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2017

Anticipating 2017 &



2016 Lessons for the Boardroom

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Anticipating 2017

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The Trump Administration



The Disruptions Will Continue...

The Unconventional Candidate Will Be an Unconventional President



PLATFORMS



PARTNERS



PEOPLE



POLICIES

...With an Historically Outside-the-Beltway Cabinet...

Least Government, Most CEO Experience in Recent Years

CABINET MEMBERS' RESUME EXPERIENCE					
Government Experience	81%	81%	91%	91%	57%
Military Experience	48%	48%	32%	9%	29%
CEO	5%	14%	18%	0%	24%
PhD	19%	24%	9%	23%	0%

... A Robust Policy Agenda...

Expect Major Disruptions to Status Quo



LEGISLATIVE

HEALTH CARE
(REPEAL 2017, REPLACE?)

INFRASTRUCTURE

TAX REFORM

ENERGY

BORDER SECURITY / WALL



REGULATORY

IMMIGRATION ENFORCEMENT

NLRB / LABOR

TRADE ENFORCEMENT

CLIMATE / EPA (Keystone+)

TELECOM (Net Neut+)

CYBER



GLOBAL

ASIA (China)

MIDDLE EAST (ISIS, Iran)

EUROPE (NATO, Russia, EU)

AMERICAS (NAFTA)

...Poised for Huge Impact Across Government

Large Immediate Judicial Vacancies Imply Major 4/8-Year Legacy on Courts

	Supreme Court	Appeals Courts	District Courts	Court of Int'l Trade	TOTAL
Nixon <i>(6 years)</i>	4	45	182	1	232
Ford <i>(2 years)</i>	1	12	52	0	65
Carter <i>(4 years)</i>	0	56	206	0	262
Reagan <i>(8 years)</i>	3	83	292	6	384
GHW Bush <i>(4 years)</i>	2	42	149	1	194
Clinton <i>(8 years)</i>	2	66	306	5	379
Bush43 <i>(8 years)</i>	2	63	263	2	330
Obama <i>(8 years)</i>	2	55	268	4	329
Vacancies <i>(on Day One)</i>	1	16	96	4	117
Sr. status-eligible by / before 2020	N/A	98	216		

Trump opportunities on Day One... 4-8 year totals will be far higher

First Two Years Always Critical...

Major Initiatives Get Launched Early



Crime Bill; Brady Bill; Assault Weapons Ban; 100,000 cops

NAFTA; GATT

Reinventing Gov't Initiative

Deficit Reduction Bill (tax hike)

AmeriCorps

Family & Medical Leave Act

No Child Left Behind

2001 Tax Cuts (10-year cuts)

Patriot Act; DHS Bill

US-Russia Nuclear Arms deal

**FTAs launched/concluded:
Singapore, Chile, Australia,
Morocco, CAFTA**

\$787B Stimulus package

Affordable Care Act

Dodd-Frank

2010 Tax Deal

Lily Ledbetter Fair Pay Act

...But Poisonous Partisanship Persists

There Will Be No Honeymoon

Presidents' Initial Job Approval Ratings in Gallup Polls

President	Approval	Disapproval	No Opinion	Dates of 1 st poll
Kennedy	72	6	22	2/10-15/63
Eisenhower	68	7	25	2/1-5/53
Obama	68	12	21	1/21-23/09
Carter	66	8	26	2/4-7/77
Nixon	59	5	36	1/23-28/69
Clinton	58	20	22	1/24-26/93
Bush-43	57	25	18	2/1-4/01
Bush-41	51	6	43	1/24-26/89
Reagan	51	13	36	1/30-2/2/81
Trump	48	46	6	1/5-7/17

Democrats & Republicans Both Like Putin Better!



