolitical terms, the GENIUS Act is rather more than a domestic regulatory instrument. The US administration explicitly describes it as a tool to ensure the continued global dominance of the US dollar and to cement demand for US Treasuries. The mechanism is structurally elegant: the Act mandates that payment of stablecoin reserves consist only of cash, deposits, repo or Treasury securities with remaining maturities of 93 days or less, effectively hard-coding short-end Treasury demand into future stablecoin growth. As of November 2025, 99% of all stablecoins in circulation were dollar-denominated, with much of the activity connecting to users in emerging markets — stablecoin flows reaching roughly 7–8% of GDP in parts of Latin America, Africa and the Middle East — creating a digital dollarization dynamic that extends the dollar's reach precisely where China's renminbi internationalization strategy is most active.

THE DIGITAL DOLLAR AND RISKS TO FINANCIAL STABILITY

The Treasury demand argument is equally powerful. Major stablecoin issuers already hold substantial short-term US government paper: Tether's reserves included approximately $117 billion in Treasury bills as of March 2026, while the Circle Reserve Fund held around $67 billion in equivalent assets. This matters because foreign ownership of the Treasury market has fallen to roughly 30%, down from a peak above 50% during the global financial crisis, even as foreign central banks have accelerated gold accumulation — with central banks adding 244 tons of gold in Q1 2026 alone, their strongest quarterly pace in recent years. Stablecoin issuers are, in a narrowly functional sense, filling a structural gap in the sovereign demand base; the GENIUS Act's reserve requirement is, from Washington's perspective, a mechanism to conscript private crypto capital into the service of public debt management. However, this framework seems to neglect financial stability altogether. The CLARITY Act, which the House has passed and the Senate will consider after Labor Day, enacts a light-touch regulatory framework that critics argue leaves whole parts of the crypto industry virtually unregulated and contains loopholes that could undermine financial protections across the broader financial system.

THE GENIUS ACT AIMS TO STRENGTHEN THE DOLLAR'S GLOBAL DOMINANCE, BUT RISKS EXPANDING THE STABLECOIN MARKET WITHOUT ADDRESSING FINANCIAL STABILITY CONCERNS

A DEMOCRATIC CONGRESS WOULD SHIFT THE BALANCE OF POWER

A Democratic House changes the calculus on every dimension examined here. Investigative subpoena authority over Treasury dealings, crypto conflicts and voting rights violations would materialize immediately. Legislation moving through the Senate — including the CLARITY Act — would face a fundamentally different negotiating environment, with ethics provisions barring elected officials from profiting on assets they regulate likely to re-enter the frame and financial stability given necessary consideration. On monetary and digital currency policy more broadly, a more balanced approach would carry greater institutional credibility with the international partners whose cooperation the US requires to sustain dollar dominance through mechanisms beyond private stablecoin issuance.

Security Offloaded to Allies

From NATO to Latin America, from the war in Iran to new military technologies, US defense policy is changing its rhetoric and priorities. But the passage from burden-sharing to burden-shifting may weaken domestic consensus and strain relations with allies

by Andrea Gilli

The United States is entering the midterm elections having made major changes in terms of security and defense. It is difficult to say whether, and to what extent, these will have an electoral impact. Typically, domestic policy, and especially economic issues, are predominant, but the decisions taken over that last two years regarding the country's defense and foreign policy could alienate part of the administration's electoral base, which, in the event of a defeat, would be more constrained in pursuing some of its current policies.

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ALLIES CALLED TO DO MORE

First, one of the most important, and controversial, issues promoted by the current administration concerns the shift from burden-sharing to burden-shifting. US allies must no longer simply shoulder the cost of their defense: beyond covering it entirely, they are also called upon to contribute more to collective security. Elegant in theory, more complex in practice, the issue certainly appeals to part of the American electorate, but its most recent incarnation could cost them important votes. US citizens with Italian, English, Danish, and Central and Eastern European roots are far from enthusiastic about what they've seen in the past two years, including direct (to Denmark) or indirect (to Europe) threats to their countries of origin, attacks on their respective governments, as well as the Pope, and above all, a message that leaves no room for enthusiasm: the security of these countries is not a priority for the United States government.

HEMISPHERIC DEFENSE

With its National Security Strategy, the United States launched the concept of hemispheric defense, aimed at maximizing the security of the Western hemisphere. On the one hand, this raised concerns in Asia, where this ambiguous message seemed to signal less attention to regional stability in the Pacific. On the other, others interpreted the move as a return to American imperialism in Central and South America. In this case, parts of the Latin American electorate, already disillusioned by the administration's migration policy, were perplexed by the military operation against Venezuela, which aimed to remove its leadership without weakening the regime. This could weigh heavily in some electoral districts.

THE DECISIONS TAKEN IN THE LAST TWO YEARS REGARDING DEFENSE AND FOREIGN POLICY COULD ALIENATE PART OF THE ADMINISTRATION'S ELECTORAL BASE

CONFLICTS

The Trump Administration has also intervened in numerous conflicts, with mixed results. On the one hand, the administration has failed to bring the peace between Russia and Ukraine it had promised. On the other hand, the administration has intervened twice in Iran without managing to reach a realistic long-term agreement — in fact, the initial drafts of the agreement are worse than what had been achieved under Obama. Minorities of Ukrainian origin are unlikely to vote for Trump. The issue of the Iranian disintegration is more complex, but it is likely that the Iranians would have preferred regime overthrowal.

THE CHALLENGE OF NEW

Technologies in Defense

First, the wars in Ukraine and in Iran have demonstrated the growing role of new technologies in armed conflicts: from drones to space satellites, from artificial intelligence to directed-energy weapons, going through a transformation of the military-industrial base, for which the current administration would like to focus on dynamic digital companies like Palantir and Anduril, rather than relying on traditional defense procurement giants like Lockheed Martin and Northrop Grumman. The administration's policies in this area will also undoubtedly have electoral consequences. On the one hand, President Trump must be credited for placing enormous importance on innovative companies in the defense industry and for seeking to strengthen the sector's supply chains — though it remains to be seen with what results. On the other hand, some of this messaging goes against the interests of traditional companies, which also hire markedly more employees, while attempts to reindustrialize America, starting with defense and tariffs, don't seem to have been particularly successful — at least so far.

VOTER OPINION

Voters are being asked to evaluate what they've seen so far, including statements, initiatives and results. Alongside bold and often questionable statements, the administration has also launched important and shared initiatives (arms procurement reform, the role of new technologies, supply-chain resilience), which, however, have been obscured by questionable and controversial military operations, first and foremost the war against Iran, for which there is widespread consensus that it was poorly conceived and even more poorly executed.

Trade as a Weapon

If Washington continues to use tariffs as a geopolitical lever, the rules-based multilateral order will increasingly give way to power politics

by Leonardo Borlini

***LEONARDO BORLINI**, Full Professor of International Law, Bocconi University*

The 2026 US midterm elections are not merely a referendum on President Trump's domestic agenda. They are also a test of a more consequential transformation: the redefinition of trade policy from an instrument of economic governance into an instrument of geopolitical power.
For decades, the United States was the principal architect of a rules-based trading system. The postwar order rested on a simple proposition: market access would be governed primarily by multilateral rules rather than political discretion. That premise is now under sustained challenge.
The second Trump Administration has not simply expanded the use of tariffs. It has altered their function. Tariffs are increasingly deployed not to address conventional trade distortions, but to influence migration policy, combat drug trafficking, reshape supply chains, pressure allies, punish geopolitical rivals and extract bilateral concessions. Access to the American market has become a strategic bargaining chip rather than the product of reciprocal legal commitments.

THE CENTRALITY OF EMERGENCY POWERS

The legal significance of this shift is as important as its economic implications. Many of the administration's measures rely on statutory authorities designed for exceptional circumstances, particularly the International Emergency Economic Powers Act (IEEPA) and Section 232 of the Trade Expansion Act. National security, once a narrowly construed exception within international trade law, is becoming the organizing principle of US commercial policy. As recent analyses in the *American Journal of International Law* observe, emergency powers have moved from the periphery to the center of American trade governance. This development creates tensions on two distinct legal planes. Domestically, courts are being asked whether Congress has delegated authority broad enough to permit the president to redesign the entire US tariff schedule through emergency legislation. Internationally, the same measures sit uneasily with the United States' obligations under the WTO, particularly the principles of non-discrimination, tariff bindings and the limited scope of security exceptions. The issue is therefore not simply whether tariffs are economically desirable, but whether executive discretion can displace legal commitments that have structured international commerce for nearly 80 years.

ACCESS TO THE AMERICAN MARKET HAS BECOME A STRATEGIC BARGAINING CHIP RATHER THAN THE PRODUCT OF RECIPROCAL LEGAL COMMITMENTS

WHEN TRADE IS NO LONGER JUST ABOUT TRADE

Perhaps the most important consequence is conceptual. Trade policy is no longer being confined to trade. Measures directed at countries importing Venezuelan or Russian oil, tariffs justified by migration flows or fentanyl trafficking and duties imposed to obtain broader diplomatic concessions all reflect the same logic:

CAN AN INTERNATIONAL TRADING SYSTEM BUILT ON LEGAL PRINCIPALS SURVIVE WHEN ITS PRINCIPAL DESIGNER INCREASINGLY PREFERS FLEXIBILITY TO CONSTRAINT?

commercial instruments are increasingly used to pursue non-commercial objectives.
The distinction between trade law, foreign policy and national security is progressively disappearing.
For Europe, this evolution is not an abstract legal debate. The European Union's economic model depends upon stable rules, predictable market access and effective multilateral institutions. If the United States increasingly treats trade commitments as negotiable instruments of statecraft, Europe faces pressure to strengthen its own defensive trade measures, industrial policy and strategic autonomy.

A CHOICE THAT WILL SHAPE THE FUTURE OF THE INTERNATIONAL ECONOMIC ORDER

The midterm elections therefore matter well beyond Washington. A Congress willing to constrain executive authority could slow the ongoing migration from rules to discretion. A political endorsement of the current approach would instead reinforce a model in which international trade is governed less by law than by bargaining power.
The deeper question raised by the American election is ultimately institutional rather than electoral. Can an international trading system built on legal commitments survive when its principal designer increasingly prefers flexibility to constraint? The answer will shape not only the future of US trade policy, but the durability of the rules-based international economic order itself.

The Price of Appeasement

Accepting exemptions from WTO rules may ease tensions in the short term, but it risks legitimizing trade pressure as a political tool. Europe faces a choice with consequences extending far beyond negotiations with Washington

by Claudio Dordi

"You were given the choice between war and dishonor. You chose dishonor, and you will have war." Winston Churchill delivered these words on 5 October 1938, in the aftermath of the Munich Agreement, condemning the policy of appeasement adopted by the British Government. Nearly 90 years later, the legal context has changed completely. The underlying dilemma has not. Concessions offered in response to coercion may reduce immediate tensions, but they do not necessarily remove the incentive to continue exercising pressure.

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TARIFFS AS A GEOPOLITICAL TOOL

Recent developments in transatlantic trade relations illustrate this dilemma. The United States has progressively transformed tariffs from instruments of commercial policy into instruments of geopolitical negotiation. Rather than pursuing the traditional objectives recognized under WTO law — including addressing unfair trade practices and protecting public health, the environment and national security — tariffs are increasingly used to advance broader strategic objectives, including economic security, industrial policy, supply-chain resilience and geopolitical leverage. Tariffs have therefore moved from the margins of trade law to the center of contemporary international relations.

TARIFFS HAVE THEREFORE MOVED FROM THE MARGINS OF TRADE LAW TO THE CENTER OF CONTEMPORARY INTERNATIONAL RELATIONS

This transformation has also altered the constitutional balance within the United States. Although the Constitution entrusts Congress with the power to regulate foreign commerce and impose customs duties, the second Trump Administration relied extensively on executive authority, particularly the International Emergency Economic Powers Act of 1977 (IEEPA), to impose general tariffs affecting virtually all trading partners. In February 2026, the US Supreme Court held that IEEPA did not authorize the imposition of tariffs and ordered the reimbursement of duties unlawfully collected. The administration consequently shifted away from general emergency-based tariffs towards other statutory bases: temporary reliance on Section 122 (authorizing temporary import surcharges of up to 15% for a maximum of 150 days, subsequently also invalidated by the courts), continued use of Section 232 (authorizing tariffs on imports deemed to threaten national security) for sectoral measures, and increasing reliance on Section 301 (authorizing unilateral trade measures in response to foreign acts, policies or practices deemed discriminatory or unreasonable). The legal basis evolved; the strategic function of tariffs did not.

THE EUROPEAN UNION'S RESPONSE

Rather than insisting on the

legal consequences of the US tariff measures, the European Union chose to negotiate a political settlement with the United States. Regulation (EU) 2026/1455, implementing that settlement, presents it as a means of strengthening the transatlantic partnership, restoring certainty in bilateral trade and reaffirming the EU's commitment to the multilateral trading system. Yet the Regulation simultaneously grants preferential tariff treatment exclusively to the United States, notwithstanding the absence of a comprehensive free trade agreement and the exclusion of significant sectors such as steel and aluminum.
The Regulation therefore raises a fundamental WTO issue. By granting tariff preferences exclusively to the United States, it departs from the most-favored-nation (MFN) principle embodied in Article I of GATT. Since such preferences are permitted only within customs unions or free trade agreements under Article XXIV of GATT, the legal basis of the arrangement appears difficult to reconcile with WTO law.

A COMPROMISE THAT WEAKENS THE MULTILATERAL SYSTEM

The paradox is even more striking. The European Union did not merely negotiate with the United States. It amended its own legal order to accommodate tariffs that were inconsistent with WTO law and that the US Supreme Court held to be unlawful. Rather than strengthening the legal position from which it had consistently defended the multilateral trading system, the EU weakened it. By rewarding unilateral tariff pressure with preferential market access, it conferred political legitimacy upon a tariff strategy that was legally defective in both legal orders. Nor has this strategy achieved its stated objective. Regulation (EU) 2026/1455 itself anticipates the possible failure of the political compromise by empowering the European Commission to suspend the concessions if the United States departs from the Joint Statement. Subsequent developments have confirmed those concerns. The political agreement has not prevented the United States from threatening further tariffs. Most recently, President Trump warned that European countries introducing digital services taxes — measures formally applicable beyond US companies but perceived in Washington as targeting American digital platforms — would face new tariffs, notwithstanding the agreement itself. Judicial review has modified the legal basis of US tariffs. It has not modified their strategic purpose.

