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# Teneo Insights

## Coronavirus: A weekly update from Teneo

A discussion between Orson Porter, Phil Cox, Jerome Hauer Ph.D., and Kevin Kajiwara.

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**Kevin Kajiwara (KK):** Well, good morning, everyone. And welcome to today's Teneo Insights conference call. I'm Kevin Kajiwara, Co-President of Teneo Political Risk Advisory calling in from New York City today. And thank you for joining our weekly call on all issues related to coronavirus. The past week, I think we have been confronted with two very starkly contrasting images, one where the photos over the Memorial Day weekend from the Lake of the Ozarks and other places showing a behavior that I think can best be described as pre-pandemic in orientation. Cheering those of us who really want to return to normal as fast as possible and horrifying those of us who think the situation is anything but normal. The second image was the one most dramatically illustrated by the front page of the New York Times on Sunday, which was the grim milestone that we've hit this week with 100,000 deaths related to the pandemic in the United States, a mere 87 days after the first death.

So in today's call, we're going to focus on the United States political picture, fiscal policy, Washington, and state relations, the political aspects of reopening and going back to school on all in the context of course, of an election, which is only 158 days out from today. So, I'm joined to go through all of this today by my colleague Orson Porter. He heads up Teneo's Washington office and heads our Government Affairs practice. Prior

to joining Teneo, Orson was the U.S. Director of Government and Public Affairs for Nike. And before that, he served in the White House as a Special Assistant to President Bill Clinton. Orson and I are joined by a partner of ours at Teneo, Phil Cox. Phil was the Executive Director of the Republican Governor's Association from 2011 to 2014. He is a Founding Partner of the bipartisan issue management and advocacy firm 50 State.

And he's a Founding Partner of the federal strategic consulting and government affairs firm, Guidepost Strategies. And Jerry is back to help us understand the latest developments on the outbreak itself. Dr. Jerry Hauer is the Former Commissioner of the Division of Homeland Security and Emergency Services for the State of New York and Director of the Office of Counter Terrorism. And he was also the Acting Assistant Secretary of the U.S. Department of Health and Human Services for Public Health Emergency Preparedness. As ever, you will have an opportunity to ask questions, which we'll endeavor to answer later on in the call, but you can send your question in at any time and we'll get them by utilizing the moderator chat button on your screen.

So, Jerry, let me start with you. A hundred thousand, the United States has got 4% of the world's population and nearly 30% of global deaths. I think the number of people in the world who get up in



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the morning and say, “Gosh, I wish we’d handled the pandemic the way the Americans have,” is precisely zero. But bring us up to date from your perspective, where is the U.S. in the outbreak and what is your assessment of the reopening and restart process that’s underway?

**Dr. Jerome Hauer (JH):** Well, Kevin, we have been playing catch up with this since the early stages of the outbreak. We were late to the table in identification of what was going on. There was a sense of denial. There was a lot of miscommunication between what I call a disjointed, federal response, and a disconnect between the federal government and state and local government. We have the problems with testing and we continue to have problems with testing. We’ve had problems with just managing the outbreak at the national level and at the state and local level. There is good news. We are seeing a downward trend in about 17 states. 15 states are holding steady, which is good news. Unfortunately, we’re seeing a significant upward trend in about 17 states. And in several of those, we’ve seen jumps of over 50% in the number of cases. There is also good news about vaccines and I know you want to talk about that in a moment or two Kevin.

**KK:** Well, let’s dive into this a little bit more. I mean, I think a lot of people make it out to be, but it seems to me that it’s not really a choice between public health and the economy, right? We have to get the public health part right, otherwise the economy is going to be under a really consistent threat. And the public health part is actually not that hard. I mean, we know how the virus is essentially transmitted. So we know that physical distance is key to mitigating the spread, but at the same time, therefore that makes going back to work, going back to the workplace let’s put it that way, since we’ve all been working here, but it makes going back to the workplace incredibly

challenging, and it makes wanting to patronize a store or a restaurant or a theater or a sporting venue, a prospect that at least is going to make you think twice.

**But public health here also has to deal with or address all of the issues that could result from prolonged economic lockdown and distress, right? Depression, anxiety, substance abuse, malnutrition, domestic violence, all of these things potentially on the uptick. So talk about this a little bit more because I think that thoughtful government and business leaders are really scrambling and struggling to find this right balance.**

**JH:** Well Kevin, there’s a third leg to the stool, and the third leg is politics. There’s the economy, distress between the economy and public health, and then there’s the political driver, which is creating part of the problem. A lot of these governors want to politically be able to say, “They’ve opened up.” The message coming from the White House and from a lot of these governors is, “We’re good to open up.” As a result, you have scenarios like we saw this weekend where you have hundreds of people congregating in various events. The Lake of the Ozarks was just mind boggling to see that many people in an environment where spread can be rampant. That messaging is the political component and that political component, which Orson and Phil will talk about, puts pressure on the public health component. And that then puts pressure on the economic component.

