



America in the Age of Disruption



What's Next in Washington?

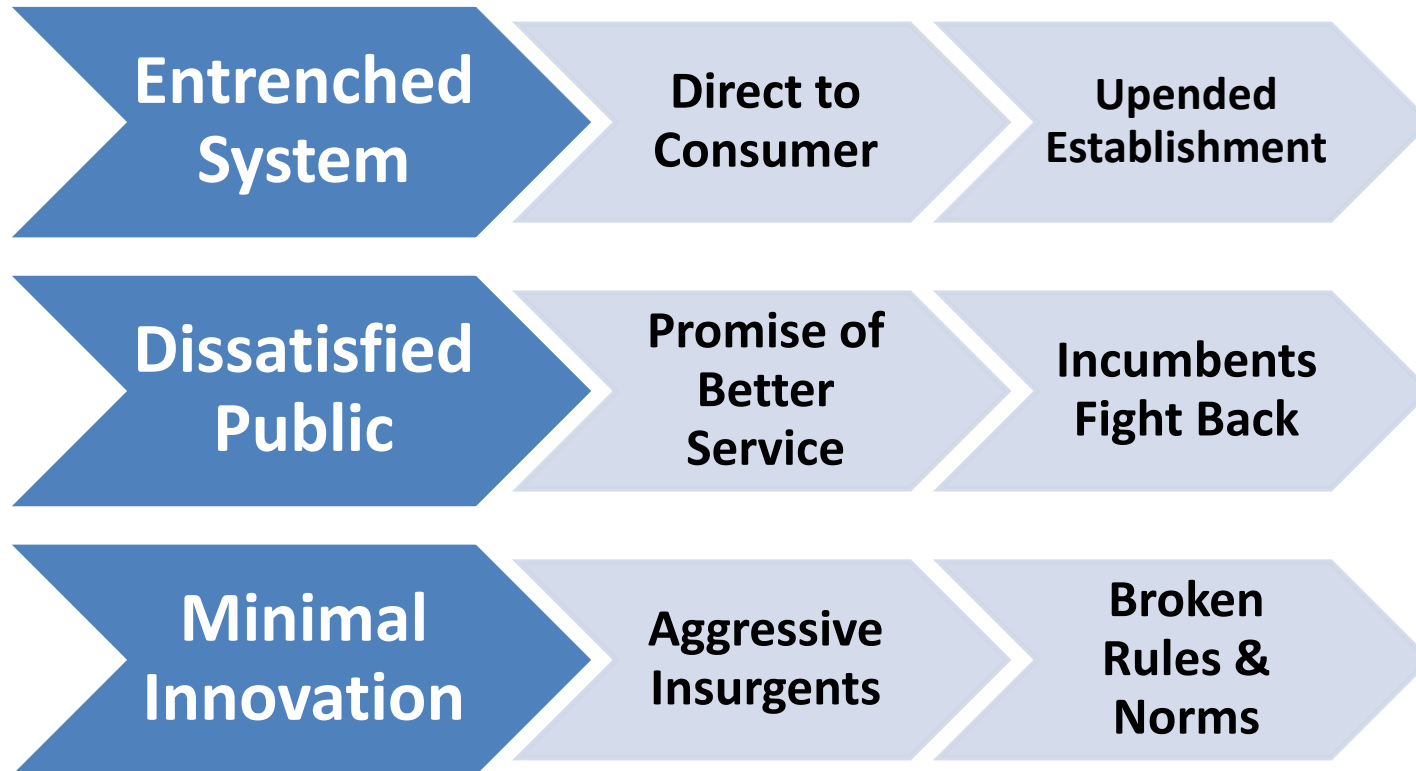
AMERICA IN THE AGE OF DISRUPTION

- **Welcome to the Age of Disruption** *(slides 3-6)*
- **How'd We Get Here?** *(slides 7-14)*
- **How's It Going for the Disruptor-in-Chief?**
 - **Winning** *(slides 16-22)*
 - **Losing** *(slides 23-28)*
- **What's Next in Washington** *(slides 29-39)*



Welcome to the Age of Disruption

Explaining the Rise of the Disruptors

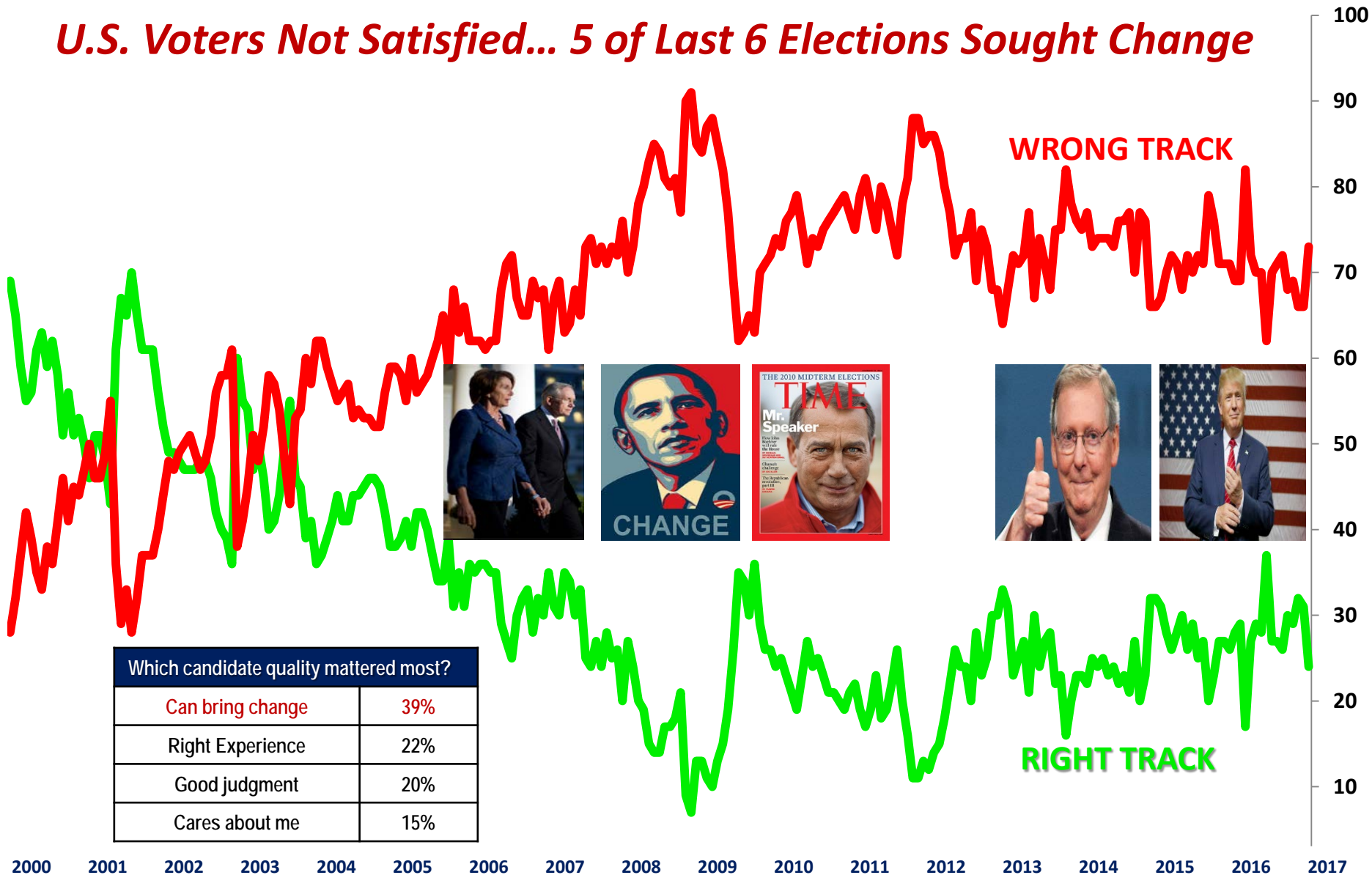


U B E R



It's Not An Accident

U.S. Voters Not Satisfied... 5 of Last 6 Elections Sought Change



Which candidate quality mattered most?	
Can bring change	39%
Right Experience	22%
Good judgment	20%
Cares about me	15%

It's Not Unique to America

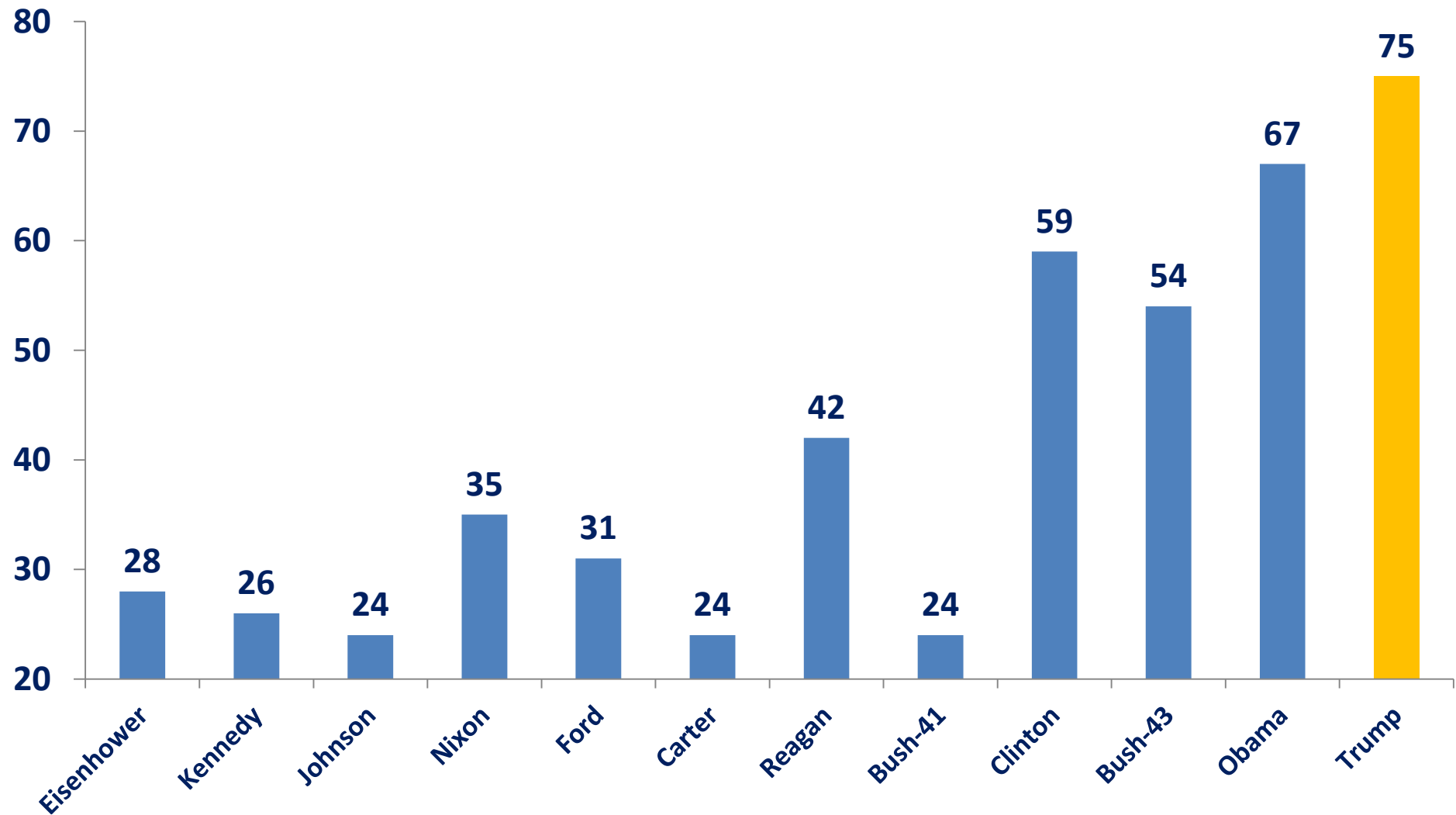
Change Elections Becoming the Global Norm



It's Not New With Trump

Partisan Approval Gap Growing for Decades

Diff. Between Own Party & Other Party Job Approval After ~191 Days in Office



HOW'D WE GET HERE?