CHURCHILL'S LESSON

The principal challenge to the multilateral trading system is therefore no longer limited to the adoption of unilateral tariffs. It also lies in the willingness of other trading powers to adapt their own legal orders in order to accommodate them. If preserving short-term stability requires departures from the core principles of WTO law, the long-term cost may exceed the immediate benefit.
Churchill's warning was never intended for international trade lawyers. Yet it captures an enduring lesson for international economic law. Appeasement may purchase temporary stability. It rarely removes the incentive to continue exercising pressure. As Churchill put it in 1938: "You were given the choice between war and dishonor. You chose dishonor, and you will have war."

Why We Accept What We Don't Like

Contrary to conventional wisdom, it is not the choice itself that determines one's commitment to a task or a goal. A series of experiments shows that the decisive factor is acceptance: the perception that a decision is final, legitimate and has become part of their own course of action

by Kurt Paul Munz

Every manager knows this situation. A project nobody wants needs an owner. A colleague goes on leave and someone has to absorb the load. A reorganization hands a team a portfolio it never asked for. No one is volunteering, but the work still needs to get done. And it needs to be done with the same enthusiasm as if they had.

THE DECISIVE ROLE OF ACCEPTANCE

New research suggests that what turns a reluctant assignment into genuine commitment is not how well you sell it. It is whether the person accepts it.

For decades, psychologists have understood that people grow fonder of outcomes when they choose them. Pick a job, a car or a holiday, and you start noticing its virtues and forgiving its flaws. It's a tidy way of easing the discomfort of having selected something imperfect. In a paper published in *Psychological Review* and discussed in *Harvard Business Review* with **Adam Eric Greenberg** and **Vicki Morwitz**, we show that choice may not be what's actually driving this shift. Across seven experiments with more than 2,500 participants, people warmed to outcomes they never chose — assignments handed down by an employer, a computer, even a coin flip — as long as one condition held: they accepted the outcome as settled.

ACCEPTANCE DOES NOT MEAN LIKING

Acceptance is not the same as liking. It is the feeling that this is what I will be doing, that the matter is resolved and no longer up for negotiation. When acceptance is high, people quietly downplay an assignment's drawbacks and notice its upsides. When it is low, they stall, resist and stay half-committed. That makes acceptance a variable worth managing, and our studies point to three ways to raise it.

Offer real, if bounded, freedom. People are generally accepting of outcomes they have chosen. So, perceived choice still matters considerably. What's more, in our experiments, even a symbolic sense of having had a say made people view an assigned option more favorably.

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THE PAPER.
Bounded Rationalization: The Role of Acceptance in Postchoice and Postassignment Rationalization, *by Kurt P. Munz, Adam Eric Greenberg and Vicki G. Morwitz*

You may not be able to offer a choice about the what, but you can almost always offer one about the how: the sequence, the timing, the method. A manager rolling out mandatory new software cannot make adoption optional, but letting each team decide how to phase it in can turn compliance into ownership.

WHEN CLARITY DRIVES COMMITMENT

Signal that the decision is final. Leaders often soften hard news to seem considerate. "Let's try it for now," they may say. Or, "We'll revisit in a few months." Our data suggest this may backfire. When people believe an assignment might still change, they keep one foot out the door and never begin to make peace with it. When an outcome feels locked in, they accept it and adjust. If you need commitment, resist the urge to leave things open-ended. With unwelcome news especially, clarity is kinder (or at least more productive) than ambiguity.

Make the process defensible. Even when an outcome cannot be negotiated, people care intensely about how it was reached. In one study, participants who were promised a choice and then had it revoked refused to warm to the very same outcome that others who were simply assigned it happily accepted. The practical lesson is to set realistic expectations about how tasks are assigned. A coin flip can be a fine way to decide if all parties find the procedure fair. The result also offers a cautionary tale: while granting employees' autonomy or freedom can enhance buy-in, a manager could face resistance when revoking it.

CREATING BUY-IN WITHOUT THE PRETENSE OF CHOICE

The irony is that the moves managers often reach for — hedging to appear kind, removing autonomy when an unpleasant task arrives — can erode the very acceptance they are trying to build. Buy-in does not require that people choose their work, or even like it. It requires that they accept it, and this can be enhanced with a measure of genuine freedom, a sense of finality and a process they can respect. Get those right, and people will commit to assignments they would never have picked for themselves.

WHAT TURNS A RELUCTANT ASSIGNMENT INTO GENUINE COMMITMENT IS NOT HOW WELL YOU SELL IT. IT IS WHETHER THE PERSON ACCEPTS IT

Making Profit by Breaking Rules

The pursuit of shareholder value doesn't automatically lead to illegal behavior. But poorly designed incentive systems, permissive corporate culture and performance pressures can make rule-breaking more likely

by Gregorio Casoni

Maximizing shareholder value has long shaped corporate governance. It offers a benchmark for managerial action: executives should run the company in ways that increase the capital entrusted to them. Yet it can acquire a different meaning inside organizations. Once translated into quarterly targets, sales quotas, stock-based pay, and market expectations, the pursuit of value may become a source of pressure. Compliance with the law may then appear less as a condition of business activity and more as an obstacle to financial performance.

IS PROFIT TO BLAME?

My paper *As Long as You Make Money* examines the relationship between shareholder value maximization and corporate misconduct. Its argument is careful in scope. The profit motive alone cannot explain misbehavior. The relevant issue concerns the governance arrangements and incentives that increase the likelihood of wrongdoing when they place exceptional weight on financial results and fail to discipline the methods used to obtain them. The analysis draws on the scandals of Enron and Wells Fargo.

ENRON AND WELLS FARGO

Enron shows how the pressure to keep share prices high can shape corporate culture. Financial outperformance became the main measure of success, encouraging risky accounting and making rule-breaking appear acceptable when it helped achieve results. Wells Fargo shows a similar logic at branch level: aggressive sales targets pushed employees to sell more products, and many responded by opening accounts without authorization. Both cases show how badly designed incentives can increase the risk of misconduct.

WHITE, GREY, AND BLACK HATS

However, not every corporate actor is the same. They can be grouped in three main categories: white hats, grey hats, and black hats. White hats generally comply with legal and ethical duties even when doing so is unprofitable. Black hats are more willing to violate rules and less likely to be constrained by ordinary compliance systems. Grey hats occupy the decisive middle ground. Their behavior may change depending on the context: reward systems, managerial signals, peer conduct, and credible controls. Such trichotomy clarifies the central point: corporate wrongdoing often emerges at the meeting point between firm-level incentives and individual judgment: for some agents, wrongdoing is never an option; for others, it

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THE PAPER. As Long As You Make Money: An Inquiry Into the Criminogenic Effects of the Profit Motive, *by Gregorio Casoni*

is always the option; for most, it depends on the environment existing around them.
This framework operates on three levels. At the individual level, bonuses, promotion prospects, fear of failure, detection, and sanctions may shape conduct. At the organizational level, culture, leadership, reporting channels, and tolerance for shortcuts become decisive. At the market level, investors and competition for corporate control can intensify pressure for visible performance. The connection matters: compensation may encourage risk-taking; culture may normalize it; the market may make resistance appear irrational.

CORPORATE WRONGDOING OFTEN EMERGES AT THE MEETING POINT BETWEEN FIRM-LEVEL INCENTIVES AND INDIVIDUAL JUDGMENT

SO WHAT IS TO BE DONE?

The conclusion is practical rather than radical. There is nothing wrong with maximizing share value. The problem arises when profit becomes the dominant measure of success and when organizations reward outcomes without any attention to how those outcomes were achieved. Under those conditions, the pressure to "make the numbers" can make rule-breaking more plausible.
The practical solution follows from this diagnosis. Companies should align profit with compliance before misconduct occurs. Targets should be ambitious while remaining attainable through lawful conduct. Compensation systems should evaluate the means used to achieve results, along with the results themselves. Internal sanctions should be credible and predictable, to reduce fear of failure. Whistleblowing channels should offer genuine protection. Hiring and promotion should consider integrity, not only performance. Cooperation with enforcement authorities can also help firms respond to misconduct early on instead of relying on punishment after the fact.

LOOKING AT INCENTIVES

The aim should be to attract and retain white hats, keep black hats away from positions of influence, and design incentives that push grey hats toward lawful conduct. The paper thus offers a framework for understanding how legitimate business objectives may create criminogenic pressures when combined with poorly designed incentives, weak controls, or permissive cultures. By looking at incentives before misconduct occurs, it helps explain why compliance requires more than formal rules.
The aim is not to weaken business ambition, but to make lawful ambition the easiest path.

An Inherited Destiny

The largest study ever conducted in Brazil reveals that parents' income and the area where children grow up continue to have a profound impact on the economic opportunities of subsequent generations

by Andrea Costa

For decades, Brazil has been the symbol of an economic contradiction: one of the world's largest economies and, at the same time, one of the most unequal countries. But how much does a parent's income really influence a child's future? To what extent is it possible to climb the social ladder? And which regions offer the most opportunities for upward mobility?
These questions are addressed in a new study published in *The Review of Economics and Statistics*, the first to use large-scale tax and administrative data to measure intergenerational income mobility in a major developing country. Its authors are **Diogo G. C. Britto** (Bocconi Department of Social and Political Sciences, CLEAN Unit for the Economic Analysis of Crime, INSPIRE) and **Paolo Pinotti** (Bocconi

Department of Social and Political Sciences, Baffi Center, CLEAN Unit for the Economic Analysis of Crime, INSPIRE), along with **Alexandre Fonseca** (Federal Revenue Service of Brazil), **Breno Sampaio** (Federal University of Pernambuco) and **Lucas Warwar** (Stanford University).
The main finding is that in Brazil, parental income continues to have a very strong influence on children's economic outcomes. "A 10-percentile increase in parental income rank is associated, on average, with a 5.5-percentile increase in child income rank," Paolo Pinotti explains.
In other words, moving up 10 positions in the distribution of parental income translates, on average, into an advance of more than five positions for children once they reach adulthood. This is one of the clearest pieces of evidence of the persistence of inequalities observed at the international level.

THE DREAM OF SOCIAL MOBILITY STOPS ON THE LOWER FLOORS
To reach these conclusions, the researchers reconstructed the economic histories of approximately 1.3 million children born between 1988 and 1990, linking them to their respective parents through tax records, civil registry data and employment data. This was an enormous challenge, made even more complex by the significant size of Brazil's informal economy.
In fact, about one-third of the country's economy escapes official records. To overcome this hurdle, the team developed machine-learning models capable of estimating undeclared incomes using census data and sample surveys.
The results reveal an extremely rigid social system. Only 2.5% of children born into the poorest households manage to reach the wealthiest quintile of the population, while nearly half remain trapped in the same income bracket as their parents. In contrast, nearly one in two children born into the wealthiest quintile remains at the top of the distribution even as an adult.

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A 10-PERCENTILE INCREASE IN PARENTAL INCOME RANK IS ASSOCIATED, ON AVERAGE, WITH A 5.5-PERCENTILE INCREASE IN CHILD INCOME RANK

FROM THE POOREST TO THE RICHEST QUINTILE
Children born in the poorest 20%
-Remain in the poorest 20%: 46.1%
-Move up to the middle income bracket: 51.4%
- Move into the top 20%: 2.5%
In short, the data show an almost perfectly linear relationship between parents' economic status and their children's economic status. The higher up you are born, the higher up you stay.

LESS MOBILITY THAN IN THE UNITED STATES AND EUROPE
To measure how much parents' income influences their children's, economists use the so-called intergenerational persistence coefficient. The value can range from zero to one: the closer it is to zero, the more independent children's economic fate is from that of their parents; the closer it is to one, the more wealth and poverty tend to be passed down from one generation to the next. In the case of Brazil, the authors estimate a coefficient of 0.55, one of the highest values

ever observed in countries for which comparable data exist. In practice, more than half of the economic advantage or disadvantage associated with parents' status continues to be reflected in the status their children achieve as adults.

SOCIAL MOBILITY: AN INTERNATIONAL COMPARISON

Scholars of social mobility often use a graph known as the Great Gatsby Curve, named after F. Scott Fitzgerald's famous novel. The curve illustrates a seemingly paradoxical relationship: in countries where income inequality is higher, the chances of improving one's social status tend to be lower. In other words, the more unequal a society is, the more a family's starting point ends up determining its destination. Brazil is almost a textbook example of this relationship.

GENDER AND RACIAL INEQUALITIES

The study also shows that the impact of one's background is not the same for everyone. Women born into families with the same income as their male peers end up, on average, 14 positions lower in the distribution of individual income. Much of this gap is explained by differences in the labor market.
Even more significant is the data regarding race. As Diogo Britto explains, "Non-white children rank on average 7 percentiles below white children with the same parental income."

THE PAPER.
Intergenerational Mobility in the Land of Inequality, *by Diogo G. C. Britto, Alexandre Fonseca, Paolo Pinotti, Breno Sampaio, Lucas Warwar*

Non-white children raised in families with the same economic conditions as their white peers rank, on average, lower on the income scale. This gap is also reflected in access to education, prestigious professions and rates of teenage pregnancy.

WHERE YOU'RE BORN MATTERS ALMOST AS MUCH AS WHO YOUR PARENTS ARE

Regional differences in opportunities are enormous. In the more dynamic regions of the South and the Midwest, children from poor families manage to achieve much higher income levels than those recorded in the North and Northeast of the country.
Surprisingly, it is not necessarily the major metropolises like São Paulo or Rio de Janeiro that offer the best prospects for social mobility. Some rural areas in the South — historically populated by European immigrants — and agricultural regions driven by the soybean boom show better results. There is a veritable "corridor" of high social mobility running through the states of Paraná, Santa Catarina and Rio Grande do Sul.

PLACES CAN CHANGE DESTINY

Turning to the analysis of family relocations, the authors compared siblings who moved at different ages, estimating the impact of growing up in a more favorable area. "Movers converge linearly to the income of permanent residents in the destination area at a rate of 2.4% per year of childhood exposure," as Pinotti says.
In other words, every year spent as a child in an area with greater opportunities significantly improves future economic outcomes. According to estimates, more than half of the differences observed between regions are due to actual place effects, not simply to the characteristics of the families living there.

BREAKING THE CYCLE OF INEQUALITY

The study does not just tell the story of a country marked by deep inequalities. It also offers a new methodology for measuring social mobility in contexts where the informal economy is widespread — a reality that affects much of Latin America, Africa and many emerging economies.
It has become clear that opportunities do not depend solely on individual talent. They depend on the family, the school, the neighborhood and the region in which one grows up. In Brazil today, these factors continue to exert an extraordinarily strong influence. And for this very reason, the authors conclude, investing in the quality of education and in the most disadvantaged areas could be one of the most effective ways to break the cycle of inequality that is passed down from generation to generation.