We have got to get people understanding that if they don’t behave properly, if they don’t follow the appropriate public health guidelines, we are going to have an additional spike during the summer and a potential second wave this fall. If we have a potential second wave, or if we do have a second wave, the

impact on the economy could be devastating. We will hopefully be at a point where we are starting to recover because the number of cases has dropped off. But if we have that second wave, it is going to be devastating. So we have got to balance the economic components and the stress between that and the public health. And we're not doing a very good job right now.

**KK: Well, let me push back on that just a little bit, because obviously you pointed to some of these pictures that I mentioned at the outset as well of large congregations of people. And obviously the way that the virus incubates, we would not likely see resulting cases for two to three weeks. But if you rewind the tape a little bit to some of the states that opened up early and many public health officials had warned against the premature opening. And I want to go to Georgia in particular, which I think was one of the first major states to really reopen to the point that even once the governor did so the President who had encouraged him beforehand, kind of tried to put the brakes on after the governor did so. But nonetheless now that's several weeks on, we haven't seen a severe spike in cases in Georgia. How do we account for that?**

**JH:** Well, Kevin, Georgia is one of the outliers. We are seeing a jump in cases in Texas, opened early. Nebraska, the hospitals, are really feeling the strain. Iowa, Arizona hospitals, are really under pressure right now. So it's hard to explain what's going on in Georgia. But if you look at the other states that opened early, we are seeing that kind of spike.

**KK: Before we go onto the vaccine and therapies front, you mentioned that we're still in an environment where testing remains inadequate, which is just amazing this far into this thing. But as we look at employers, particularly large employers starting to plan their return to work.**

**And this morning we've had another round of news that both Citigroup and Goldman Sachs talking about getting their trading desks in both London and New York up and running here in the next couple of weeks, at least to a limited degree, this question of whether employers should test employees. We've seen that Amazon announce that they would spend upwards of a billion dollars this year, testing employees regularly and building their own testing labs, but are there actual standards that employers can meet here?**

**And I also wonder, and this goes to the complexities of reopening from a business perspective, this level of trust between employer and employee, because clearly as you have pointed out on this call many times, it takes time for the real symptoms of the disease to manifest themselves. But you're most contagious prior to the real flu like symptoms. So in theory, you would want to have your employees feel that they could take time off and isolate themselves from their fellow employees and from customers prior to showing symptoms, prior to testing positive, without fear of losing their jobs. Talk about this testing to come back to work protocol.**

**JH:** Well, there are two types of tests. One is a test to see if you currently have the virus. That means, "Am I sick?" basically. You may not be symptomatic, but you could have the virus and be shedding virus and spreading the virus to other people. The other type of test is antibody testing. And the antibody testing tells us that you did have the virus. Again, you might not have been symptomatic. You had the virus, you now have antibodies. The problem with both of these tests is the tests were rushed to the market. And with both of these tests, there were a lot of tests put out that simply didn't work. They were garbage, particularly the rapid tests that give you results in 10 to 15 minutes. We now have some more reliable tests, but CDC this week came out and talked about the antibody test.

Saying they're not very reliable, and that people should not use the antibody tests as an indicator that you have protection and you can break the stay at home or the social distancing. And that it's not a good test to tell you, you can go back to work. They also warn about getting immunity certificates because the notion of immunity is that I might have immunity, or I might be tested to show I have immunity when I don't, it could be a false positive. You then don't know how long immunity's going to last. I might have the antibodies. They might be protective, we think they're protective, but we don't know how long they're going to last. So when you think about the two types of tests, when you think about doing the viral testing, in order to understand whether somebody's infected you basically have to test them every day or two.

And that becomes an incredible task for employers. Some say, you can test them once a week, twice a week, but the cost of doing that is incredibly expensive. Then, do the employers want to do an antibody test and say, "Okay, you passed your antibody test. I'm going to let you back to work." Well with the guidance we just got from CDC, 1) we don't know if the test is accurate, and 2) we don't know if you're really protected. So testing has a bunch of traps. And until we have a better understanding of what tests are actually testing for what we want to test for, and don't give us false negatives or false positives, then we have to be very careful about testing. So, at this point in time, I don't think employers should rely on testing as a means to let people back to work. I think by the fall or late summer fall, we'll have a better understanding of the quality of the testing. And it might be sooner than that. And we'll have a better understanding of whether or not some of these people that test positive have enduring antibodies.

