

The coronavirus pandemic has taken hold in the United States—which now has more cases than any other country. The American economy has ground to a halt. Congress passed the largest ever economic stimulus package, with more to follow. The political environment has been upended and Vermont Senator Bernie Sanders withdrew from the 2020 Democratic nomination contest. Equipment shortages and lack of manufacturing capacity has led to finger pointing and the invocation of the Defense Production Act. Tensions between the various states and the federal government over the response are rising. There will also be profound implications for the U.S.-China relationship as a result of COVID-19.

### *COVID-19 By the Numbers*

As of this writing, there are over 500,000 confirmed cases in the United States. New York is the hardest hit metropolitan area, with over 100,000 cases. These numbers are a lagging indicator and are lower than the true scope of the pandemic—the [Centers for Disease Control and Prevention \(CDC\)](#) is tracking developments and updating their website daily. Efforts to “flatten the curve” have led 42 individual states to impose “stay at home orders”, along with three counties, nine cities, the District of Columbia and Puerto Rico—accounting for 316 million people.

### *The Economics of the Pandemic*

The U.S. economy faces grave contraction this year. Projections for decrease in GDP and the rise in unemployment are dire. Economists from [Morgan Stanley and Goldman Sacks](#) predict a 30% and 24% drop in GDP over the second quarter, respectively—a record plunge in U.S. output. Federal Reserve Bank of St. Louis President James Bullard predicts the [unemployment rate may hit 30%](#) in the second quarter. By the end of March, [over 10 million Americans had applied for unemployment benefits](#), and the first week of April bought another 6.6 million filings—expect millions more over the coming weeks and months.

In an effort to blunt this economic pain, the U.S. Federal Reserve and Congress have responded in historic fashion. [The Fed](#) unleashed monetary stimulus, slashed interest rates to zero, eased banking regulations, expanded its foreign swap lines and opened a new facility providing dollars to foreign central banks. Congress also passed a [\\$2.2 Trillion](#) spending package, the largest stimulus package in U.S. history. This is likely just an initial installment. The package provides direct financial help to Americans; immediate assistance for hospitals, healthcare first responders, and patients; support for small businesses; and assistance for distressed industries.

### *The Politics of Pandemic*

The practice of American politics has been upended. In early March, the CDC recommended no gatherings of 50 people or more, the White House followed by issuing additional guidelines advising all Americans to avoid groups of more than 10. This has affected some states’ plans for their primaries and caucuses and raised questions on how to carry on with in-person voting while social distancing. Multiple states postponed their primary contests as the crisis escalated. To date, fifteen states and one territory have delayed their contests. Six states have rescheduled for [June 2](#)—setting up a large voting

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exercise with as many as 12 states holding primaries on that date. However, with the departure of Senator Bernie Sanders from the campaign on April 8 the importance of that date is far less.

The President, generally, dominates all coverage but the pandemic has thrust President Trump into the spotlight even more with his daily press conferences along-side members of the Coronavirus Task Force. With the nomination, in effect, secured, Vice President Biden is trapped in the usual non-incumbent vacuum of no national action authority with the added handicap that tough criticism (while it may be accurate and justified) risks adding to the national angst. That said, expect Biden to become more vocal over the coming weeks and months as the mounting leadership vacuum will present additional opportunities—and the tide of public opinion is moving against the President. [Three recent national](#) polls, conducted between March 30 and April 6, show Trump's approval rating on handling the situation has dipped below 50%, this is a noticeable difference from the March 13-22 period, when those same three polls showed the President at over 55%.

### *What is the Defense Production Act and How is it Being Used?*

The [Defense Production Act](#) (DPA) is a 1950 law gives the government more control during emergencies. According to a [Congressional Research Service report](#), the law gives the executive branch “a broad set of authorities to influence domestic industry in the interest of national defense.” The law can be broken into three parts. It allows the President to require corporations to accept and prioritize contracts for services and materials deemed necessary to aid U.S. national defense. It gives the President the authority to create incentives for industry to produce critical materials. Finally, it provides the government authority to strike agreements with private industry, to halt foreign corporate mergers that threaten national security and to create a volunteer bloc of industry executives who could be called to government service.

The Trump administration invoked the DPA to obtain medical equipment needed to fight the coronavirus. A national stockpile of personal protective equipment (PPE) was woefully inadequate after years of underfunding and offshore supply chains were disrupted, threatening the ability to replenish those stocks, by the unfolding crisis in China. The nation also lacked an adequate supply of ventilators. The DPA is intended to allow the federal government to surge resources and capacity to address such shortages. Initially, the administration's utilization of the authorities granted by the DPA was confused and inconsistent. Trump authorized the law, then stated that it was not needed. The Federal Emergency Management Agency (FEMA) Administrator said the DPA would help get test kits to New York, but later [reversed course](#). Questions have been raised over how those authorities have been and are being used and tensions have emerged within the administration and between the federal government and governors of individual states.

