

THE 2020 ELECTIONS



And the Future of American Politics

MEHLMAN CASTAGNETTI
— ROSEN & THOMAS —

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THE 2020 ELECTIONS & FUTURE OF AMERICAN POLITICS

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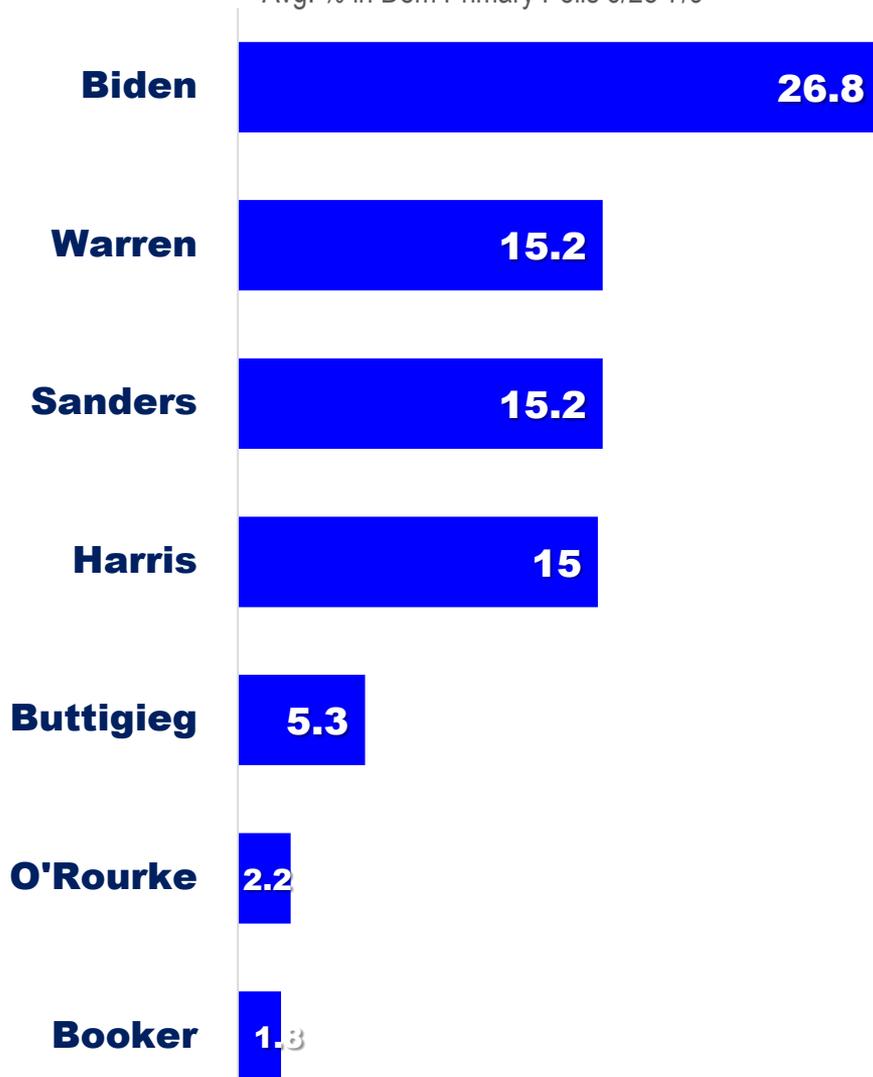
2020 Election

The Democrats

BIDEN IS ESTABLISHMENT CHOICE & LEADING... SO FAR

Polling Among Democrats

Avg. % in Dem Primary Polls 6/28-7/9



Head-to-Head Polls vs Trump

	Avg. Lead over Trump	Record in polls v Trump <small>since 3/27/19</small>
	+8.5	10-0
	+2.5	7-2
	+4.8	7-1
	+2.0	6-2
	+1.0	4-2-1

BUT ESTABLISHMENT DEMS LOSE, DISRUPTORS WIN

ESTABLISHMENT NOMINEE		DISRUPTOR NOMINEE
	1976	 WON
LOST 	1984	
LOST 	1988	
	1992	 WON
LOST 	2000	
LOST 	2004	
	2008	 WON
LOST 	2016	

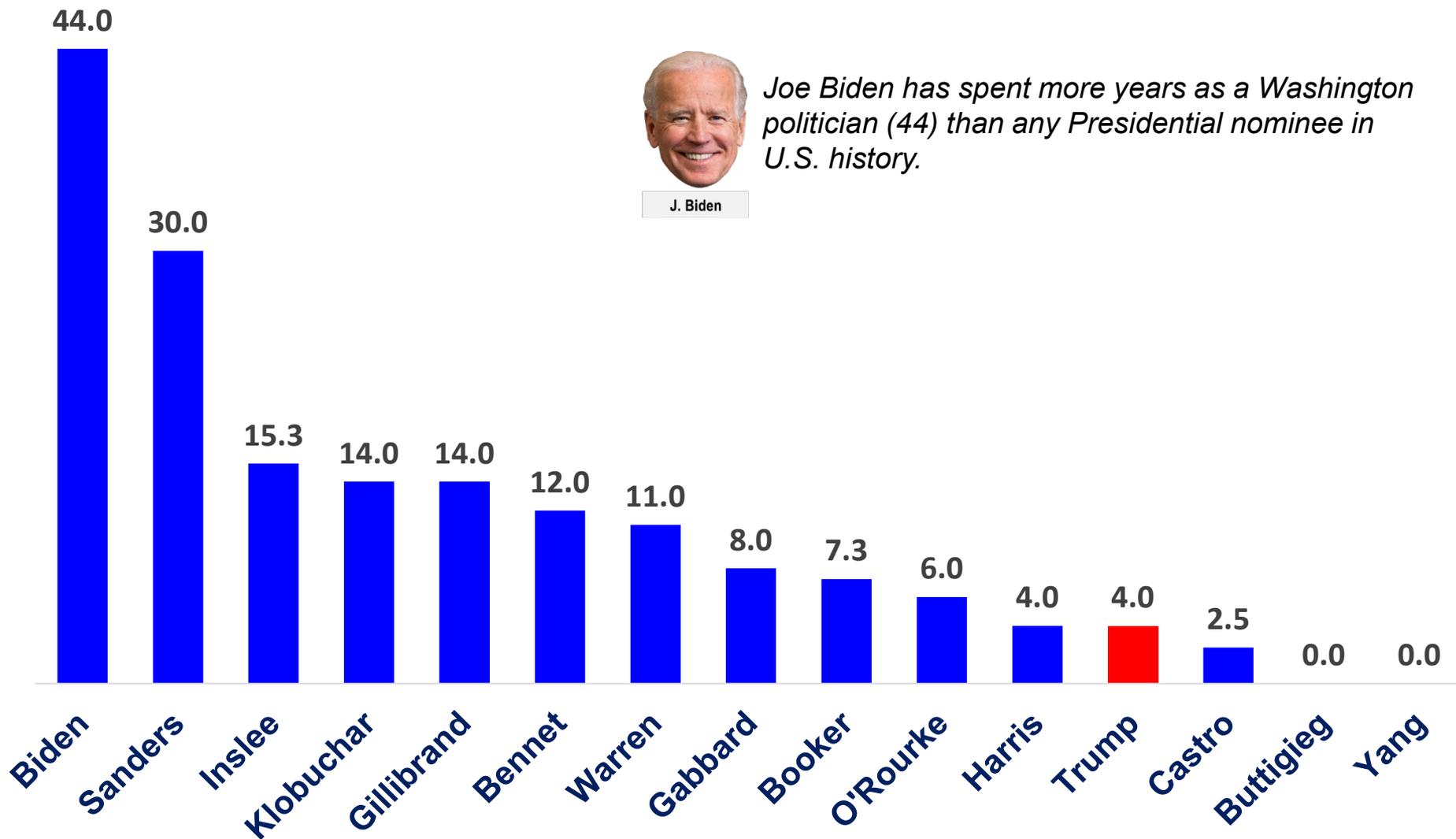
VOTERS INCREASINGLY HUNGRY FOR CHANGE

Change in Control of House, Senate and/or White House



BUT BIDEN IS NOT A “CHANGE” CANDIDATE

Democrats' Years in Washington vs. President Trump



AND “WASHINGTON” CANDIDATES USUALLY LOSE

Candidates with More Years in Washington **Won** 9 of 10 *(before Vietnam & Watergate)*

