

Who will we trust in 2021?

By: John Streur | September 22, 2020

Washington - No matter who wins the election, it won't be the federal government.

Americans' trust in the federal government relative to their trust in corporations continues to decline, according to recent surveys cited in an Edelman research paper, "A Legacy of Mistrust and an Opportunity to Change."¹ Furthermore, the majority of Americans do not have faith in the government to hear the call to end systemic racism. Instead, they see their own employer as the institution most trusted to do so — even though the majority observe racism in the workplace.² In one survey, only 36% of respondents (the US general population) said the government was "hearing the voices calling for racial justice," while 52% said business leaders were hearing that call.³

In the US, we are more likely to trust a corporation than those we elect.

Most Americans trust and expect corporations to take action on our most serious social and environmental challenges. At the same time, they also believe that companies are not doing enough on these issues.

Responsibility to act shifting

These findings from the Edelman surveys were conducted over the past few months, and I believe they indicate that a further burden of responsibility to address racism, inequality, climate change and other critical issues is shifting, perhaps inexorably, from the federal government to corporations. Americans' growing concern over confronting these issues is also prompting this shift.

In the US, we know we are facing some serious challenges, and many people appear to think the federal government is not up to the task of meeting them head-on. But we are Americans, and we trust that corporations will pick up the slack and get the job done!

I believe that most corporations around the world have understood this need and the shift of burden for years. A few excellent companies have responded to these changes early, quickly and in a disciplined manner geared to stay current. As time goes on, this aspect of corporate strategy, operations and culture becomes increasingly important to long-term value creation. This is one reason that environmental, social and governance (ESG) strategies have taken off in investment management.

Election outcomes will not deflect ESG momentum

The 2020 election outcomes will not change these dynamics. One reason I believe this is that corporations welcome the shift in power. Enough said.

In many cases, across sectors, American companies are working to improve aspects of their ESG performance. These efforts may be encouraged, in part, by competition among companies on certain ESG factor performance metrics. In effect, this dynamic is essentially a market-driven solution.

It appears that the momentum behind ESG market-driven solutions is strong enough to have gained considerable traction over the past four years, during an administration that is broadly seen as actively hostile toward ESG. It is possible that there is a countercyclical dynamic at play. When a Democrat gets into office, gun sales spike out of fear that the Democrats will curb gun sales. It may follow that when a Republican gets in, ESG sales spike out of fear the Republicans will attempt to curb ESG initiatives or ESG-focused investment offerings.

The major long-term drivers of ESG's growth and importance will not change, and any near-term adjustment following the November presidential election is likely to be counterintuitive and short-lived.

It will be best for the long-term health of our social and economic system for the federal government to quickly build trust with the American public and people throughout the world. Companies cannot get all the needed work done, as quickly as it needs to be done, without the federal government fully participating, and this would be best served if both parties could eliminate the polarization they actively drive. Instead, all parties -- governments, companies, investors and the public -- need to act in a concerted manner and get back to the important work of confronting our broad spectrum of challenges and solving these problems together.

Bottom line: Americans' confidence in the US government to tackle critical ESG challenges is shifting to corporations. Rather than polarization, we believe cooperative effort between the government, companies and all segments of society is needed to provide effective solutions. Regardless of election outcomes, ESG investment strategies are likely to continue to gain traction.

1. Source: Survey data from: A Legacy of Mistrust and an Opportunity to Change, Lisa Ross, September 8, 2020. <https://www.edelman.com/research/legacy-mistrust>.

2. Edelman Trust Barometer Special Report: Fight for Racial Justice, Business Seen as Failing to Act on Racism, slide 10. <https://www.edelman.com/sites/g/files/aatuss191/files/2020-09/2020%20Edelman%20Trust%20Barometer%20Special%20Report%20-%20Fight%20for%20Racial%20Justice.pdf>



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