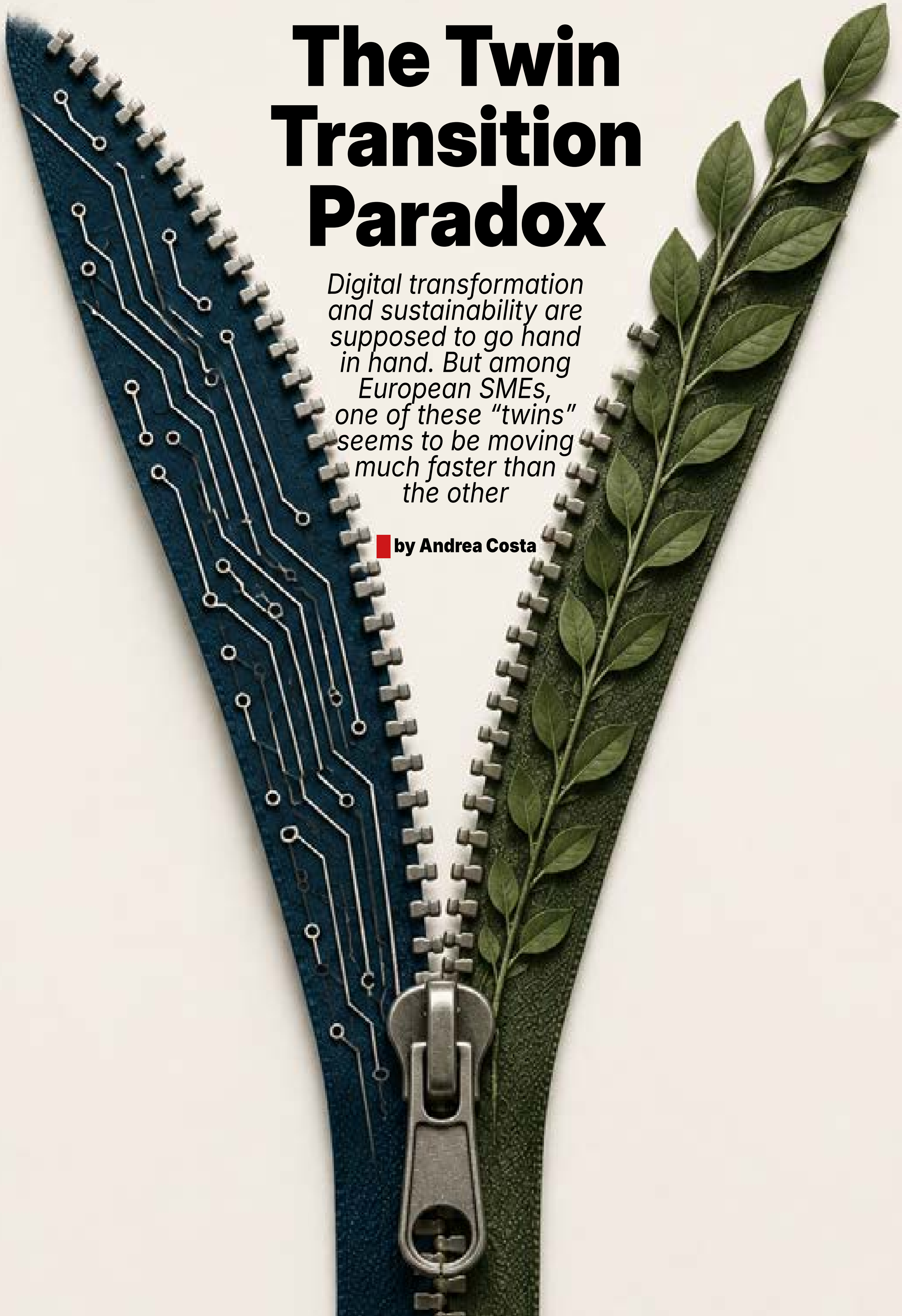
NON-WHITE CHILDREN RANK ON AVERAGE 7 PERCENTILES BELOW WHITE CHILDREN WITH THE SAME PARENTAL INCOME


Bocconi
Quando trovavo i tuoi
appunti sparsi per camera
Bocconi
ALESSANDRA FERRARI
Artificial Intelligence
E ora voglio
vedere decollare
la tua startup
We made it
Ci sono modi di sostenere uno studente
che solo un fratello può conoscere.
Il nostro è dare a ogni talento l'occasione
di esprimersi, offrendo un supporto
economico a un terzo dei nostri iscritti.

The Twin Transition Paradox

Digital transformation and sustainability are supposed to go hand in hand. But among European SMEs, one of these "twins" seems to be moving much faster than the other

by Andrea Costa



For years, Brussels has been repeating the same mantra: the future of the European economy lies in a "twin transition" — the digital and green transitions. On one hand, Artificial Intelligence, the cloud and data analytics; on the other, energy efficiency, the circular economy and emissions reduction. Together, they should make businesses more innovative, resilient and competitive. On paper, it seems like a perfect combination, but what happens when this theory meets the day-to-day reality of European small- and medium-sized enterprises?
The answer comes from a new study by **Nicoletta Corrocher** (ICRIOS – Invernizzi Center for Research on Innovation, Organization, Strategy, and Entrepreneurship, Bocconi University) and **Maria Luisa Mancusi** (Department of Economics and Finance, Università Cattolica del Sacro Cuore), published in *Industry and Innovation*. By analyzing more than 13,500 SMEs across 27 European countries, the authors tested one of the most widespread beliefs in contemporary industrial policy: that digital transformation and sustainability, when adopted together, generate superior economic results.
The verdict is, perhaps, different from what one might expect, because digital transformation works, but sustainability — at least in the short term — does so to a much lesser extent. And above all, the two approaches do not seem to reinforce one another. This is at the heart of what the authors call the "twin transition paradox."

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THE PAPER.
The twins paradox. Digitalization, sustainability, and the growth of European SMEs, *by Nicoletta Corrocher, Maria Luisa Mancusi*

EUROPE'S PROMISE OF THE TWIN TRANSITION

In recent years, the European Commission has built a significant part of its industrial strategy around the idea that digital technologies and sustainability are two sides of the same coin. Smart sensors, cloud platforms, blockchain and Artificial Intelligence are expected to help businesses consume less energy, reduce waste and better monitor the environmental impact of their activities. The underlying idea is that digital technology accelerates sustainability, and sustainability makes digital technology more competitive. Corrocher and Mancusi acknowledge that this vision has now become central to the European economic debate: "These two processes — often referred to as the twin transition — are increasingly viewed as interdependent engines of competitiveness and sustainability."
Yet, when we move from strategies to corporate financial statements, the picture changes.

WHAT THE DATA REALLY REVEALS

The study uses data from the European Commission's Flash Eurobarometer 486, one of the most comprehensive surveys dedicated to SMEs, startups and entrepreneurship. The authors examined the relationship between three factors: level of digitalization, commitment to environmental sustainability and revenue growth. The first finding comes as no surprise: companies that invest in digital technologies grow more.
As the authors summarize: "... digitalization is consistently and positively associated with revenue growth, supporting the view that digital capabilities are an important driver of performance in the

COMPANIES THAT INVEST IN ENVIRONMENTAL PRACTICES DO NOT SHOW SIGNIFICANTLY HIGHER REVENUE GROWTH

SME sector."
Behind this evidence lie well-known phenomena: greater operational efficiency, better information management, faster processes, new business models and a greater ability to reach customers and markets.
In other words, digital technology continues to be one of the most powerful growth accelerators for European SMEs.

SUSTAINABILITY IS NOT ENOUGH

While the findings on digital transformation confirm expectations, those on sustainability are decidedly less clear-cut. In fact, companies that invest in environmental practices — from energy conservation to material recycling to the development of sustainable products — do not show significantly higher revenue growth than others.
The authors do not mince words: "...the adoption of sustainability practices does not appear to exert a significant effect on revenue growth."
But there is an important caveat: this does not mean that sustainability has no value. Rather, it means that the economic benefits seem to materialize over longer time spans. A better reputation, greater stakeholder trust, lower regulatory risks and greater resilience are real advantages, but they rarely translate into an immediate increase in revenue.
Furthermore, for many SMEs, sustainability remains separate from the core of corporate strategy: something to be done to comply with regulations, meet customer demands or improve the company's image, rather than a true driver of growth.

THE REAL PARADOX: THE "TWINS" DON'T WORK TOGETHER

The most interesting finding emerges when observing companies that invest simultaneously in digital transformation and sustainability.
If the twin transition theory were fully confirmed, these companies should achieve the best results. But that is not what the analysis reveals.
"We find no evidence of significant complementarities: pursuing both strategies simultaneously does not translate into superior performance."
In practice, a company that combines digital and environmental investments does not grow any faster than one that focuses primarily on digital.

A MATTER OF RESOURCES AND SKILLS

The study identifies several structural barriers to implementing both strategies. Smaller companies grow less. Companies that face difficulties accessing financing perform worse.
And many entrepreneurs must contend with shortages of technical and managerial skills precisely when they are called upon to manage two complex changes simultaneously.
For an SME with limited resources, investing in the cloud, cybersecurity, artificial intelligence, energy efficiency and new sustainable products can mean facing enormous organizational challenges.
It is therefore not surprising that many companies choose to prioritize investments with more immediate economic returns. And today, according to the data, these investments are primarily digital ones.

IMPLICATIONS FOR BUSINESSES AND POLICYMAKERS

Digitalization continues to be a key driver of business growth. But for the digital-sustainability combination to truly create value, we must move beyond a mindset of separate initiatives and build integrated strategies.
For European policymakers, however, the need for greater realism is becoming apparent. The dual transition does not happen automatically.
It requires specific skills, infrastructure, funding and support tools — especially for smaller businesses.
The real challenge is not convincing companies to become digital or sustainable. It is helping them become both at the same time. For now, the study concludes, the two twins of European transformation still seem to be walking parallel paths.
And until they truly begin to collaborate, the promise of the twin transition risks remaining stronger in strategic documents than in companies' economic results.

The World Beyond the Walls

From development aid to peacekeeping missions and migration policies, Western countries are gradually scaling back their engagement with the Global South. This shift is set to have consequences well beyond their borders

by Kerim Can Kavakli

Until the mid-2010s, rich democratic countries in the West sought to improve the lives of people in the Global South in various ways. They provided development aid, mediated peace agreements, deployed peacekeepers, and welcomed migrants and refugees. A decade later, every major form of Western engagement is in retreat. Although these trends are most visible in the United States under Donald Trump, they extend well beyond it.

THE DECLINE OF DEVELOPMENT AID

For decades, the West's main tool in addressing poverty in the Global South was foreign aid. Trump's dismantling of the US aid program is well-known: according to the OECD, US aid was halved from roughly $65 billion to $28 billion in a single year. But the US is not unique among Western donors. Aid from the UK, Germany and France peaked earlier, in 2019, 2022 and 2022, respectively. In total, official development assistance from OECD countries peaked in 2023 (at $230 billion) and fell to $165 billion in 2025, a decline of roughly 30%.

LESS MEDIATION AND FEWER PEACEKEEPING MISSIONS

War is another major problem holding back the Global South, and there are more ongoing conflicts today than in recent decades. After the Cold War ended, Western countries sharply increased their involvement in peacemaking and peacekeeping (i.e. stopping wars and maintaining peace). During the 1990s and 2000s, approximately 20% of conflicts saw mediation attempts, usually led by Western diplomats or international organizations. Peacekeeping operations also expanded dramatically, often under United Nations mandates. Today, both trends have reversed. The share of mediated conflicts has steadily declined since the 2010s. The last new UN peacekeeping mission was authorized in 2014. Since then, several operations have closed, and the number of peacekeepers deployed globally has fallen by about 50% in the last decade. Once again, this is not simply an American story. The decline in Western conflict resolution began before Trump and extends well beyond the United States.

THE TIGHTENING OF MIGRATION POLICIES

Lastly, there is a broad retreat in migration policy. The Trump administration's hostility toward migrants and refugees, especially those from poorer countries, is widely publicized, but many other Western countries have also adopted more restrictive migration policies. For example, governments in Australia, Italy and the UK have implemented or proposed deporting asylum-seekers to unsafe third countries even though this would violate international treaties. Meanwhile, the number of refugees and immigrants coming to Europe from non-EU countries has declined sharply in recent years.

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THE CAUSES AND COSTS OF RETRENCHMENT

Several forces are driving these changes. Economic growth in Europe has slowed significantly since the 2008 financial crisis, making voters more inclined to prioritize domestic programs over helping foreigners in distant countries or helping foreigners who arrive on their shores. Nativist and nationalist parties amplify concerns about migration by portraying immigrants as chief causes of public spending, unemployment and crime in the West, which is an exaggeration.

