

AFTER COVID



Politics & Policy in the Age of Pandemic

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Politics & Policy in the Age of Pandemic

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WE WERE NOT PREPARED

A Most Predictable Disaster

WE WERE WARNED

Everyone Saw This Coming

2003



2004



2005



2007



2009



2017



2015

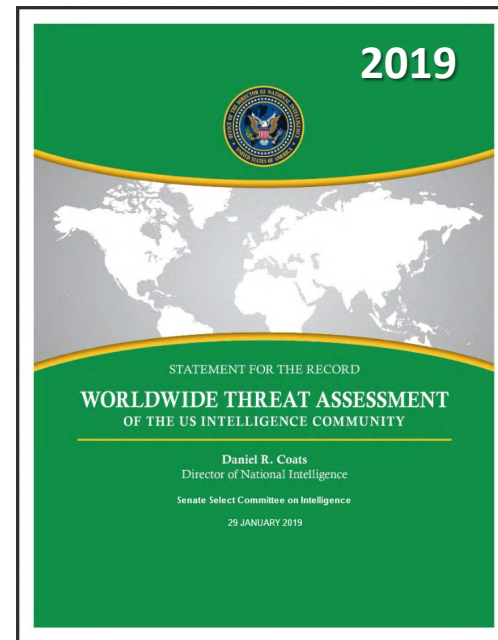


Bill Gates | TED2015

The next outbreak? We're not ready

MEHLMAN CASTAGNETTI
ROSEN & THOMAS

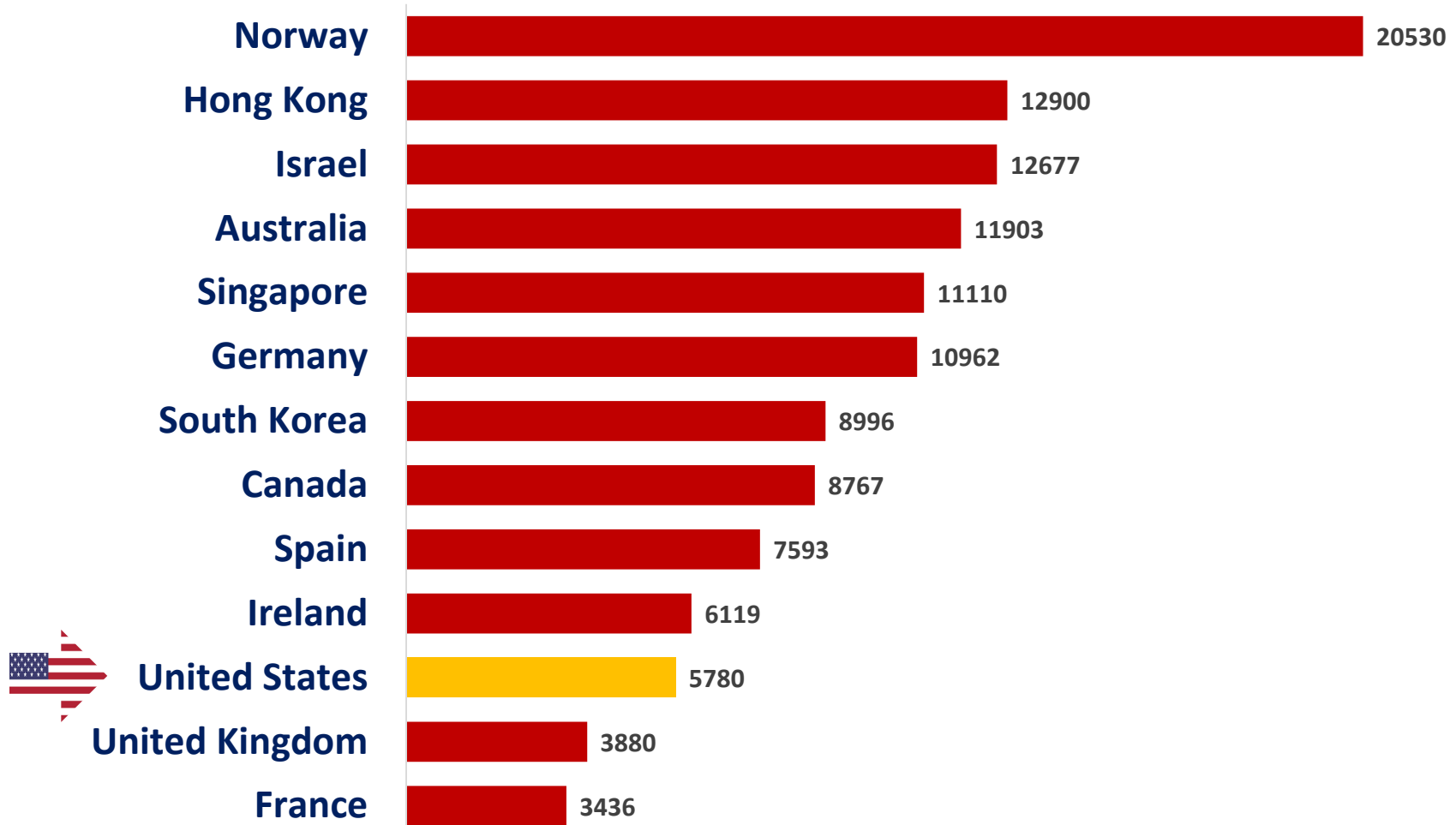
2019



WE FAILED THE TEST(ING)

Nations With Early, Widespread Testing Fared Best

COVID Tests per million population (4/6/20)



WE WERE TOO VULNERABLE

Safety Net Lacking Even Before the Coronavirus Era...



53% of U.S. households had no emergency savings



33.6M civilian workers lacked paid sick leave



27.9M non-elderly lacked health insurance

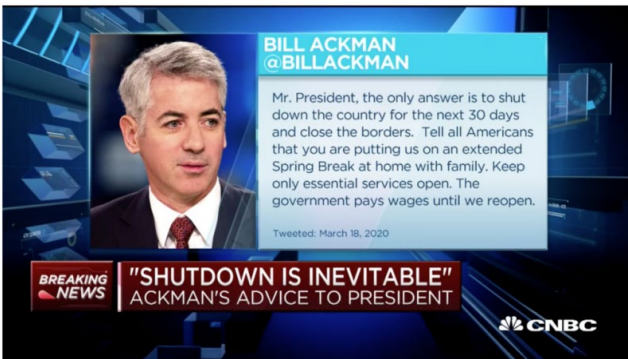
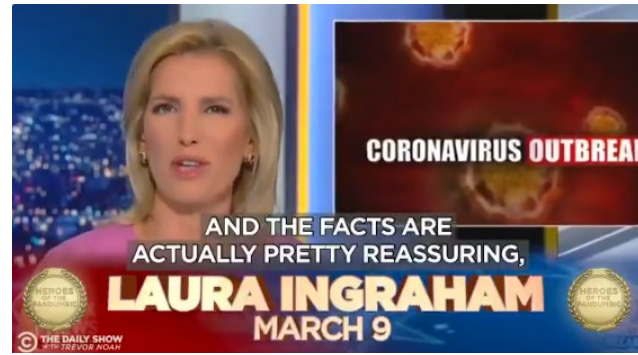
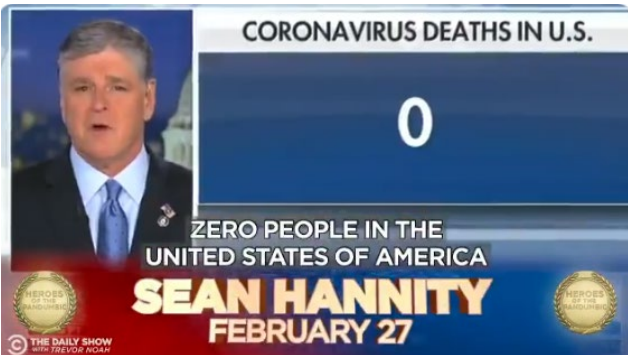


21.3M lacked adequate broadband



550,000 homeless were living on streets

MEDIA OFTEN AFFIRMED RATHER THAN INFORMED



WE RESISTED CHANGE & SLOW-ROLLED INNOVATION

U.S. Congress

19 years after 9/11 attacks shut down U.S. airspace, Congress still has no plan to work remotely in emergencies.