Candidates with More Years in Washington **Lost** 9 of 11 *(after Vietnam & Watergate)*

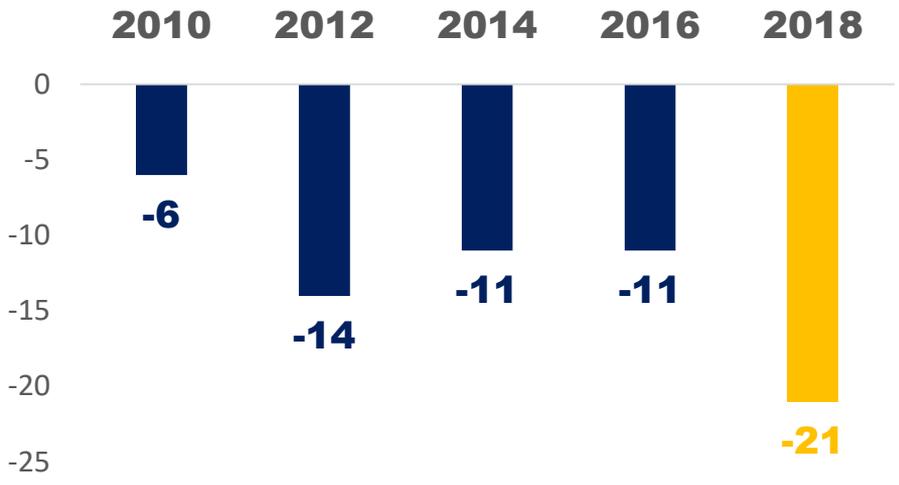
MORE / TIE (YEARS)		FEWER (YEARS)
FDR (11.5)	1936	(0) Landon
FDR (15.5)	1940	(0) Willkie
FDR (19.5)	1944	(0) Dewey
Truman (14)	1948	(0) Dewey
Eisenhower (0)	1952	(0) Stevenson
Eisenhower (4)	1956	(0) Stevenson
Kennedy (14)	1960	(14) Nixon
LBJ (27.75)	1964	(12) Goldwater
Humphrey (28)	1968	(14) Nixon
Nixon (18)	1972	(14) McGovern

MORE / TIE (YEARS)		FEWER (YEARS)
Ford (27.25)	1976	(0) Carter
Carter (4)	1980	(0) Reagan
Mondale (16)	1984	(4) Reagan
Bush (14.75)	1988	(0) Dukakis
Bush (18.75)	1992	(0) Clinton
Dole (36)	1996	(4) Clinton
Gore (24)	2000	(0) GW Bush
Kerry (20)	2004	(4) GW Bush
McCain (26)	2008	(4) Obama
Obama (4)	2012	(0) Romney
Clinton (20)	2016	(0) Trump

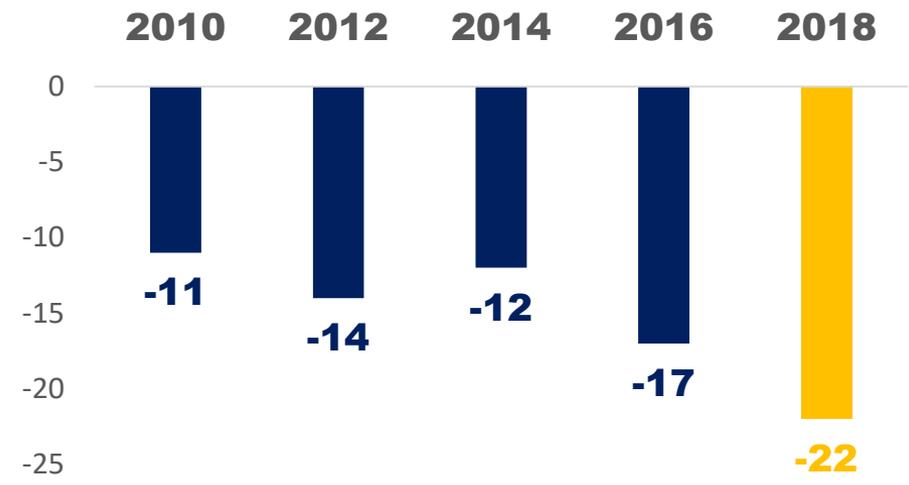
STILL... TRUMP GOP HAS A "MARGINALIZATION PROBLEM"

Net Preference for the GOP (R-D)