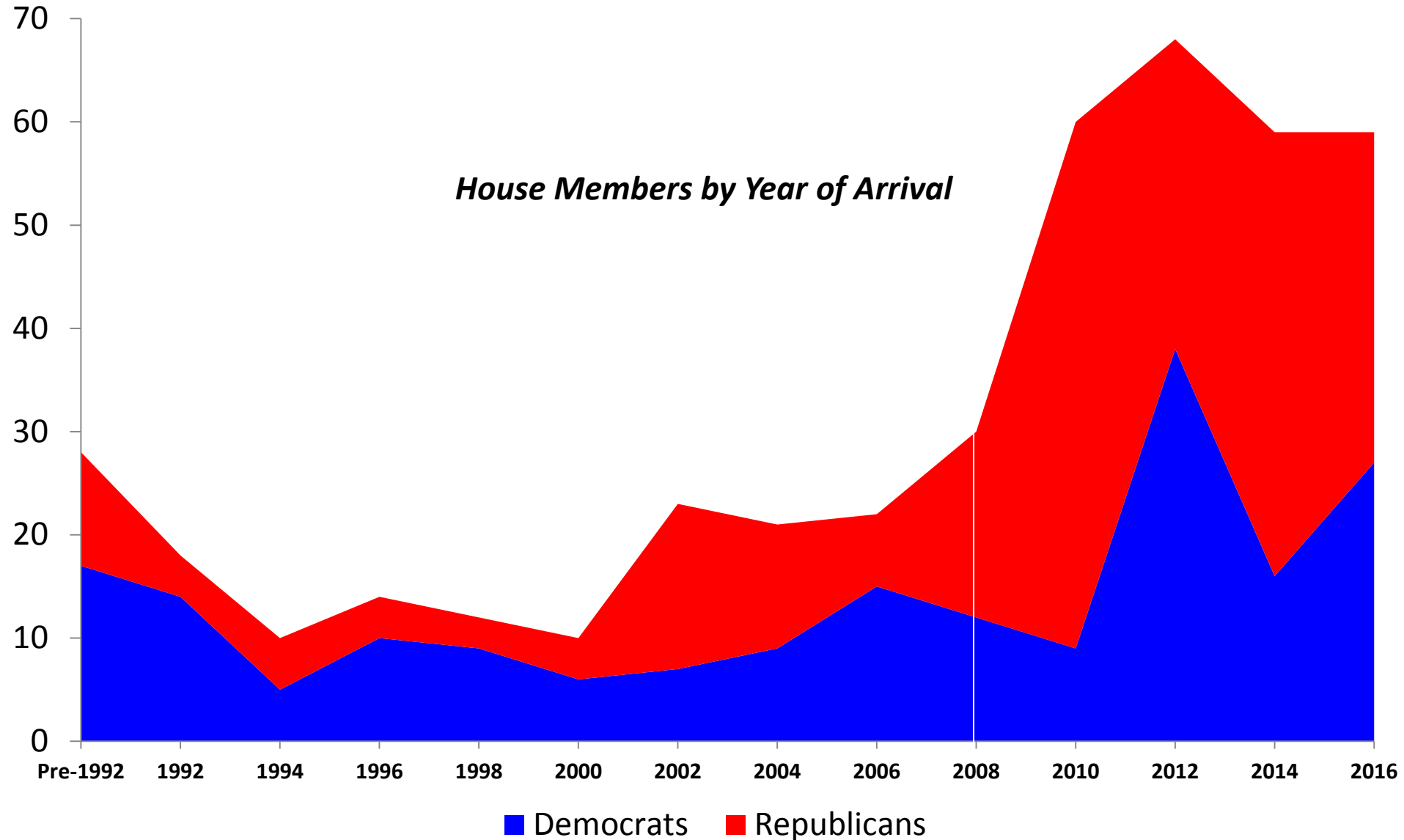
	FAV	UNFAV
<i>Among Clinton Voters</i>		
Putin	8	80
Trump	7	89
<i>Among Trump Voters</i>		
Putin	35	51
Obama	9	90

The New Congress



Congress Is Very New

72% Rs & 52% Ds Never Served Under a GOP President



■ Democrats ■ Republicans

MEHLMAN CASTAGNETTI
ROSEN & THOMAS

Majority Were Not Here for Key Legislation Now in Play

Percentage of Members of the 115th Congress Who Were Serving When Congress Passed...

House

44%



Senate

63%

(49 as Senators,
14 in the House)

22%



39%

11%



14%

2.5%



6%

Ambitious Congressional Agenda

A Consequential Year Ahead

TOP GOALS / MUST DO	MAJOR PUSH	ACTION POSSIBLE
Repeal / Replace Affordable Care Act	Restore Defense spending (fix sequester)	Miners' pensions bail-out
Comprehensive Tax Reform	Trump Infrastructure program	Post Office reform
Secure Border / Wall	Veterans Administration reform	Criminal Justice reform
Rollback regulations (CRA): <u>~150 Obama regs @ risk</u>	Comprehensive Energy bill	IoT cyber security (drones, cars, etc.)
Intelligence reauthoriz. / Patriot Act §702	Dodd-Frank banking reforms (CHOICE Act)	Trade : CFIUS reform, currency
FDA User Fees	Budget process reform	
FAA reauthorization	Comprehensive Telecom Act	
CHIP reauthorization / Medicare extenders		
Raise debt ceiling + pass '17 & '18 budgets		



Both Parties Face Challenges



Dems... Leaders Too Old?