SEN. DURBIN (D-IL), PORTMAN (R-OH) INTRODUCE RESOLUTION TO ALLOW REMOTE VOTING DURING NATIONAL EMERGENCIES

MARKETS THAT ARE UNDER PRESSURE FROM IMPACT OF CORONAVIRUS OUTBREAK DOW UTL 695.92

Schools

Section 807

Fire and emergency drills
Education (EDN)

SHARE



New York law requires K-12 schools to conduct 12 fire drills per year but 0 distance learning practice runs.

1. It is the policy of the state to require every public or private school or educational institution within the state, other than colleges and universities, to conduct fire drills, so that they may in a sudden emergency be able to respond appropriately in the shortest possible time. The following drills shall be held at least twelve times in each school year, eight of which required drills shall be held between September first and December thirty-first of each such year. Eight of all such drills shall be evacuation drills, four of which shall be through use of the fire escapes on buildings where fire escapes are provided or through the use of identified secondary means of egress. Four of all such required drills shall be lock-down drills. Drills shall be conducted at different times of the school day. Pupils shall be instructed in the procedure to be

Health Care

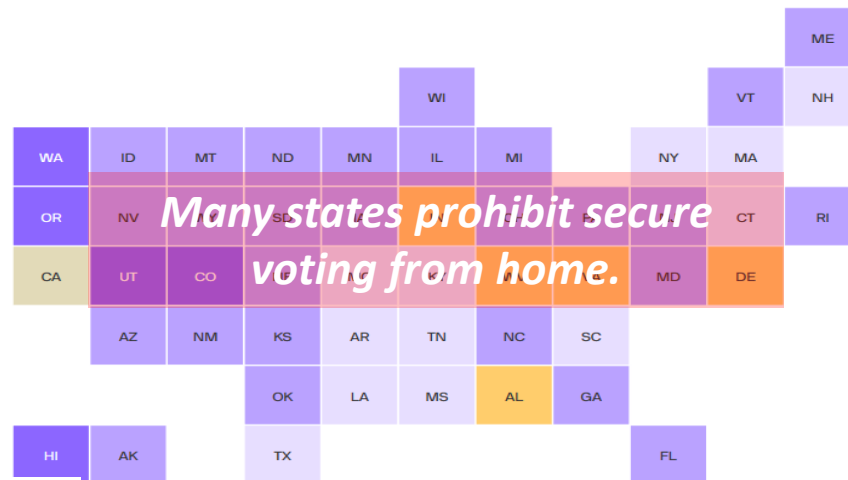


Policy barriers to Telehealth services limited initial reach, readiness & affordability.

Elections

Vote at home rules by state

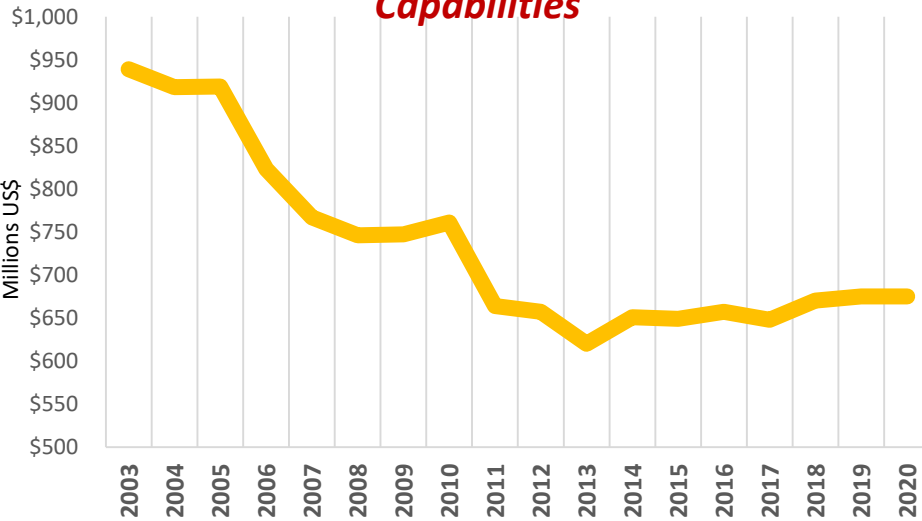
■ Default ■ Excuse required ■ No excuse needed ■ Default in some counties
■ Temporarily allowing it due to COVID-19



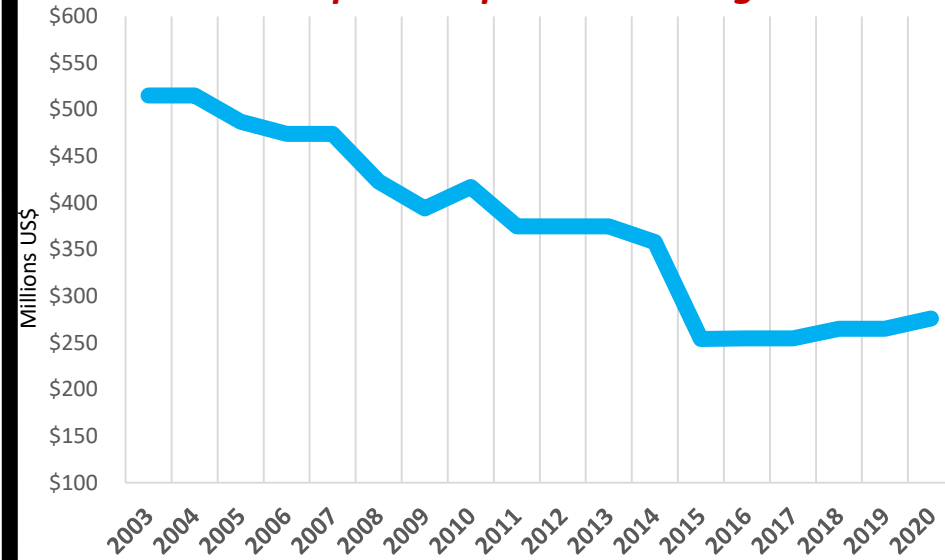
Many states prohibit secure voting from home.

WE UNDER-FUNDED PREPAREDNESS & LACKED SURGE CAPACITY

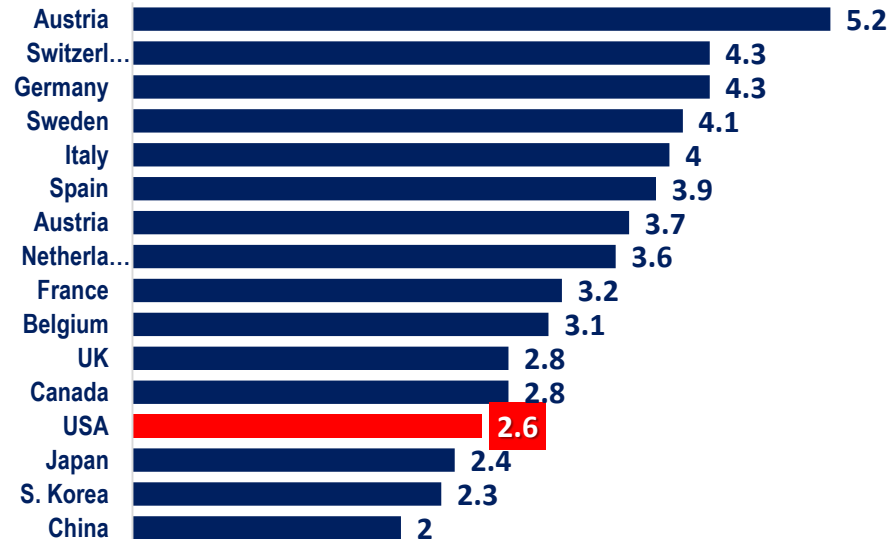
CDC State & Local Preparedness & Response Capabilities