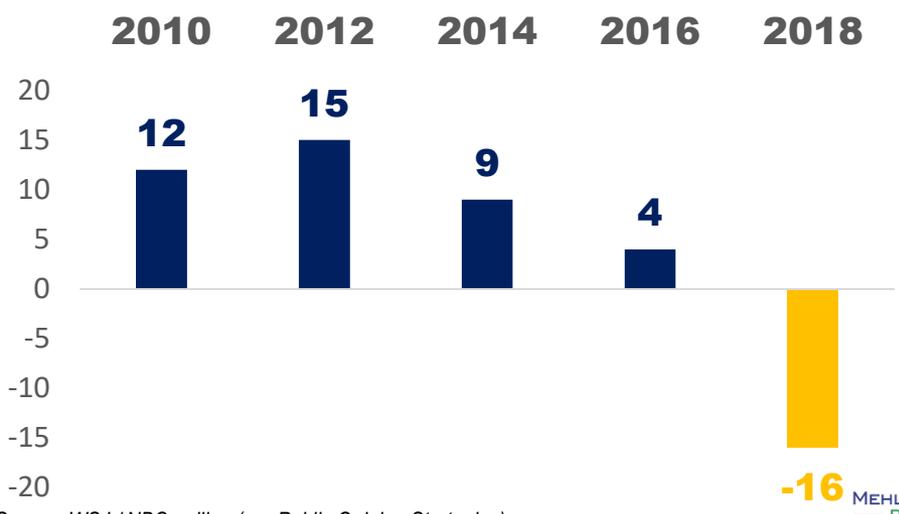
WOMEN



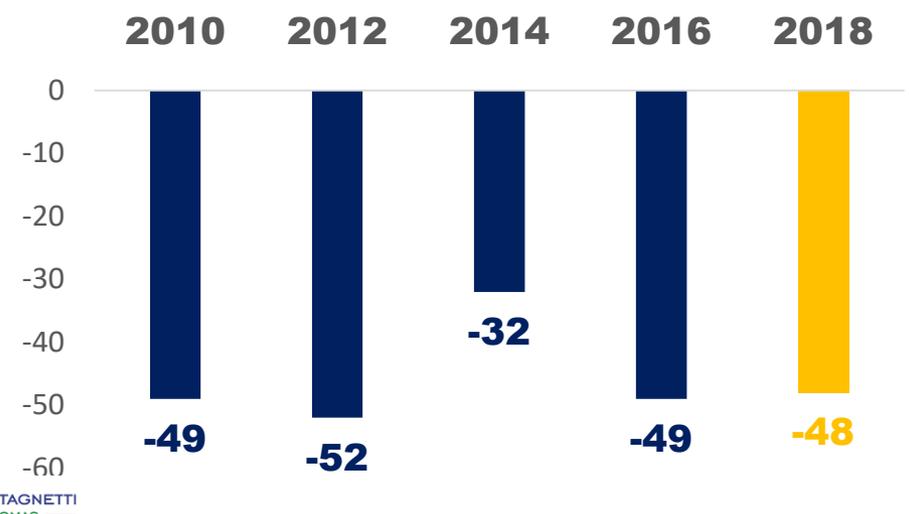
18-34 YR-OLDS



WHITE COLLEGE+



NON-WHITE



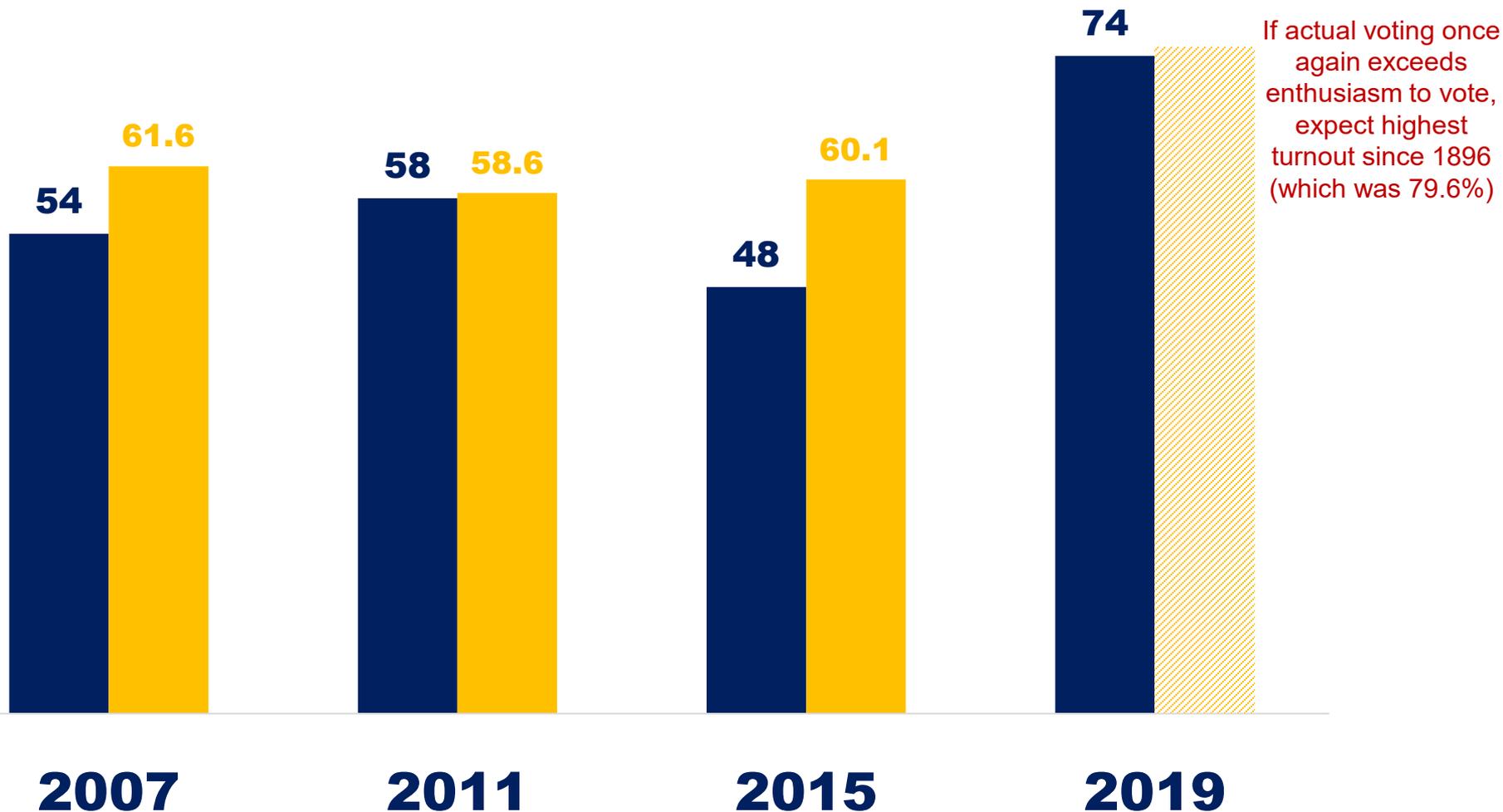
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Source: WSJ / NBC polling (per Public Opinion Strategies)