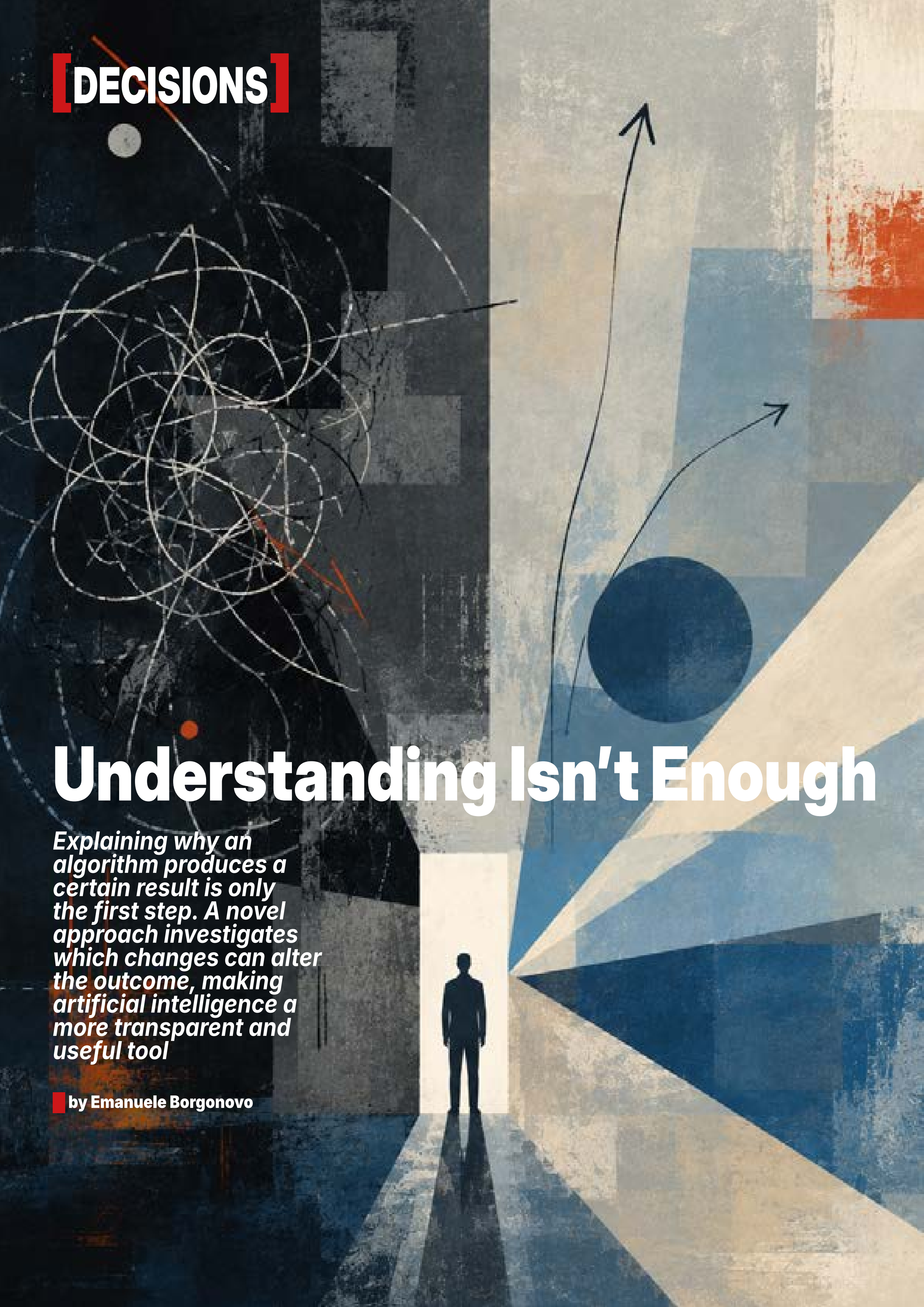
Of course, people can want governments to focus more on domestic problems. But turning inward does not eliminate global problems; it simply leaves fewer countries willing to address them. Moreover, it is unlikely to solve the real challenges that face Western societies. Slow growth, strained public finances and political polarization are overwhelmingly homegrown.

At the same time, the achievements of Western programs in improving the lives of people in the Global South do not receive the attention they deserve. For example, there is strong evidence that peacekeeping improves peace at a relatively low cost and financial aid improves public health in recipient countries. Unfortunately, these successes are less visible than the wars that continue or the poverty that persists. When people see only the problems that remain, it becomes easy to conclude that decades of efforts achieved little.

ENGAGEMENT THAT HAS DELIVERED BENEFITS

That conclusion would be a mistake. The West's engagement with the Global South has never been perfect, but it has produced real benefits. As the West shrinks its aid, scales back its peace efforts, and closes its borders, the costs will not disappear. They will simply be borne by the world's poorest people. Therefore, rich democratic countries in the West should remain engaged with the Global South rather than follow Trump's example. Decades of Western efforts have produced tangible results, and the vacuum left by the United States makes those efforts more necessary than ever.

TURNING INWARD DOES NOT ELIMINATE GLOBAL PROBLEMS; IT SIMPLY LEAVES FEWER COUNTRIES WILLING TO ADDRESS THEM



Understanding Isn't Enough

Explaining why an algorithm produces a certain result is only the first step. A novel approach investigates which changes can alter the outcome, making artificial intelligence a more transparent and useful tool

by Emanuele Borgonovo

Artificial intelligence (AI) is increasingly used to support decisions in areas such as finance, hiring, and risk management. While these systems can be highly accurate, they often operate as "black boxes," making it difficult to understand how decisions are made. Even more importantly, they usually fail to answer a practical question: how can a decision be changed?
My paper *How do I explain that decision? A new approach combining counterfactuals and sensitivity analyses* introduces a new approach to explainable AI that goes beyond interpretation and supports actionable decision-making. It combines two established tools — counterfactual analysis and Shapley values — to explain not only why an outcome occurred, but also how it could be improved.

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THE PAPER.
How do I explain that decision? A new approach combining counterfactuals and sensitivity analyses, *by Xuefei Lu, Emanuele Borgonovo*

THE LIMIT OF TRADITIONAL METHODS

Most existing explanation methods identify which factors influenced a decision, but they do not provide clear guidance on how to achieve a better outcome. For example, a rejected loan applicant might learn that income or savings mattered, but not which change would be most effective in reversing the decision.

THE ROLE OF COUNTERFACTUAL AND SHAPLEY VALUES ANALYSES

The proposed approach addresses this limitation by focusing on transitions between outcomes. Starting from an individual's current situation, it identifies a nearby alternative (a "counterfactual") where the outcome improves—for instance, from not creditworthy to creditworthy. It then quantifies how much each change contributes to the improvement.
To attribute importance to various factors, the method builds on Shapley values, a concept from game theory. However, standard implementation can be misleading in this context, because they are designed to explain individual predictions rather than differences between outcomes. The paper resolves this issue by redefining Shapley values so that they directly explain the variation between two situations.

REALISTIC AND APPLICABLE EXPLANATIONS

A second innovation addresses a practical limitation of many AI explanations, that they often rely on unrealistic or impossible combinations of features. The proposed method introduces "feasible Shapley values," which exclude limited cases and restrict the analysis to realistic scenarios.

BENEFITS FOR PEOPLE AND ORGANIZATIONS

The methodology offers benefits at multiple levels. For individuals, it identifies which changes are most effective, their direction, and their relative importance. For organizations, applying the analysis across a large number of cases reveals systematic patterns, supports better risk management, and can uncover potential biases or discrimination in the data or models.
Overall, this work reframes explainability in AI, shifting from simply understanding model behavior to supporting better decisions. It provides a practical step forward toward making AI systems not only transparent, but genuinely useful for decision-making.

THE OBJECTIVE IS UNDERSTANDING NOT ONLY WHY AI TAKES A DECISION, BUT HOW YOU CAN ALTER THE OUTCOME

The Memory of Inflation

When prices accelerate, economists and markets tend to imagine that the phenomenon will last longer than expected. This systematic forecasting error has an effect on interest rates, mortgages, investments and wealth distribution

by Luigi Iovino

Almost every economic decision depends on expectations, especially long-term ones. Expectations shape how households borrow, how firms invest, how governments issue debt, and how markets set interest rates. When a household takes out a mortgage, for example, it is not only thinking about today's income and today's prices. It is also making a bet on future inflation, future income, and future interest rates.

FORECASTS TEND TO OVERESTIMATE FUTURE INFLATION

In a recent paper, my coauthors and I study inflation forecasts made by banks in 18 advanced economies between 1989 and 2022. We document a striking result: when expected inflation is high today, forecasters tend to overreact and overestimate future inflation. This mistake is small in the short run, but much larger at longer horizons, especially five to ten years ahead. When inflation rises, forecasters often behave as if it will remain high for a long time. Forecast errors can always occur. Wars, energy shocks, and financial crises are hard to predict. The errors we document, however, are different. They are systematic: they are not random mistakes that simply average out, but reflect predictable biases that, at least in principle, could have been avoided.

THE WEIGHT OF MEMORY ON EXPECTATIONS

Why does this happen?
Our research suggests that memory plays an important role. When current inflation is high, forecasters are more likely to recall past episodes of high inflation. Memories of inflation become more "salient" and receive more weight in forecasts. A country's inflation history matters for how people imagine its future. If a country experienced high and volatile inflation in the past, a new inflation spike may lead forecasters to expect it to stay high for too long.
These biased expectations do not remain confined to forecasts.

LUIGI IOVINO
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THE PAPER. The Volatility of Inflation Expectations and Interest Rates, *by Edoardo Bonaglia, Daniele d'Arienzo, Nunzio Fallico, Nicola Gennaioli, Luigi Iovino*

They enter market prices. Nominal interest rates depend partly on expected inflation: if investors believe inflation will remain high for several years, they will demand higher nominal rates, especially on long-term bonds and loans. But if inflation expectations overreact to current news, so will interest rates. High inflation today can lead borrowers and lenders to agree on high rates, only for inflation to turn out lower than expected later on.

WHEN ESTIMATION ERRORS REDISTRIBUTE WEALTH

Forecast errors redistribute wealth. Consider a household taking out a fixed-rate mortgage when markets expect high long-term inflation. If inflation later turns out to be lower than expected, the household's repayments become heavier in real terms. The same logic applies to indebted firms and governments issuing nominal debt. The bond issuer loses; debt buyers gain.
This redistribution also matters for the wider economy. Borrowers, such as households with mortgages or firms financing investment, often spend more of their income than lenders. If their real debt burden rises, they may cut consumption or investment. Lenders may not increase spending by the same amount. The result can be weaker demand and lower output. If high inflation expectations emerge during booms, the correction may arrive later and make downturns worse.

WHEN INFLATION RISES, FORECASTERS OFTEN BEHAVE AS IF IT WILL REMAIN HIGH FOR A LONG TIME

LESSONS FOR POLICYMAKERS

Our research yields an important lesson for policymakers. Inflation is costly not only because prices rise today, but also because high inflation can become part of a country's collective memory. If households and investors live through a long period of high inflation, that experience may shape expectations for years. Even after inflation falls, people may continue to fear that it will return. This can keep long-term inflation expectations too high and push up market interest rates. For this reason, policymakers must act quickly when inflation rises. The goal is not only to bring current inflation down, but also to prevent a high-inflation episode from becoming a lasting reference point in people's minds. A short inflation shock is painful; a long inflation memory can be even more damaging.

How We Think About the Economy

Being denied credit does more than limit access to borrowing. It can change the way households perceive the economy, making them more pessimistic about inflation, employment and credit conditions

by Josefina Cenzon

Macroeconomic expectations drive how households spend, save and borrow. But thinking about the macroeconomy is not easy: people do not observe most of the relevant information, and few have the time or training to piece it together. So when forming views about inflation, unemployment or credit conditions, households fall back on what feels closer to them: their own experiences.

That experiences matter for expectations is well established. What has been less clear is whether they shape beliefs in a predictable way, especially across different economic domains. My paper, *Credit Market Experiences and Macroeconomic Expectations: Evidence and Theory*, shows that they do, and that the pattern lines up with how memory works.

Using almost a decade of US micro survey data, I link households' personal credit experiences to their views about inflation, unemployment, credit conditions and stock prices. The setting is highly relevant: nearly half of US households apply for credit each year, and about one in five applicants is denied.

HOUSEHOLDS RECENTLY DENIED CREDIT ARE SYSTEMATICALLY MORE PESSIMISTIC THAN OTHERWISE SIMILAR ONES

A REJECTION GAP THAT SPANS MACROECONOMIC BELIEFS

The study shows that households recently denied credit are systematically more pessimistic than otherwise similar ones. They expect tighter credit, higher inflation, higher unemployment and lower stock prices, and this pessimism follows a clear order: largest for credit, smaller for inflation and unemployment, smallest for stocks. Standard explanations cannot account for it: rejections do not carry enough information to justify the pessimism they generate, and the gap is not explained by rejected households being more pessimistic types — it remains after accounting for household characteristics, credit histories, risk attitudes and prior beliefs.

A MEMORY-BASED VIEW OF EXPECTATIONS

The evidence points instead to a memory-based mechanism. People form views about the future partly from what comes to mind, and a salient negative experience such as being denied credit makes other negative episodes easier to recall. Those memories then shape expectations about the broader economy. Consistent with this, rejected households remember recent credit conditions as tighter than they actually were, and once I account for these memory distortions, the link between rejection and expected future credit tightening becomes much smaller.
To test the mechanism further, I designed a complementary survey asking US credit users how similar a credit rejection feels to different macroeconomic scenarios. The answers mirror the pattern in beliefs: a rejection is seen as very similar to a credit crunch, somewhat similar to high inflation or unemployment, and only weakly similar to a stock-market decline.
The evidence suggests that personal rejections are indeed perceived as macro-relevant for households, and that their associations are predictable, structured by perceived similarity.