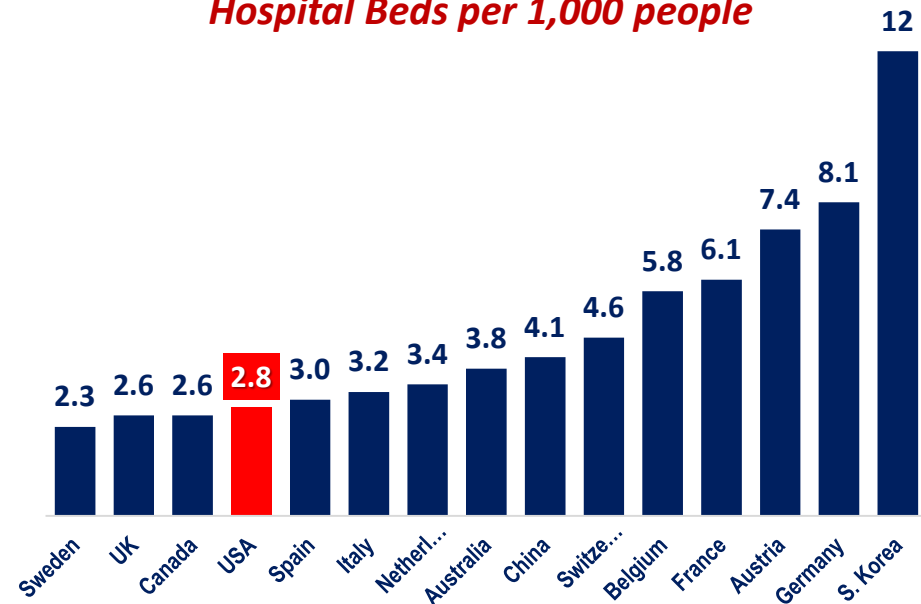
HHS Hospital Preparedness Program



Practicing Physicians per 1,000 people



Hospital Beds per 1,000 people



WHAT TO EXPECT IN 2020

Congress & the Elections



THE \$9 TRILLION CONGRESS?

In addition to funding FY21 (~\$5T by 9/30/20), this Congress will spend to...

Near-Term	Mid-Term	Long-Term
STABILIZE	RECOVER	REFORM

^{3/6}
Phase **1** **\$8.3B** for CDC vaccine & treatment development, improved surveillance & protective gear

^{3/18}
Phase **2** **\$192B** for paid sick leave, food aid (SNAP), Medicaid funding, virus testing coverage

^{3/25}
Phase **3** **\$2.2T** to subsidize families, sustain small business payrolls, help state & local governments, fund health care surge, help unemployed, food stamps, election assistance & loans to larger employers

April **3.5** **~\$XXXB** to more fully-fund small business loans, healthcare (\$\$ & equipment), state/local gov'ts, individuals & safety net (unemployment/food)... *may split into 2 bills*

~Summer **4** **\$XT** help those missed last time (USPS, front-line workers hazard pay, mortgage servicers, medium-sized employers) + jobs program to revive hiring via tax credits, infrastructure (water, transportation, broadband), education...
Expect ideological fights over energy, election assistance, taxes

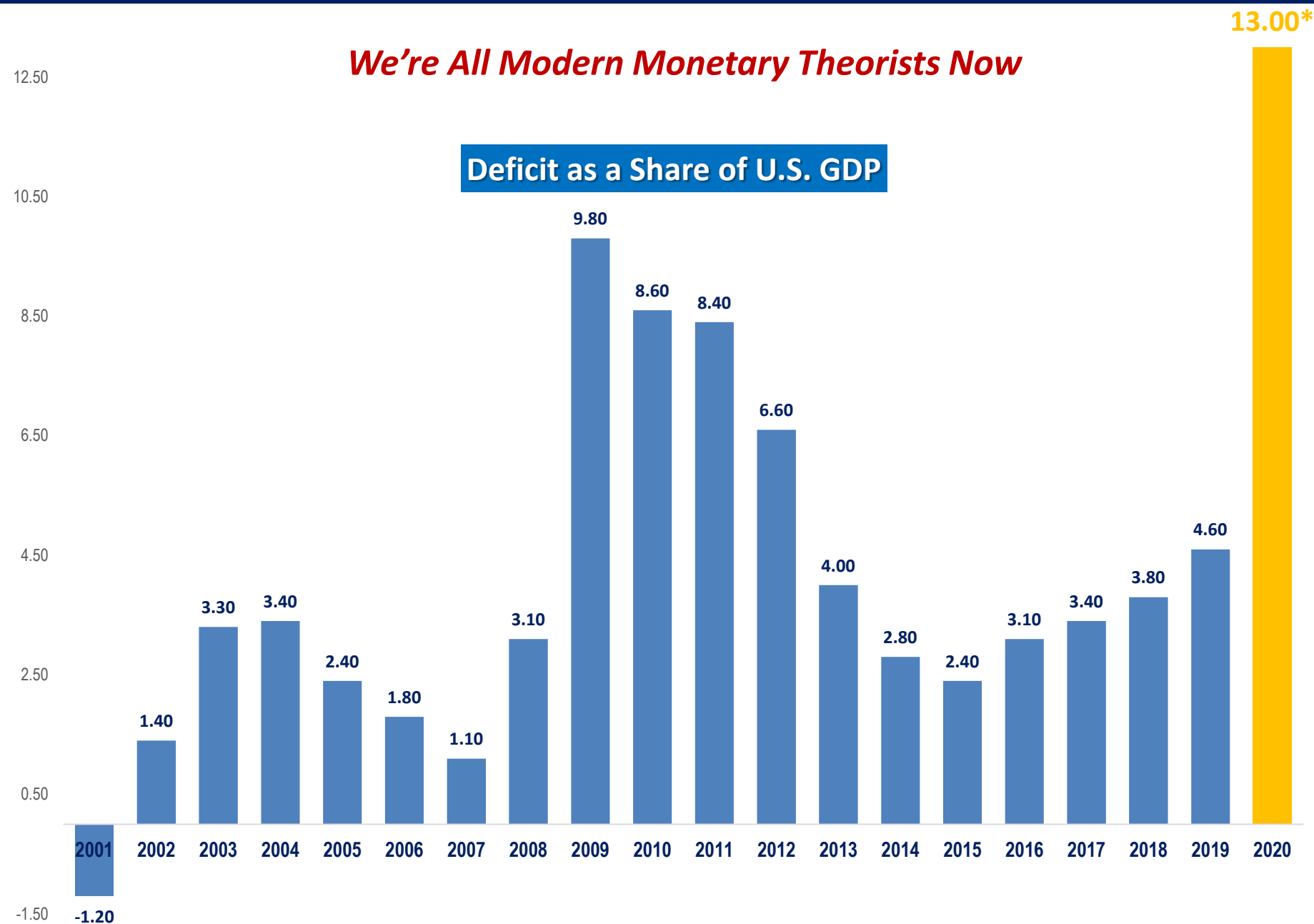
~TBD **5** **\$XXB** for systemic reforms re pandemic readiness, education & student debt, telehealth, social safety nets, systemic risks & rescues



DEFICITS WILL SKYROCKET... WILL ANYONE CARE?

We're All Modern Monetary Theorists Now

Deficit as a Share of U.S. GDP



Sources: Federal Reserve Bank of St. Louis (2001-2019); *Fitch estimate for 2020

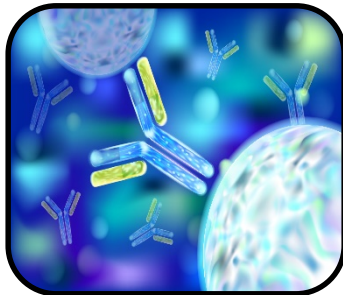
THE GREAT RE-OPENING DEBATE COMING SOON

Whether, When & How to Re-Start?