AND A TURNOUT TSUNAMI SEEMS LIKELY

Highest “Extremely Enthusiastic” to Vote Ever Recorded by CNN

■ Extremely / Very Enthusiastic about voting next year ■ Final Election Turnout





2020 Election

The Republicans

TRUMP'S ECONOMY IS STRONG



**Lowest Unemployment
Since 1969 (June)**



**Most Manufacturing
Jobs Since Dec. 2008**



**Longest Economic
Expansion in US History**



**Most Consecutive Months
of >3% Wage Growth
Since 2009**



**All U.S. Stock Markets
Setting New Highs**

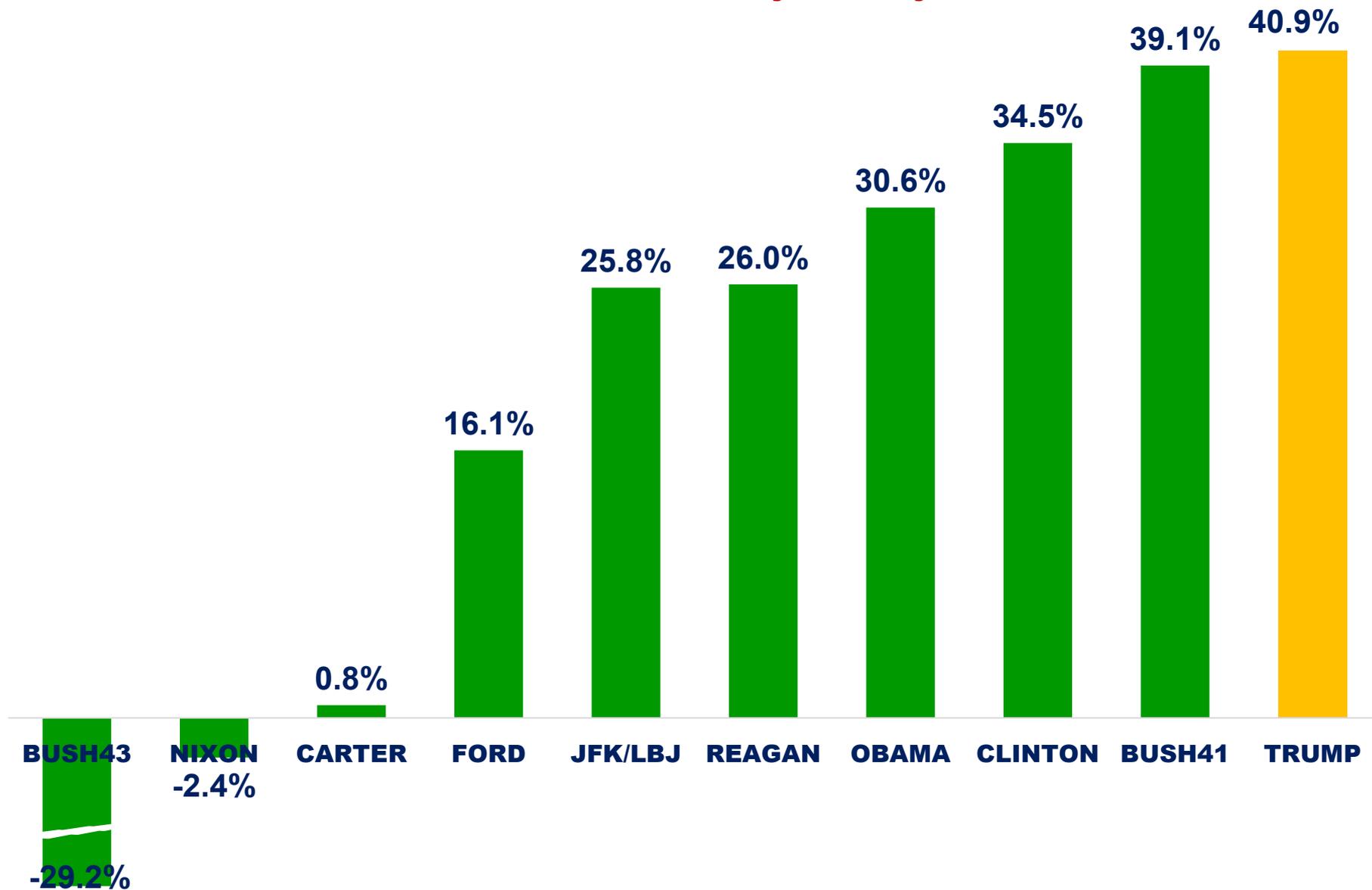


**Least Inflation in Year
Before POTUS Reelect
Since 1955 (est. so far)**

...with additional stimulus available via interest rate cuts, trade deals

HISTORIC STOCK MARKET GROWTH

S&P 500 Return, Election Day to July 12, 3rd Year



DEMOCRATS GOING TOO FAR LEFT

Winning Progressive Base May Mean Losing Moderate Middle



Outlaw private health insurance

72% oppose

*75% white
no-college oppose.*



Give gov't healthcare to undocumented immigrants

59% oppose

*75% white
no-college oppose.*



Make all public colleges "free"

52% oppose

62% white with college degree oppose.