7 Trends Driving Disruption

#1. Substantial Social Makeover

Big Changes Over 2 Generations



FATHER
KNOWS
BEST

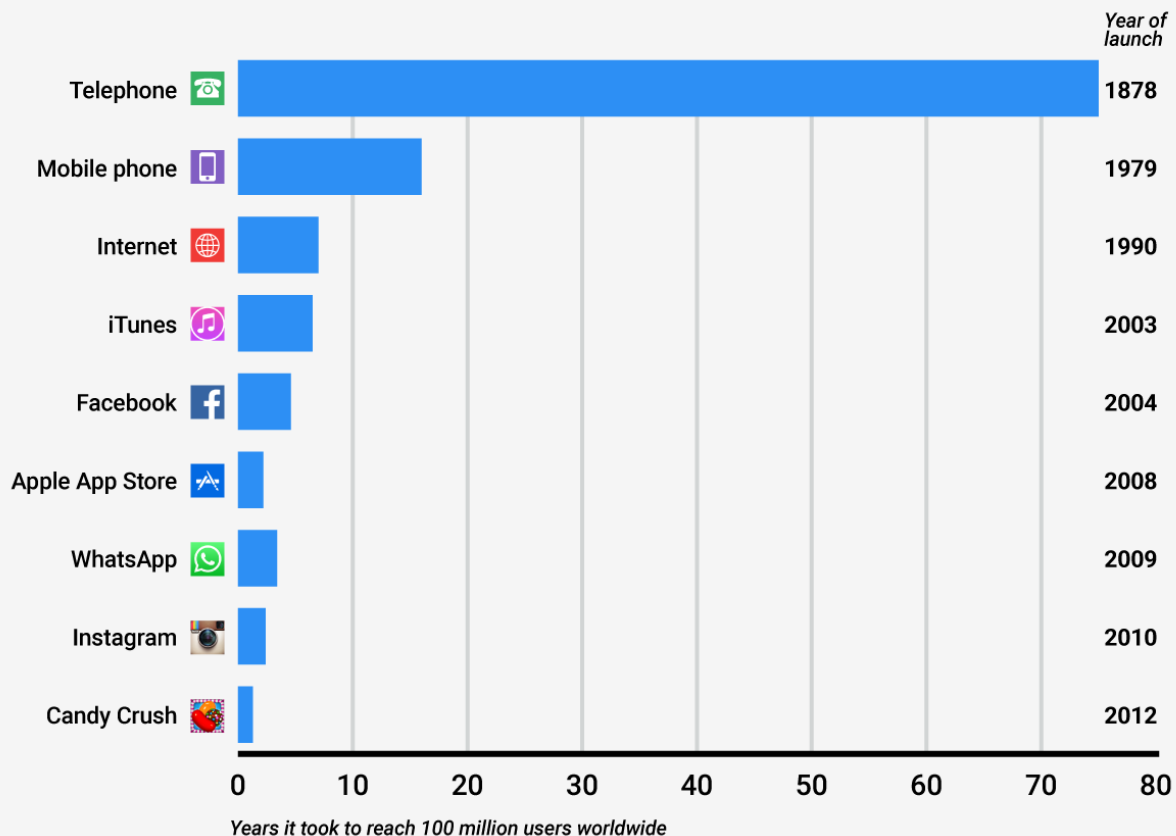


1967		2017
12%	DIVERSE (NON-WHITE)	38%
4.9%	FOREIGN-BORN	14%
75%	WHITE NO COLLEGE	39%
22%	18-34 LIVING w/ PARENTS	32%
8.5%	KIDS OUT OF WEDLOCK	40.3%
41%	WOMEN IN THE WORKFORCE	57%
27%	TOP 1% SHARE OF WEALTH	42%

#2. Accelerating Technological Change

Disrupting How We Work, Live, Play & Learn

HOW MUCH TIME IT TOOK TO REACH 100 MILLION USERS WORLDWIDE



U.S. Workers to Manufacture \$1B Goods

1967	2017
387,923	26,785

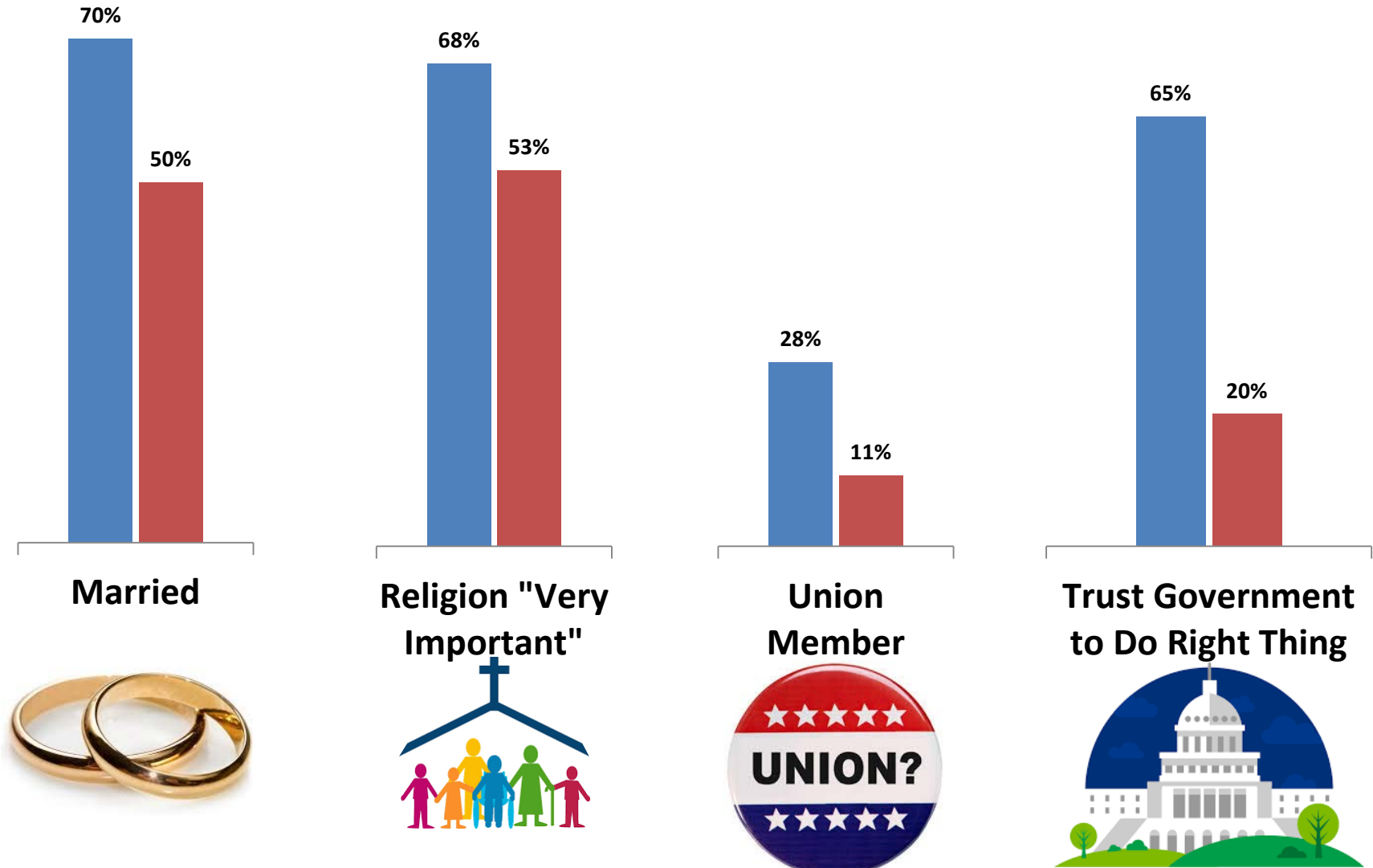
SOURCE: Boston Consulting Group ITU; Statista; BCG research; mobilephonehistory.co.uk; Scientific American, Internet Live Stats; iTunes; Fortune; OS X Daily; VentureBeat; Wired; Digital Quarterly; TechCrunch; AppMtr.com

#3. Weakened Anchor Institutions

Where Do We Belong?

1967

2017



#4. Loss of "Honest Brokers"