JOSEFINA CENZON, *Assistant Professor, Department of Finance, Bocconi University*

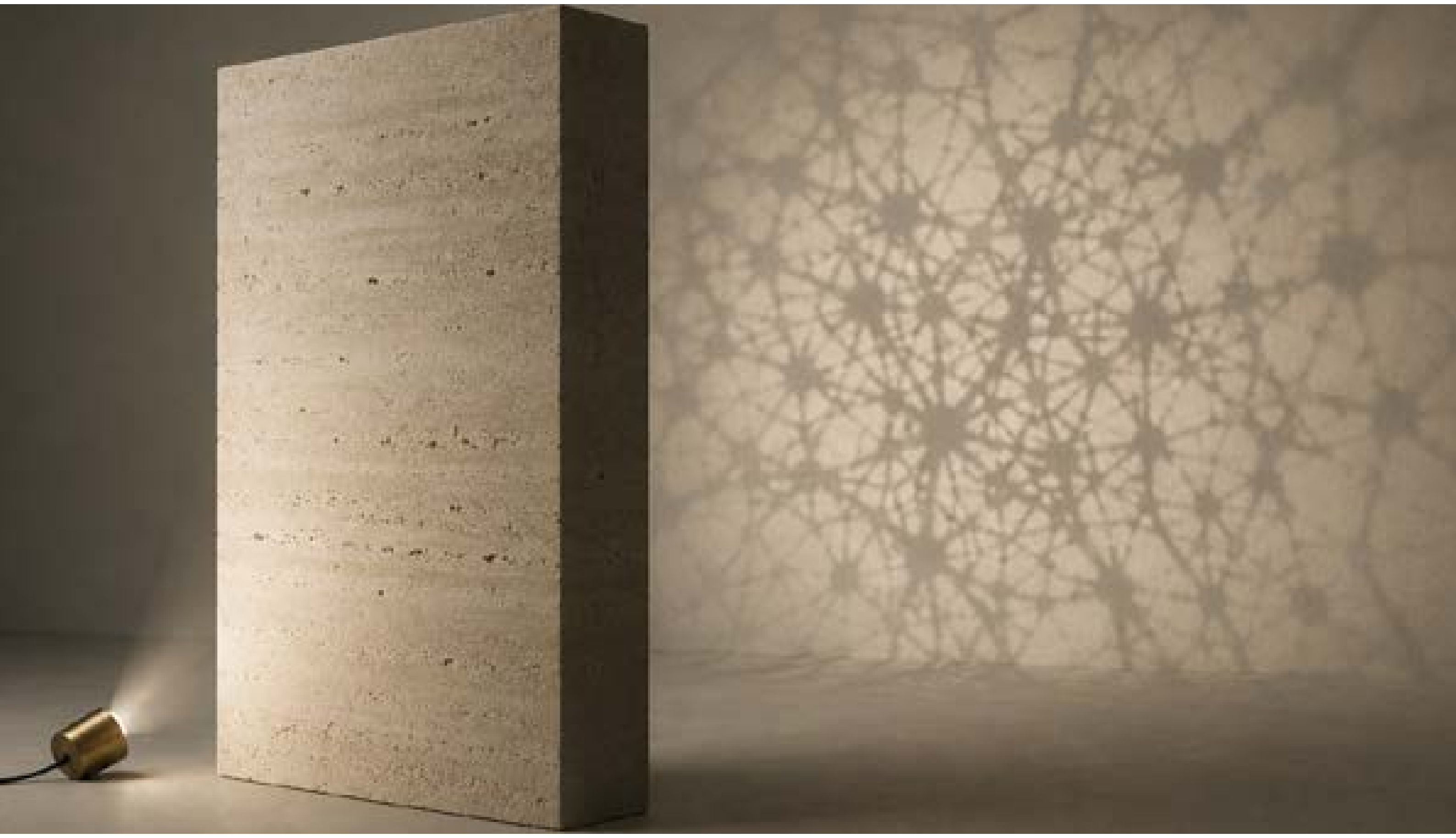
THE PAPER. Credit Market Experiences and Macroeconomic Expectations: Evidence and Theory, *by Josefina Cenzon*

FROM BELIEFS TO BEHAVIOR

Credit rejections shape household behavior directly, by limiting access to borrowing. But the paper shows they can also operate through a second, indirect channel: beliefs. In line with this, I further show that rejected applicants are less likely to plan durable purchases, and that their macroeconomic pessimism accounts for about 10% of this rejection-spending association. This belief channel is stronger among younger households, who have fewer past experiences to weigh against a recent negative one, and among lower-income households, for whom rejections tend to be more costly.

BROADER IMPLICATIONS

The paper offers a way to make "sentiment" more concrete, tracing pessimistic beliefs back to specific household experiences and to the predictable ways memory selects what comes to mind. Credit rejections are likely only one example: concurrent research points to other personal events that shape macroeconomic beliefs in similarly structured ways, with broader implications for how aggregate demand responds to household-level shocks.
More broadly, the findings suggest that policies affecting credit access can influence households not only through the loans they receive or do not receive, but also through the beliefs they form afterward.



The Hidden Fundamentals of Cryptocurrencies

Blockchain activity, network security and investor attention provide valuable information for interpreting crypto markets. A Bocconi study shows that even in an environment often regarded as purely speculative, there are signals capable of anticipating returns

by Massimo Guidolin, Serena Ionta

For years, cryptocurrencies have been described as markets without anchors: no dividends, no cash flows, no balance sheets, no obvious fundamental value. Prices rise and fall with extreme violence, narratives change quickly and attention often seems to move faster than the technology itself. But is this really a market without fundamentals? Or are its fundamentals simply different from the ones finance is used to observing and discounting?

THE DIFFERENT FUNDAMENTALS OF CRYPTOCURRENCIES

This is the starting point of our research on predictive sorting in cryptocurrencies. The question is not whether Bitcoin or Ethereum can be valued like a stock. They cannot. The more interesting question is whether crypto markets contain signals that help us understand what investors collectively expect. If a blockchain is a network, the intensity of participation in it should matter. If security requires computational power, the hash rate (i.e. the total computational power used by miners to validate transactions and secure the Bitcoin network) should matter. And if prices are shaped by attention, fear and enthusiasm, sentiment should matter too.

THREE SIGNALS FOR READING THE MARKET

We look at three signals: active

users, hash rate and Google search intensity. The first captures network participation. The second captures the resources committed to securing a blockchain. The third captures public attention. In traditional finance, fundamentals and sentiment are often treated as separate worlds. In crypto, they coexist almost visibly. A protocol may be technically robust but ignored. A token may attract attention, yet lack strong fundamentals. Expectations are formed in the midst of the tension between these forces.
The evidence in our work suggests that this tension is informative. Using weekly data from August 2015 to April 2025, and subsequently extending the analysis to 40 cryptocurrencies, we find that these signals help forecast returns out of sample. This matters because the exercise is not limited to explaining the past with hindsight. The fundamental predictors are asked to forecast cryptocurrency prices in real time, against a simple benchmark based on historical average returns. In most cases, they do.

PREDICTABILITY, ATTENTION AND ECONOMIC VALUE
This result is especially striking because predictive power is not confined to the assets for which the signals seem most natural. Hash rate is technically tied to proof-of-work systems, yet it also contains information for non-mineable cryptocurrencies. This suggests that blockchain fundamentals may work not only as engineering variables, but also as market-wide indicators of trust, security and activity. Similarly, Google sentiment is not just noise. It often performs as well as more conventional blockchain indicators. Attention is not external to crypto pricing. It is part of the market's infrastructure.
Does this mean that crypto returns become easy to predict? No. It means something more modest, and more useful: some cryptocurrencies are more predictable than others, and that difference has economic value. When we sort cryptocurrencies according to past predictive performance, buying those with stronger predictability and selling those with weaker predictability, the strategies generate positive returns and significant alphas. The effect is stronger when predictability is measured in risk-adjusted terms. For investors, a forecast matters only if it improves the trade-off between return and risk.

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[***THE PAPER.***
Predictive sorting of cryptocurrencies based on fundamentals and sentiment, *by Massimo Guidolin, Serena Ionta*]

A MORE DISCIPLINED WAY OF READING CRYPTO MARKETS
What does this change in the way we read crypto markets? First, it suggests that crypto markets are not pure casinos driven by sentiment fluctuations. They do react to attention, but attention itself can be measured and interpreted. Second, blockchain variables such as users and hash rate are not merely technical details. They provide measurable traces of adoption, security and confidence. Third, the boundary between fundamentals and market mood is unusually porous. In crypto, use, trust and attention move together more closely than in traditional asset classes.
The point is not that crypto assets can now be valued with the same tools used for equities or bonds. They cannot. The point is more limited, but important: blockchain activity and investor attention contain information that markets seem to process. For researchers and investors, this offers a more disciplined way to look at a market often described as purely speculative: not by searching for one definitive fundamental, but by asking which observable signals help distinguish noise from economically useful information.

SOME CRYPTOCURRENCIES ARE MORE PREDICTABLE THAN OTHERS, AND THAT DIFFERENCE HAS ECONOMIC VALUE

[CLIMATE ECONOMICS]

The Fungus That Stole a Generation’s Future

A cocoa disease in Brazil left permanent scars on education, wages and child labor. A Bocconi study shows why climate shocks can evolve into long-term social crises

by Barbara Orlando

YURI BARRETO
Postdoctoral Researcher, Bocconi University

Environmental shocks do not end when the emergency is over. Their effects can persist for decades, reshaping education, income and social mobility across entire generations.
That is the conclusion of *From Fields to Futures: The Lasting Effects of Crop Diseases on Education and Earnings*, published in the *World Bank Economic Review* by **Yuri Barreto**, postdoctoral researcher at Bocconi University, and **Rodrigo Oliveira** of UNU-WIDER.
The study begins with what appears to be a local story — the collapse of cocoa production in the Brazilian state of Bahia following the outbreak of the witches'-broom fungus — but arrives at a much broader conclusion: when an agricultural shock becomes permanent, it can turn into an intergenerational social shock.
"Many economic studies focus on temporary crises," Barreto explains. "What we show instead is what happens when a community is unable to return to its previous condition. In that case, employment, income, family investments and even children's educational opportunities all change."

FROM AGRICULTURAL COLLAPSE TO HUMAN CAPITAL LOSS

The research shows that children who grew up in areas hit by the cocoa crisis were: less likely to complete primary and secondary education; more likely to earn lower wages as adults; more likely to enter informal employment.
The strongest effects were found among children aged between 0 and 12 at the time of the shock.
According to the authors' estimates, young people exposed to the crisis were 10.5% less likely to complete high school and earned wages 5.1% lower than their unaffected peers.
For Barreto, the mechanism is straightforward:
"When household income collapses and adequate social protection systems are absent, families react by cutting investment in education. Children start working earlier, and this produces permanent consequences for their economic prospects."
The paper documents a 30% increase in child labor in the affected areas.

BAHIA'S UNINTENDED EXPERIMENT

Until the 1980s, Brazil was the world's second-largest cocoa producer. The state of Bahia depended almost entirely on cocoa cultivation. Then came witches'-broom, a fungal disease affecting cocoa trees that wiped out 80% of production in less than a decade.
Around 250,000 workers lost their jobs.
But the study's central point is that the region never truly managed to reinvent itself. Unlike other agricultural crises studied in economic history, no alternative crops

WHEN HOUSEHOLD INCOME COLLAPSES AND ADEQUATE SOCIAL PROTECTION SYSTEMS ARE ABSENT, FAMILIES REACT BY CUTTING INVESTMENT IN EDUCATION

emerged to replace cocoa. Dependence on monoculture, concentrated land ownership and environmental constraints prevented a real economic transition.
“Bahia was extremely vulnerable because its entire economy revolved around a single crop,” Barreto says. “When cocoa collapsed, it was not just an agricultural sector that failed — the entire local economic structure fell apart.”
The data show that agricultural land values declined by nearly 50%, while the total value of agricultural assets dropped by 71%.

THE RETURN OF SEMI-FEUDAL LABOR

One of the study’s most striking findings concerns the transformation of labor relations.
As many landowners went bankrupt, the meeiro system spread across the region — a form of sharecropping in which families cultivate small plots of land while handing over half of the harvest to the landowner.
According to the authors, these arrangements encouraged the expansion of family and child labor and often created conditions close to exploitation.
“We did not observe only a reduction in income,” Barreto says. “We also saw the emergence of a new labor organization — more precarious and increasingly dependent on family and child labor.”
For the researchers, this structural transformation helps explain why the effects of the crisis proved so persistent.

A WARNING FOR THE CLIMATE FUTURE

Today, the paper speaks to far more than the Brazilian experience.
As climate change accelerates, the spread of fungi, pests and crop diseases is expected to intensify, especially in regions heavily dependent on monocultures — from cocoa in West Africa to maize in Zambia and palm oil in tropical economies.
The research suggests that the costs of these shocks may run far deeper than commonly estimated.
“When we talk about climate change, we tend to think about crop losses or rising food prices,” Barreto concludes. “But the real danger is that these shocks can alter people’s life trajectories. An agricultural crisis can become an educational and social crisis lasting an entire generation.”

THE PAPER. The Lasting Effects of Crop Diseases on Education and Earnings, *by Yuri Barreto and Rodrigo Oliveira*

THE BOOK. *In 2015, Andrea Illy discovered that 50% of the land suitable for coffee cultivation would no longer be viable by 2050 due to climate change. This marked the beginning of a journey that would lead him to completely rethink the relationship between business and nature, and between growth and well-being. In this map-like book,* La società rigenerativa*, Illy describes the possible transition from the extractive paradigm—which has dominated Western economies since Descartes and Bacon—to a regenerative model that places the individual at the center as the steward of natural capital. (Egea, 2025, 152 pp., €22, in Italian).*

Beyond the Myth of Non-Western Bureaucracies

From Asia to Latin America, Marlene Jugl's research challenges established interpretations of how states function

by Andrea Costa

For decades, policymakers and scholars have relied on neat labels to describe how governments function: "Latin American bureaucracy," "post-communist administration," "Asian model." These categories are supposed to provide clarity, but they may be doing more harm than good. A recent article in *Public Administration and Development* takes a hard look at this conventional wisdom, using data from 29 countries across Asia, Eastern Europe and Latin America. The result is that the realm of public administration is far more diverse — and far less predictable — than those labels suggest. In her article, **Marlene Jugl** (Department of Social and Political Sciences, Bocconi University) sets out to challenge a deeply rooted bias: the tendency to interpret non-Western systems through overly broad and often Western-centric categories.

THE PROBLEM WITH "NON-WESTERN" LABELS

At the heart of the study lies a simple but powerful critique. For years, administrative systems outside Europe and North America have been grouped into catch-all categories. As Jugl puts it, "Non-Western countries are often summarized under broad labels, such as post-communist or postcolonial."
The point here isn't just terminology — it's accuracy. These labels assume

a level of similarity that often doesn't exist, masking deep institutional differences between countries that share little beyond geography or history.

A NEW WAY TO READ GOVERNMENTS

Instead of starting from historical "traditions," Marlene Jugl flips the approach. She builds a classification based on how administrations actually function today.
To do this, the study examines 10 key features — from politicization and bureaucratic professionalism to decentralization and citizen participation — and condenses them into two broader dimensions: Citizen orientation: whether public administration primarily serves citizens or political and bureaucratic elites; Structural concentration: how centralized or fragmented the state apparatus is
As Jugl explains, "Rather than classifying countries based on shared historical trajectories, I explicitly start from recent empirical data to map contemporary administrative systems."
This shift moves the debate from theory to evidence — and the results reveal patterns that defy conventional wisdom.

THREE REGIONS, MANY REALITIES

Asia: One continent, two administrative worlds
The study finds a sharp divide within Asia. Countries like Japan, South Korea and Singapore show relatively high citizen orientation and low levels of political interference. In contrast, countries such as India and Bangladesh display more fragmented systems and stronger influence from political actors.
What emerges is not an "Asian model," but at least two distinct administrative patterns.
Eastern Europe: Beyond the "post-communist" myth
Often treated as a single bloc, Eastern European countries turn out to be anything but uniform.
Some — especially those more integrated into the European Union — display administrative features more similar to Western Europe, including higher accountability and stronger citizen orientation.
Others remain more centralized and politicized. The difference is so strong that the "post-communist" label has begun to lose analytical meaning.
Latin America: A region split in two
Latin America also defies expectations. Rather than a single administrative tradition, the study identifies two broad groups.
Countries like Chile and Costa Rica show relatively strong accountability and citizen-focused governance.
Meanwhile, others — such as Mexico and Peru — struggle with higher politicization and weaker institutional trust.
This internal divide reflects long-standing structural differences, but the data makes one thing clear: there is no single "Latin American bureaucracy."

