

WASHINGTON IN THE TIME OF CORONA

What COVID-19 may mean for American policy and politics

No one knows how extensively the new Coronavirus will spread across the United States and impact our lives. Best case, we'll see small isolated pockets quickly contained with minimal disruption. [At worst](#), we'll follow China and other nations in limiting travel, [closing schools](#), canceling large-scale gatherings, quarantining patients, and significantly disrupting normal activities.

While the contagion's impact on policy and politics greatly depends on how the disease spreads and how leaders respond, organizations already are contingency planning. Extensive Congressional oversight, targeted (or possibly broad) subsidies and hyper-politicization of events are guaranteed. For those considering the impact on policy and politics, expect the following trends:

1. **Significant federal spending is certain.**

- Congress passed [\\$8.3 billion in emergency spending](#) this week. Additional billions for emergency response and recovery costs are likely, if needed.
- The [Federal Reserve cut interest rates](#) by 50 basis points between meetings this week, the largest cut since 2008. Most market-watchers expect additional cuts May 17-18.
- Additional investments in vaccines and health care infrastructure / testing and quarantine facilities are likely (e.g. in 2004, Congress passed the [Project BioShield Act](#), which provided \$5.6B over 10 years for the purchase of new vaccines, assays, and treatments).
- New efforts to offset reduced economic activity and assist the most impacted industries seem likely. Supports could include [tax relief](#), grants and transfers to support employment (e.g. via [SBA](#) disaster loans / natural disaster designations of "hot zones"), specific sectoral bailouts, guaranteed paid sick leave or "stimulus" [spending](#) on goods and services or even infrastructure (e.g. [China is spending \\$505 billion on infrastructure stimulus](#)).

2. **Deglobalization will accelerate.**

- Global trade wars were [already slowing](#) economic growth and reducing trade and FDI, with U.S.-EU frictions threatening to expand even as the phase one U.S.-China deal put tariff battles on hold (though new export controls proceeded apace). Coronavirus is more likely to accelerate this [existing trend away from multilateralism](#) than reverse the rising populist and nationalist inclinations. i.e. [Coronavirus may accomplish what the trade war couldn't](#).
- Bipartisan U.S. concerns over China's economic practices (non-tariff trade barriers to foreign competitors, subsidies for state-owned enterprises, industrial espionage), poor human rights record (Hong Kong, Uyghurs, domestic spying) and global ambitions (China 2025 plan, South China Sea conflicts, Belt-and-Road Initiative) may gain new urgency as policy makers [worry about over-reliance on China](#), especially in supply chains.
- At the same time Chinese leadership may attack the West and [Western media](#) for unfairly blaming the Communist Party / criticizing President Xi's response to the outbreak, inflaming nationalism to reduce domestic criticism. Some conspiracists in China even [blame the U.S. for the virus](#).

3. Businesses and government will reassess supply chain security and reliability.

- [Businesses were already facing “tectonic shifts in supply chain management”](#) given new technologies, new market opportunities and expectations of ongoing trade friction between China with the West, especially in tech. Given pre-existing concerns over excessive reliance on China, this episode will [accelerate supply chain migration out of China](#).
- Congress will likely hold oversight hearings into critical sectors where over-reliance on China adversely impacts Americans (e.g. active components for prescription drugs).

4. Misinformation & conspiracy theories will undermine public confidence and official responses.

- China has been criticized for initially censoring / suppressing dissemination of truthful information by doctors that might have helped contain the outbreak, and then imposing draconian restrictions. The West may face the opposite challenges.
- Roughly two million tweets peddled [conspiracy theories](#) about the coronavirus over the three-week period when the outbreak began to spread outside China, with [misinformation persisting](#) across multiple online channels. The crisis will highlight the lack of barriers to misinformation flow, lack of trust in official institutions and critical systems (e.g. vaccine safety & effectiveness), and [cyber vulnerabilities](#), topics Congress is certain to investigate.

5. Policy challenges will vary by sector, with most Congressional oversight certain.

- **Tech:** Tech companies were already facing conflicting pressures to police “dangerous” speech without censoring political voices or dissent. Calls to reassess the so-called “liability shield” (CDA section 230) may grow, with after-action Congressional reviews of misinformation flows all but certain. At the same time expect positive policymaker attention to the benefits of telehealth and [telework](#).
- **Travel, Tourism & Entertainment:** Just as the 9/11 attacks begat the TSA, future assessments of how this disease spread may lead to new policy proposals impacting border controls, airlines, cruise ships, [movies and large events](#) (e.g. [NCAA tournament](#)) among other vectors. These are also among the sectors likeliest to seek and receive federal bailouts (just as [farmers received \\$14.3 billion last year](#) to offset the trade war & Congress acted to offset impacts on travel [after 9/11](#)).
- **Health Care:** Availability of care and assignment of costs may accelerate health care policy debates around prescription drug costs and shortages, speed and liability for new drug approvals, health insurance coverage and surprise billing, insurance [costs and coverage](#), [public health funding](#), [rural health capacity](#), and the pros and cons of more centralized government control of the health care system (i.e., “Medicare for All”).