### *Federalism in a Time of Crisis*

[Federalism](#) has always been one of the most significant features of the American constitutional system. It is a system of dynamic tension between levels of government that is constantly evolving into new relationships between the states and federal government and has seen periods of both cooperation and conflict. Under the U.S. Constitution federal law is supreme, yet the national

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government is confined to [“enumerated powers”](#) and it has no general authority to dictate to state governments.

In the current crisis, the governors of the individual states have imposed a variety of orders on their citizens that range from business restrictions and gathering limitations to full-scale shelter-in-place orders. The federal government has not imposed a nation-wide order on the aforementioned matters—that has been left to state-level policymakers. As the federal government leads the national response to COVID-19, state and local health departments stand on the front lines—and tensions have emerged.

The procurement of PPE and the use of the DPA, addressed above, highlight this tension. Trump has urged governors to seek out their own equipment and supplies, but they have been competing not only with one another but also with FEMA. Jared Kushner, Trump’s senior advisor and son-in-law who is running a [shadow COVID-19 task force](#), has scolded states, saying that the “the notion of the federal stockpile was it’s supposed to be our stockpile, it’s not supposed to be states’ stockpiles that they then use.” However, according to the website for the Department of Health and Human Services (HHS), the national stockpile actually is intended for states’ use—until it wasn’t. On the morning April 3, the website for HHS, which maintains the stockpile, read, “When state, local, tribal, and territorial responders request federal assistance to support their response efforts, the stockpile ensures that the right medicines and supplies get to those who need them most during an emergency.” After Kushner’s comments, the [website](#) was changed and no longer says states can rely on the stockpile, but now says it exists to “supplement” them. In an effort to restock, FEMA has been commandeering supplies from states and bidding against them, helping to drive up costs.

The nation’s governors say they can’t count on Washington, so they are making plans to band together and procure supplies themselves. [A consortium of states has been created](#) in the Midwest, bringing together the buying power of Michigan, Wisconsin and Minnesota to procure supplies. New York Governor Andrew Cuomo said such an expanded, nationwide group is necessary if the issues with aid continue, stating “If the federal government is not going to do it, then the states have to do it.” [Governor Newsome has also referred to California as a “nation state”](#) and said that they may “export” to other states—a truly remarkable statement from a governor in these *United States of America*.

### *COVID-19 and the Geopolitical Contest Between the United States & China*

Relations between the United States and China were already complicated before the COVID-19 pandemic, the crisis has sent U.S.-China relations spiraling and highlights the broader geopolitical contest between the world’s two largest economies. Tensions range from the ongoing trade war and heated discussions over intellectual property; policies toward Hong Kong; human rights concerns, especially the detention of Uyghurs in China’s Xinjiang province; and continued island building in the South China Sea. The virus has added yet another dimension to the relationship.

American and Chinese officials have employed escalating rhetoric in efforts to blame one another for the pandemic. While there is little doubt that the pandemic originated in Wuhan, China, Chinese officials have spread conspiracy theories about the virus originating outside of China, going so far as

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to [claim that the U.S. military is behind the pandemic](#). China has also expelled American journalists from the *Washington Post*, *New York Times* and the *Wall Street Journal*—limiting the ability of credible news outlets to report on the scale and scope of the crisis within China. This narrative war has also seen Trump administration officials, [including the President himself](#), and key congressional Republicans calling Covid-19 “the Chinese virus”. Last month, G-7 leaders were unable to agree on a joint statement because of Secretary of State [Mike Pompeo’s insistence](#) that the virus be referred to as the “Wuhan virus,” which goes against World Health Organization naming conventions.

The pandemic also highlights the geopolitical competition between the United States and China. While the U.S. is scaling up production of PPE to address the crisis at home, the Chinese government is now sending medical equipment and advisory teams to countries around the world. This could allow China to be seen as a global leader that can rival the United States. According to former State Department official Kurt Campbell, [“Beijing is moving quickly and adeptly to take advantage of the opening created by U.S. mistakes, filling the vacuum to position itself as the global leader in pandemic response.”](#) The U.S.-China relationship will largely define the 21st century—instead of working together to fight the global pandemic, they are engaging in risky escalation.

#### *Personnel Moves*

*Department of Commerce* – **Mary Toman** is the nominee for undersecretary for economic affairs.

*Defense Department* – **Thomas Modly**, acting secretary of the Navy has resigned.

*Department of Homeland Security* – **Ana Hinojosa** is executive director, Customs and Border Protection.

*Office of Management and Budget* – **Russell Vought** has been nominated as director, he was acting.

*U.S. Agency for International Development* – Administrator **Mark Green** is stepping down. **John Barsa** will serve as acting administrator.

*White House* – **Ben Williamson** is deputy chief of staff. **Peter Navarro** has taken on additional responsibility and is policy coordinator for the Defense Production Act. **Kayleigh McEnany** is now press secretary. **Joseph Lavorgna** is the chief economist on the National Economic Council (NEC). **John Crews** is special assistant to the President for economic policy on the NEC. Former NEC chair **Kevin Hassett** is returning to the White House as an advisor on economic policy.