



KARV

STRATEGIC COMMUNICATIONS FOR
AN UNPREDICTABLE WORLD

The State of U.S. Political Affairs

March 18, 2021

Executive Summary

- The Democrats were successful in sweeping the election, with Joe Biden winning the Presidential election, and Democrats holding a slim majority in both the House of Representatives and the Senate. The Democrats and the Biden administration are moving quickly to enact many parts of their agenda and overturn many Trump administration actions.
- Under President Biden's leadership, the \$1.9 trillion American Rescue Plan was passed, and will provide funding to combat the virus, substantial funding to states, direct payments to citizens, expansion of unemployment insurance, and additional funding for education.
- Spread of the coronavirus in the U.S. has slowed, and approximately 54 million Americans have received the COVID-19 vaccine, with nearly 2 million more per day receiving doses.
- States across the U.S. have begun lifting restrictions against citizens and businesses, with some states going as far as to lift all Covid-related restrictions.
- President Biden is working toward developing a second economic recovery plan that may be in the range of \$2-4 trillion. Infrastructure funding would be a key component of the next plan. To pay for these initiatives, President Biden is considering raising taxes on corporations and individuals for the first time since 1993.
- Tech policy—from addressing structural competition issues among the most dominant companies to content moderation policies—remains an area with a high level of interest from lawmakers.
- Despite Biden's inaugural address that included calls for unity, the American people continue to be polarized, requiring businesses to navigate social issues and political engagement carefully and thoughtfully.

Biden Administration Domestic Policy Priorities

- Environment: Climate principles are going to be embedded into much of what Biden does and will likely try to infuse climate in all government efforts. There will be significant executive action and he will engage more meaningfully on the global stage (e.g., Paris Climate Agreement, and climate principles in trade deals).
- Big social reform packages:
 - Expanded healthcare access/public option
 - Tax reform/repealing tax cut bill of 2017 and increasing taxes on corporations and wealthy
 - Climate change action
 - Immigration reform
 - Voting rights expansion
 - Gun control reform
 - Police and criminal justice reform
- Infrastructure: President Biden is currently developing a second economic relief package that will focus largely on infrastructure spending that may be in the range of \$2-4 trillion. While this could be an area for bipartisan cooperation, should tax increases on individuals and corporations be a component of the next plan, Republicans will likely object. However, much like the American Rescue Plan, a future spending bill could pass during the next budget reconciliation process which Democrats can begin in July 2021. If Democrats utilize reconciliation, the spending bill would not require Republican support, but given the Democrats' slim majority, would require every Democrat to support.
 - There is a strong potential that any infrastructure activity is tied into climate change, though this will be focused more on technological development like carbon capture and sequestration technology due to the need for bipartisan support. President Biden is also expected to be one of the friendliest to unions, which will certainly be embedded into any infrastructure plan.

Escalating Corporate Pressures and Challenges

Coronavirus Impact

- Employee, consumer, media, and other stakeholder expectations have shifted significantly as a result of the pandemic
- Companies must make it clear to employees and customers that returning to business “as new,” rather than “as normal,” is safe and appropriate
- Organizations must monitor and accommodate new safety requirements and expectations, particularly from a new Biden administration COVID-response plan

Social Justice Movements

- Companies are facing greater media and consumer scrutiny over racial equality and discrimination issues
- Consumers increasingly expect companies/brands to take stands on social issues they consider important
- The #MeToo movement continues to advocate for gender equality in the workforce

Civil Unrest

- The U.S. has seen consistent civil unrest from both the Right and the Left over the course of nine months.
- While we have seen period of stability since the inauguration of President Biden, large-scale, organized demonstrations and counter-protests remain a real possibility

Shift Toward “Stakeholder Capitalism”:

- The Business Roundtable asserted in 2019 that maximizing shareholder profits should no longer be the sole objective for CEOs; instead, addressing the needs of critical stakeholders should now take priority
- Companies must consider which social issues they will engage on and why, and ensure corporate activity and communications efforts are aligned
- Recent crises have highlighted and exacerbated existing societal inequality, leading to accelerating demands for corporations to take positions, change, and enhance transparency

Preparing for What Lies Ahead

Businesses Must Continue to Monitor and Plan



Prepare for a more activist regulatory approach under the new administration, with stronger restrictions and enhanced enforcement efforts



Monitor conditions on the ground and on social media in case of civil unrest



Ensure a detailed crisis plan is in place that outlines response protocols and identifies key stakeholders and communications channels



Have executives and other crisis-response leaders practice “crisis drills” to prepare for various scenarios

Read more from KARV on this topic [here](#).