Media No Longer Trusted

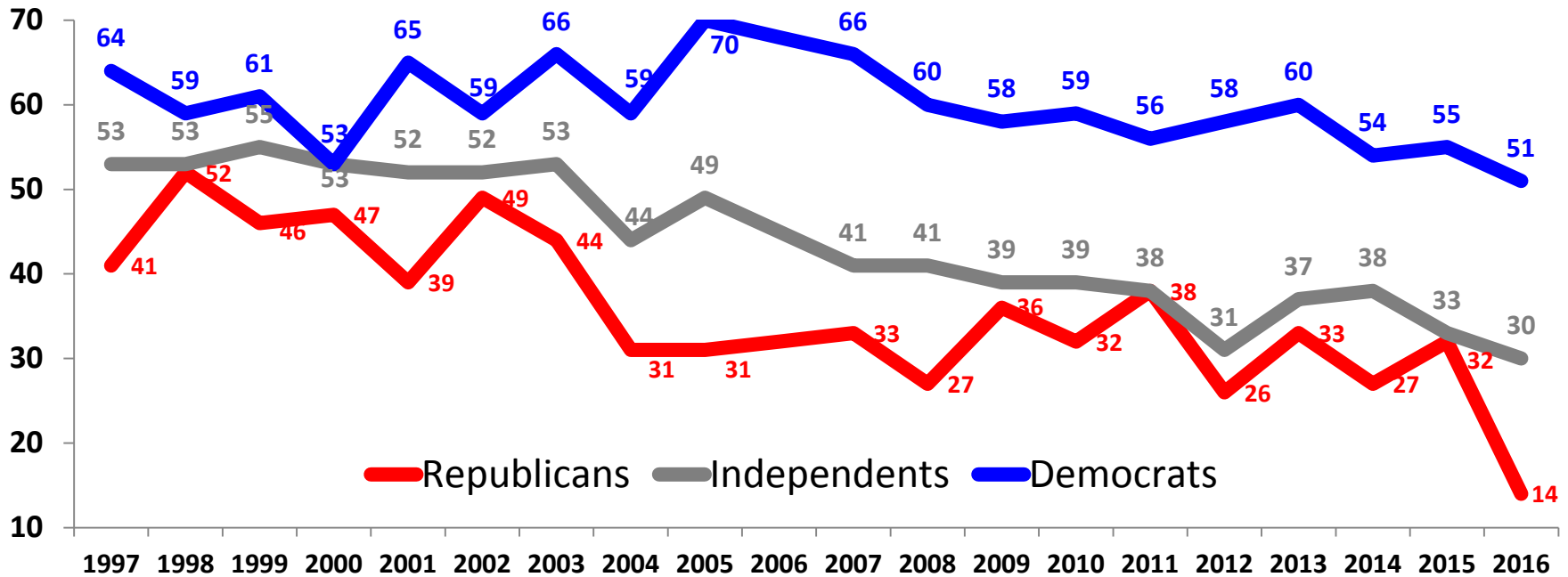
INFORMS



AFFIRMS

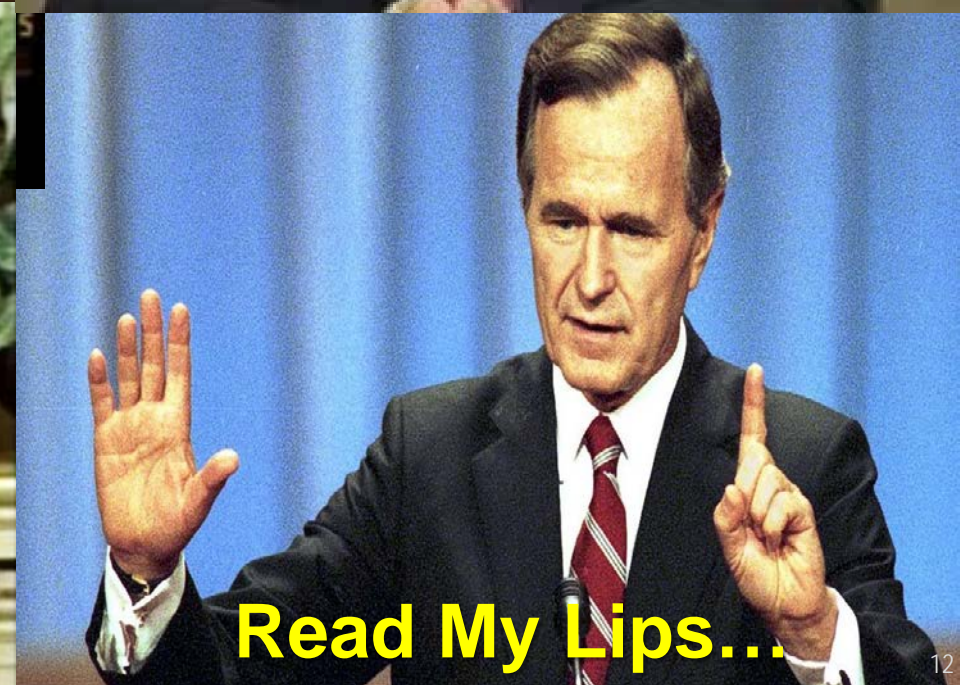
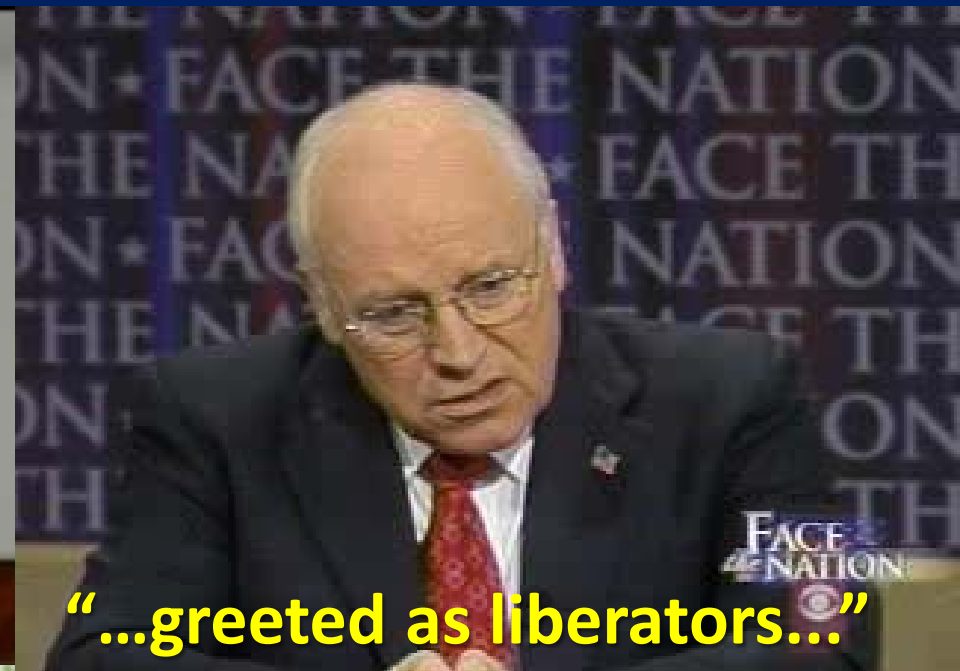


Great Deal / Fair Amount of Trust in Media



MEHLMAN CASTAGNETTI
ROSEN & THOMAS

#5. Leaders Over-Promised & Under-Delivered



#6. Politicians Deferred Hard Choices

Entitlement Spending Crowding Out Future Investments

Federal Spending, as a Share of the Total Budget

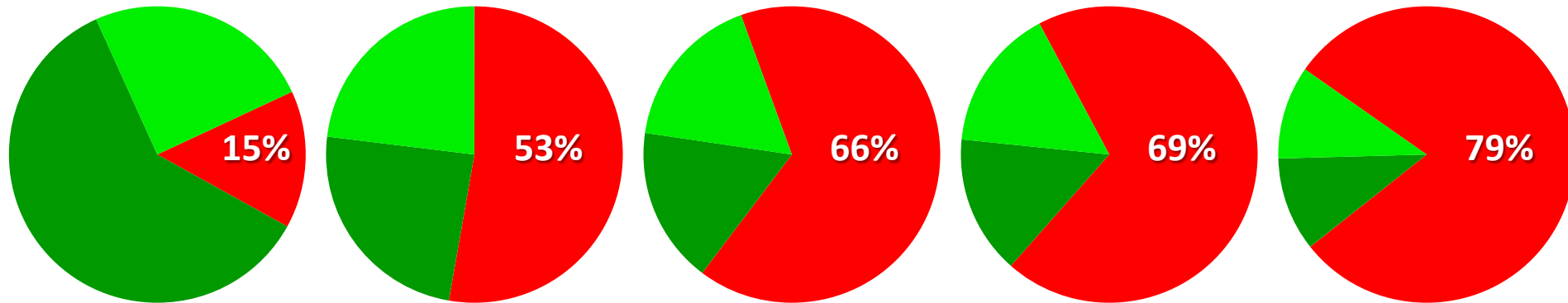
1956

1976

1996

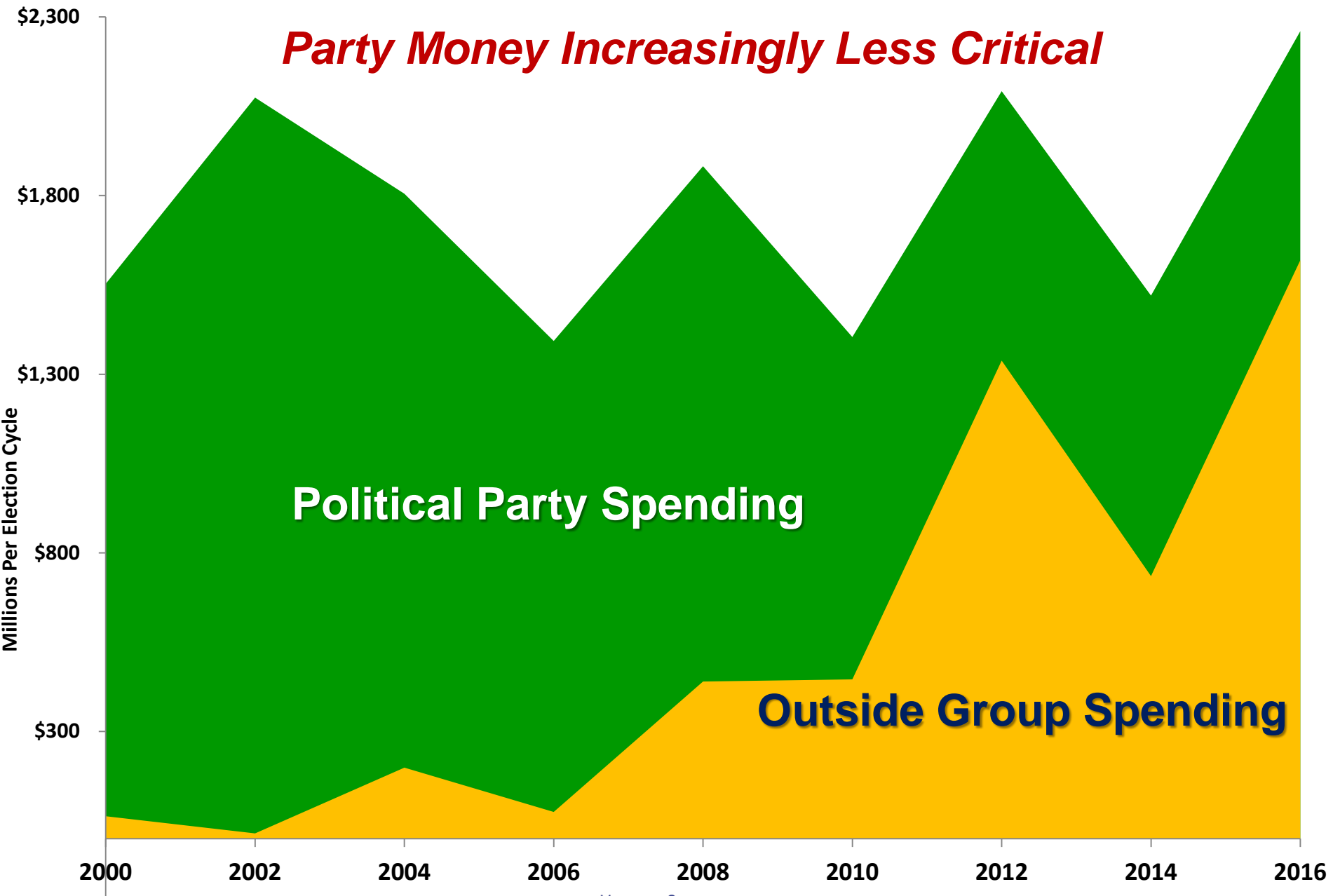
2016

2036



- **MANDATORY** (Health, Social Security, Net Interest on Debt)
- **DEFENSE**
- **NON-DEFENSE** (e.g. Infrastructure, Education, R&D)

#7. Parties Lost Primacy



HOW'S IT GOING?