Allow taxpayer funds to pay for abortion

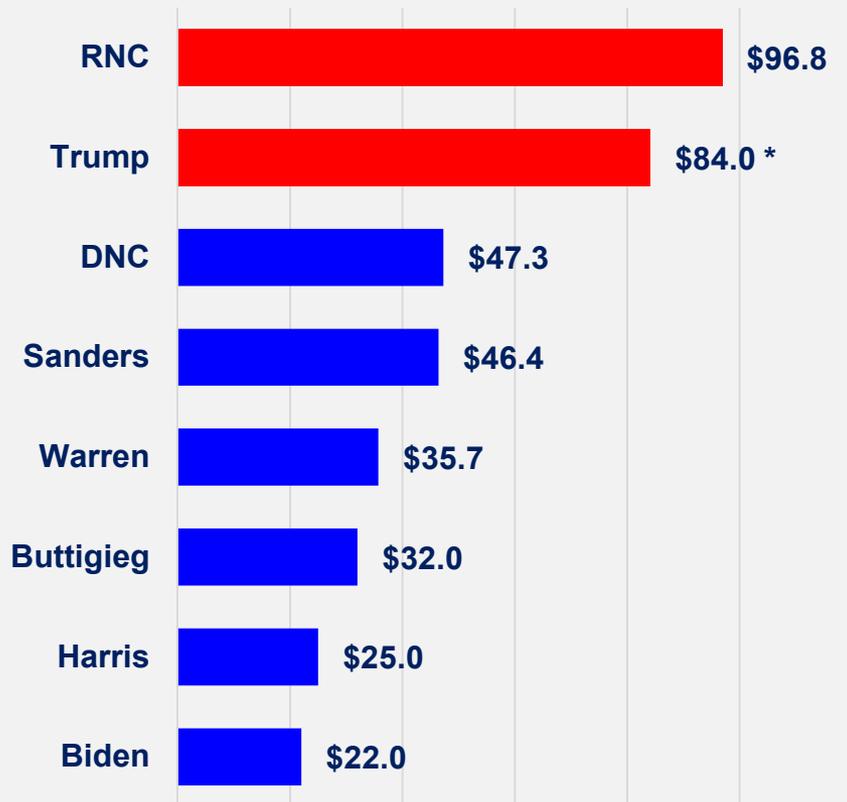
49% oppose

*32% support
19% don't know.*

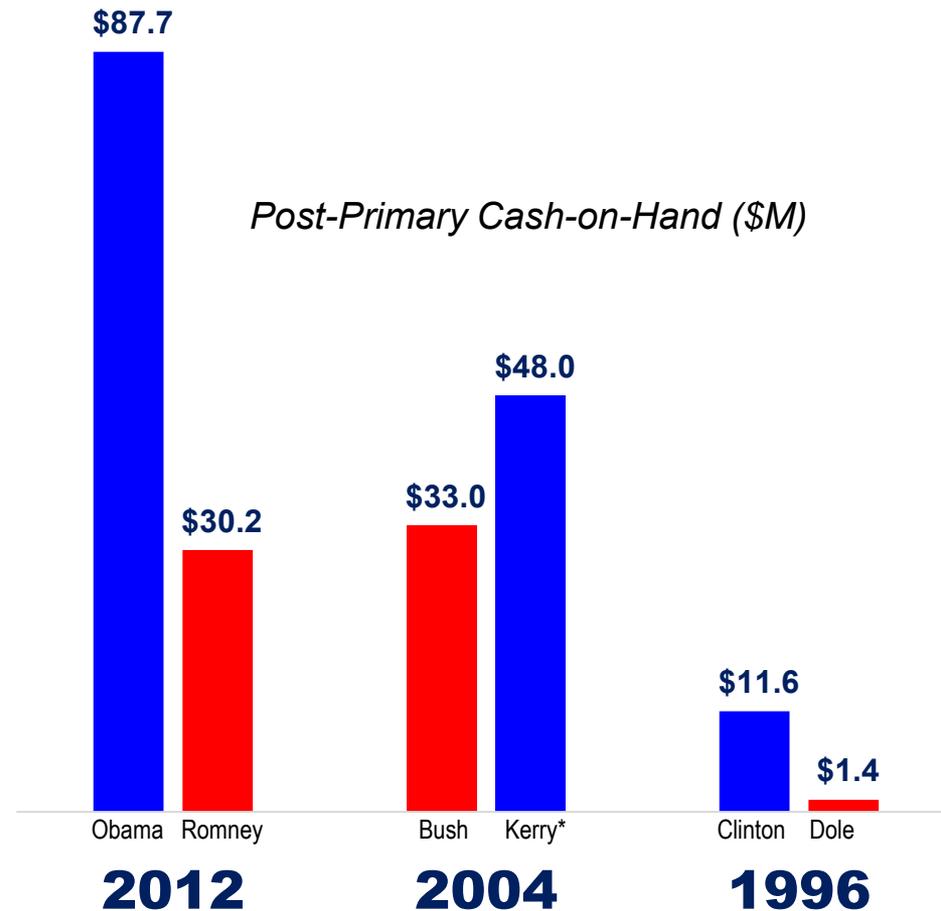
TRUMP WILL HAVE EARLY MONEY LEAD

Trump Raising More Than All Democrats... RNC > DNC

1H 2019 Raised

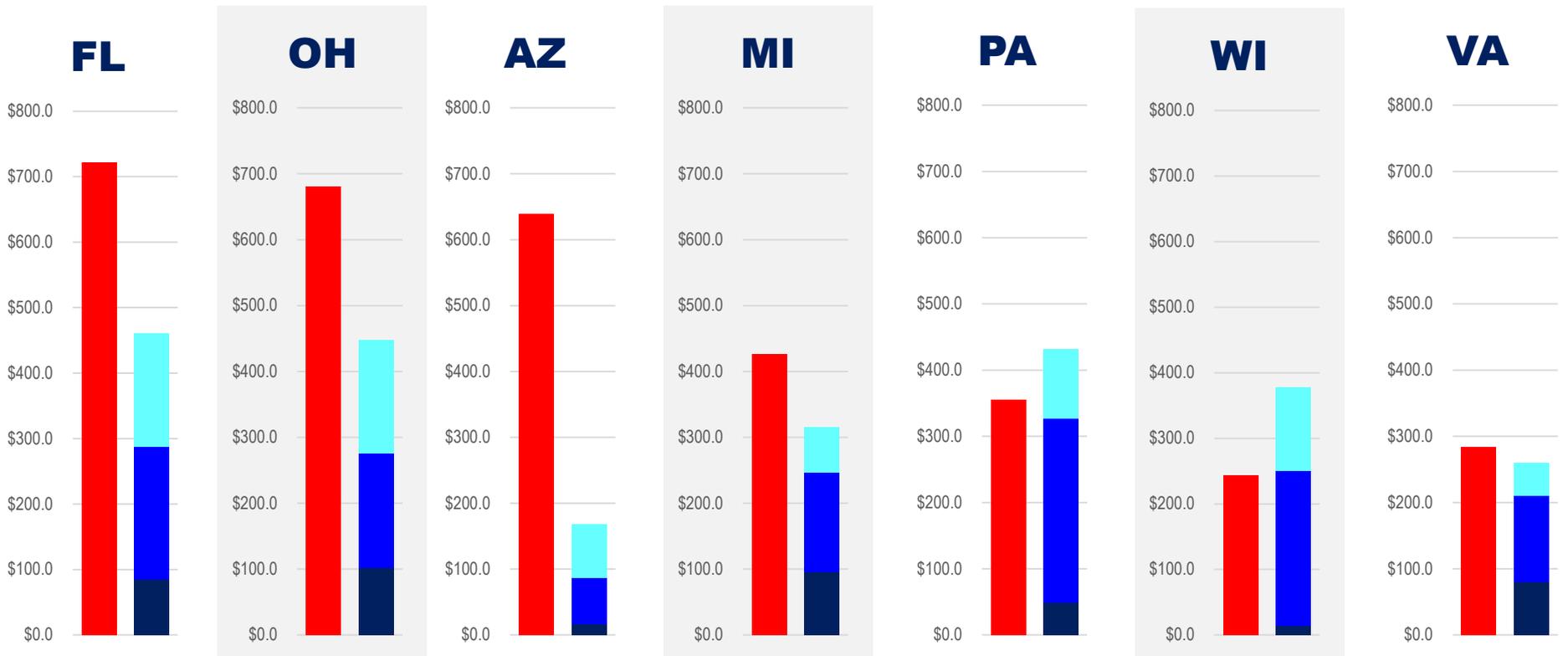


Without a Tough Primary, Incumbents Usually Save More



TRUMP HAS A SIGNIFICANT DIGITAL HEAD START

Trump Outspending Top 3 Dems Combined on Facebook in Key States



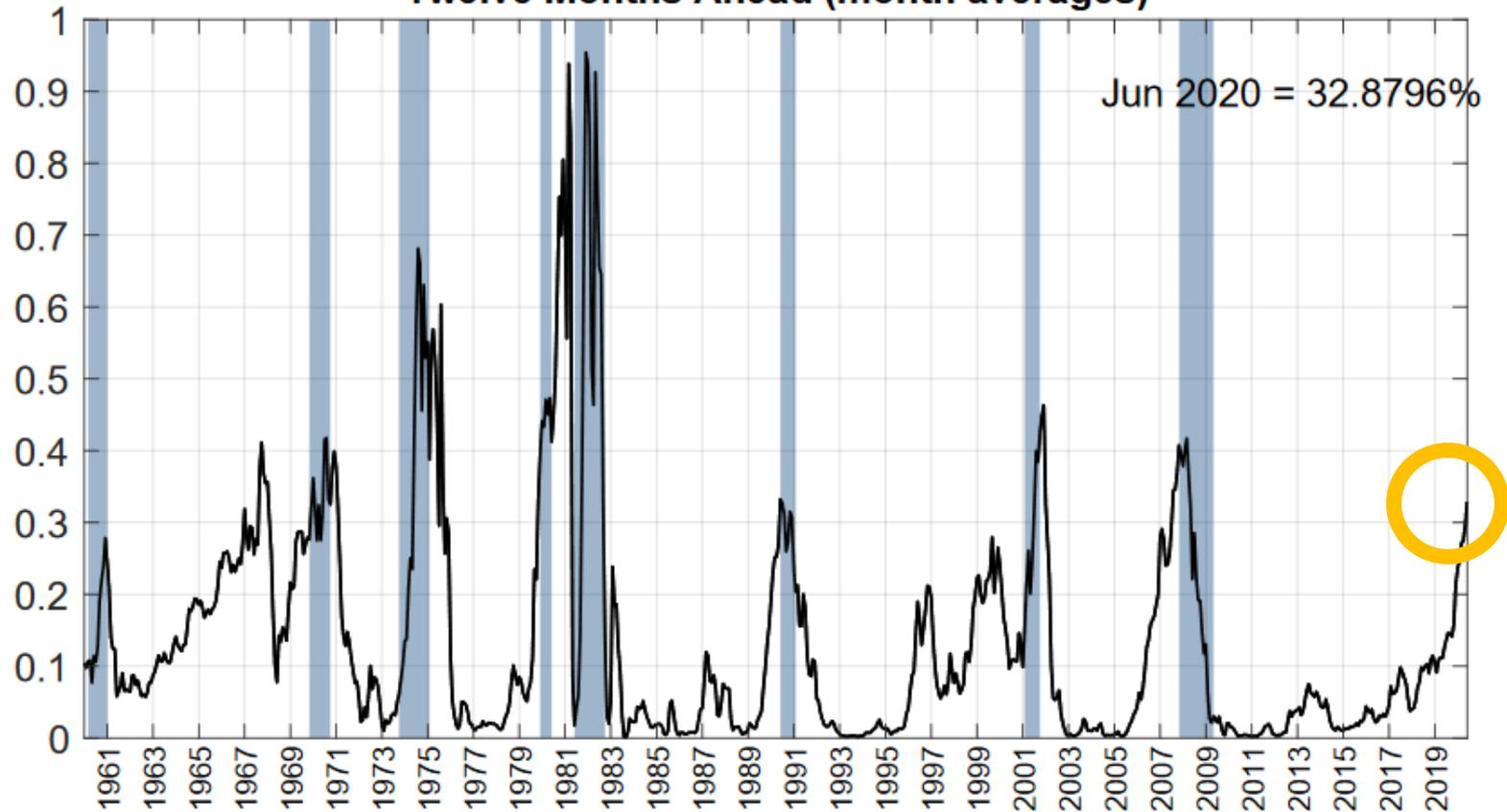


2020 Election Wildcard

*Will the Economy Stay Strong
Enough, Long Enough?*

RECESSION RISKS RISING

Probability of US Recession Predicted by Treasury Spread* Twelve Months Ahead (month averages)



*Parameters estimated using data from January 1959 to December 2009, recession probabilities predicted using data through Jun 2019. The parameter estimates are $\alpha=-0.5333$, $\beta=-0.6330$.