THE NEW NORMAL

- A Half-Speed Economy: investment, consumption, trade, growth
- Temperature checks to travel, dine, go to work, attend class
- Rolling regional flare-ups & lock-downs (red / green zones)
- Ubiquitous masks, wipes, re-designed public spaces



THE ANTIBODY ECONOMY

- COVID immunity tests are the new I-9 Forms
- Salary premiums for “uninfectables”... “CV” on your CV?
- Smarter quarantine spaces (safer, connected COVID hotels)



THE GREAT DEBATE

- Have we gone too far or not far enough? THAT is the question.
- Should the responsible subsidize the reckless?
- Is excluding higher-risk people protective or discriminatory?

STRONG CRISIS LEADERSHIP IS OFTEN REWARDED...

Americans Appreciate Strength, Resolve & Empathy



2004: Do You Trust President Bush To Handle Terrorism?

58% YES

(broke 85%-14% for Bush)

40% NO

(broke 94%-4% for Kerry)

2012: How Important to your vote was President Obama's Response to Hurricane Sandy?

15% The Most Important Factor

(broke 73%-26% for Obama)

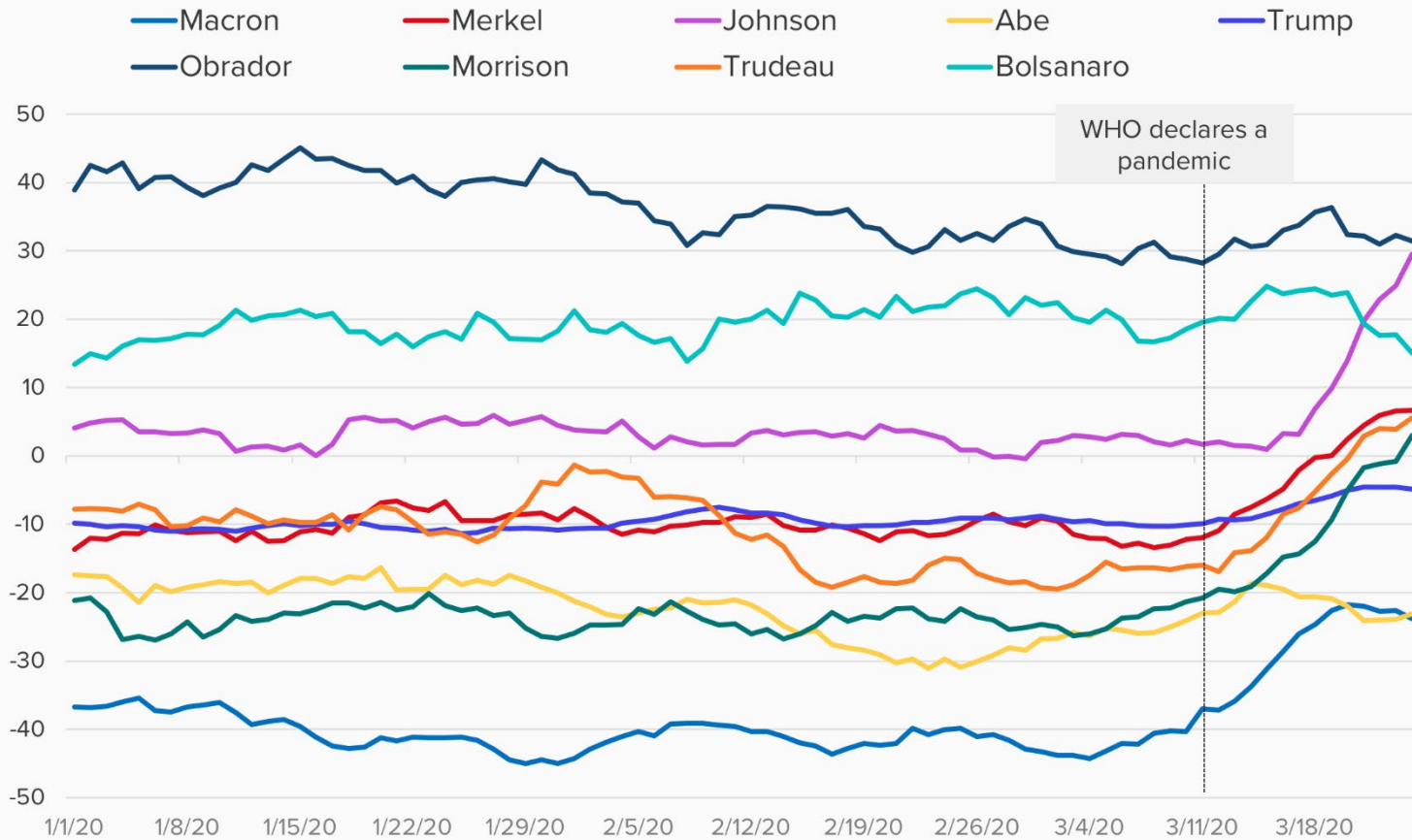
27% An Important Factor

(broke 65%-33% for Obama)



CITIZENS RALLYING AROUND LEADERS GLOBALLY

How Perceptions of World Leaders Have Shifted in the Wake of the Coronavirus Outbreak



MORNING CONSULT

Net approval (approval minus disapproval) among each country's general population

2020 WILL BE A REFERENDUM ON TRUMP'S COVID LEADERSHIP

What Trump Will Say to Win Reelection

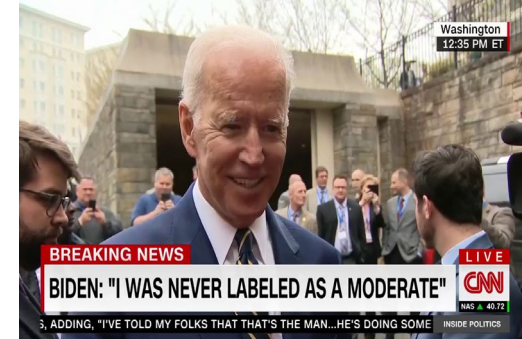
Strong Wartime Leader

+

Others to Blame

+

Superior Choice



***“Donald Trump’s
Strong Wartime
Leadership Saved
Millions of Lives &
Trillions of Dollars”***

**President Trump
also criticizing:**

- Unprepared Governors
- Biased Mainstream Media
- Past Administrations
- Impeachment distraction
- Partisan bureaucrats
- World Health Organization

***“Joe Biden is a corrupt
career Washington
politician whose
politically-correct
agenda will kill
capitalism”***

2020 WILL BE A REFERENDUM ON TRUMP'S COVID LEADERSHIP

What Biden Will Say to Defeat the President

Trump Failed

+

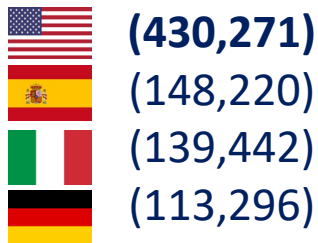
“Lies & Mistakes”

+

Better Alternative

“America suffered the most cases, costs & deaths due to Trump’s failed leadership”

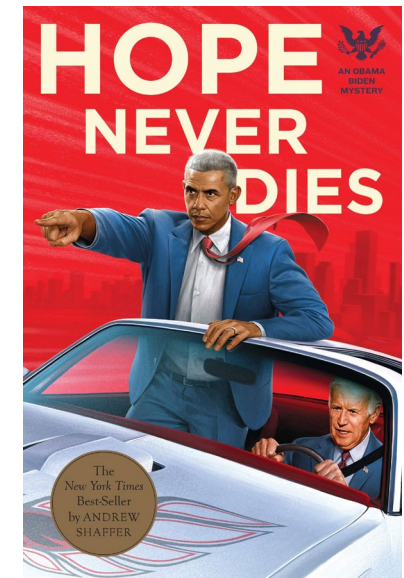
MOST COVID CASES



MOST COVID DEATHS



“Joe Biden will make America safer & clean up Trump’s economic disaster (just as Obama-Biden led us through the Financial Crash)”