A DIFFERENT APPROACH

The implications go well beyond academic classification. Understanding how administrations actually work is crucial for policy design. Reforms that succeed in one country often fail in another not because they are flawed, but because the institutional context is fundamentally different. And to know that we need a more accurate classification of contexts.
As the paper notes, comparative analysis helps determine "whether lessons... can be transferred from one context to another."
The study ultimately paints a nuanced global landscape. Differences within regions can be just as large as those between them. Some non-Western countries resemble Western systems in key respects, while others follow entirely different paths. This complexity is not a flaw — it's a more accurate reflection of reality.
As Jugl concludes, "The empirical picture... is more complicated and blurred than the simplified 'traditions' used in the literature."
Rather than grouping countries into rigid categories, the study encourages a more flexible, evidence-based approach — one that recognizes diversity, avoids assumptions and reflects how public administration actually works today.

MARLENE JUGL
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THE PAPER.
Demystifying Non-Western Administrative Traditions: An Empirical Comparison of Administrative Systems in Asia, Eastern Europe, and Latin America, *by Marlene Jugl*

THE EMPIRICAL PICTURE... IS MORE COMPLICATED AND BLURRED THAN THE SIMPLIFIED 'TRADITIONS' USED IN THE LITERATURE

Does Criminal Law Extend Beyond National Borders?

Can liberal democracies punish conduct committed abroad that is permitted by local law? A discussion of the principle of double criminality and the limits it places on the penal authority of the state

by Tommaso Trinchera

Can a state punish a person for an act committed abroad if that act is prohibited by national law but legal in the country where it was committed?
The question may seem theoretical. In reality, it has important practical implications. Consider, for example, Italian citizens who, wishing to have a child, travel abroad to resort to surrogate motherhood: a medically assisted procreation technique prohibited in Italy, but permitted and regulated in other jurisdictions. Recently, the Italian legislature intervened to expressly punish such conduct, with the stated intent of making surrogacy a "universal crime."

[***THE PAPER.*** "Here, There and Everywhere": Is Double Criminality A Requirement for Extraterritorial Jurisdiction? *by Tommaso Trinchera*]

IT IS NOT INDIVIDUALS WHO EXIST TO SERVE THE STATE, BUT THE STATE THAT EXISTS TO SAFEGUARD AND PROTECT THE FREEDOMS OF INDIVIDUALS

PUNISHMENT ACROSS BORDERS

The problem, however, isn't limited to surrogacy. In the past, many Irish women traveled to the United Kingdom for abortions when termination of pregnancy was still prohibited by law in Ireland. Something similar still happens today in Italy, where, despite the Constitutional Court's interventions on end-of-life care, patients suffering from irreversible conditions continue to turn to Swiss clinics to have access to forms of assisted suicide that aren't permitted or accessible in our country. In all these cases, the question is always the same: can the criminal law of a country apply to deeds committed abroad, when those deeds are legal in the country where they were committed?
An argument in favor of extending criminal law beyond national borders is easy to see: if a trip abroad were sufficient to circumvent a ban imposed by national law, criminal law would risk being easily flaunted. The state therefore has a clear interest in preventing conduct deemed serious enough to warrant punishment under Italian law from being committed with impunity elsewhere.

THE DUTY OF OBEDIENCE CONFLICTS WITH DEMOCRACY

This reason, however, is not sufficient to justify extending the punitive power of the state beyond its national borders.
To demand that citizens must always and everywhere obey the criminal laws of their own state presupposes an unconditional duty of obedience towards the state. This conception can perhaps be applicable to an authoritarian state, which conceives the relationship between individual and authority as a relationship between subject and sovereign. It seems far less plausible in a liberal, pluralist and secular democracy, where that relationship is reversed: it is not individuals who exist to serve the state, but the state that exists to safeguard and protect the freedoms of individuals.
The issue can also be looked at from another perspective. When foreigners are in Italy, no one doubts that they are required to abide by the prohibitions imposed by Italian law.
Likewise, Italian citizens abroad should guide their conduct by considering the laws of the country where they are located.

TOMMASO TRINCHERA
Assistant Professor of Criminal Law, Bocconi University

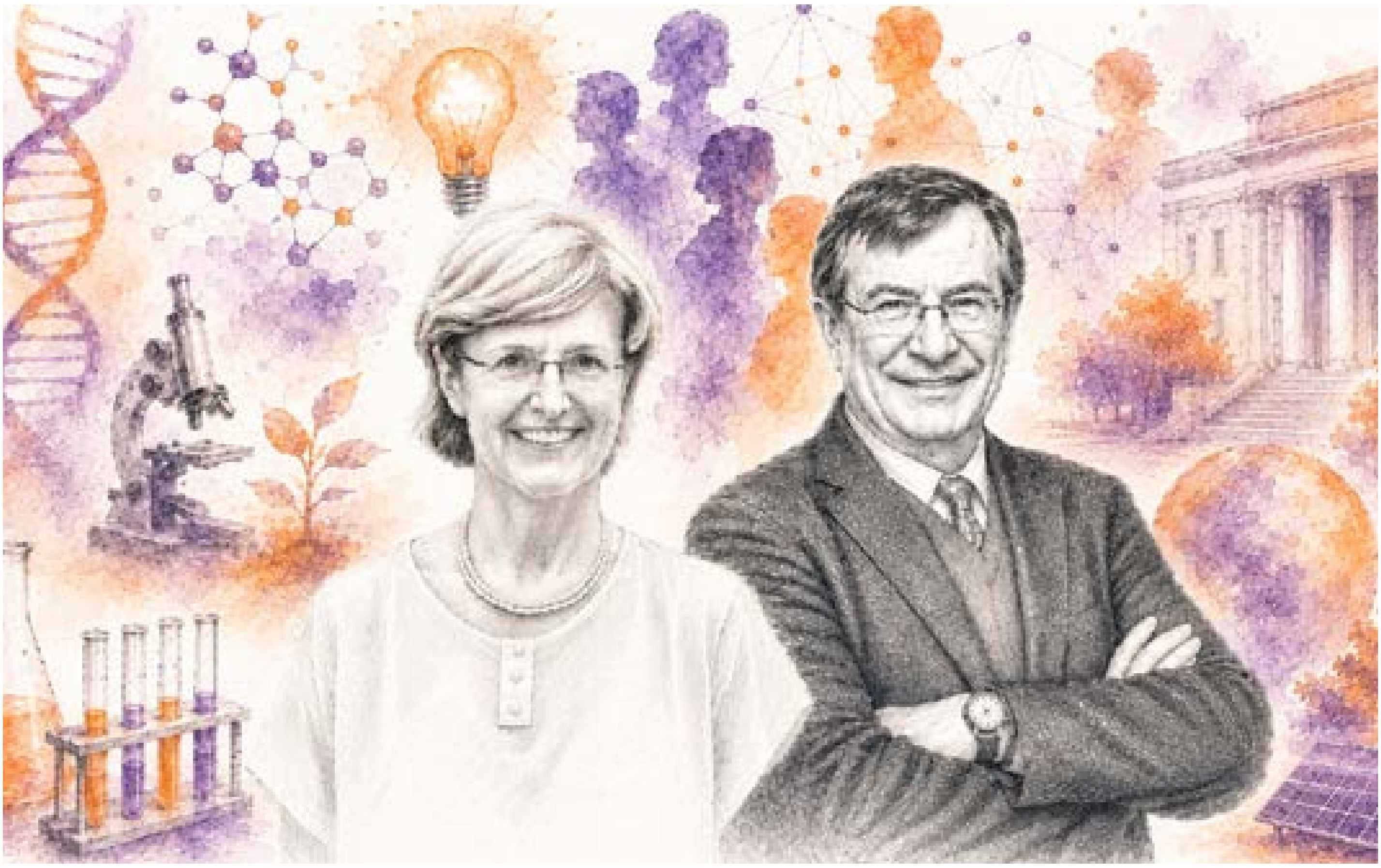
THE PRINCIPLE OF DOUBLE CRIMINALITY

This is where the principle of double criminality becomes relevant. According to this principle, the state can punish conduct committed abroad only if that conduct is also considered a crime in the country where it occurred. Naturally, this principle is subject to exceptions. Some conduct is so serious that it justifies state intervention beyond national borders: crimes against humanity, serious violations of fundamental rights and acts that threaten the security of the state. In these cases, the gravity of the offense may justify the application of national criminal law even to acts committed abroad. But these are, precisely, exceptions, not the rule.
The situation is different for types of conduct that are the object of profoundly divergent assessments in modern democratic societies, such as surrogacy, abortion or euthanasia, but also prostitution, drug use or gambling. In these cases, the fact that a state has chosen to prohibit a certain conduct is not, in itself, sufficient to justify the pretense to punish a person who committed the misdeed in a country that has made a different choice, deciding to permit and not punish that same conduct.
Requiring double criminality means taking pluralism seriously: it means recognizing that different legal systems can provide different answers to complex moral and legal questions. It means admitting that, as a rule, the authority of criminal law stops at the borders of the state. And it means taking seriously a founding principle of liberal democracies: criminal law cannot be transformed into an instrument of state control over citizens, but must remain the last resort to protect individual rights and freedoms.

Science? A Dimension of Citizenship

It's not enough to simply disseminate science: people need to understand it, discuss it and be empowered by it, so as to be able to use science to take collective decisions. As Paola Dubini and Fiorenzo Galli argue in the book Scienza è cultura *(Egea), what is at stake is building scientific citizenship*

by Barbara Orlando



The thesis is clear and hardly comforting: simply "communicating science better" is no longer enough. The problem runs deeper. In contemporary societies, science has become a structural component of public decisions, but the cultural tools for understanding scientific options remain fragile, unequal and often inadequate. The result is a short circuit: on the one hand, the risk of technocracies imposing decisions in the name of evidence; on the other, a growing popular distrust that fuels polarization and rejection.

PAOLA DUBINI
Associate Professor of Management, Bocconi University
FIORENZO GALLI
Director General of the Leonardo da Vinci National Museum of Science and Technology

This is the starting point for *Scienza è cultura* (Egea), a dialogue between **Paola Dubini**, Professor of Management at Bocconi University, and **Fiorenzo Galli**, Director General of the Leonardo

da Vinci National Museum of Science and Technology. Two different perspectives — academic and museal — converging on a single conclusion: science cannot remain the realm of experts. It is a question of active citizenship.
"Science doesn't offer definitive certainties, but verifiable tools for navigating uncertainty," observes Dubini. "The problem is that scientific tools aren't yet shared social heritage." Indeed, the issue isn't how much we know, but how — and if — we're able to understand: "The gap between science and society isn't natural: it's constructed," adds Galli. "And it can only be narrowed by making science part of civic culture."

What does scientific citizenship really mean, and why is science no longer a topic for insiders today?
PAOLA DUBINI. It means recognizing that science isn't something we can observe from the outside. The decisions that matter — from health to energy, from technology to the environment — are increasingly based on complex scientific knowledge. If you don't have the tools to embrace this complexity, you effectively give up participating. Scientific citizenship is the ability to understand, evaluate and use this knowledge in collective decision-making processes.
FIORENZO GALLI. It's not about turning everyone into a scientist, but about empowering people to exercise judgment on collective decisions. The problem is that this kind of expertise is currently undistributed. And when it's lacking, two opposing reactions arise: either total delegation to experts or wholesale rejection of science. Neither is compatible with a mature democratic society.

Isn't increasing the amount of scientific information available enough?
DUBINI. Greater scientific literacy is certainly necessary, but it's only the first step. Science doesn't produce definitive truths, but always provisional results, based on the knowledge available at a given time. If this isn't properly understood, any shift in scientific consensus can be perceived as inconsistency or manipulation. Informing isn't enough: we need to build the capacity for interpretation.
GALLI. We saw this clearly during the pandemic. Citizens demanded certainty, but science could only offer progressively more solid hypotheses. This misalignment generated mistrust. And when communication simplifies or hides uncertainty, the result is even worse.

How significant is the gap between the scientific community and society today?
GALLI. Very. Scientific progress follows imperfect but relatively transparent processes within scientific communities, in peer-to-peer debates, but this remains highly unclear to the outside world. For those outside the scientific community, language and rules remain opaque. This fuels the perception of a closed, distant community.
DUBINI. And this distance is grafted onto strong information asymmetries. Citizens must form opinions on complex issues without always having the tools to do so. Misinformation, simplification and polarized narratives creep into this gap.

SCIENCE DOES NOT OFFER DEFINITIVE CERTAINTIES, BUT VERIFIABLE TOOLS FOR NAVIGATING UNCERTAINTY

In your book, you emphasize that science is a human activity. Why is this such an important point?
DUBINI. Because it helps avoid two polar errors: considering it infallible or considering it manipulated. Science is made of trial, error and verification. It progresses in small steps and admits its own fallibility. It is precisely this structure that makes it reliable in the long term.
GALLI. But this nature is difficult to accept outside scientific communities. Uncertainty is often interpreted as a weakness, while it is actually a structural

component of the scientific method. If this isn't understood, the relationship with science remains fragile.

Today, research is increasingly intertwined with economic and political interests. What impact does this have on scientific citizenship?
GALLI. A huge impact. Research is no longer conducted only in universities, but also in companies, often with much greater resources. This isn't a problem in itself, but it changes the balance: priorities can be driven by economic logic rather than collective needs.
DUBINI. And this makes citizens' ability to orient themselves even more important. If the trajectories of science are influenced by various actors — public and private — greater awareness is needed for society to discuss and evaluate these interests.

What role should the state have in this scenario?
DUBINI. A balancing role. The state is provider, regulator and mediator. It must ensure that research responds to public, and not just private, interests, and must create the conditions for informed debate.
GALLI. But it must also accept a difficult challenge: communicating uncertainty. Politics tends to offer clear-cut answers, science does not. Integrating these two logics is complex, but inevitable.

What, then, is the specific contribution of scientific citizenship to democracy?
DUBINI. It enables a more solid debate. It does not eliminate conflict, but shifts it to shared informational bases. It allows us to discuss collective choices without reducing them to ideological or emotional conflicts.
GALLI. Without this expertise, the risk is twofold: either science is used as a technocratic tool, or it is rejected as an imposition. In both cases, the quality of public decisions is diminished.