**KK: So, as I mentioned at the top, the good news is that there has been a lot of development and a lot of announcements on the vaccine and therapy front. Just today on the therapy front, talk that**

**Gilead's Remdesivir and Roche's ACTEMRA, the anti-inflammatory therapy, working in concert with each other. On the vaccine front, we talked last week about Moderna, also the AstraZeneca Oxford vaccine. Merck made announcements this week, Johnson and Johnson, CanSino out of China. Glaxo announcing that they're ramping up adjuvant production, which is a force multiplier for vaccines so you don't need as much vaccine to get as many dosages out of it. Update us Jerry, from your perspective, on the latest developments on the vaccine and therapy front.**

**JH:** Well, you hit on right now, there are 11 companies in clinical trials. They've actually put vaccine into humans. To develop a vaccine, you go through first an animal. You make sure that it is safe and creates antibodies. You then go into small scale human trials. That could be 100, 200 people. You prove that again, it's fate doesn't cause adverse reaction. It doesn't cause the disease and it actually is safe and is not reactive. You then go into trials and you do 10 or 15,000 people and you prove the same thing. Well, what we're looking at with these escalation in trials and manufacturing is the federal government has basically told a half a dozen top candidates, "We think your vaccine has got really good potential. But what we're going to do is tell you to start manufacturing the vaccine. You make 300 million doses. Keep your clinical trials going in parallel." Which is not the normal course for vaccine manufacturers. "And you make those 300 million doses."

"At the end of your clinical trials, your trials either show that the vaccine is good, it's safe, it does what it's supposed to do. And we now have 300 million doses out on the shelf and we can start vaccinating people. Or if your vaccine turns out not to work, it's not safe, you have 300 million doses. We're going to pay you for those 300 million doses, and all the money you put into clinical trials." So they're taking the risk away from the vaccine manufacturer.



The normal process is not to start large scale manufacturing until you've finished all your clinic trials. Phil, as you mentioned, we now have five or six top candidates. They're all looking at clinical trials right now, and development of the vaccine in large scale could start sometime in the near future. Tony Fauci yesterday was fairly optimistic, which he has not been very optimistic over the last few months. He is now thinking there is a possibility we could have a usable vaccine sometime by the end of the year, which is a complete change in his thinking on this.

Now once we get a usable vaccine, it's going to take months, go out and start vaccinating people in order to get to a point where we have herd immunity. And that point is going to be between 60 and 70% of the country having immunity. So we don't see the spread of the virus like we're seeing right now. As far as therapeutics, yes.

**KK: Jerry, just to clarify one thing on that final point there, you're talking about herd immunity and what percentage of the American population has to be either recovered or have gotten the vaccine to achieve that immunity. But just to clarify here, I mean considering the nature of the virus, and its attendant illnesses and the impact that it's had on the global economy and on global commerce, global trade, global travel, is it fair to say though, that we ultimately really need to get the vaccine into essentially every arm in the world? In other words, not 360 million dosages, but 8 billion, or if it takes two stabs, 16 billion dosages?**

**JH:** Yeah, absolutely. We're going to need as many vaccine doses as we can to protect as large a population around the world as possible. It's important for the economy, but it's also important to prevent the human catastrophes. One of my biggest concerns right now is Africa. When you think of refugee camps, when you see some of these countries that have very

weak public health infrastructure, the potential for having massive numbers of people become ill and die is something we have to prevent. So it's not just the economic impact, it's trying to prevent a human catastrophe in Africa and some other countries.

**KK: So, I want to move on here to the political side. I'm conscious of the clock here, but we did get a specific question for you and from our audience that I want to just address now while we're at it. Keep hearing about, you made reference to a second wave come fall. Not just a second spike of the current wave, but a second wave in the fall. What's the evidence that predicts that such a thing is possible or likely?**

**JH:** We've seen that with other outbreaks. In fact, with the Spanish flu in 1918, we saw three waves. And the second wave was worse than the first. So part of what we have to do is we need to ensure that we do not fall off the edge and just completely relax everything. If we can maintain some kind of public health restrictions and structure, we can do something to attenuate or reduce a potential for having one of those dramatically high second waves. So it's going to be in part our behavior that reduces that potential.

**KK: Okay, great. Thanks Jerry. But stay with me because we're about to talk politics here, and you know what it's like when we get the political guys going, we need to interject sometimes with some scientific fact, right?**

**So, all right gentlemen. I think we're well aware of the economic toll a pandemic has taken, most glaringly in the unemployment data. We saw another 2.1 million initial jobless claims just a few minutes ago, but Phil let's start with you. Update us on the state of the fiscal response. I mean, it seems to me that that initial \$2.2 trillion was impressive, not only in its ambitious size, but also for something that's all too rare in Washington.**

**It had bipartisan support, not just from the two sides of the aisle, but between the Democratic leadership and Secretary Mnuchin. And the President signed the bill very quickly. We can argue about the efficiency and the equity of the deployment of it, but it seems to me that given the duration of the pandemic and demand destruction, we have simply just not spent enough. So, what's the dynamic? What's the timing? What's the politics?**

**Phil Cox (PC):** Well, I don't think we know yet. First of all, the number is \$2.9 trillion it's been since March 5th, not 2.2. And that includes, as you point out, there was a trillion in PPP funding for distressed industries. I think what we're hearing from Republicans, and particularly Conservative Republicans is you got to give that a little bit of time to breed and see what the impact is. The fourth phase is being debated now, and you have the House Democrats that have passed what they're calling the Heroes Act, which is an additional \$3 trillion in stimulus.