NON-TRADITIONAL CAMPAIGN HELPS NON-TRADITIONAL CANDIDATE

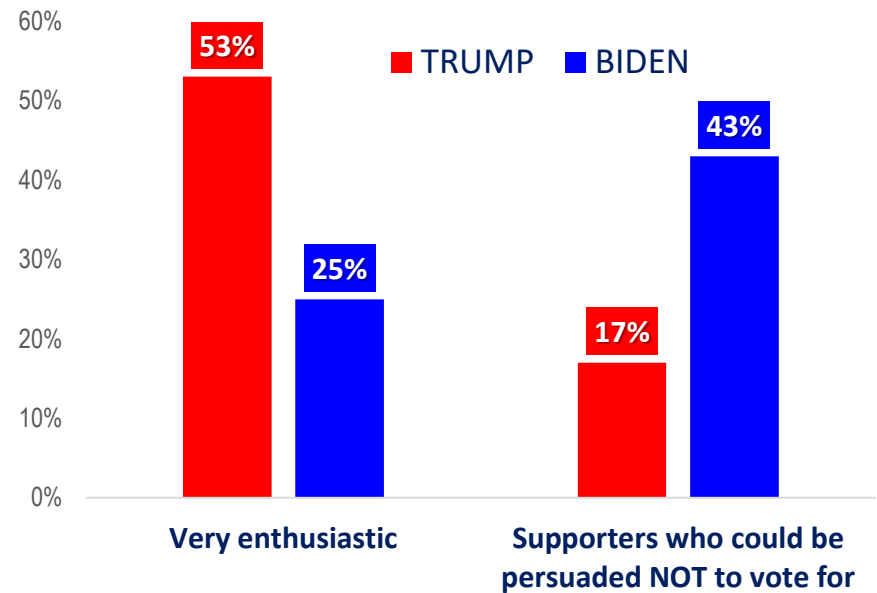
Visuals



Followers

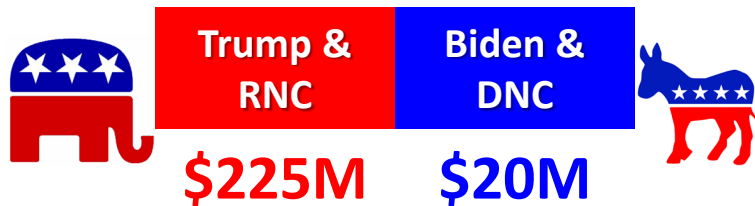
	twitter	facebook
TRUMP KEEP AMERICA GREAT 2020	75.9M	28.6M
BIDEN PRESIDENT	4.7M	1.7M

Enthusiasm



Fundraising

Cash on Hand (start 3/2020)



BUT ECONOMIC RECESSIONS HISTORICALLY INCUMBENT-KILLERS...

No Recession in 2 Years Before Election

RECESSION?	President (Year)	REELECTION?
NO	Obama (2012)	YES
NO	Bush43 (2004)	YES
NO	Clinton (1996)	YES
NO	Reagan (1984)	YES
NO	Nixon (1972)	YES
NO	LBJ (1964)	YES
NO	IKE (1956)	YES
NO	Truman (1948)	YES
NO	FDR (1944)	YES
NO	FDR (1940)	YES
NO	FDR (1936)	YES
NO	Wilson (1916)	YES

Recession in 2 Years Before Election

RECESSION?	President (Year)	REELECTION?
YES	Bush41 (1992)	NO
YES	Carter (1980)	NO
YES	Ford (1976)	NO
YES	Hoover (1932)	NO
YES	Coolidge (1924)	YES
YES	Taft (1912)	NO

...AND INCUMBENTS STRUGGLE AMIDST RISING UNEMPLOYMENT

Unemployment Momentum Matters (12 months before Reelections)

Unemployment Rate				Outcome	
October Year Before	October Election Year	CHANGE	YEAR	W / L	<i>Incumbent Pop. Vote Margin</i>
1.9%	1.2%	-36.8%	1944	WON	+7.5%
20.1%	16.9%	-15.9%	1936	WON	+24.3%
8.8%	7.4%	-15.9%	1984	WON	+18.2%
17.2%	14.6%	-15.1%	1940	WON	+10%
8.9%	7.9%	-11.2%	2012	WON	+3.9%
4.3%	3.9%	-9.3%	1956	WON	+15.4%
8.4%	7.7%	-8.3%	1976	LOST	-2%
6.0%	5.5%	-8.3%	2004	WON	+2.5%
5.5%	5.1%	-7.3%	1964	WON	+22.6%
5.5%	5.2%	-5.5%	1996	WON	+8.5%
3.9%	3.7%	-5.0%	1948	WON	+4.5%
5.8%	5.6%	-3.5%	1972	WON	+23.2%
7.0%	7.3%	+4.3%	1992	LOST	-5.6%
6.0%	7.5%	+25%	1980	LOST	-9.7%
15.9%	23.6%	+48.4%	1932	LOST	-17.8%
3.6%	???	> +100%	2020	TBD	TBD

VOTERS UNLIKELY TO AGREE ON FACTS & TRUTH

When an Unstoppable Virus Meets Immovable Minds



VERY HIGH RISKS OF DISPUTED OUTCOMES

The Only “October Surprise” Will Be No Surprises in October

WHAT IF COVID-19 returns aggressively in Fall 2020, as Spanish Flu did in 1918?

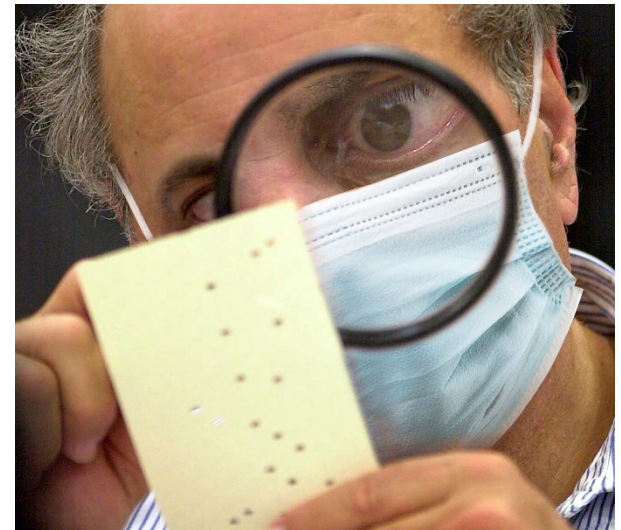
WHAT IF states need to lock down the week of the election?

WHAT IF a Governor orders quarantines for blue cities but not red suburbs?

WHAT IF at-higher-risk seniors must stay home while those under 30 can vote?

WHAT IF we cannot determine who won on election night?

WHAT IF voters or election officials refuse to bring or wear a mask?



AFTER COVID-19

10 Predictions for Post-Pandemic Policy & Politics



#1. NEW PSYCHOLOGY WILL DRIVE NEW PRIORITIES

BEFORE COVID

AFTER COVID

EFFICIENCY

RESILIENCE

Supply Chains

*Health System Capacity, Innovation > Cost
Inventories*

INTERDEPENDENCE

SELF-SUFFICIENCY

Less Global Integration

*Stronger National Industrial Base
Tighter Migration Controls*

LEVERAGE / RISK

MARGIN / SAFETY

*More Regulation, Bigger Safety Nets
Rent > Own; Big Employer > Startup
Major New Liability Considerations*

ABUNDANCE

AUSTERITY

*Less Gov't Debt (Super, Duper Committee?)
More Gov't Revenue (VAT, carbon, trading, wealth?)
Consumers Twice-Bitten, Now a lot Cheaper*

#2. THE 4th INDUSTRIAL REVOLUTION WILL ACCELERATE DISRUPTION

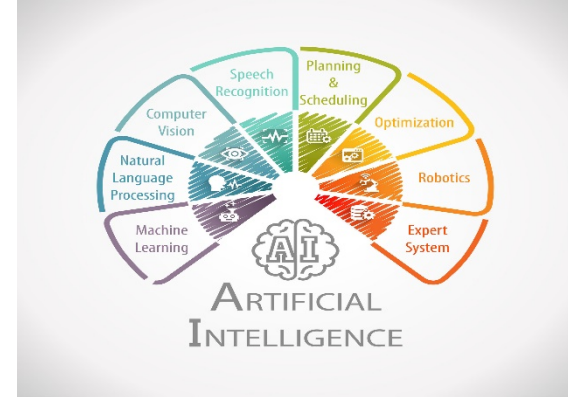
Digitizing Government, Education & Health Care