Understanding the New Environment

- **Return to Presidential “Norms” of Conduct:** On the policy and government-affairs front, we have begun to see a return to normal politics, with a traditional and formal presidential tone, regular White House press briefings and communications through other traditional channels, and policy designed and implemented by the various relevant agencies.
- **Highly Polarized Customer Base:** On the consumer front, America remains highly polarized, and consumer values and preferences vary widely by demographic and geographic groups. Understanding who and where your customers are is more important than ever and should inform all communications strategies.
- **Civil Unrest:** The U.S. has seen consistent civil unrest from both the Right and the Left for over six months. While we have seen a a period of stability following the inauguration of President Biden, there are a number of events that may occur that would again ignite large-scale protests.
- **Greater Focus on ESG Initiatives:** Environmental, Social, and Governance issues will continue to be of increasing concern to consumers. Additionally, a Biden presidency may establish standard ESG reporting metrics, and corporations should prepare for increased transparency and accountability around ESG initiatives.
- **Carefully Choose When and What to Communicate:** While taking a public stance as a company or executive on issues that matter to your organization due to industry or ESG activity can be important, it is not necessary to respond to every new development in today’s rapid media and social media news cycles, which are often full of partial or even mis-information. Take the time to establish a full understanding of the situation, decide whether your voice belongs in the conversation, and demonstrate action alongside statements.

Role of States

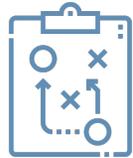
In the U.S., states have many of their own rights and are free to pursue policies independently of the federal government. While President Biden can allocate resources to states, it is dependent upon the states to distribute those resources as they see fit. While President Biden is aggressively pursuing his agenda, much of what takes place going forward – from combatting COVID-19 to economic recovery – will largely depend on actions undertaken by states.

- *States rights:* Much of what occurs on a policy or regulatory front in the U.S. occurs on the state level. Whether it is taxes, regulations, or punishment for crimes, states have the right to decide for themselves what policies they want to implement and how they wish to do it. This means varying tax rates and regulatory enforcement occurs on a state by state basis.
- *Pandemic response:* As we saw during the Covid pandemic, states were free to determine their own response to the public health crisis. While some states took harsh measures to close businesses and enforce bans on large gatherings, many others chose to not implement such measures. We were then left with an uneven response to the virus with some states seeing much higher rates of infection than others.
 - Although the federal government is supplying states with vaccine doses, it is dependent on states to distribute those doses to their residents. Some states continue to do this more effectively than others which will further complicate U.S. recovery efforts.
- *Pushing back against Biden agenda:* As the Biden administration works to implement new regulations and policies, states are likely to take steps in order to prevent their implementation. A key mechanism states use to combat federal policies is filing law suits on the grounds that the federal policy is in some way infringing on states rights. These lawsuits can take substantial time, and can delay the implementation of federal policies and regulations for months of even years.
- *Political and cultural differences:* Although the Democrats won the presidential election and secured the majority in the Senate, over 72 million people voted for former President Trump which led to him securing the electoral votes of 25 states. This highlights an enormous political divide in the U.S., where nearly half the country and states oppose policies from Democrats and President Biden. This political divide is also a cultural divide, with Republicans often opposing social justice movements such as Black Lives Matter and environmentalism.

Keys to Success



Understand the political, economic, and cultural realities of the states and regions in which your organization operates. As this election so vividly demonstrated, the U.S. is not monolithic and outreach to the community, elected officials, and business community that works in one region may not work in another.



Invest in quality research for insights into your actual and target customer bases in terms of demographics, geography, and top brand values.



Strategically determine the social issues where your brand or executives' voices matter and engage publicly on these issues thoughtfully and deliberately. Avoid jumping into the fray on other issues. (For example, see [blowback](#) to a tweet from clothing brand Gap about unifying America after the election.)



Assemble a public affairs/lobbying team with access to relevant personnel in the new Biden Administration and Congress, and, crucially, among relevant federal agencies with career staff.

About KARV



We are a strategic communications firm with a focus on corporate and financial communications, crisis management and public affairs. KARV is led by a team of talented professionals with extensive global experience in a variety of industries.

Our philosophy is simple – we achieve the goals set by our clients all over the world, through an extensive network and an unbiased approach to solving problems. Many firms offer talent and experience; however, few offer talent, experience and worldwide relationships.

KARV also maintains deep relationships with Democratic and Republican government officials and their staffs – as well as with lobbyists in D.C. and many states. The experience of our senior executives in the Clinton administration may be particularly relevant to Biden administration officials.

Corporate Communications

- Strategic counsel
- Positioning and thought leadership
- Financial communications around transactions
- Message development
- Media relations
- Media training
- Internal communications / Employee engagement
- ESG/Corporate Social Responsibility

Crisis Management & Litigation Support

- Hands-on crisis counsel: KARV has proven success in guiding clients through the morass of scrutiny and questions that can emerge quickly as crisis erupts
- Litigation support: KARV devises communications strategies that help advance a client's litigation goals while anticipating likely and contingency next steps in the legal process
- Reputation rebuilding campaigns
- Crisis communications plans and training
- Recall management: logistics and communications

Public Affairs

- Issues management campaigns
- International, state and local outreach
- Executive Office and Federal regulatory agency outreach, including NHTSA, CPSC, FDA and others
- Congressional outreach
- Policy messaging and briefing materials



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