And McConnell has sort of dismissed this as in his words, "a left wing wish list." And has said that any next phase needs to be under a trillion. So there's really, Kevin, two debates that we're watching right now. One is the traditional Republican versus Democrat, McConnell versus Democratic leadership. We're also keeping a close eye on the internal Senate debate among Republicans, specifically the reactions of conservatives like Rand Paul or Ted Cruz to this next proposed round of stimulus. And the bottom line is that there are a lot of conservatives who remember the reaction to the financial crisis of '08, and they're beginning to push back. They were saying they want to see the impact of that first \$3 trillion before we throw in another \$3 trillion in stimulus. So we're watching a few things, specifically the rhetoric around unemployment insurance. Republicans saying it has created disincentive to work.

This is really important as states begin to reopen in phases. As an alternative, you have Republicans talking about back to work bonuses or tax credits. You also mentioned earlier, we're keeping an eye on the liability protections for businesses. I think leader McConnell has a pretty clear picture of what industries will be included. And we've heard in the last few days, last week or so, a lot of moderate Democrats have also joined this chorus. And we think the industries that are at the top of the list are meatpacking, and ag, and hospitals, and medical providers and maybe educational institutions.

So, I think we're seeing those big picture items. We're also seeing a strong push for additional state funding. I think those on the right have labeled this a blue state bailout. I think that's inaccurate. We talk to governors every day. Red states are being just as impacted by cratering tax revenue as blue states. Overall, I think on this next round, you see the timing. We see the calendar basically being pushed to the right some.

As I said, conservatives, and McConnell is voicing this, are really in no rush right now. They want to see the impact of the first \$3 trillion. There will be a Phase Four, but we don't think we'll see it in June. We're probably looking at more like mid to late July at this point. And you also, you know, it's important to remember you have these must pass items, the NBAA, WRDA, appropriations bills, highway funding. So unlike a normal election year where nothing really gets done in September and October, we expect Congress to continue to work into the fall. So that's the snapshot of where we stand right now on federal.

**KK: So I want to unpack that a little bit, but before we do, I want to move over to Orson for a second because Phil just talked about not just the Republican position, but there are factions within the Republican side as some of the more fiscal hawks start to reemerge after this, after the first big wave of fiscal stimulus. Talk about**

**the Democratic caucus, and also whether there are competing factions or philosophical factions within on how to approach the fiscal stimulus front.**

**Orson Porter (OP):** Absolutely, and thanks for having me. Before I begin, I just want to say, this is the second call I've been on with Jerry this week. And I'm always impressed by his depth of knowledge and we're lucky to have him on the team. On the Democratic side, you hit it right at the beginning of the call. We're 150 days out. Everything that happens in DC is always viewed through a political lens. Nancy Pelosi I think played the politics right on the first two phases. This most recent rollout of the Heroes Act, the Democrats moved quickly.

They weren't necessarily interested in having preliminary discussions with Treasury or the White House, or for that matter, even Senator Schumer and passed a \$3 trillion package in that so they could immediately go back to their states, which one trillion of those dollars were going, as they thought, to some of the state governments to go back to their constituencies to say that they were on top of it.

But more importantly, every day voters are watching the cable news cycle. And I think wisely, Pelosi knows if she can get ahead of what the Republicans may be thinking and vote out a piece of legislation, and as Phil rightly pointed out, there might not be a quick action here. The Democrats in their eyes see as though that they can honestly say that they passed legislation, they're waiting for Mitch McConnell to actually move a piece of legislation. And you've seen this in the past of all bills die in the Senate.

So, I think there's definitely a political tone there, and there are pieces of the legislation that are right for compromise. As Phil pointed out, the unemployment piece and the liability piece. But it's really about the

timing as the news cycle moves. And as Jerry pointed out, if there's a second wave in states like Georgia or some of the other places where we haven't seen it, and we see a spike in the coming weeks, then I got to think that the Democrats will use that to their advantage. And you'll see immediate action on moving the pieces of legislation.

And if you don't see any second waves and you don't see a lot of these states show increased reporting of positive cases, you continue to see states re-opening successfully, then I think Republicans, as they have done, would be wise to see what monies have been spent, are being used effectively. And then reassessing instead of spending that \$3 trillion, maybe we just need to repackage what we've already done. So it's really the politics of wait and see right now. The Senate is on recess until next week. The Congress has not been physically here in DC. DC is still on shutdown, I think until tomorrow where essentially, the restaurants will be able to serve you curbside. But for the most part, there's a lot of legislative activity you see on the TV sets. But I think for the most part, the elected officials are at home speaking directly to their constituencies, trying to wait and see how this thing pans out.