THE GAP BETWEEN SCIENCE AND SOCIETY IS NOT NATURAL: IT IS CONSTRUCTED. AND IT CAN ONLY BE BRIDGED BY MAKING SCIENCE PART OF CIVIC CULTURE

Universities, schools, museums: who should build this scientific citizenship?
GALLI. Everyone, but cultural institutions have a crucial role. Science museums, for example, can be places of mediation, not just dissemination: spaces where experimentation, discussion and familiarity with complexity are built.
DUBINI. It requires ongoing work, throughout one's lifetime. Scientific citizenship is not a skill acquired once and for all. It's a process.

In short: what is the risk if we don't address this issue?
Dubini. That science has remained
DUBINI the public sphere and is being used without being understood, fueling deep inequalities.
GALLI. And that democracy is being weakened. Because today, without a minimum of scientific citizenship, we are truly unable to participate in the decisions that matter.

THE BOOK. *Science is now a structural component of development and public decision-making, with significant implications for society as a whole. Yet the cultural tools needed to understand it and engage in informed democratic debate about it remain fragile and unevenly distributed. The dialogue in* Scienza è cultura *between Paola Dubini and Fiorenzo Galli stems from this observation and reflects on how to integrate science into the public sphere in a democratic way, without relegating it solely to experts or reducing it to technocracy. (Egea, 2026, 144 pp., €16, in Italian).*

[COMMUNICATION]

The Boomerang Effect of Vaccine Messaging

Messages designed to tackle vaccine hesitancy can have the opposite effect. A study on the HPV vaccine shows that describing those who are hesitant as anti-science or a danger to society can increase resistance rather than build trust

by Amelia Compagni, Giovanni Fattore

AMELIA COMPAGNI, *Associate Professor, Department of Social and Political Sciences, Director of CERGAS, Bocconi University*

GIOVANNI FATTORE, *Full Professor, Department of Social and Political Sciences, Bocconi University*

In public health, words matter. Describing people who hesitate about vaccines as "misinformed" is not the same as calling them "anti-scientific" or "socially dangerous." And the difference is not merely rhetorical: it can affect people's willingness to vaccinate.

A STUDY ON INSTITUTIONAL COMMUNICATION

This is the main conclusion of a study we conducted together with **Diana Paraggio**, which investigates how institutional communication shapes attitudes toward vaccination. The paper focuses on the Human Papilloma Virus (HPV) vaccine, used to prevent cervical cancer, and asks a question of direct relevance for health policy: can communication designed to fight vaccine hesitancy unintentionally make it worse? The answer, according to the study, is yes.

THE EXPERIMENT ON THE HPV VACCINE

We conducted a survey experiment with 150 women in a public maternal health facility in the province of Salerno, in Southern Italy. Participants were randomly exposed to one of three messages about parents who do not vaccinate their daughters against HPV. In the first message, these parents were described as simply "misinformed," and the proposed solution was better information. In the second, they were portrayed as "anti-scientific," with compulsory vaccination presented as the appropriate response. In the third, they were described as "socially dangerous," with both compulsory vaccination and sanctions proposed as the solution.
These frames were not invented in the abstract. They were derived from an analysis of press statements released by the Italian Minister of Health between 2015 and 2017, a period marked by heated public debate over childhood vaccination and the reintroduction of stricter vaccine mandates in Italy. The study therefore examines not only whether people support vaccination, but also how they respond to different institutional narratives about those who hesitate.

A MESSAGE INTENDED TO DEFEND SCIENCE AND PROMOTE VACCINATION MAY BE PERCEIVED AS MORAL CONDEMNATION OR INSTITUTIONAL COERCION

THE STUDY'S FINDINGS

The results are striking. Compared with the group exposed to the "misinformed" frame, respondents exposed to the two more judgmental frames showed higher levels of vaccine hesitancy. Women exposed to messages portraying those who do not vaccinate their children as "anti-scientific" or "anti-social" are less willing to vaccinate their own children by more than 20% compared to those who were exposed a more neutral message ("misinformed").
The study does not suggest that information about vaccines is irrelevant. On the contrary, among respondents favorable to vaccination, prevention emerged as the most frequent reason for supporting the HPV vaccine. Many saw vaccination as a fundamental tool to protect

both individual and collective health. But among respondents who expressed hesitation, the motivations were more diverse: lack of information, concerns about vaccine safety, distrust of institutions and scientific authorities, and the belief that vaccination should remain a matter of personal choice.

> **LANGUAGE USED TO PROMOTE VACCINES MAY BE AS IMPORTANT AS THE EVIDENCE BEHIND THEM**

IMPLICATIONS FOR PUBLIC HEALTH

This is where communication can become counterproductive. A message intended to defend science and promote vaccination may be perceived by some audiences as moral condemnation or institutional coercion. Rather than building trust, it may reinforce resistance. In other words, the same message that appears strong and clear to policymakers may be experienced by some citizens as stigmatizing or threatening. For public authorities, the implication is important. Communicating about vaccines is not only a matter of correcting misinformation or repeating scientific evidence. It also requires understanding how different audiences respond to blame, authority and coercion. In polarized contexts, messages that stigmatize hesitant individuals may strengthen the convictions of those already in favor of vaccination, but push others further away.

The broader lesson goes beyond HPV vaccination. Public health communication should be treated as a policy instrument in its own right. Like any policy instrument, it can produce intended effects — but also unintended consequences. When the goal is to increase trust in vaccines, the language used to promote them may be as important as the evidence behind them.

Who Manages Home Finances After Retirement?

A Bocconi study reveals that retirement changes the way elderly couples manage money, shifting the daily economic balance of power from the husband to the wife

by Barbara Orlando

For decades, the husband handled the accounts, bills, savings and daily financial decisions. Then retirement arrives — and something changes. Not spectacularly. No obvious rift, no open conflict. But among older couples, the retirement of one partner shifts the balance of economic power, redistributes responsibilities and quietly reshapes who controls the money.
It's a nearly invisible transformation, but one destined to become increasingly frequent in rapidly aging societies where pension reforms are changing the timing and modes of retirement.
This is what emerges from *Retirement and Household Financial Headship: Evidence from England*, a study published in *Economics*

Letters by **Francesco Maura**, a postdoctoral researcher at Bocconi's AXA Research Lab on Gender Equality.
Analyzing data from the English Longitudinal Study of Ageing (ELSA), one of the largest longitudinal surveys of the British population over 50, Maura shows how the daily management of family finances shifts from husbands to wives once the former retires.
"Retirement is an economic shock, but also a relational one," explains Maura. "When individual income changes, the balance of power within the couple can also be affected."

FRANCESCO MAURA
Post-Doctoral researcher at AXA Research Lab on Gender Equality , Bocconi University

THE PAPER. Retirement and Household Financial Headship: Evidence from England, *by Francesco Maura*

LESS OPERATIONAL CONTROL, NOT LESS AUTHORITY

The paper distinguishes between different levels of household "financial control." On one side, there is the practical management of money: payments, accounts, spending and daily life. On the other, there are the major financial decisions, such as investments or wealth choices. And this is where the difference emerges. According to the study, after retirement, men are approximately 30% less likely to be the family's "financial respondent," that is, the partner who actually manages day-to-day financial matters.
However, there is no significant change in who has the "final say" on major financial decisions or who is perceived as the primary financial authority in the couple. It's noteworthy that approximately 80% of the sample reported making these decisions jointly.
"In many families, the operational control of money changes, but not necessarily the formal authority," observes Maura. "This suggests that certain economic hierarchies built over the course of a lifetime remain relatively stable even after one spouse's retirement."

INCOME MATTERS WITHIN THE HOUSEHOLD, TOO

This research fits into the growing economic literature on family bargaining, according to which power within couples depends on the two partners' relative resources: income, education, financial skills and cognitive capital. If the husband retires, his income decreases, and therefore also part of his negotiating power within the family.
However, the change does not occur equally in all couples. The study shows that in households that were already highly unbalanced before retirement, little change occurs, while in more balanced couples, the redistribution of financial responsibilities is much more evident.
"Couples who had more equal financial arrangements before retirement appear to be more flexible in reorganizing the financial management of their households. This is because even small imbalances in decision-making power can effectively shift the balance in

THE BOOK. *Italy is aging more rapidly than the rest of the world, and its local areas are becoming depopulated. In* La società longeva, *an essay that goes beyond diagnosis to propose a concrete and practical vision for change, Bandini and Manfredi identify three key areas for action: rethinking work in an era of longer and less linear careers; recognizing local areas as places of new life opportunities; and making conscious use of technology as a tool for inclusion and support for longevity. (Egea, 2026, 160 pp., €16.50, in Italian).*

these households," says Maura.

AN INCREASINGLY POLITICAL ISSUE

The analysis has implications that go beyond the household economy. In many European countries, the retirement age for men and women is gradually becoming equal. In the United Kingdom, it will rise to 67 by 2028 and to 68 by 2030, for both sexes. According to Maura, these reforms could also have indirect effects on home arrangements.

"Pension policies are often thought of solely in terms of financial sustainability," he explains. "But they also influence the daily dynamics of families, especially in rapidly aging societies."

For this reason, the paper suggests greater attention to financial education programs aimed at couples — and not just individuals — as well as policies that take into account persistent gender differences in retirement coverage and economic vulnerability in old age.

> **WHEN INDIVIDUAL INCOME CHANGES, THE BALANCE OF POWER WITHIN THE COUPLE CAN ALSO BE AFFECTED**

THE INVISIBLE SIDE OF AGING

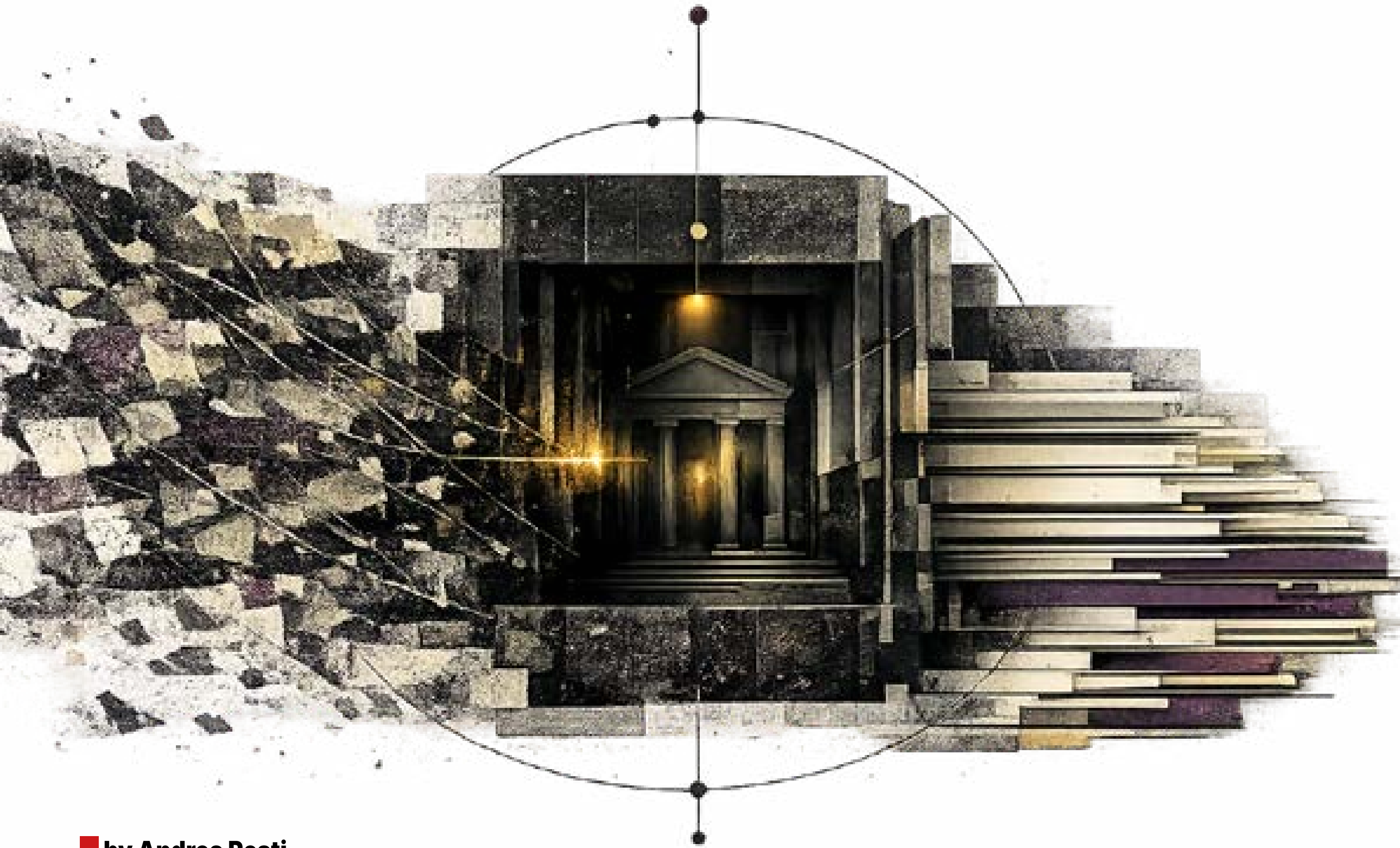
The study finally raises a broader question: aging not only changes health and work, but also identity, roles and autonomy within the family.

For many men, work has historically been a central component of their identity, closely linked to economic and decision-making autonomy. Retirement can therefore silently redefine the distribution of power in the home.

"Retirement isn't just the end of one's career," concludes Maura. "It's also a phase of often tacit renegotiation of roles within the couple. And this aspect will become increasingly important in Western societies."

Banks Learning Geopolitics

International conflicts affect not only governments and businesses, but also financial stability. A new approach helps lenders measure, anticipate and manage global shocks



by Andrea Resti

In recent years, geopolitical risk has emerged as a significant threat to the stability of financial markets and banking systems. Examples are the war in Ukraine and the ensuing sanctions, the Trump administration's proposed tariffs and military strikes on Iran.

GROWING GEOPOLITICAL RISK REQUIRES A NEW APPROACH

While banks are by now well-equipped to deal with traditional risks like credit, market and liquidity, making sense of geopolitical risk may prove challenging in that they are wide-ranging, may deteriorate quickly along unexpected paths and involve multiple second- and third-order effects. Nevertheless, as these threats can trigger significant losses, large lenders have been introducing new processes and responsibilities to measure and contain them, trying to develop a framework that allows for faster and better-focused responses to emergent adverse scenarios. I have covered such innovations and their remaining weaknesses in a recent study for the European Parliament and would like to summarize some of the main findings below.