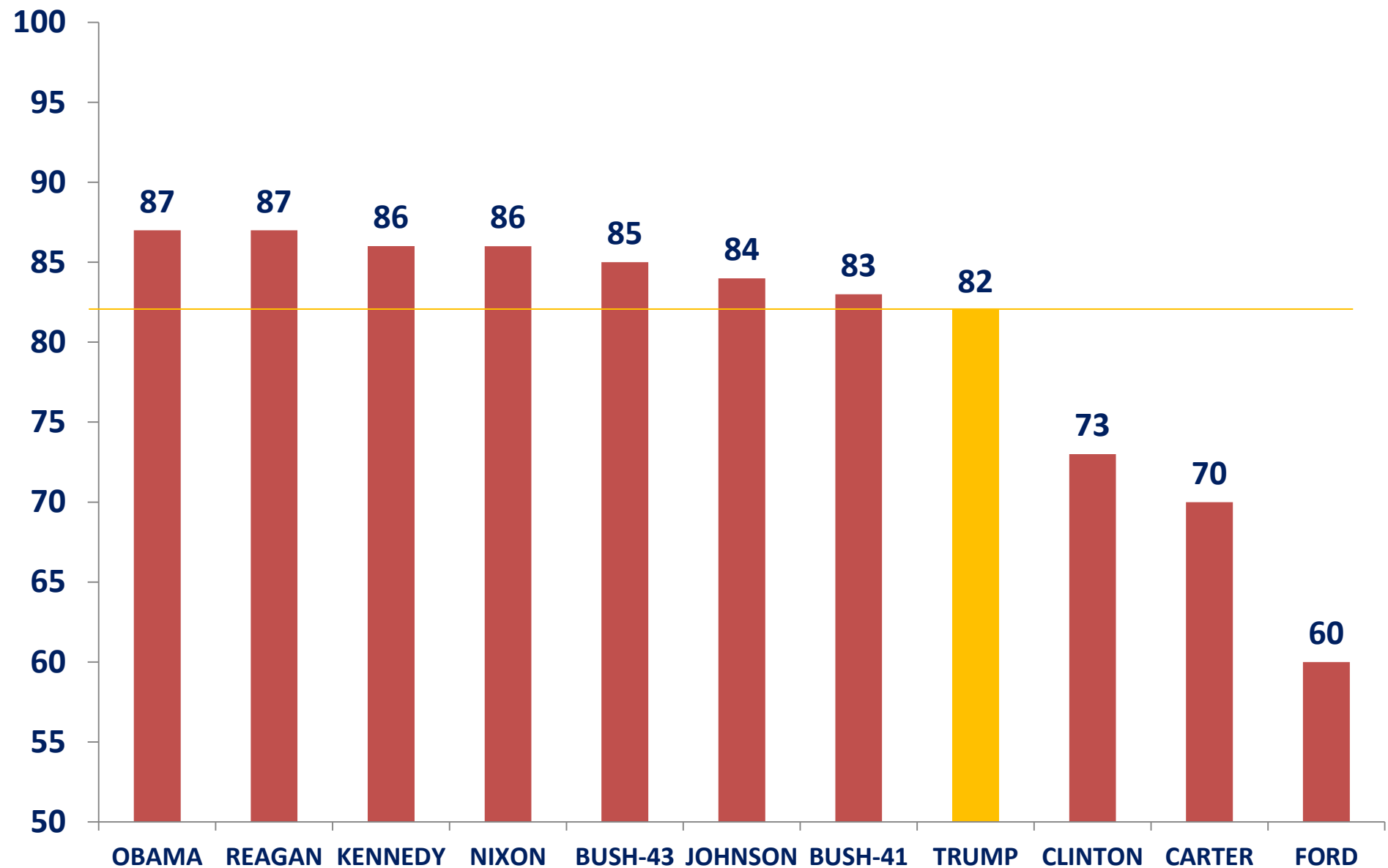
For the Disruptor-in-Chief

WINNING



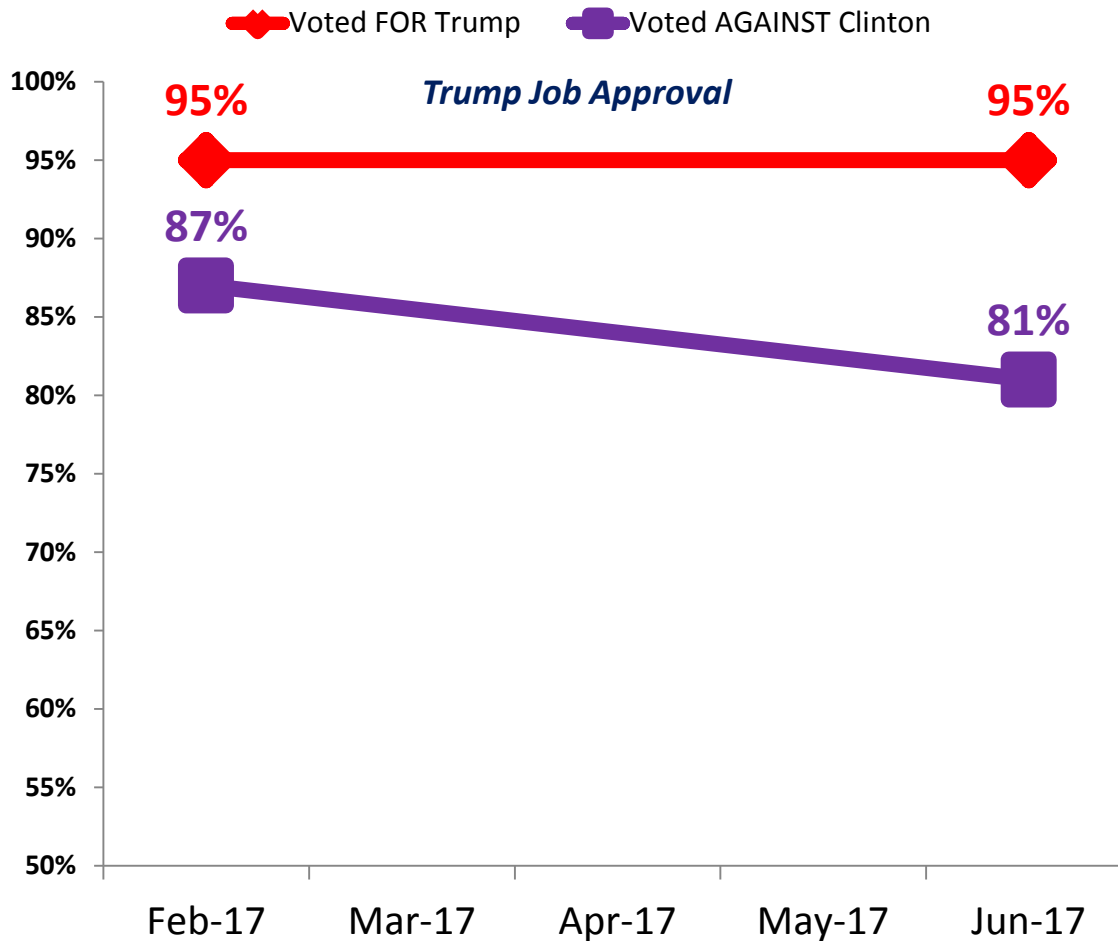
WINNING: Base Support Remains Solid

Presidential Approval by Own Party, ~Day 191



WINNING: "True Believers" Still Enthusiastic

No Erosion in Support Among Trump Voters Who Voted FOR Trump



Who's to blame for Trump problems?		
	Washington Establishment	Inexperience / Incompetence
FOR TRUMP	93%	3%
AGAINST CLINTON	71%	20%

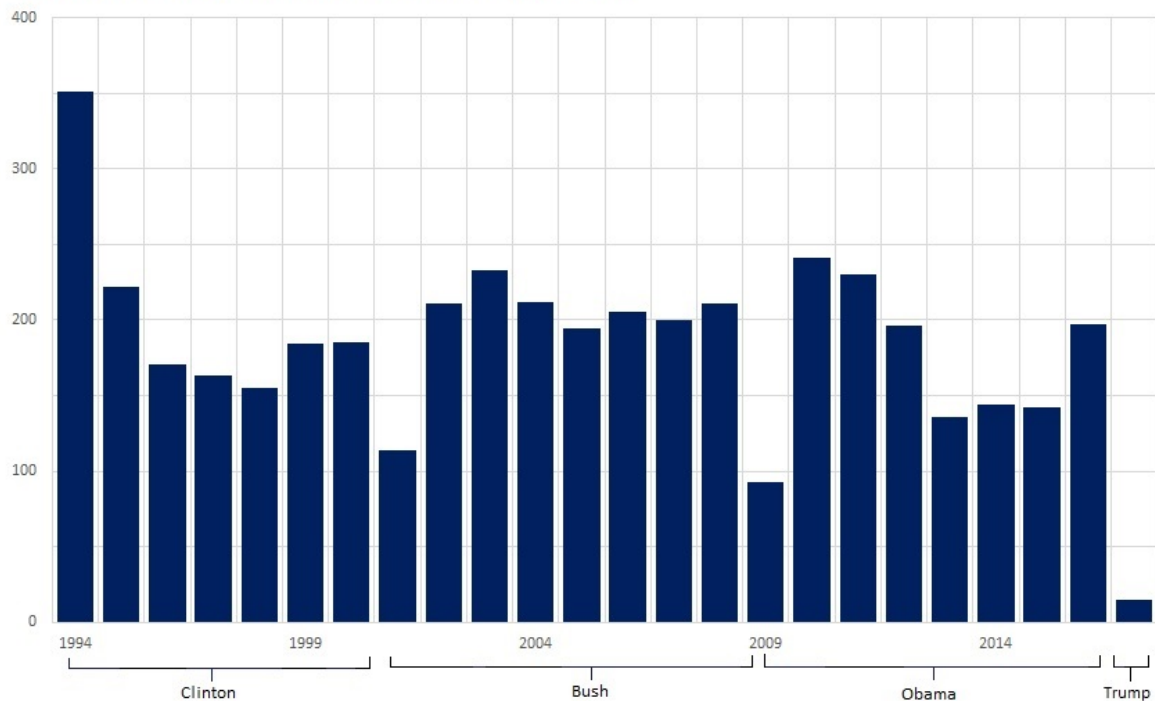


WINNING: Deregulatory Agenda Moving Apace

Fewer New Big Regulations, Rapidly Undoing Obama Era Regs

Major regulations fall off a cliff

The Office of Information and Regulatory Affairs approved just 15 regulations between Inauguration Day and the end of May—by far the fewest in any comparable period year since recordkeeping began in 1994.



Note: Data each year is from January 20 to May 31.