**KK: So, Phil, going back to the fiscal hawks here and, I mean, beyond sort of wait and see, and I understand that considering the vast amount that is being spent right now to see what the stimulative impact is. But beyond that, what is their sort of strategy in a world where, obviously, people, businesses, states, localities are all facing, or many, let's say, are facing liquidity and solvency problems. And we know that at the end of the day, only the U.S. government can borrow at the scale and at the cost to benefit all. And so, in an environment where real rates are negative and many states have got balance budget requirements and the like, what other**



**option, ultimately, is there? And especially because there's a counter argument to what came out of 2008, 2009, where there was no resulting inflationary spike, or in fact, it wasn't stimulative enough or fast enough at the time. And the economy took longer to recover than it potentially could have.**

**PC:** Well, that's not what you're hearing from conservatives. What you're hearing is we can't just keep printing money and drawing ourselves into debt. And that's been the traditional line and you're going to hear that even more vocally. And I think, look, as you pointed out, we tragically, tragically marked 100,000 deaths this week. But 60% of those are coming from just about a half dozen states. And they're mostly in New England right now. So New York, Massachusetts, New Jersey. You've got Illinois, Michigan, and Pennsylvania. But half the states have had 500 or fewer deaths right now. And so there is this red state, blue state divide on the politics. But more importantly, I think there's a rural and urban, suburban divide. And that's playing out, that's what you're hearing in terms of the policy right now. There's a push from both, as Jerry pointed out, more red state, rural state governors, and then red state, rural state Senators to accelerate reopening and focus on the economy because they just haven't seen the same impact.

Now, hopefully that will continue to be true. We don't know. We may see spikes this summer and things will change. But that's really what we've been watching and how we're interpreting things is how the COVID politics is playing out and how it's impacting the policy. And I just don't see the conservatives moving off that position, Kevin. They're going to keep voicing that. And I think what you're going to get is just, you're going to get an additional tranche of stimulus. The question is, is it going to be the trillion that McConnell has said or less, or the three trillion that the House Democrats have passed? My guess is it'll be somewhere in between.

**KK:** Yeah. And you brought up something really intriguing here, which is this sort of the clear picture, if you want to call it that, on the sort of the urban front, and a clear picture on the rural front. And that yet again, as we've seen so many other issues, the suburban areas become in play. And I want to unpack that a little bit when we talk about electoral politics here. But before we move into that, just a quick question on you guys' thoughts with regards to liability. And you referenced that a couple of times, Phil, and potential indemnification. And understand the impetus there.

**On the other hand, the other element of getting the economy back to work is getting people to go back to their places of employment and getting potential consumers to go back into places and spending money. And it seems to me that while there's a technical and commercial element to talking about indemnification, there's another message that is delivered as well, which is an acknowledgement that people are going to get sick and die by going back to work. And therefore, we've got to indemnify people. If there wasn't a risk, you wouldn't need to indemnify them. So how do we square the messaging to try to, again, convince people that it is safe to return to work? That's the bottom-line question.**

**PC:** I mean, look, I don't have a great answer to that. I would say, I'm a parent, I've got a six and an eight year old. When we think about going back to school in August and September, people are going to vote with their feet, they're going to vote with their heads. There's been this discussion about Trump talking about the folks going to the RNC, the convention in Charlotte. I've been to every convention since '96. I'm not going to Charlotte. Why would I do that? I don't want to put myself at risk. Right? So I just think there is an element to that.

And it's going to be driven, as you said, at the top of the call by what's going on in the health front. We haven't talked much about the states, but the governors, in March and April, were really focused on getting PPE and making sure they had enough ventilators, making sure they had enough ICU beds. And now they're very much focused on testing and contact tracing. And if you can get the testing and the contact tracing right, or at least make significant progress over the next 90 days, then maybe we can see a real reopening. But I think until you do that, doesn't sound like we're going to have that.

**KK: Orson, do you think that, so to pick up on Phil's point here, in many instances on both the right and on the left, governors, and then also local officials, local governments are held in, you know there's much higher approval ratings than perhaps there is at the national level. And so in a number of cases, we have seen good policy, we have seen clear policy, and we've seen clear guidelines marked out. But at the same time, we've also seen governors and other localities working in greater concert with each other. Right? If there was a lack of coordination from the top, they coordinated amongst themselves with regards to moving ventilators from one part of the country to another, or one part of a state to another, and other PPE and the like. Do you think that sort of that network and alliance has better positioned them for this potential second wave? That we can go about if we have to do isolated closures or re-lockdowns or whatever, that states and localities amongst themselves will be better coordinated to meet the challenge.**

**OP:** Absolutely. And as Phil pointed out, particularly on the East Coast, I think the governors in the New York area, New York, New Jersey, etc., have really done a great job of coordinating their message. But more importantly, sharing their resources and fully prepare with their state teams to tackle the second phase. And

probably have a better model because this will happen again. This won't be the last time we see this. And I think regardless of who's in the White House, I think you'll see governors continue to do this in the future, to view things, as you see in Europe and other places, as more of a kind of a regional approach in that people travel much more, people in New York, as you know, Kevin, you could work in New York City and live in Connecticut or New Jersey or, for even that matter, for some of us, in DC. So it is a regional lens.