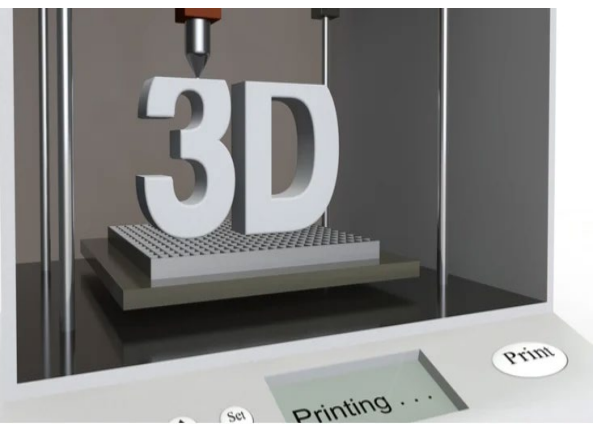
Reducing Risk, Cost & Carbon in Transportation



Enabling Earlier Warnings & Faster Cures



Manufacturing Faster With Shorter Supply Chains



Making Cities Safer, Cleaner & Smarter



Enabling New Jobs & New Work Opportunities



#3. DEGLOBALIZATION WILL GAIN MOMENTUM

Multilateralism Was Sick Before COVID, Downward Spiral Possible

“PRE-EXISTING CONDITION”

2017-2020 *trade wars undermined multi-lateral institutions, cooperation & readiness*

- Weakened EU, G20, UN, US, WHO & WTO
- Trade fights undermined leaders' trust & communications

“VIRULENT NEW MALADY”

Concurrent outbreaks mean most nations need the same supplies at the same time

- Fighting over access to masks, meds, ventilators & closed borders
- Dishonest data sharing slowed many nations' responses

“CHRONIC DISEASE”

U.S.-China *friction growing* amid fights over source of virus & Chinese honesty about deaths & cases

- Ongoing battles over Huawei & trade harder in recession
- China growing its own soft power by aiding nations in need (U.S. is not)

“ORGAN FAILURES”

Many *emerging economies now risk failure* as developed nations lack will, resources to help

- Refugee crises likely but health risks may create catastrophe
- Power vacuums invite non-state actors (e.g. ISIS)

“LONG-TERM PROGNOSIS”

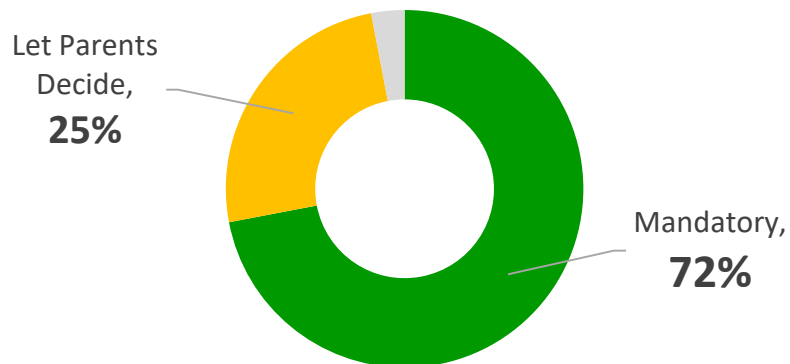
World Wars were failures of diplomacy fixed by multilateralism... *more Nationalism likelier* this time

- Recovery as a competition (tariffs, domestic preferences)
- Increased border controls, resource competition & supply chain diversification

#4. WE WILL RE-EXAMINE FREEDOM'S TRADE-OFFS

Make COVID Vaccine Mandatory?

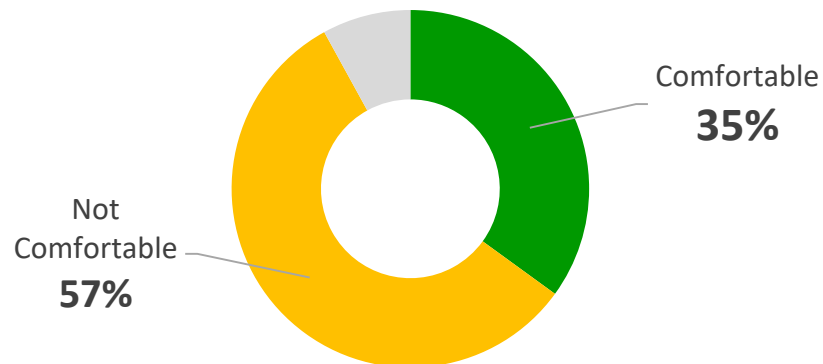
Standard Vaccination of Children (2019)



Source: [NBC/WSJ](#), 2019

Use Cell Phones to Contact Trace?

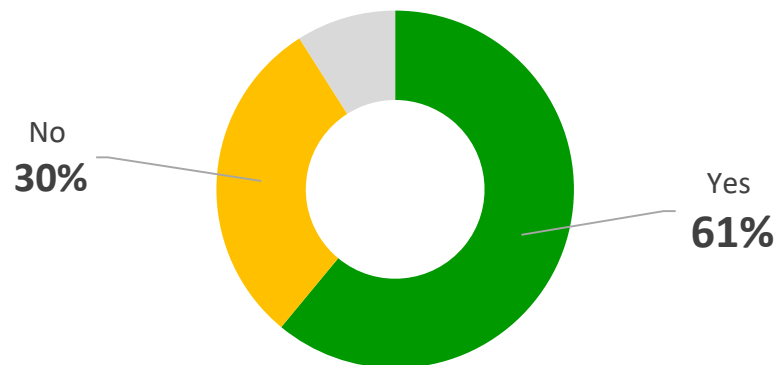
Tech Co's Sharing Location Data w Govt to Track COVID



Source: [Morning Consult](#), 2020

Limit Deceptive Speech on Platforms?

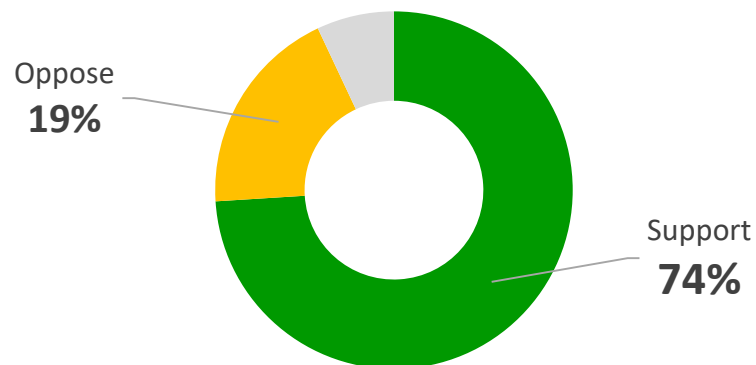
There Are Places Free Speech Should Be Restricted



Source: [Caravan Surveys](#), 2019

Impose National Quarantines?