Source: Office of Information and Regulatory Affairs

- Undoing ACA
- Exited Paris Climate Accord
- Ended Gun Exec. Order
- Reversing EPA Climate Regs
- Amending Labor Regs
- Reversing Telecom Regs
- Undoing Dodd-Frank Elements
- Amending Treasury Regs (385)

WINNING: Markets Reflecting Optimism

Stock Markets Surging

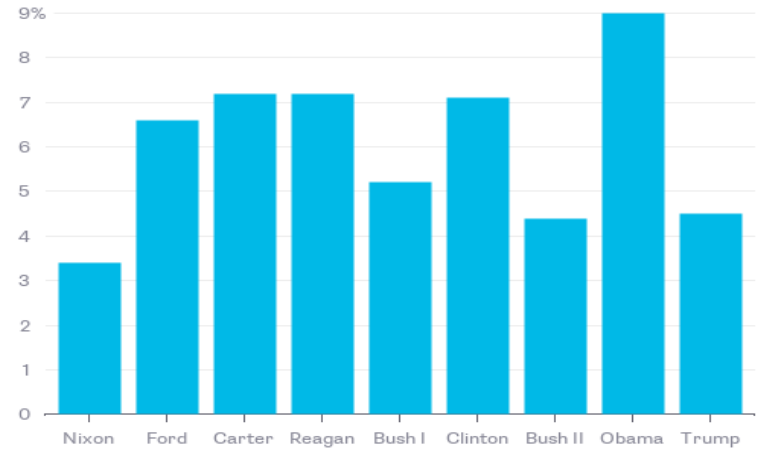


Gains/Losses in S&P500 thru July 7 of 1 st year	Trump	Presidents 1953-2016
Since Election	13.4%	0.50%
Since Inauguration	6.8%	0.60%

Unemployment Rate Falling

It Doesn't Get Much Better Than This

Unemployment rate 100 days after first presidential inauguration



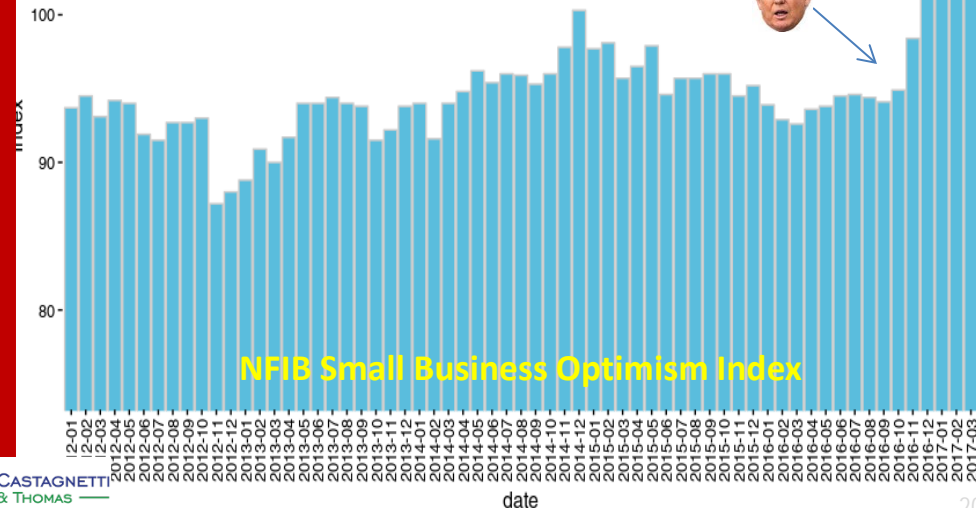
Consumers Confident

U.S. Consumer Confidence Surges to a 16-Year High in March
Conference Board Consumer Confidence Index



Source: Bloomberg, U.S. Global Inv

Small Businesses Optimistic



NFIB Small Business Optimism Index

date

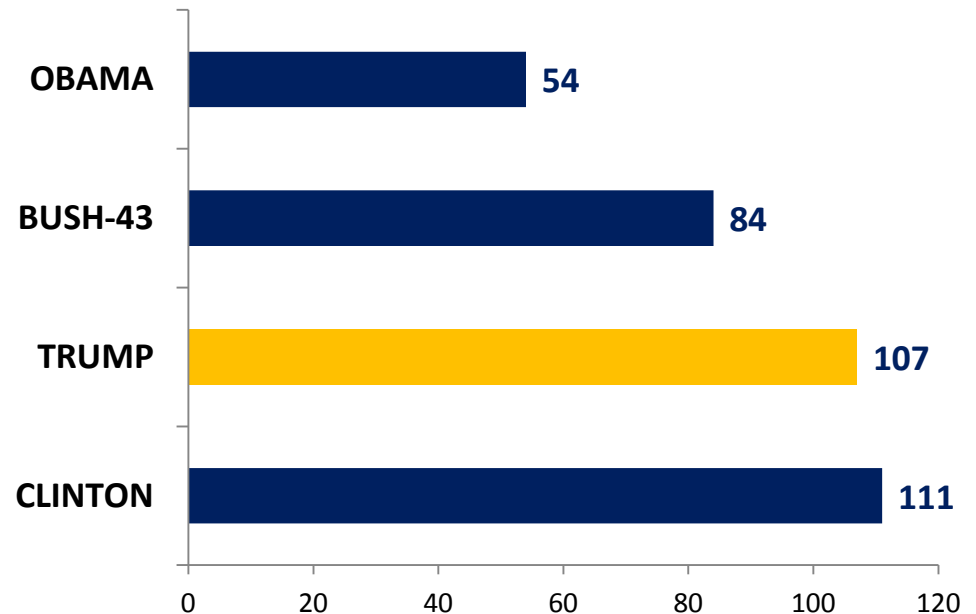
MEHLMAN CASTAGNETTI
ROSEN & THOMAS

WINNING: Adding Conservative Judges to the Courts

Trump Will Significantly Impact the Federal Judiciary



Inherited Fed'l Court Vacancies



WINNING: 4-for-4 in Special Elections

Notwithstanding Historic Spending Against

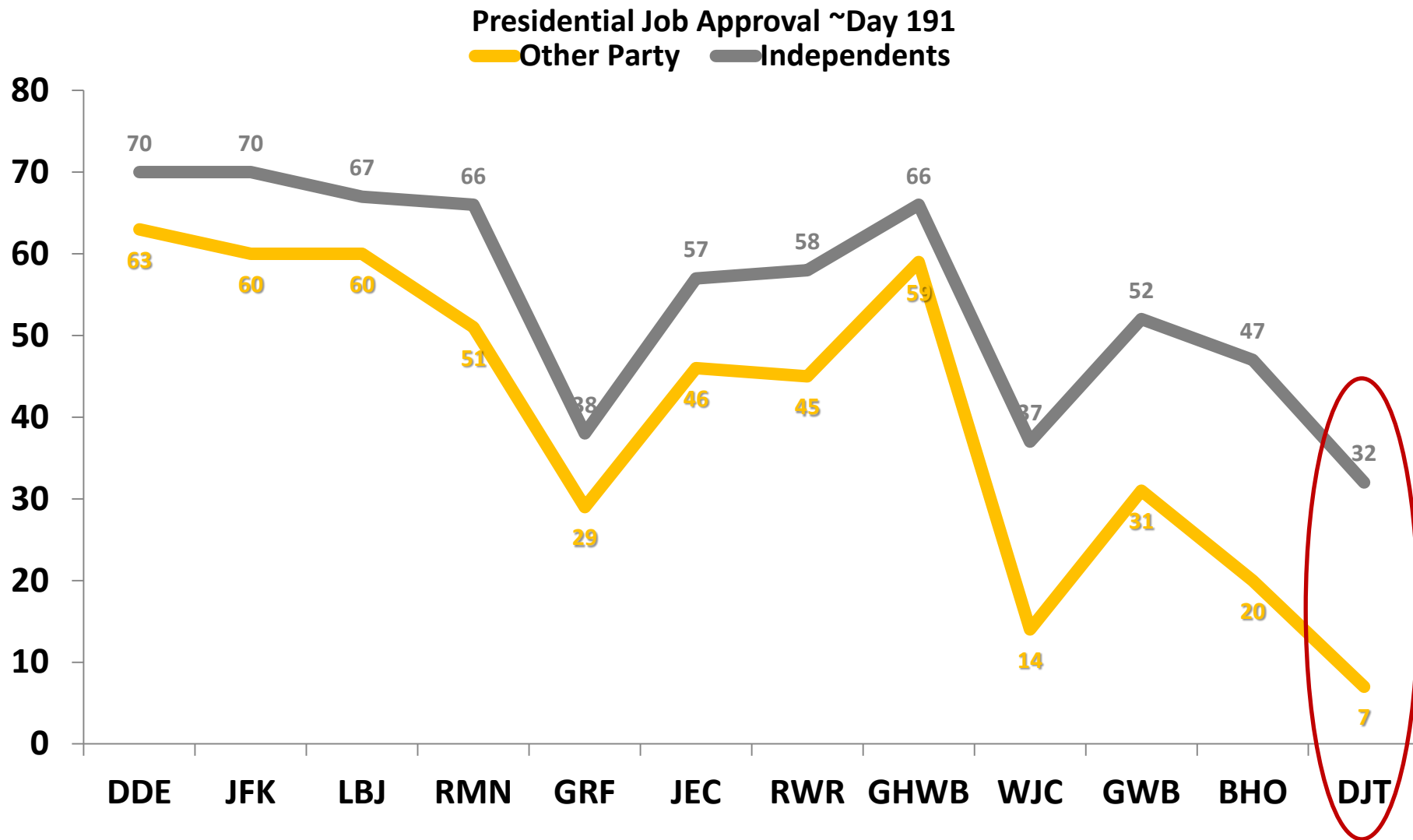


LOSING



LOSING: Not Expanding Support Beyond the Base

Where are Trump's "Reagan Democrats"?