And one thing I wanted to point out in the liability piece is I think there's another connection to the states is you're seeing a lot of states consider legislation to address the issue locally, which I think will provide a little relief. And then on the federal side, you've seen through the DPAs with some of the essential workers, plants, food processing, or where you make masks, etc., providing coverage. So these plants who make the essential products are covered to make certain that they're not sued by faulty liability claims or potentially having their employees completely shut out.

On the governor's piece is a tricky one, too. A good example, I think to showcase today, is California. Probably three months ago, California was looking at about a \$6 billion surplus. A couple of weeks ago, they announced that they got about a \$55 billion deficit that they need to plug by July 1st. I think that has a lot to do with the pace that Gavin Newsom and some of these governors have to consider reopening. There's a front page story in the LA Times today that Gavin Newsom may be moving too quickly. He's already facing criticism. I think you may start to hear that in New York and other spots. But having said that, governors know the longer that their states remain closed, the harder it will be to fill those gaps. And then with the kind of locked and stalled politics of DC of waiting for whether or not Congress moves or Mitch McConnell decides red light, green light, stop. These states have to make some hard decisions.

So, I think governors may have been popular the first couple of months because their decisions were a little bit easier to make. But as you get into the discussion of reopening and you start talking about some of the things we talk about on essential or what is, you know they're opening gymnasiums in California. A lot of people are uncomfortable with that. If people get sick, then you will see those popularity poll numbers shift fairly quickly.

**PC:** Orson makes a good point because all these governors are going to, many of them, are going to have to go into special session probably in the fall to address just cratering tax revenue. And that's when the cuts are going to drop. And like Medicaid budgets, as an example, are going to get hammered. And it took states years, four, five, six years to bounce back, state budgets to bounce back from '08. And those cuts are, because they're local, because they're at the state level, they're felt. And so I think Orson brings up a really good point there. And we're going to see that coming probably September, October, November timeframe, where you see a lot of these special sessions convene.

**JH:** And Kevin, let me just jump in. I was looking at the overnight numbers. California is one of the states that is starting to see an uptick in the number of cases.

**KK:** Got it. Well, given what Phil just said, and the timing of it in particular, I want to use the remaining time to get to the fun part here, which is the election. And I want to start at the presidential level. But before we really get into it, I've got to ask, we've got one side, the President's side, that's sort of essentially been in perma-campaign. And then you've got the other side, which quite literally basically can't get out of the basement. What is this campaign going to actually look like? Orson, when do you think, especially because I think it's

**the Democratic side that's looking a little feckless here at the moment, when do they really enjoin this campaign?**

**OP:** You may not see real activity until the fall. Don't forget how Biden won, he surprised all. And it wasn't like he was actually campaigning in some of the states during the primaries that he won. So, there's a different kind of campaign in this cycle, and we should get used to it. Biden came out of the basement, as you said, for the first time in two months on Memorial Day. Any other cycle that would be, if I told you that, you'd say I was crazy. And I might be crazy, but it's crazy to think that he came out after two months and then went back to the basement yesterday to host a variety of interviews. So, what I think is you'll see a very shortened cycle. People will probably use the summer to regroup. The campaigns will use social media and events to drive messaging and to fundraise, and they will use the current polls to reshuffle staff, etc. But as the conventions kick in, I think people will get focused and then you'll finally see on the Democratic side, you know Vice President Biden aggressively campaigning. He's indicated on August 1st that he will have selected his running mate. And then I think the first of August is when this thing really kicks into gear.

**KK:** And Phil, the President, obviously his most high-profile way of campaigning is via the mega events, which are at least for the time being are on hold. On the other hand, going back to the 2016 cycle, the Trump campaign showed itself to be incredibly dexterous and reactive to being able to see where people would be, where they needed to get the candidate, and to move quickly in a way that the Clinton campaign simply wasn't. How do you see them looking at the dynamic of the politics plus the healthcare realities in terms of how they're going to roll their candidate out?