THE FUNDAMENTAL COMPONENTS OF AN EFFECTIVE SYSTEM

There are no "best practice" documents or detailed supervisory expectations related to geopolitical risk management. Nevertheless, the following may be seen as the key components of a sound geopolitical risk management system.

Governance schemes. It is essential to clearly define powers, responsibilities, processes and structures (which must be independent but firmly connected with the board of directors and the internal functions responsible for risk management). Once a coordination center for geopolitical risk has been identified, it must be provided with adequate resources. A predefined crisis response process must be formalized, in order to reduce the time required in case of an emergency and maximize the effectiveness of the bank's response; the robustness of such a process must be assessed through simulations and stress tests.

Materiality analysis. Banks must identify, on the basis of a probability/severity matrix, the relevant channels (like energy and commodity prices) through which geopolitical risks could affect their business, depending e.g. on the geo-sectoral composition of their customers and subsidiaries.

Access to relevant and timely data. Once the most material areas have been identified, one must ensure access to quantitative data (e.g. on import/export flows or credit ratings) and qualitative information (such market sentiment analyses and intelligence reports) which must be available on an ongoing basis.

ANDREA RESTI
Associate Professor, Department of Finance, Bocconi University

THE PAPER.
The Impact of Geopolitical Risks on the Resilience of Banks in the Banking Union,
by Andrea Resti

FROM ANALYSIS TO OPERATIONAL DECISIONS

Integration of the relevant channels into traditional risk estimation processes: the relationship between any material sources of geopolitical risk and the risks traditionally faced by the bank must be monitored through econometric models (whose results may however be inaccurate, given the ever-changing nature of geopolitical threats), but also through qualitative tools and scenario analysis. This should translate into a rough estimate of the impact of different scenarios on some of the bank's KPIs (profitability, capitalization, liquidity, corporate reputation and employee wellbeing) and should be used to identify pre-emptive actions (like reducing the bank's exposure to certain sectors or countries) and inform the dialogue with supervisory authorities.

Integration of results into business decisions. When one or more scenarios go from merely possible to probable, the analyses outlined above must be used to make appropriate management decisions by implementing more stringent concentration limits, revising prices to trigger changes in demand, increasing the amount of funds set aside for risk coverage and so on.

GEOPOLITICAL RISKS CAN EVOLVE IN UNPREDICTABLE WAYS AND HAVE INDIRECT EFFECTS, MAKING NEW MANAGEMENT TOOLS ESSENTIAL FOR BANKS

CONTINUOUS ASSESSMENT AND STRENGTHENING OF RESILIENCE

Backtesting and review of processes. The responses provided by the geopolitical risk management system in the event of a crisis must be subjected to a careful retrospective evaluation to identify any improvements that are required regarding each of the steps listed above.

Furthermore, it also by stepping up their ability to address risks (such as liquidity risk, concentration risk or cyber risk) that may not seem directly related to geopolitical threats that lenders can significantly reduce their vulnerability to the latter.

The City That Listens

From urban mobility to digital services, what matters is not technology per se, but the ability of institutions to design services around residents' actual patterns of behavior, as shown by Maria Cucciniello in her recent paper

by Barbara Orlando

Faced with a car pass that doesn't work, an incomprehensible public platform or a digital service built around procedures rather than people, contemporary citizens experience an increasingly familiar frustration: they are living in smart cities, by are still governed by rigid systems.
For years, the digital transformation of public administration has been described primarily as a technological issue: new platforms, interoperability, artificial intelligence, data collection. But the real problem may lie elsewhere. Not the lack of technology, but rather the way public services are designed. Because many systems work perfectly "in theory," only to falter when they encounter the complexity of real life.
This contradiction is the starting point for *Citizen-Centered Public Service Design in Agile Digital Transformation: Insights from Public Mobility Services*, a paper by **Hemin Choi** of Incheon National University and **Maria Cucciniello** of Bocconi University, published in the *Journal of Public Administration*.
The study describes a possible new model of public administration: less structured around procedures, and more capable of adapting to citizens' concrete needs through continuous feedback, co-design and experimentation. A public administration that doesn't simply digitize existing services, but rethinks them based on people's experiences.
"Digital transformation is only successful when residents and stakeholders are actively involved in service design," explains Cucciniello, Associate Professor of Public Management and Policy at Bocconi.

FROM INTELLIGENT TO ADAPTIVE

The case of Milan's urban mobility analyzed in the research study shows how citizens' expectations have evolved much more rapidly than the administration's. The pandemic accelerated new habits — smart working, intermittent use of transportation, increased reliance on private vehicles — exposing the limitations of public services designed according to rigid, standardized models.
Many systems work well as long as the citizen matches the profile envisioned by the administration. It's when the complexity of real life comes into play that friction emerges.
In the case of passes for limited-traffic zones, for example, the system is efficient for residents who own cars. But now there are widespread situations — leasing, company cars, families distributed across cities — that complicate the relationship with the administration and increase the perception of bureaucratic rigidity.
One of the citizens involved in the focus groups described this feeling well: "The individual modes of transportation work, but interconnection between them is still very limited."
For Cucciniello, this is precisely the point: "We need to move from a smart city approach, centered primarily on technology, to an adaptive city approach, capable of continuously modifying its services based on citizens' behaviors and needs."

PUBLIC ADMINISTRATION AS A LEARNING SYSTEM

In the paper, the agile logic of software development is applied to public services: continuous iteration, testing, feedback and progressive updates.
This implies a profound cultural transformation. Traditional public administrations are built to ensure stability, control and uniformity. The model described by the research, however, requires administrations capable of experimenting, rapidly adjusting services and processes, and engaging more directly with users.
"Iterative and participatory practices help reduce the gap between service demand and citizen satisfaction," the authors write. The main obstacle, however, remains the very structure of public organizations. Administrative siloing, bureaucratic language, poor data interoperability and cultural resistance make it difficult to build truly integrated services. The challenge, therefore, is not simply introducing new technologies, but rethinking the functioning of public governance.

MARIA CUCCINIELLO,
Associate Professor, Department of Social and Political Sciences, Bocconi University

THE PAPER. Citizen-Centered Public Service Design in Agile Digital Transformation: Insights From Public Mobility Services, *by Hemin Choi and Maria Cucciniello*

POLICY IMPLICATIONS

The findings from the study are very concrete. The first is that administrations should invest less in digitalization, understood as mere infrastructure, and much more in the ability to understand citizens' actual forms of behavior. Creating an online platform is not enough: one needs to design the entire user experience.
The second concerns the role of participation. Citizen involvement is presented not as a symbolic exercise in consultation, but as an essential component of public planning. According to the authors, citizens should be involved from the earliest stages to define problems and arrive at solutions.
Finally, the paper raises a question that will become central in the coming years: to what extent can a city become adaptive without compromising transparency, inclusion and accountability?
A public administration capable of continuously collecting data on urban behavior promises more efficient and personalized services, but also raises profound questions about algorithmic governance, privacy and control.
The real challenge for the cities of the future, Choi and Cucciniello suggest, will not be building more technologically advanced administrations. It will be building administrations capable of learning and adapting to people's needs.

DIGITAL TRANSFORMATION IS ONLY SUCCESSFUL WHEN CITIZENS ARE INVOLVED IN THE DESIGN OF SERVICES

The Invisible Organization

In Formal and Informal Networks in Organizations, *Giuseppe Soda shows why organizational charts and procedures reveal only part of the corporate reality*

by Diane Orze

Despite widespread managerial rhetoric that considers them a remnant of old bureaucracies, no public or private organization can do without organizational charts, as well as without mandated procedures, job descriptions and all the formalized paraphernalia that serves to clarify responsibilities and roles. They may be old and rusty, but they still represent the rational basis for attempting to organize activities and processes. But the effective functioning of an organization arises from the interaction between what is designed and implemented — the formal organization — and the invisible network of exchanges and collaborations that arises from the autonomous action of individuals and groups: the informal organization. It is not uncommon for the two spheres to move in opposite directions.

GIUSEPPE SODA, *Full Professor of Organization Theory and Network Analysis at Bocconi University*

This paradox is the starting point for *Formal and Informal Networks in Organizations* (Oxford University Press), the latest book by **Giuseppe Soda**, Full Professor of Organization Theory and Network Analysis at Bocconi University. At the heart of the research is what the author calls the "invisible organization:" the set of informal relationships through which people collaborate, solve problems, share skills and build trust. Drawing on extensive field research, the book shows how the effective functioning of businesses depends on the interaction between formal organizations and informal networks. For decision makers and planners, the challenge is not choosing between these dimensions, but understanding their balance: an issue that becomes even more crucial in the era of hybrid work and artificial intelligence.

You argue that two organizations coexist in every company. What do you mean?
In reality, there is only one organization, built on the interactions and coordination between its members. In the formal organization, these interactions are designed and "imposed from above" through hierarchies, processes and procedures. The informal component, on the other hand, consists of the relationships people spontaneously build to work, learn, ask for help or share knowledge. In both cases, we're talking about networks of interaction between individuals and groups. Therefore, in this book, I propose a unified analytical perspective — that of networks and social network analysis — to study both components and their interdependencies.

Why do managers tend to underestimate the invisible organization?
Rather than underestimation of informal organization, I would argue for a difficulty in making it visible, understandable and usable. Managers systematically experiment with the role of informal relationships in knowledge sharing, trust and influence. What's missing are conceptual tools, analytical models and design practices. One reason for this absence is epistemological. Formal and informal elements have often been studied separately, with distinct theories, languages and methods. This has resulted in a conceptual and methodological void. The book stems from this need: to understand the intertwining of formal structure and informal organization, and to offer tools to interpret and govern it.

You argue that today it is possible to make the invisible organization visible. How is this done?
We learned the mathematics and language of networks long ago. There exists a reliable and sophisticated body of theory and analysis that, despite its potential applications, has remained confined to the academic world. One methodological proposal in the book is to use these tools to analyze not only informal organizations, but also formal ones. This makes it possible to have a common analytical language, capable of representing organizational charts, roles, processes and social networks in the same conceptual and methodological space. This step allows for a much more accurate study of the organization and offers clearer design implications for organizational decision-makers.

When observing the overlap between formal and informal networks, what result most surprises managers?
The studies collected in the book were all conducted in real companies across different sectors. This type of research requires constant dialogue with managers and the people involved in organizational processes. The surprise arises from the fact that the mindset, language and methods of network theory are not yet widespread, nor systematically taught. Consequently, managers show a limited ability to accurately read informal networks of relationships. When these become visible, it turns out that the actual organization functions in a more complex way and sometimes very differently from prior expectations. Informal networks can operate in a complementary, supplementary or substitutive fashion, strengthening, filling gaps, compensating for rigidities or correcting imperfections in the formal organization. The methodology we have used and proposed in the book serves precisely to reduce this cognitive gap: it offers managers tools to understand not only where the relevant relationships are located, but also what function they perform within the formal design of the organization.

MANAGERS NEARLY ALWAYS DISCOVER THAT THE MOST INFLUENTIAL PEOPLE IN AN ORGANIZATION ARE NOT THOSE AT THE TOP LEVELS OF THE FORMAL HIERARCHY

Informal networks are often portrayed as a resource. When do they become a problem?
There is a positive rhetoric about the

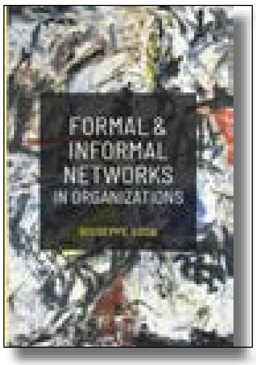
informal: a long tradition of research shows that informal networks can foster innovation, collaboration, knowledge circulation and adaptation. But they can also generate closure, conformity, exclusion and resistance to change. Dense and cohesive networks, for example, can become self-referential and reject external information. In the book, I also present cases in which internal social networks have held back change, neutralizing the effects of strategic reorientations and reorganizations to protect the interests of internal coalitions rather than those of the organization as a whole.

THE QUESTION A MANAGER SHOULD ASK IS NOT "HOW DO I ELIMINATE THIS DEVIATION?" BUT RATHER "WHAT IS IT TEACHING ME?"

What's the most common mistake a manager makes when they discover the company isn't operating as expected?
Thinking that this difference is necessarily a problem that needs to be fixed. Informal networks are often a smart response to organizational complexity. Before intervening, we need to understand what they make possible: what information they circulate, what obstacles they overcome, what skills they bring together. Organizations are ecosystems of formal and informal relationships. Those who lead them must design organizations with both in mind.

Hybrid work and artificial intelligence are changing the way we work. What is happening to relationships within companies?
This is one of the big questions of the coming years. In the book's epilogue, I try to outline some questions that should guide scholars and decision-makers. New forms of work and artificial intelligence are not only changing the way we work, but also the way we build, maintain and transform relationships. We now have a fairly robust understanding of hybrid work: it can weaken relational networks, multiply asynchronous interactions, break weak social bonds and fragment the organization's social structure, jeopardizing both the circulation of knowledge and the sense of belonging. Regarding the spread of artificial intelligence, emerging results highlight still conflicting trends. We need to understand whether and to what extent AI's human-machine interactions will replace the human-human interactions upon which social networks are built.

What is the most important lesson from your research?
In the book, I included a photo of a "desire path" in a park: pathways that people spontaneously trace, leaving a mark on the lawn. The most interesting paths are not always the ones that have been designed. Even in organizations, informal networks work this way: they often arise because someone finds a more effective way to achieve a goal. Informal channels often arise to exchange information and solve problems more quickly and effectively than formal processes and structures. They appear to be deviations from the norm, but in reality, they can signal needs the formal organization is not satisfying. An executive's question shouldn't be "How do I eliminate this deviation?" but rather "What is it teaching me?"



THE BOOK. *Behind every organizational chart lies another organization, invisible and hidden, yet crucial. In* Formal and Informal Networks in Organizations *(Oxford University Press), Giuseppe Soda shows how informal relationships, knowledge networks and bonds of trust influence the actual functioning of business organizations. A journey into the hidden structure of organizations, increasingly relevant today in the era of Artificial Intelligence and hybrid work.*


Bocconi
Quando ho riletto tre volte
la tua tesi a caccia di refusi
Bocconi
DANIELE ROSATI
Economic and Social Sciences
E ora leggo
i libri che hai
pubblicato
We made it
Ci sono modi di sostenere uno studente
che solo una mamma può conoscere.
Il nostro è dare a ogni talento l'occasione
di esprimersi, offrendo un supporto
economico a un terzo dei nostri iscritti.