Pelosi

Hoyer

Clyburn

Ryan

McCarthy

Scalise



76

77

76

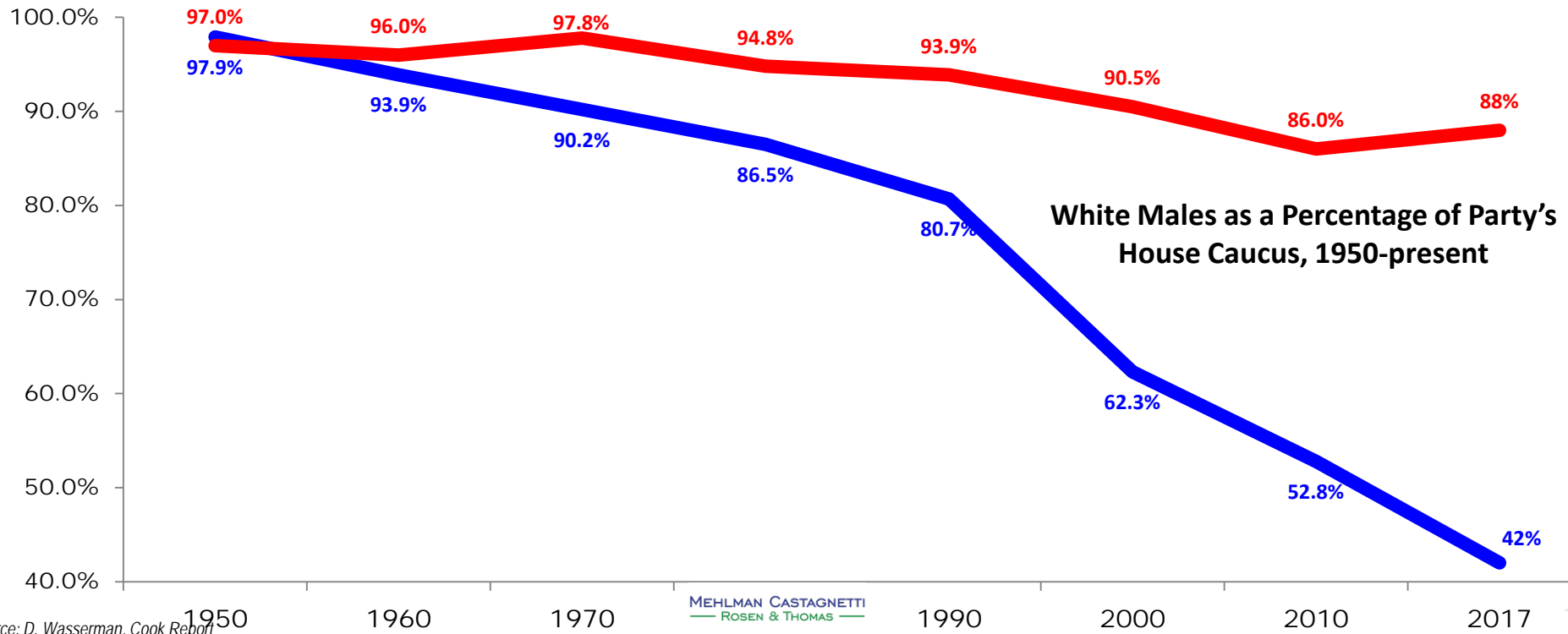
AGE
as of 1/9/17

46

51

51

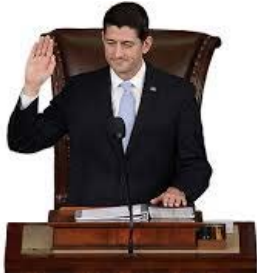
GOP... Sufficient Diversity?



Key Congressional Dynamics in 2017

GOP

Civil War Averted But...



Dem

Civil War Begun Over...



Deficit Spend or Revenue Neutral?

Business: Ally or Enemy?

US Role in the World?

Reclaim Checks & Balances?

Fight Trump or Make Deals?

Globalists vs Populists?