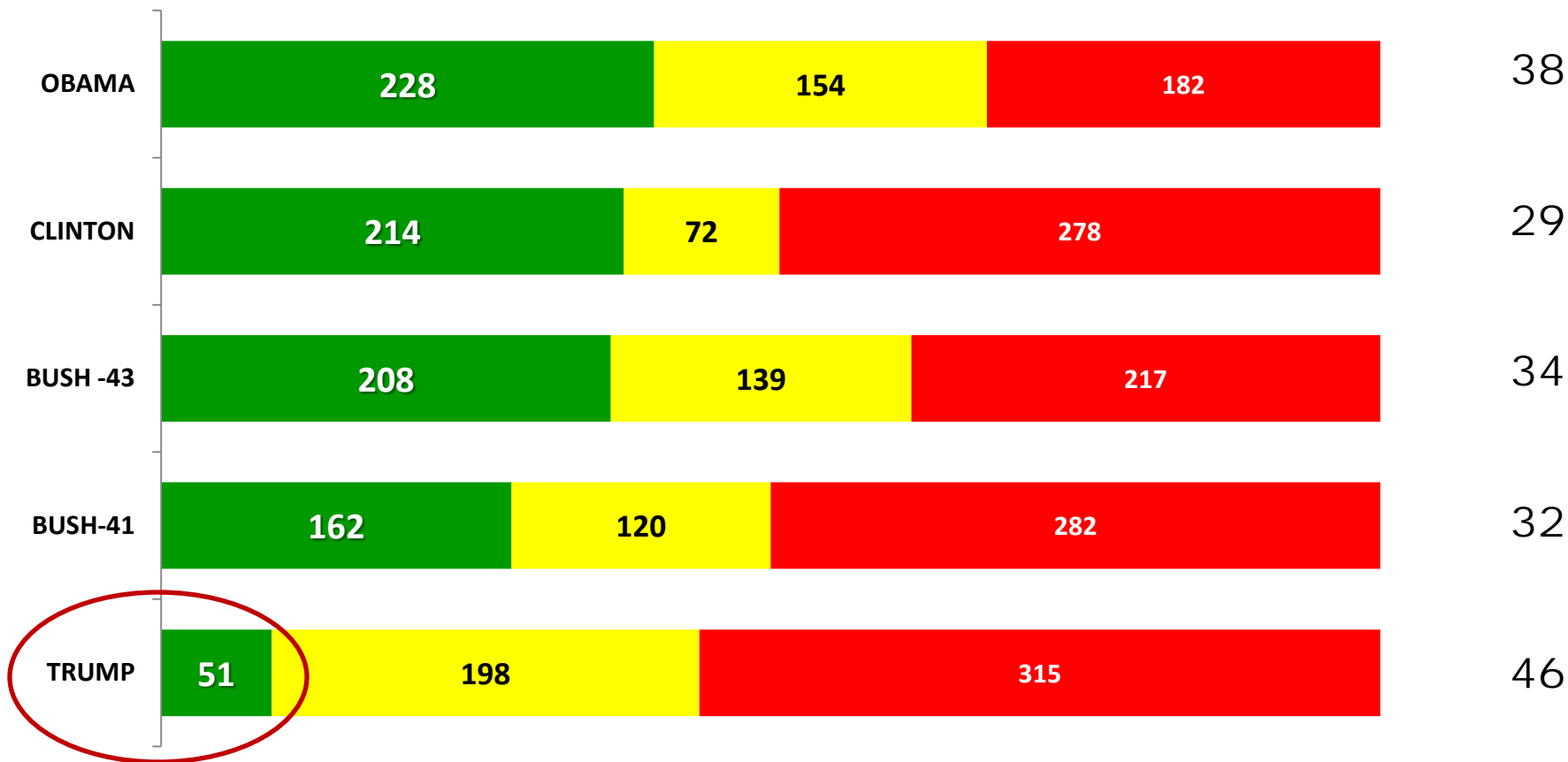


LOSING: Historically Slow Staffing Government

Strategic Starvation or In-fighting & Incompetence?

■ Confirmed ■ Nominated ■ No Nominee Yet

Avg. # days to confirm

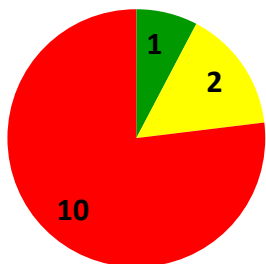


LOSING: Too Many Unfilled Positions

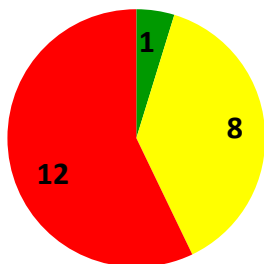
Over Half Cabinet Agencies Have Only 1 Confirmed Leader

■ Confirmed ■ Nominated ■ No Nominee Yet

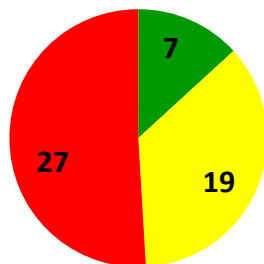
AGRICULTURE



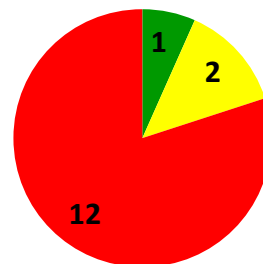
COMMERCE



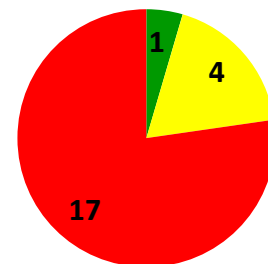
DEFENSE



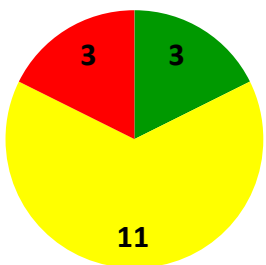
EDUCATION



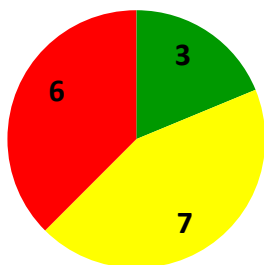
ENERGY



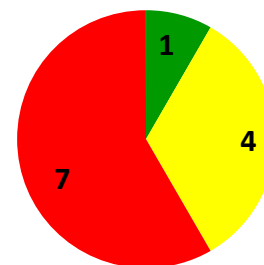
HHS



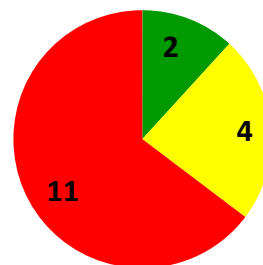
HOMELAND



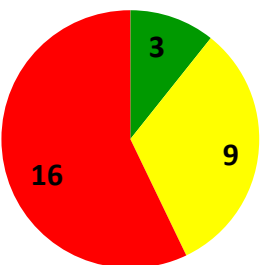
HUD



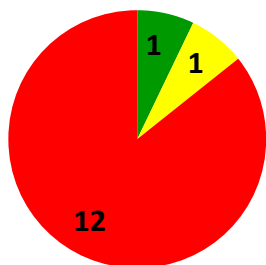
INTERIOR



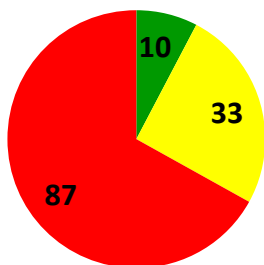
JUSTICE



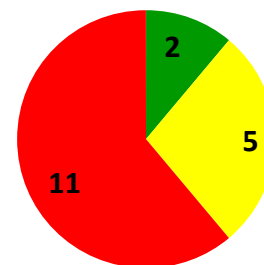
LABOR



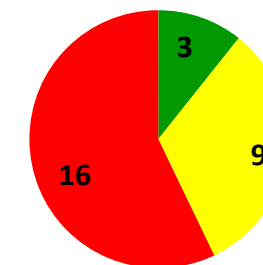
STATE



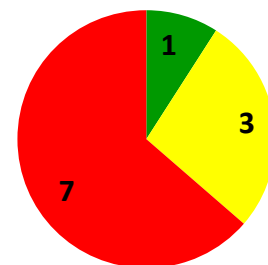
TRANSPORTATION



TREASURY



VETERANS



LOSING: Insufficient Message Discipline

Off-Message Tweeting Undermines Policy Pushes

INFRASTRUCTURE WEEK	WORKFORCE DEVELOPMENT WEEK	TECHNOLOGY WEEK	ENERGY WEEK
June 5-9	June 12-16	June 19-23	June 26-30
81% tweets off-message	94% tweets off-message	100% tweets off-message	92% tweets off-message

Donald J. Trump @realDonaldTrump
 In an event we are EXTREME VETTING people coming into the U.S. in order to help keep our country safe. The courts are slow and political!

Donald J. Trump @realDonaldTrump
 This is the single greatest witch hunt of a politician in American history!

RETWEETS 6,664 LIKES 19,502

7:52 AM - 18 May 2017

Donald J. Trump @realDonaldTrump
 The super Liberal Democrat in the Georgia Congressional race tomorrow wants to protect criminals, allow illegal immigration and raise taxes!

RETWEETS 17,671 LIKES 52,567

6:31 AM - 17 Apr 2017

Donald J. Trump @realDonaldTrump
 I heard poorly rated @Morning_Joe speaks badly of me (don't watch anymore). Then how come low I.Q. Crazy Mika, along with Psycho Joe, came..

7:52 AM - 29 Jun 2017

Donald J. Trump @realDonaldTrump
 People, the lawyers and the courts can call it whatever they want, but I am calling it what we need and what it is, a TRAVEL BAN!

6:25 AM - 5 Jun 2017

Donald J. Trump @realDonaldTrump
 I am being investigated for firing the FBI Director by the man who told me to fire the FBI Director! Witch Hunt

RETWEETS 32,480 LIKES 95,775

7:07 AM - 16 Jun 2017

Donald J. Trump @realDonaldTrump
 ...Why did the DNC REFUSE to turn over its Server to the FBI, and still hasn't? It's all a big Dem scam and excuse for losing the election!

RETWEETS 14,924 LIKES 52,910

7:06 AM - 22 Jun 2017

Donald J. Trump @realDonaldTrump
 ...to Mar-a-Lago 3 nights in a row around New Year's Eve, and insisted on joining me. She was bleeding badly from a face-lift. I said no!

7:58 AM - 29 Jun 2017



121 @RealDonaldTrump tweets in June
3 on policy topics

LOSING: Midterm Wave Conditions Building for Dems?

Low POTUS Approval

POTUS Approval	39%	45%	46%	63%	68%
Seats Won / Lost	+30	+53	+63	+8	+5
Year	2006	2010	1994	1998	2002



40% job approval

Source: WSJ/NBC poll via POS.

Surge of New Candidates

'09- '15 avg. filing	179
2017 filed to run	489

Source: Ben Kamisar, [The Hill](#), 6/22/17

Over-Performing in Specials

Seat	Nov. 2016 Margin	Special Margin	Dem Gain
KS-4	R+24.6	R+6.8	D+17.8
MT	R+8.8	R+6.1	D+2.7
GA-6	R+16.2	R+3.7	D+12.5
SC-5	R+13.3	R+3.2	D+10.1

Generic Ballot Promising

Republican Ballot Margin (Generic)	Predicted Republican Seat Loss
+4	-9
+2	-12
0	-16
-2	-19
-4	-23
-6	-27
-8	-30
-10	-34