Support a National Quarantine



Source: [Morning Consult](#), 2020

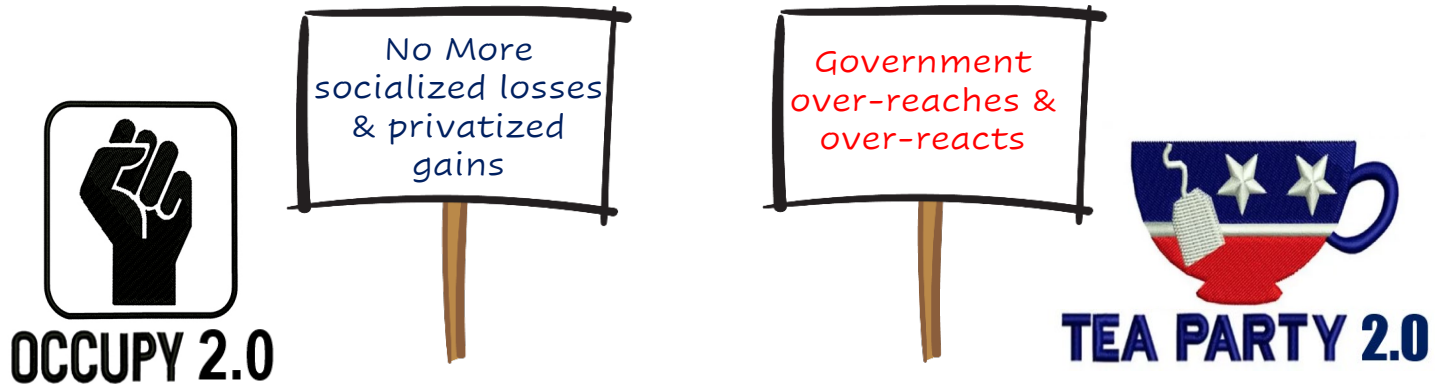
#5. ACTIVISM WILL INCREASE, ENGAGEMENT INTENSIFY

THIS TIME IS DIFFERENT:

Payouts Bigger, Pain Greater, Social Media More Ubiquitous...

	Net Payouts	Peak Unemployed	Social Media %
Financial Crisis ('08-'09)	~\$500B	8.6M	26%
COVID Pandemic ('20-)	>\$3T	>17M	72%

...Likely Leading to Further Radicalization of the Fringes...



...BUT this time business is part of the solution, not the problem

#6. POPULISM WILL KEEP RISING, BUT 2020 POPULISTS AT RISK

What Did They Know and When Did They Know It?



Xi “was leading the epidemic response when Wuhan went ahead with New Year celebrations despite the risk of wider infections... let some 5M people leave Wuhan without screening and... waited until Jan. 20 to announce the virus was spreading between humans.” (WSJ)



“The risk to the American people remains very low... within a couple of days is going to be down to close to zero. That’s a pretty good job we’ve done.” (CNBC)



“Johnson's government is under growing pressure to explain why it has failed to mirror other European countries in implementing widespread coronavirus testing...” (Business Intelligence)



Brazilians “never catch anything. You see some bloke jumping into the sewage, he gets out, has a dive, right? And nothing happens to him.” (Guardian)



“Criticism has mounted over the lack of planning ahead of the shutdown, which was introduced with less than 4 hours' notice. Many of India's 1.3 billion citizens have been left jobless and hungry. Tens of thousands of migrant labourers have been forced to walk hundreds of kilometres to their native villages.” (BBC)

#7. THE “TECHLASH” MAY PAUSE BUT WILL RETURN



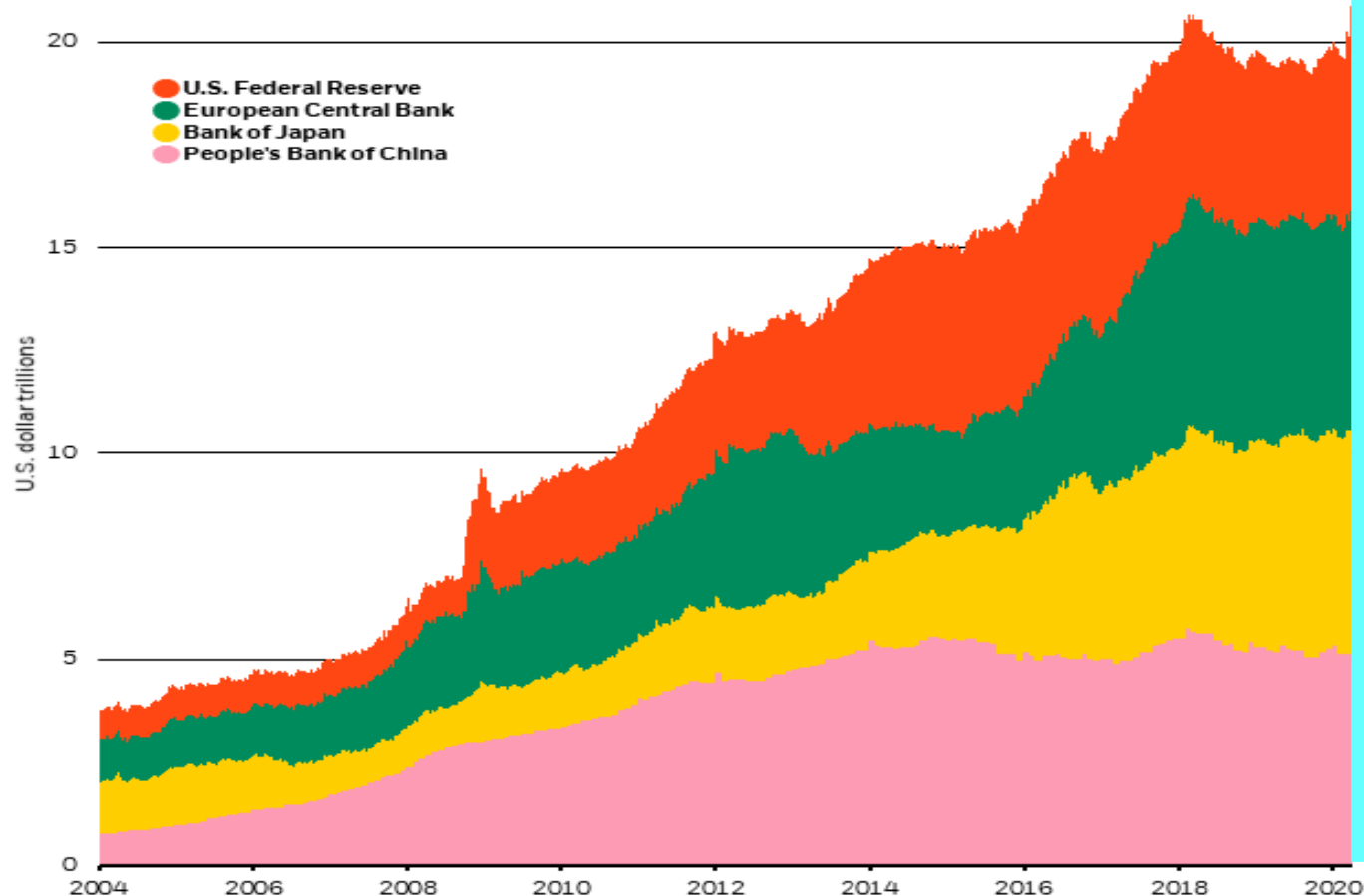
CONCERNS BEFORE COVID	IMPACT OF CRISIS	OUTLOOK POST-PANDEMIC
Too Much Market Power	FAANG gaining market power & dominance	Renewed scrutiny awaits
Insufficient Consumer Protections	Privacy trade-offs for health; Cyber risks up	New rules likelier than before
Platforms Rife with Bad Actors, Biased in Censorship	Aggressive policing of misinformation & price gouging, mixed results	Battles over censorship rules & rights will return
Too Global & Over-Exposed to China	Increased global frictions, especially U.S.-China	Global markets & supply chains harder to maintain
Undermining the Social Compact	Tech stepped-up big: led on safety, supplies, charity & productivity	Coming fights over tax, automation, inequality

#8. MORE ASSET BUBBLES LIKELY IN SEARCH FOR YIELD

Central Banks' 0% Rates & QE ∞ Drive Investors to Riskier Bets

Chart of the week

Central bank balance sheet in U.S. dollars, 2004–2020



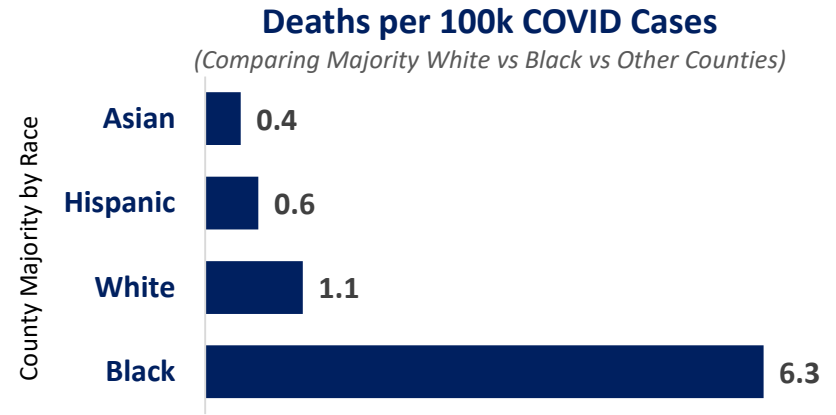
Source: BlackRock Investment Institute, with data from Refinitiv Datastream, April 2020. Notes: The chart shows the size of the balance sheet of each central bank.