6. COVID-19 will give a wake-up call for preparedness processes & infrastructure.

- Thankfully this does not appear to be the “Zombie apocalypse” virus. But it is clear most nations were not ready. [Lessons from SARS, swine flu and Ebola were not embraced](#). Expect hearings to identify best practices, assess gaps and develop proposals for new legislation, policies & procedures. If this time is bad enough, policy makers may finally act.

7. 2020 may become the Coronavirus Election, reshaping the political narrative.

- Crises present high-risk, high-reward moments for leaders. The 2020 Presidential election could become a referendum on the Trump Administration's handling of this crisis. If he is seen as decisive and successful (e.g. Bush post-9/11), his standing would rise, boosting his reelection. Recall that in 2012 exit polls 15% of voters said that [President Obama's effective response to Hurricane Sandy was the most important factor in their vote](#) (breaking 73%-26% for Obama). By contrast, if the Administration is perceived as failing to rise to the challenge, the President could face a "competence crisis" undermining his approval:

Presidential "Competence Crises": Drop in Job Approval (Gallup)

President	Perceived Failing	Before	3 Months After
CARTER	Desert One	39%	33%
CLINTON	Waco Raid	55%	41%
BUSH	Katrina	45%	38%
OBAMA	Healthcare.gov	45%	42%

Caveat: other events were also happening at these times, such as Iraq War setbacks (Bush), gov't shutdown standoff (Obama) & start of a mild recession (Carter).

- The politics of blame will overshadow much of the discussion, with cheerleaders on both sides attacking the usual suspects to deflect blame. The President and his allies are already faulting "[open borders](#)," Democrats, the Media, the Fed, [Obama](#) and "deep state" bureaucrats. Many [Democrats and their allies will criticize](#) every comment, Tweet and alleged misstep by the Administration. As with impeachment, media slant may prove decisive, and we may learn what happens when an unstoppable virus meets an immovable media. While we'd hope the American tradition of putting aside partisanship in the face of a crisis might return, we are not counting on it.
- Extreme events could reshape how the 2020 campaign is waged & financed. Large live events (rallies, fundraisers, conventions, in-person voting) could be replaced by virtual campaigning (TV, digital). This helps candidates who small-dollar-fundraise (Sanders, Trump) and run strong digital campaigns ([Trump](#), [Sanders](#)). At the same time severe restrictions could hurt candidates who leverage massive rallies (Trump, Sanders) and boost those with management and global crisis experience (Biden).

8. Businesses' commitment to stakeholders may be put to the test.

- In the face of the Great Recession (with its drastic reduction in business activity and investment), businesses were forced to lay off millions of workers to remain solvent. Banks foreclosed on millions of homeowners. In the subsequent decade we've seen an exponential rise in online activism and pressure on business leaders to address major societal challenges. Many CEOs stepped-up to this challenge with increased focus on stakeholders and communities, frequently backed-up by significant corporate investment.
- Yet the stock market just suffered its worst month since 2009 and economic conditions moving forward are unclear. How will CEOs respond? Expect intense online attention, potential oversight hearings in the Democratic House and even Presidential Tweets against businesses perceived as panicking or acting precipitously against workers or communities.

9. The ordinary business of government may get more complicated.

- If the disease spreads more widely in the U.S., Congress may curtail public attendance at (or go virtual with) oversight hearings, constituent fly-ins, town hall meetings, [national conventions](#) and other large gatherings. Challenges may highlight which members are most effective at in-district constituent services and digital communications. Planned agendas may be derailed or modified, and smart advocates will adjust their messages and timing rather than plowing ahead regardless.
- State and local leaders may face even greater challenges than federal leaders. Mayors, health care providers, first responders and educators will face daily challenges, potentially disrupting their capacity to perform their “day jobs” and setting up potential conflicts with federal officials who seek faster action (or less panic). Governors – 11 of whom are up for re-election this year – are on the frontlines more than federal officials, and they will need to work collaborative with the President regardless of party, a potential challenge given today’s politics. (e.g. [post-Katrina criticism](#) of Louisiana’s governor & New Orleans’ mayor).

10. People will lose perspective.

- So far this [coronavirus](#) has killed more than **3,491** people worldwide (mostly in mainland China) from more than **102,472 reported global cases**. In the 2018-2019 flu season, **34,157** died from more than **35.5 million** cases of [influenza](#). (CDC)
- [38% of beer drinkers](#) allegedly say they won’t buy Corona beer “under any circumstances” because of the virus. (Note that this study was conducted by a PR firm, perhaps seeking attention; also it’s unclear whether the 38% were already heavily intoxicated when polled or just really stupid).
- [Price-gouging of face masks](#) by third-party sellers on Amazon has vastly increased costs (2x, 3x, 5x, 10x), and threatens a dangerous shortage for health care providers (despite the fact that many of **these masks offer minimal-to-no protection** against the Coronavirus).
- [“I have the coronavirus, So far it’s not that bad.”](#) Carl Goldman, Washington Post, 2/28/20.



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