D+9

Generic Poll Avg. 7/31/17 RCP

MEHLMAN CAST ROSEN & THOMAS

Source: Nate Silver, [FiveThirtyEight](#), 6/21/17

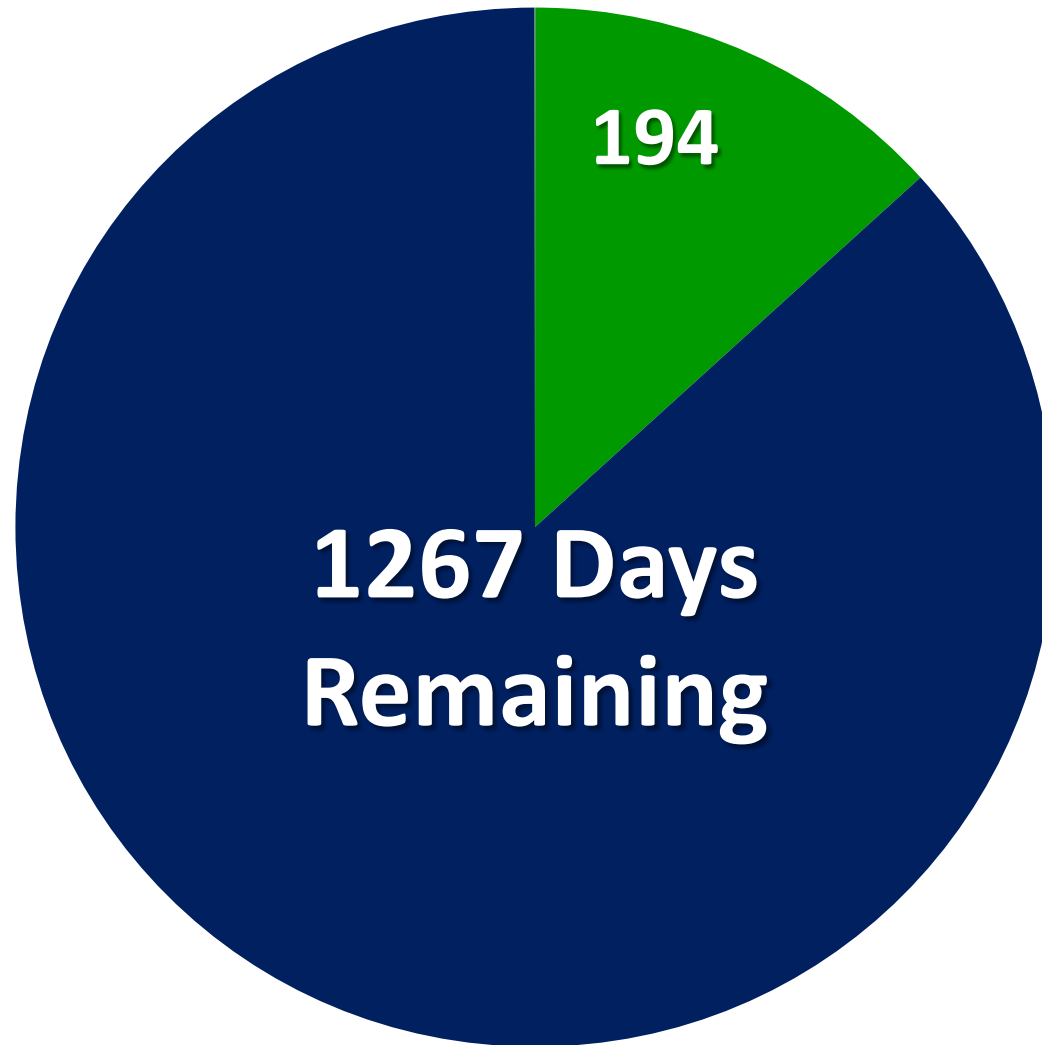
Sources: Alan Abramowitz, UVA Center for Politics, July 2017; RCP (generic)

WHAT'S NEXT?

Washington in 2H 2017

The Disruption Will Continue

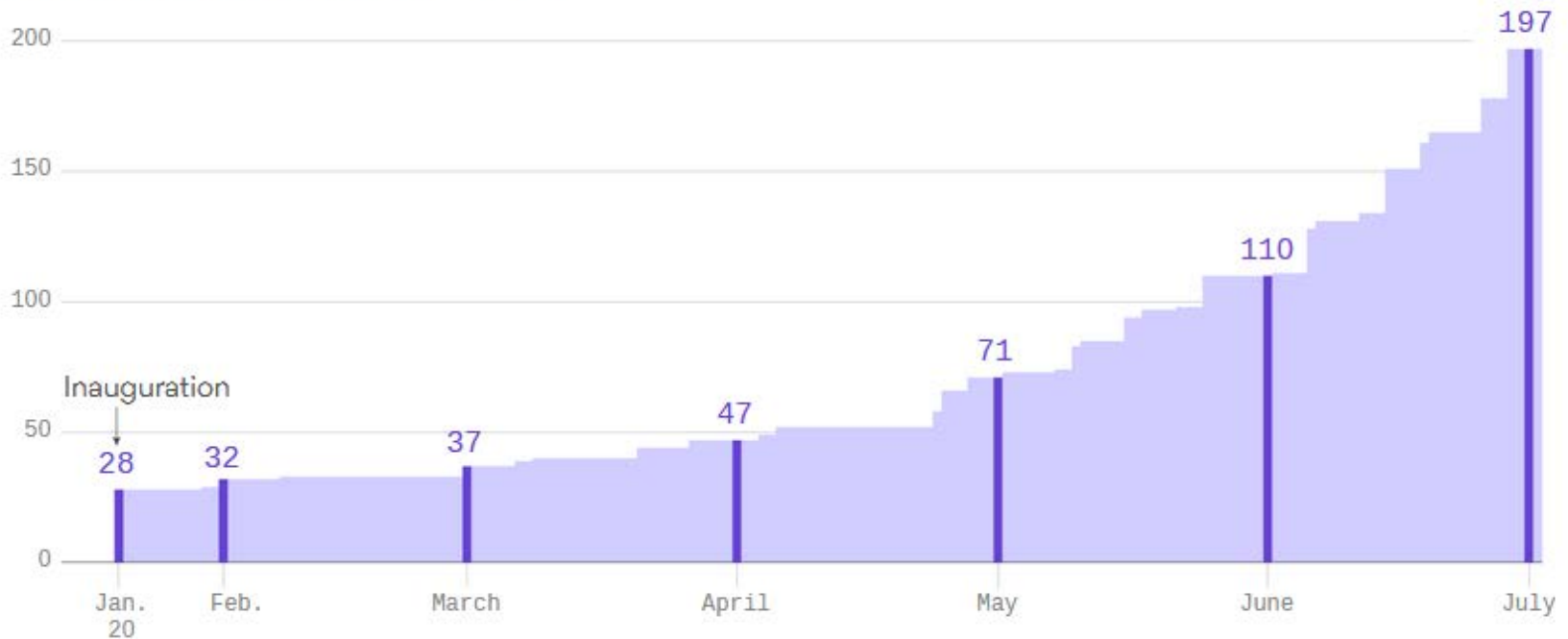
We're Only 13% Into Trump's First Term



Trump Team Will Grow As More Leaders Are Confirmed

Pace of Nominations Is Accelerating

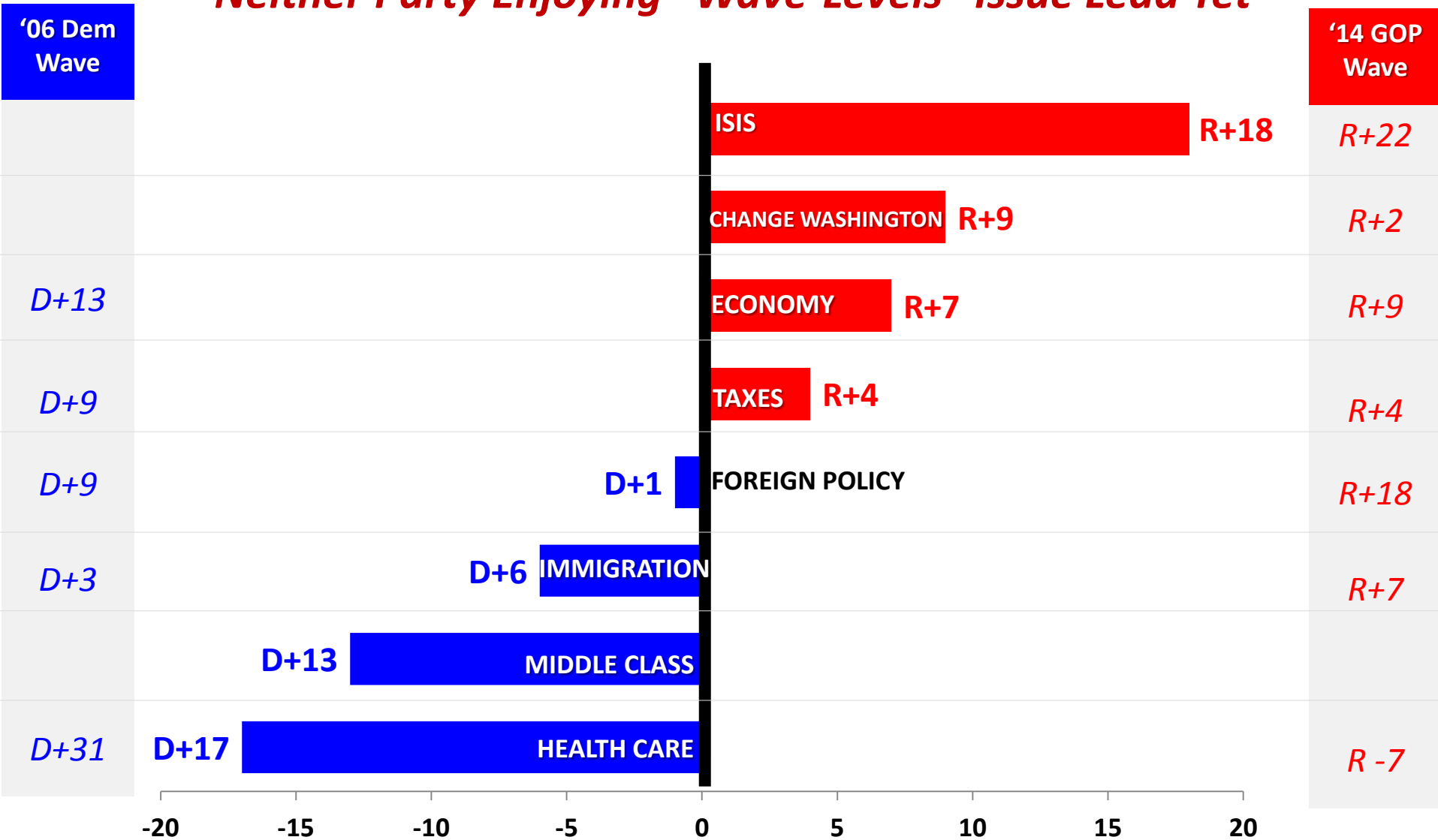
Trump nominations sent to the Senate



Data: Partnership for Public Service; Note: Count as of July 2, includes executive branch positions, judicial branch positions (like the Sentencing Commission), legislative branch positions (like the Architect of the Capitol), and ex officio or positions that require their own hearings and/or votes (like the IMF Governor, etc.)

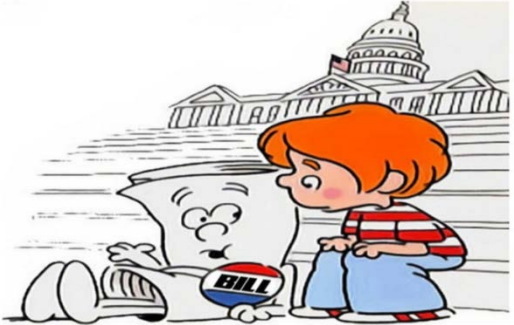
Parties Will Battle for Issue Advantage

Neither Party Enjoying "Wave-Levels" Issue Lead Yet



Congress Will Do What it **MUST**

Expiring Programs & Deadlines Drive Action

Before August Recess	By September 30	Q4 2017	By Dec. 31
15 legislative days	17 legislative days		
	<ul style="list-style-type: none"> <input type="checkbox"/> FDA User Fees <input type="checkbox"/> Nat'l Defense Authorization <input type="checkbox"/> FY '18 Appropriations <input type="checkbox"/> Flood Insurance <input type="checkbox"/> CHIP (children's health insurance) <input type="checkbox"/> FAA Reauthorization <input type="checkbox"/> Community Health Centers <input type="checkbox"/> TANF (food stamps) <input type="checkbox"/> Coast Guard Reauthorization <input type="checkbox"/> AFG & SAFER grant programs 	<ul style="list-style-type: none"> <input type="checkbox"/> Raise debt ceiling 	<ul style="list-style-type: none"> <input type="checkbox"/> FISA §702 (surveillance) <input type="checkbox"/> Medicare extenders <input type="checkbox"/> Other tax extenders 

“Big Ticket” Bills Remain Challenging

Health Care Reform

- Polling poorly & facing procedural risks in Senate.
- Can't lose more than 2 GOP Senators:
 - Conservatives demand more flexibility & lower cost options... risking moderate votes.
 - Moderates want to lessen impact on elderly & poor... risking conservative votes.
- Expect shorter-term steps to shore up insurance markets if larger bill fails.