#9. COVID INEQUALITIES MAY WIDEN SOCIAL DIVISIONS

States vs States



Among Races



Rich vs Poor

Income →	\$75k+	<\$30k
Remotely working now	39%	3%
Has home broadband	92%	56%
Child access to computer	96%	75%

Among Generations



#10. INITIATIVE WILL ACCELERATE AWAY FROM WASHINGTON

Accelerating Pre-Existing Trend Towards Activist Local Leadership

Net Appropriate Measures – Not Far Enough	
FEDERAL GOVERNMENT	STATE GOVERNMENT
-19	+30

Why Trust in Feds Is Low & Falling

- Early errors undermined response
- Bureaucratic snafus slowing relief \$\$\$
- Alleged insider trading by lawmakers
- Lack of leadership by example
- Self-described “backup” to States
- No credible oversight for unprecedented spending, future “Solyndras” likely

Why Non-Washington Leaders Trusted

- Offered hard truths, built credibility early
- Governors & Mayors took responsibility
- CEOs led efforts to socially-distance
- NGOs offering safety net backstops
- Local leaders less framed by hyper-partisanship & “angertainment” TV

An American flag is shown waving on a black flagpole against a bright blue sky with scattered white clouds. The flag is positioned diagonally across the frame, with the stars and stripes clearly visible. The text "REASONS FOR HOPE" is overlaid in the center of the image in a bold, white, sans-serif font.

REASONS FOR HOPE

AMERICANS STOOD TALL



DISTANCING STRENGTHENED COMMUNITIES



"Pet Adoptions Soar in NYC"



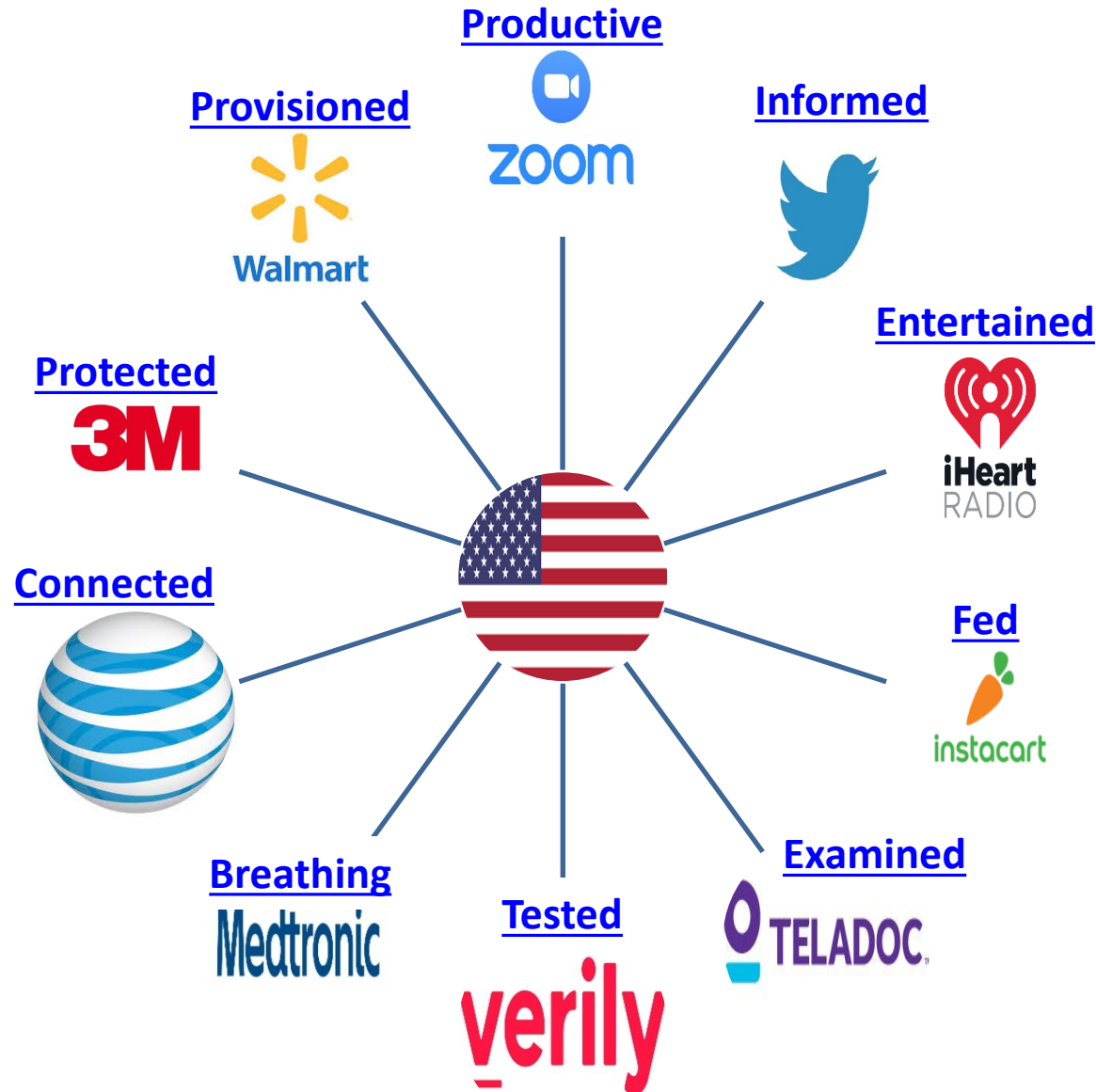
Source: Reporter Herald



"Neighbors Welcome Home for 15 Year-Old After Last Chemo Treatment"



INNOVATORS ARE STEPPING UP, KEEPING US...



POST-COVID-19 RECOMMENDATIONS FOR LEADERS

1. Have a Good Answer to “How Did You Help During the Great Pandemic?”

- *Quantify what you did for your employees, customers, community & nation*
- *Identify stakeholders who will help tell your story in the months ahead*

2. Leverage the Opportunity to Build a Better Business

- *Become more disruption-resilient via cloud, mobile, telework tools & telehealth benefit*
- *Harden systems against hacking, ransomware, supply chain disruptions*

3. Have Credible Solutions to the New Major Challenge

- *What will grow employment, increase resilience or save money?*
- *Engage policymakers soon (while they're home and eager to get to work)*

4. Prepare to Engage Reformers on the Systemic Failures Exposed

- *What do 21st century safety nets need to look like, and how do we pay for them?*
- *How to enable inclusive growth that leverages & helps focus market forces?*

5. Think Globally, Act Locally

- *Diversify supply chain optionality while defending trade & global engagement*
- *Lead by example in supporting global institutions aimed at shared challenges*

<http://www.mehlmancastagnetti.com/>

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RECENT MCR&T ANALYSES:

Q1 '20: Hunting Black Swans: <http://bit.ly/HuntingBlackSwans2020>

Q4 '19: Deglobal: <http://bit.ly/Deglobal-Mehlman2019>

Q3 '19: Wokepocalypse: <http://bit.ly/Wokepocalypse2020>

Q2 '19: The Roaring 2020s: <http://bit.ly/Roaring2020s>

Q1 '19: Permissionless: <http://bit.ly/Permissonless>

Q2 '18: Empowered America: <http://bit.ly/EmpoweredAmerica>

Q4 '17: Navigating the New Gilded Age: http://bit.ly/Mehlman_NewGildedAge