**PC:** Well, I think they're doing it. And I would say that you made the point that Trump has never stopped campaigning. Well, no president ever does. I think what you're going to see in phases, first of all, you've got the Trump campaign spending money right now. So they are actively campaigning. They're in the middle of a \$10 million TV buy across, I don't know, five or six states. So that's happening. And people in swing states are seeing it. Second, you're going to see the President and the Vice President really start to travel more. And you've already seen it, the President went to Honeywell in Arizona, he went to the ventilator plant in Michigan with Ford recently. So Michigan, Arizona, he's going to look for excuses to go to North Carolina and Pennsylvania and Ohio and Wisconsin. You're going to see both the President and the Vice President over the course of the next six weeks ratchet up that travel. And that's really, for two reasons. One is the politics and trying to be in the states that are going to decide the election. But two is really to begin to, more aggressively, tell the story that the economy is opening back up again. I think their calculus is, if this race is more about the economy in September, October, they got a better chance to win.

And right now, with the focus on the health side of the equation, the head to head ballot doesn't look very good for Trump. So he, I think, politically is incentivized to make it more about the economy. And again, the race is not, you know, nobody cares about what the national numbers are, it's going to come down to Florida, North Carolina, Arizona, Pennsylvania, Michigan, Ohio, Wisconsin, effectively. And the state by state story right now does not look great for Trump, but it's also all very much margin of error stuff outside of maybe, Pennsylvania, Michigan, which look pretty good for Biden.

So, we're also keeping a close eye on the Senate. There's going to be a lot of money spent on a very small number of Senate races. Let's say a lot of money. You're talking about half a billion to a billion dollars, potentially, in places like Maine and Arizona and North Carolina and Georgia, where really the Senate's going to be decided. So, it's going to be interesting. I continue to watch, Kevin, again how the politics of COVID are playing out in the suburbs, in places like suburban Charlotte and Raleigh and suburban Philly and suburban Phoenix. Those are the places where this election is going to be decided both Presidential and Senate.

**KK: So, I'm going to save the big question for the very end here, but Phil, can you just expand a little bit on the Senate, how do you see that right, I mean, it feels in so many ways that American politics at the national level are taking on more and more of the hallmarks of a parliamentary system in the sense that the president is simply the leader of his party and as he goes, so it goes, but is that true? How do you see the Senate dynamic playing out? And then also, if you could take a minute to just talk about the State House level in this election cycle as well?**

**PC:** Sure. So, I mean, the President maintains historically high approval ratings among Republicans and has proven the ability to impact nomination fights on the Republican side time and time again. So, that is, without question, a fact. The Senate right now is 53-47, Republicans will pick up Alabama and Colorado looks very, very difficult right now with Cory Gardner. And then it comes down to sort of Maine with Collins, Arizona with McSally, North Carolina with Tillis, and then you've got two races in Georgia. To answer your question, Kevin, the presidential race is a factor, but

every one of those races is different. And so, Susan Collins has a brand that she's built onto herself that I think she can survive. Trump, losing by a lot. McSally, not so much. I think, if Trump loses Arizona, I think McSally loses. North Carolina, Tillis's numbers have been pretty soft. I think if Trump loses North Carolina, Tillis will lose. Trump loses North Carolina, we got bigger problems. I mean, that's an indicator that we had a really, really bad year and then you got the Georgia race.

So, what I would say is, there's not a lot of attention on the Senate, but from a standpoint of a Republican and standpoint of a lot of the businesses that we represent, they are really focused on the Senate because it could be sort of a last line of defense. If Biden wins, you've got a Democratic house. From my standpoint, my side of the aisle, we really need to see McConnell there to sort of stop a lot of the most progressive elements of the Democratic agenda.

On the state side, it's not as busy a year this year, there's a dozen races and it's just the way the map is sort of coming out. There aren't that many that are competitive, I think the two that we'll see the most action are actually in Missouri and Montana. North Carolina will also be competitive because it's a presidential state, but in places like New Hampshire with Sununu and Vermont, which should be competitive, they both have Republican governors, but the Republican governors have done a tremendous job responding to the crisis, and they've got literally 80% job approval ratings now. So, I don't see a whole lot of movement and action at the gubernatorial level. There will be 36 governor's races in 2022 and that's where you'll see sort of big swings.

**KK: Now, I want to warn our listeners, we're at the bottom of the hour, but I'm going to go just a couple minutes over because I've got two final questions for these guys. And Orson, I just want to**

**start with you on the vice presidential sweepstakes on the Democratic side. Obviously given Biden's age, there's been a lot of talk that you have to at least take into account that he could be a one-term president. And of course, there's the Clyburn endorsement in South Carolina that turned his race around for him. How are you looking at the vice presidential sweepstakes?**

**OP:** Yeah, they always say it's a big deal and then the candidate selects the VP candidate and it's no longer a big deal and the new cycle moves on. In this particular case, because of all of the things you mentioned, I think his selection will have a lot of meaning for a lot of folks, particularly people of color and some of the suburban targeted communities that feel highlighted. So, a lot of folks have a lot of different opinions on who he might select. The list is, I think, pretty deep. So, I'll name a couple of folks who I think are high on the list, starting with, as you mentioned, Congressman Clyburn. He really gave him the life test to continue his candidacy, and I think will have a lot of influence on who that person might be. And the Congressman has been very open about it being a person of color and his candidate of choice of late is the Mayor of Atlanta.