Funding 2018 & Debt Ceiling

- 60 votes needed unless legislative filibuster ended
- Significant political challenges:
 - Conservatives want cuts to non-defense spending
 - Dems object to increases in defense spending without corresponding increases in non-defense.
 - WH may see political value in show-down, perhaps over funding Border wall.
- Short-term (2 week) shutdown possible. Expect bipart. deal to raise debt ceiling & fund FY18 near FY17 levels once WH gets on board.

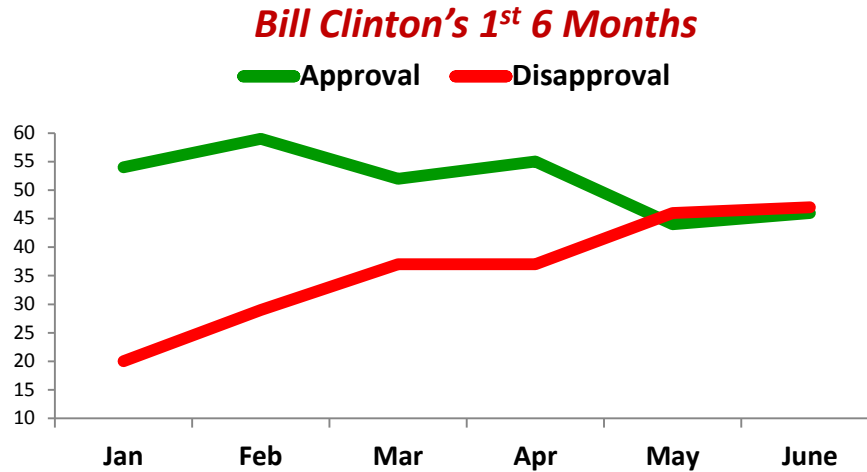
Tax Reform

- Procedural barriers significant:
 - Need 60 Sen. votes or new budget reconciliation
 - Need health reform to “pay for” 1st ~trillion in cuts
- Business opposition to deficit neutral reform (where cuts are offset by tax increases). Key questions are (1) will Dems in red states “play ball” with WH on cuts and (2) will GOP back cuts or raise deficit concerns.
- Expect tax cuts rather than paid-for permanent reforms by 1H18.

\$1T Infrastructure Plan

- 60 votes required.
- Political dynamics:
 - Opportunity: Most likely pivot if White House wants to deal with Democrats (along with trade sanctions) AND Dems willing to give Trump win.
 - Challenges: How to pay for? When to advance given busy-ness with other issues.
- Expect little movement in 2017.

How Did the Clinton White House Bounce Back?



The Clinton Rebound



**Retooled
White House
Operations**



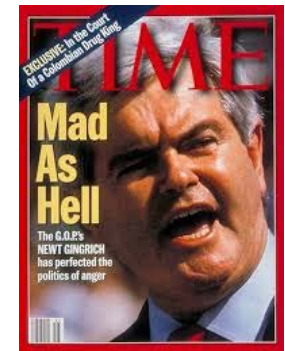
**Successful
Leadership
Moment**



**Pivoted to the
Center on Policy**





**Enjoyed Strong
Bull Run
(‘95: S&P up 32%)**



**Leveraged Less
Popular Foil**

Three Possible Roads Forward for Trump Administration

How to Put Points on the Board & Broaden Support

UNIFY THE GOP	PLAY TO POPULIST BASE	DEAL WITH DEMOCRATS
		
<ul style="list-style-type: none"> <input type="checkbox"/> Lower rates <input type="checkbox"/> Broader base <input type="checkbox"/> Simpler system 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Drop out of TPP <input type="checkbox"/> Renegotiate NAFTA <input type="checkbox"/> Steel & Aluminum tariffs <input type="checkbox"/> Stronger "Buy American" <input type="checkbox"/> CFIUS reforms (esp. tech) 	
Judges & Deregulation	Immigration Enforcement	Infrastructure Investment
Raise big \$\$ to protect House majority	Anti-Washington reforms (end filibuster, Balanced Budget Amendment)	Ivanka Trump's paid family leave initiative

Core Challenge: Diversity of GOP opinion may exceed size of GOP majority.

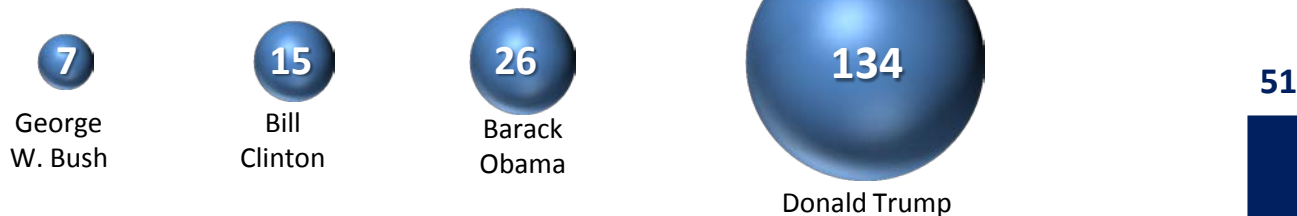
Core Challenge: Restrictions on trade spook markets & undermine growth.

Core Challenge: Will #Resistance let Dems cooperate with the Administration?

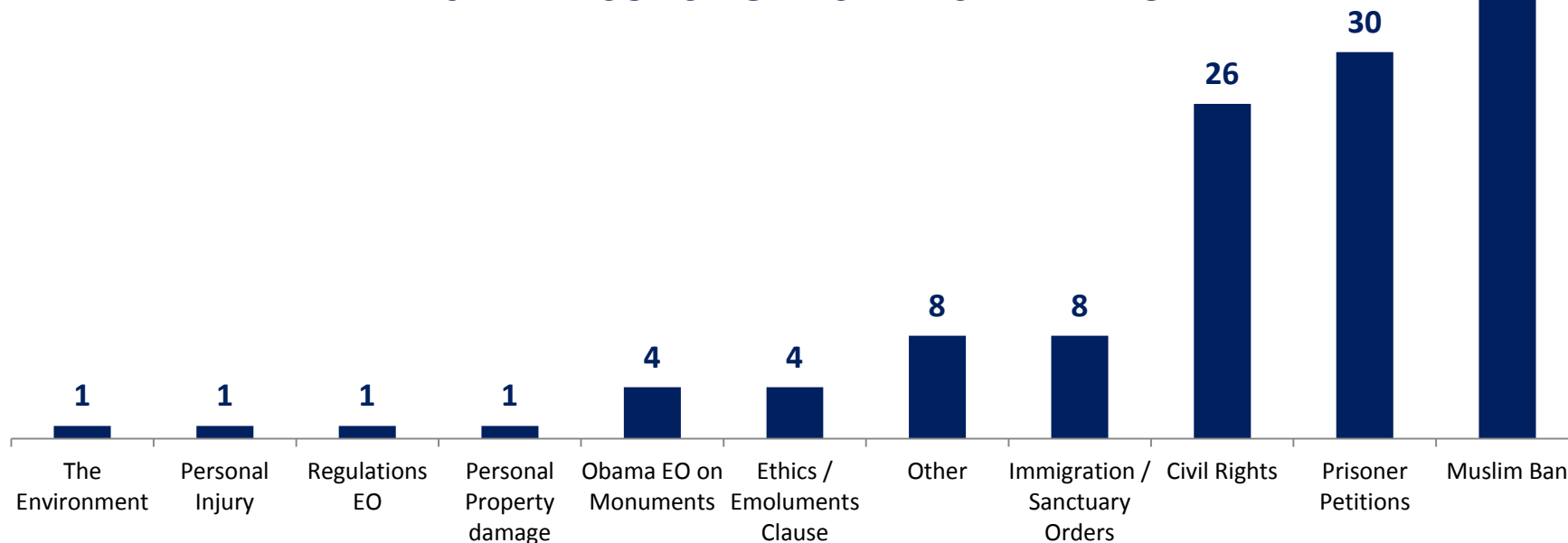
The Litigious #Resistance Will Persist

Opponents Likely to Challenge Everything in Court

TOTAL LAWSUITS FILED



2017 LAWSUITS AGAINST PRESIDENT TRUMP

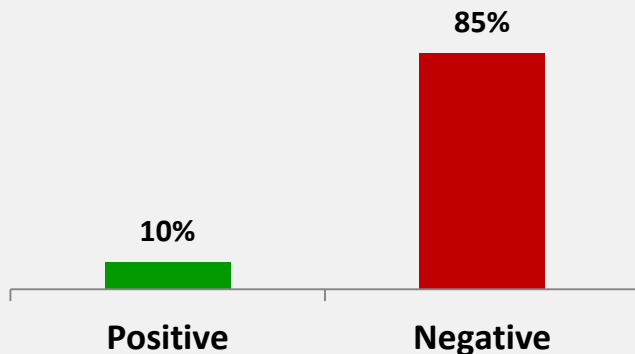


War With the Media Will Continue

Trump Team Sees As Positive

Useful Foil with Base Voters

Impact of National News Media on U.S.
(Republican voters)



Inoculates from Hostile Coverage

Whom Do You Trust More? (GOP)



Great for Media



Viewing thru 1st week in June as compared
to same period last year

The
New York
Times

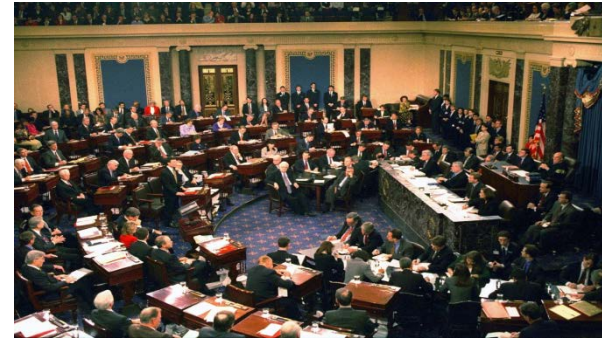


What If Mueller Goes the Distance or the House Flips?

GOP Senators told Nixon it was time to go...



...Dem Senators protected Clinton



Will These Guys Have Trump's Back?



**"Lyn
Ted"**



**"Little
Marco"**



**"Not a Hero"
John**



**"Weak &
Ineffective"
Jeff**



**"Gym Rat"
Ben**



**"Nut Job...
Disgrace"
Lindsey**



**"Truly Weird...
Spoiled Brat"
Rand**

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