Updated 05-Jul-2019

RECESSIONS KILL INCUMBENTS

Recession in 2 Years Before Election

No Recession in 2 Years Before Election

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

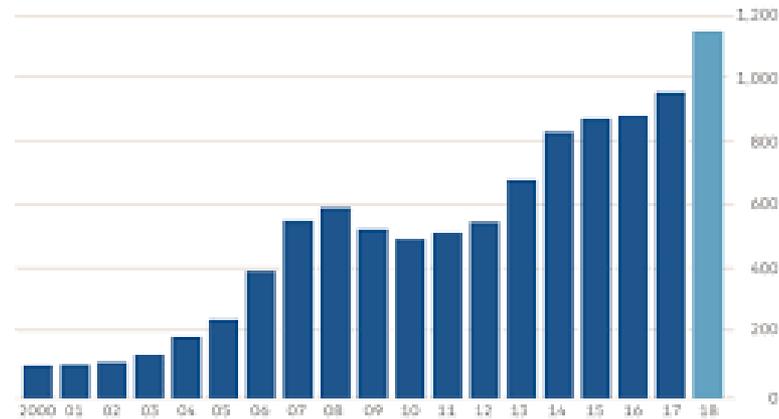
RECESSION?	President (Year)	REELECTION?
NO	Obama (2012)	YES
NO	Bush43 (2004)	YES
NO	Clinton (1996)	YES
NO	Reagan (1984)	YES
NO	Nixon (1972)	YES
NO	LBJ (1964)	YES
NO	IKE (1956)	YES
NO	Truman (1948)	YES
NO	FDR (1944)	YES
NO	FDR (1940)	YES
NO	FDR (1936)	YES
NO	Wilson (1916)	YES

POTENTIAL RECESSION TRIGGERS ABOUND

EXCESSIVE DEBT

US leveraged loan market swells beyond \$1tn

Value of outstanding US leveraged loans (\$bn)



Sources: S&P Global Market Intelligence's LCD
EYF

TRADE WARS



US vs EU
(auto tariffs,
digital taxes)



US vs China
(tariffs, Huawei, 5G)



US vs Mexico
(due to border or
to force USMCA)

FISCAL POLICY



Shutdown risk
9/30

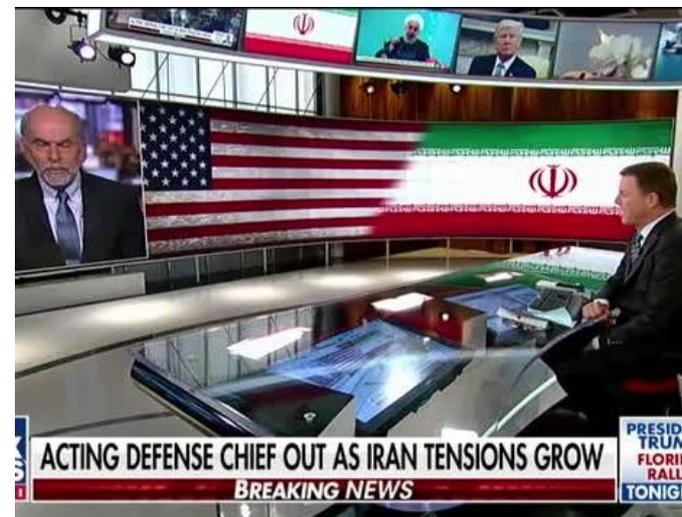


\$126B in FY20 cuts
absent bipartisan
deal on spending



Risk of renewed debt
ceiling brinksmanship
(default unlikely)

WAR WARS



The Future of the Democrats

Wokepocalypse Now

-or-

RETURN OF THE MODERATE



INCREMENTAL PROGRESSIVISM OR WOKEPOCALYPSE?

ISSUE

INCREMENTAL

AGGRESSIVE

HEALTH CARE



ENERGY & ENVIRONMENT



TAX



TECH & TELECOM



CIVIL RIGHTS



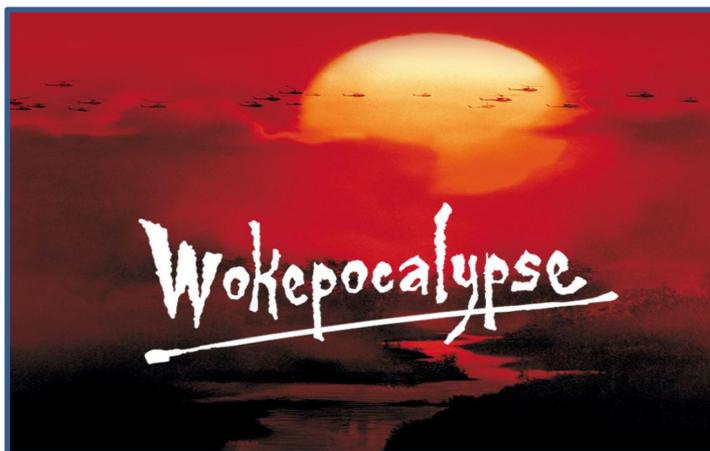
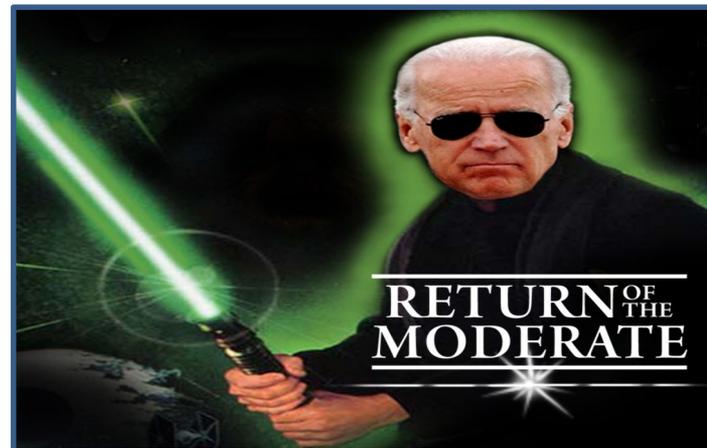
IMMIGRATION