And then, the Congressional Black Caucus has also been very supportive through this process of his candidacy, and various members in the caucus are really pulling for Val Demings, the Congresswoman of Florida, who was the Orlando Police Chief. On the flip side, you have Senator Harris who would be very helpful on the fundraising side, would bring some needed energy. You can imagine Senator Harris and Michelle Obama, some of those swing states, two or three days before the election, kind of having rockstar status. And then there's a lot of gossip in DC right now about Elizabeth Warren. A lot of the Obama former team members have been fairly supportive, there was a couple of articles today that, quietly, the former president has been lobbying for her consideration. And



then, because of what's happening in Michigan and it being a battleground state and the way she's handled the discussion there, I think the Governor of Michigan deserves a really good look at. And then of course they see Stacey Abrams and others.

So, I think there will be a lot of politics in play here. A name that I didn't mention who is also being seriously considered who is in a nearby media market of some of those swing states is Senator Klobuchar. You'll see a lot of these VP candidates auditioning over the next 30 to 40 days on the TV, whether it's responding to the current crisis or talking about his candidacy itself. But remember, Congressman Clyburn saved him, Congressman Clyburn probably will have one of the biggest voices in this process, so if I had to tell you to watch anything, I would say, watch what Clyburn says and how Biden responds, and that might tip you off on the final selection.

**PC:** And I agree with that, Kevin, but I would just remind folks that the Democratic pathway to victory, Biden's pathway to victory goes through Pennsylvania, Michigan, and Wisconsin. So that's the flip side of it, that's their calculus. It's like, "Do we need a Klobuchar or somebody like that who can help us win the Midwest? Or do we want to go with Clyburn and add a person of color to the ticket?"

**KK: So, here we are, we've come down to it. Guys, I'd like you to take off your partisan hats for a second and just be as objective as you possibly can for one moment. It's an unprecedented time, obviously, but the power of incumbency in this country is very strong. There was a rally around the flag effect, but it was short lived for a crisis, certainly nothing like President Bush saw after 9/11. Phil pointed out that the president's got a historically high approval ratings amongst Republicans, but at an overall level, has never**

**been above 50%. Nobody's ever been reelected with that. How do you guys handicap the race as of today?**

**PC:** As of today, I would say Biden has an advantage. But again, I think, if the race and the discussion is more about the economy, it becomes more about the economy in September and October, that is squarely in Trump's strike zone. And I think it's really, at that point, it's a toss-up and will be similar to what we saw in '16, which is which side? The country is so polarized so it has a lot less to do with persuading undecided voters because there's very few left and just motivating the current bases, the existing bases. And Trump has proved very adept at staying very in tune with his base and then motivating them to come out.

**KK: Thanks, Phil. Orson?**

**OP:** Yeah. Unfortunately, I'm going to have to agree with Phil. I do think it favors Biden, but I will say quickly that the polls don't matter a lot right now, people are focused on other things. I'm from Wisconsin, I went home a month before the last cycle where everyone in DC thought it would be a different outcome and it was perfectly clear to me that Trump was going to win by the number of signs and the discussion I heard in local locations. And the Wisconsin thing that really gives me pause on, it might be a big year for Democrats, is what happened in the Supreme Court race and that you had nearly 1.5 million people ask for absentee ballots and 90% of them were returned and you only had five polling locations open in the city of Milwaukee, my hometown, where it makes up a huge percentage of the vote and they were able to pull off a major upset.

**OP:** So, I think democrats are pretty fired up regardless of the candidate. Trump won all of those battleground states in the last cycle. I can't see how he will repeat that. So, it will be interesting, particularly if

Biden stays in the basement. But if Democrats solely run on COVID, then they're in trouble. They got to find some other things to discuss, keep people motivated, find new ways of campaigning. Look for Zoom moms to be a big deal, but as Phil's rightly said, I do think it favors Biden at this point.

**KK: Well, guys, I've really taken advantage of your generosity of your time today. And you mentioned the mail-in ballots. I mean, we could do an entire call just on that, normally a subject that would make your eyes glaze over, but all of a sudden becoming really important. So, I want to thank Phil and Jerry and Orson for joining me on the call today. We'll be back again next week. Our subject is most likely going to be China, US-China relations in particular, as you can see in that. Continuing to ease up throughout this process, but just in the last couple of days, of course, actions being taken on both sides and what the ramifications are for the global economy and global strategic and allied relations. So please join us again next Thursday. Meanwhile, thank you very much. Have a great day and have a great weekend. Thank you.**



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