2020 OUTCOME MAY DETERMINE DIRECTION

**If a moderate Democrat wins
or a very liberal Democrat
loses in 2020**

*(e.g. 1988 Dukakis loss led to “third way” DLC Dems &
Bill Clinton in 1992)*



**If a moderate Democrat loses
or a very liberal Democrat
wins in 2020**

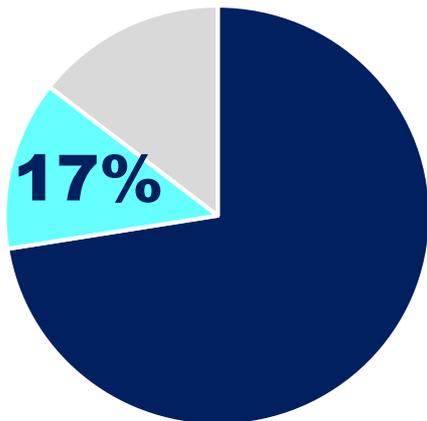
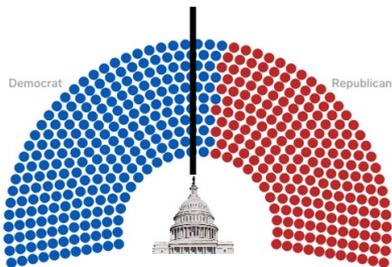
*(e.g. pro-Vietnam War VP Humphrey followed by very
liberal George McGovern in 1972, reformers in '74)*

AGGRESSIVE PROGRESSIVE AGENDA MAY RISK MAJORITY

MOST VITAL

≠

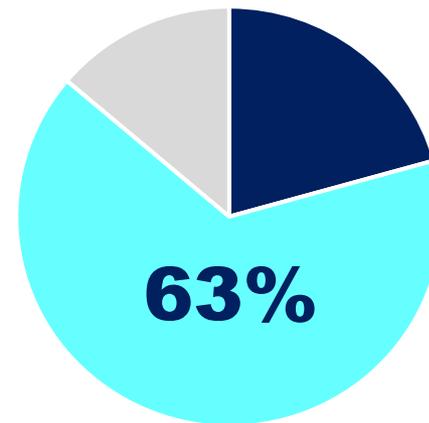
MOST VIRAL



- MODERATE:** New Dem or Blue Dogs
- PROGRESSIVE:** Progressive Caucus
- N/A:** Leadership or no caucus

3 Members in both caucuses were "split" 50/50

30 House Dems who won by **narrowest margins in 2018** overwhelmingly moderate
(3 in both ND & P counted in both)



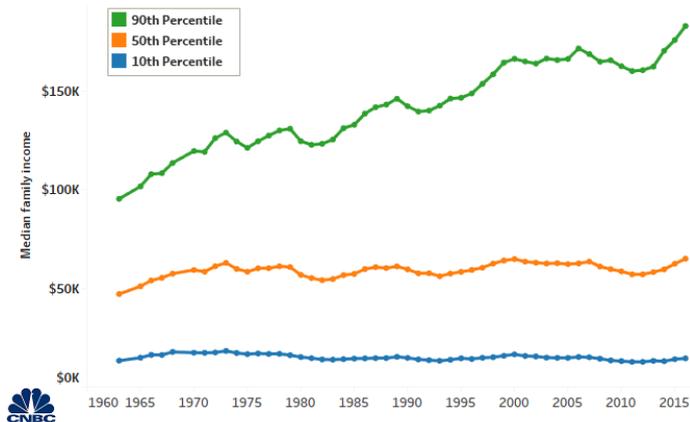
30 House Dems with **most Twitter followers** overwhelmingly progressive

ISSUES ANIMATING PROGRESSIVES WILL INTENSIFY

INEQUALITY

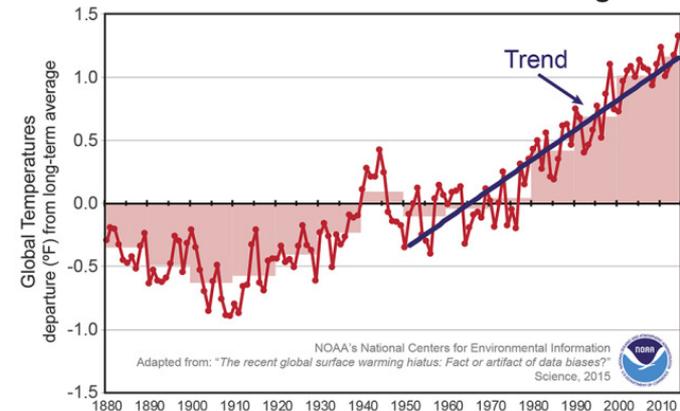
Widening income gap

SOURCE: Urban Institute



CLIMATE CHANGE

No Slow Down in Global Warming



NOAA's National Centers for Environmental Information
Adapted from: "The recent global surface warming hiatus: Fact or artifact of data biases?" Science, 2015

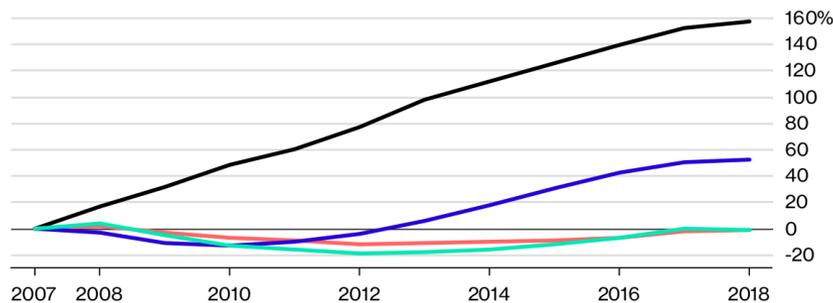
Contrary to much recent discussion, the latest corrected analysis shows that the rate of global warming has continued, and there has been no slow down.

STUDENT DEBT

Student Debt Just Keeps Growing

Student loans are the fastest growing segment of U.S. household debt, seeing almost 157 percent growth since the Great Recession.

Student Loans (Black), Mortgages (Red), Auto loans (Blue), Credit card (Green)



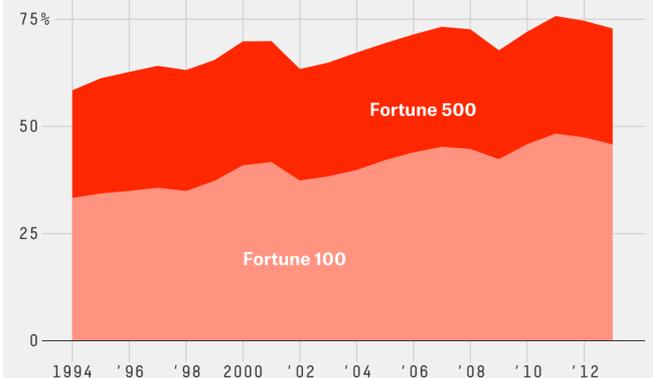
Source: Bloomberg Data

Bloomberg

MARKET CONCENTRATION

Big Business Is Getting Bigger

Gross revenues as a percentage of nominal GDP, 1994-2013



FIVETHIRTYEIGHT

SOURCE: FORTUNE, BUREAU OF ECONOMIC ANALYSIS

ERA OF ACTIVISM LIKELY TO ACCELERATE

The New Great Awakening, Enabled by Social Media

WORKERS



Happening NOW: The first group of @Wayfair employees walk out of the company's Boston-based HQs

CELEBRITIES



CONSUMERS



INVESTORS



POTENTIAL ROAD TO THE WOKEPOCALYPSE



2020

**TRUMP
REELECTED
DEFEATING
MODERATE
DEM**



2021

**DOWNTURN
ARRIVES
GOP OWNS
"TRUMP
RECESSION"**



2022

**MIDTERM
MASSACRE
DEMS WIN
SENATE**



2024

**GOP DENIED
"3RD TERM"
LIBERAL
DEM WINS
WH**



2025

**FILIBUSTER
ELIMINATED
DEM
MAJORITY
RULES**

EXPECT BIG POLITICAL REFORMS... *IF NO FILIBUSTER*

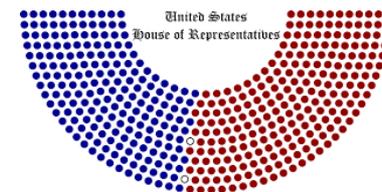
With Simple Majorities Dems Could:



Increase number of Supreme Court justices / set term limits



Make election day a federal holiday



Outlaw gerrymandering (requiring independent commissions)



Make Puerto Rico & DC states; Give voting power

Restore
Your **V**ote

A PROJECT OF CAMPAIGN LEGAL CENTER

Restore voting rights to felons who are not in jail



Ban former Members of Congress from lobbying

The Future of the Republicans



-or-

FUTURE AGENDA OF GOP?... MAY TURN ON 2020



TRUMP WINS IN 2020

TRUMP LOSES IN 2020

Defend capitalism, fight “socialism”

ECONOMIC

Reformicons return?

Deficits don't matter

FISCAL

Born-again deficit hawks

America First, con't.

FOREIGN POLICY

Rebuild Western alliance

Tariff Man/ US vs China

TRADE

US & Allies vs China

Continued hard line

IMMIGRATION

Modest moderation

Pro-Gun, Pro-Life, anti-PC

SOCIAL

Pro-Gun, Pro-Life, softer *tone*

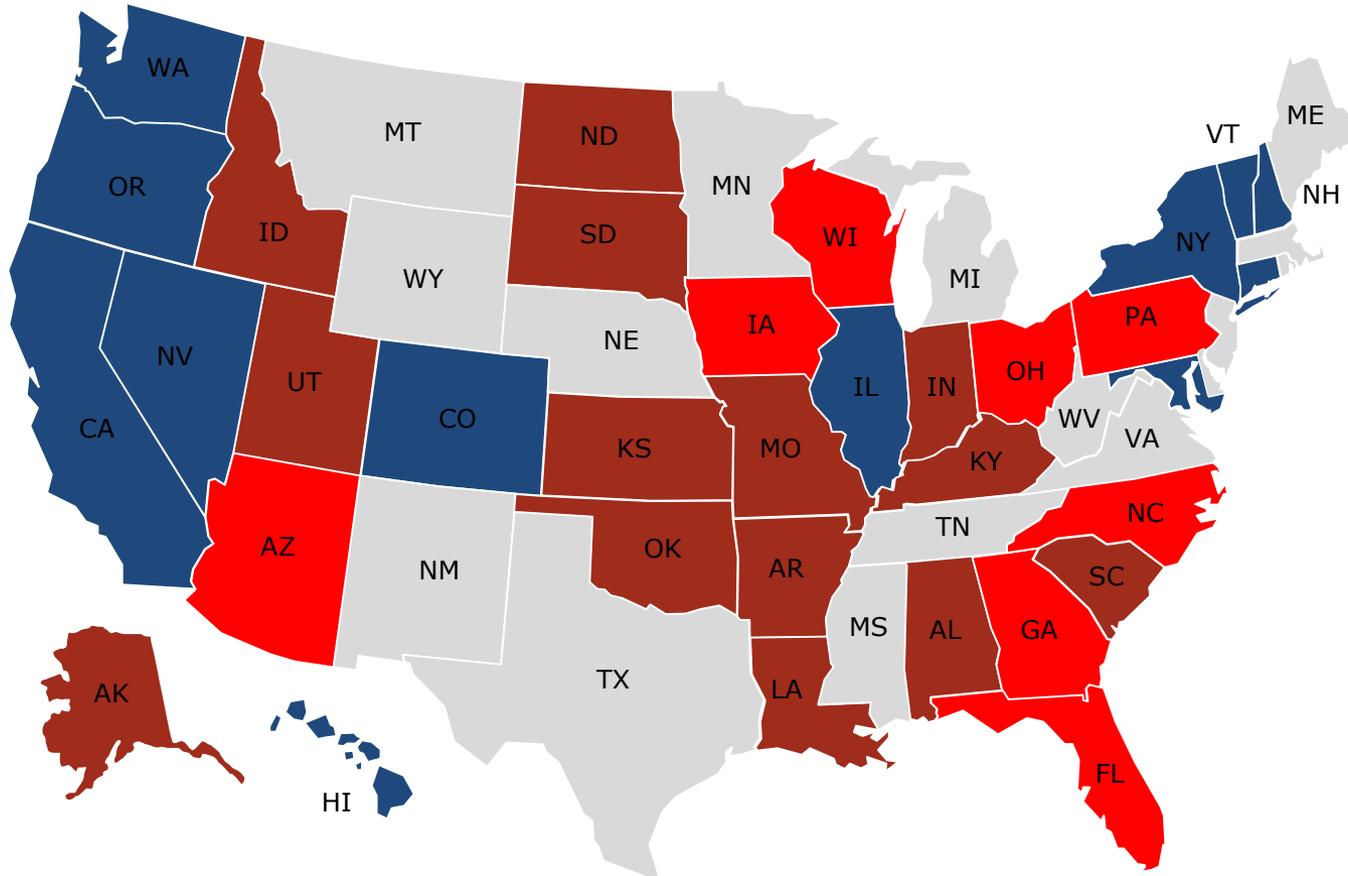
100% deregulatory

ENERGY

“Real Green Deal” (Gaetz)

WINNING WH IN 2020 MAY = LOSING SENATE IN 2022

GOP Defending 8 of 10 Closest Trump 2016 States



MAJOR CHALLENGES FOR GOP IN 2024

Three-peats Uncommon

Attempts by a Party to Hold
WH for 3 Consecutive Terms
(Non-incumbents since WWII)

2016	FAIL
2008	FAIL
2000	FAIL
1988	SUCCESS
1976	FAIL
1968	FAIL
1960	FAIL
1952	FAIL

Civil War May Return Post-Trump



...OR... MAYBE TRUMP JUST KEEPS WINNING



2020

**TRUMP REELECTED,
GOP HOLDS SENATE**

*(Trump picks up NH &
MN, GOP wins AL)*



2021-4

**NO RECESSIONS,
FASTER GROWTH**

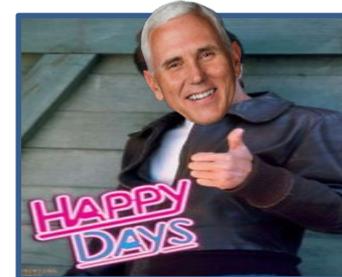
*(Markets gain on
trade wins & peace
deals)*



2022

**GOP WINS HOUSE,
GAINS IN SENATE**

*(Opposition
overreach enables
midterm gains, aka
Clinton 1998)*



2024

**PENCE-HALEY
ELECTED**

*(Landslide win over
Harris-Buttigieg
ticket)*

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RECENT MCR&T ANALYSES:

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

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

Nov. '18: Midterm Elections: <http://bit.ly/SplitDecision2018>

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

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

Q3 '17: Washington in the Age of Disruption: <http://bit.ly/Mehlman-Age-of-Disruption>