***Focus on Poor & Minorities or
White Working Class?***

Deadlines Will Drive Deliverables

Key Legislative Deadlines in 2017

3/15 – **Debt Ceiling** / extraordinary measures begin

4/28 – **FY17 Budget** runs out, extension or shut down

9/30 – **FAA** funding runs out

9/30 – **CHIP** funding runs out

9/30 – FY18 **Budget** must pass (or shut down)

9/30 – **FDA** User Fees end unless renewed

9/30 – **Flood Insurance** program expires

12/31 – **FISA §702** – Government surveillance

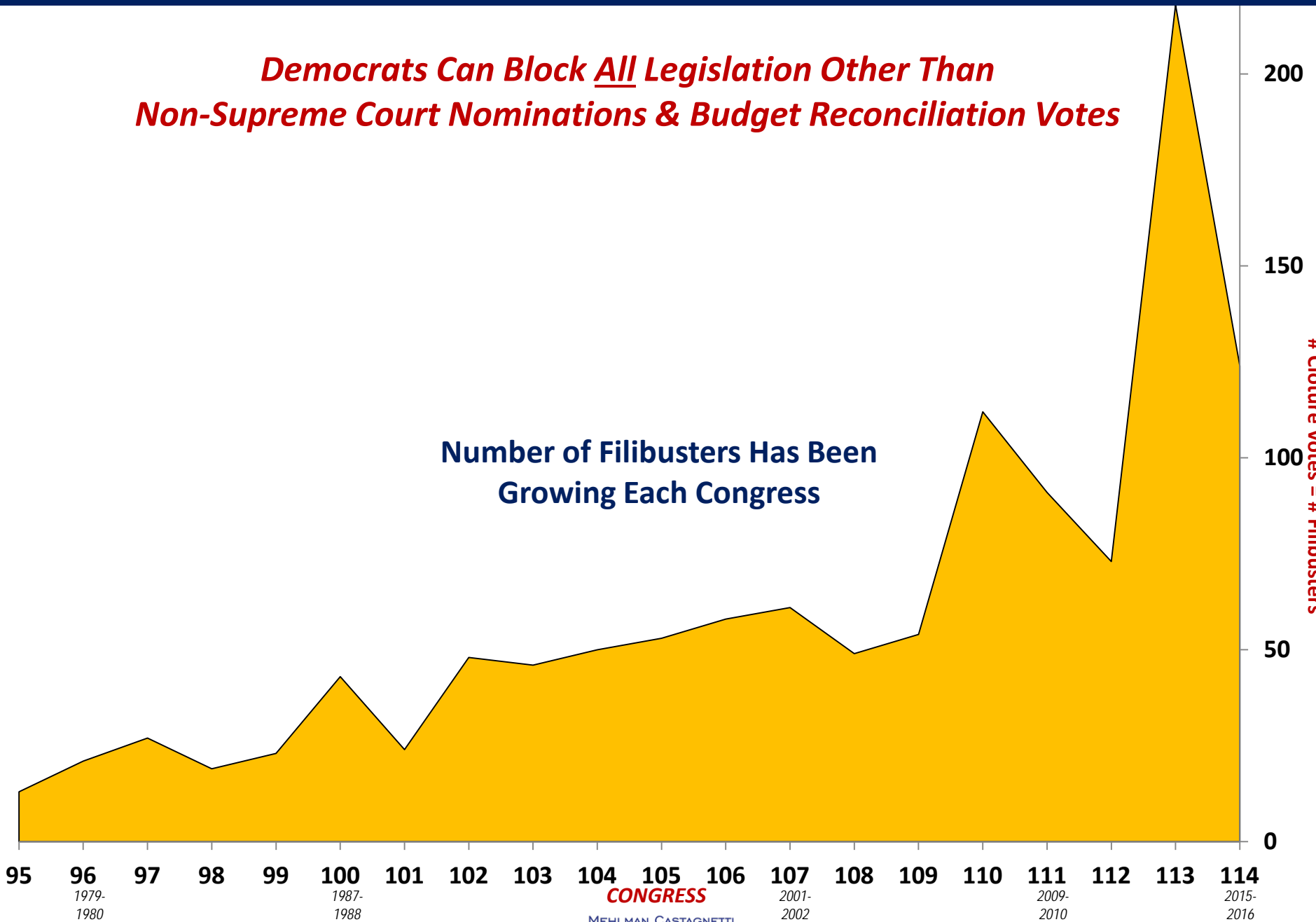
12/31 – **Tax extenders & ACA taxes** (e.g. Medical Device, Health Insurance)

Senate Progress Risk = Filibuster

**Democrats Can Block All Legislation Other Than
Non-Supreme Court Nominations & Budget Reconciliation Votes**

**Number of Filibusters Has Been
Growing Each Congress**

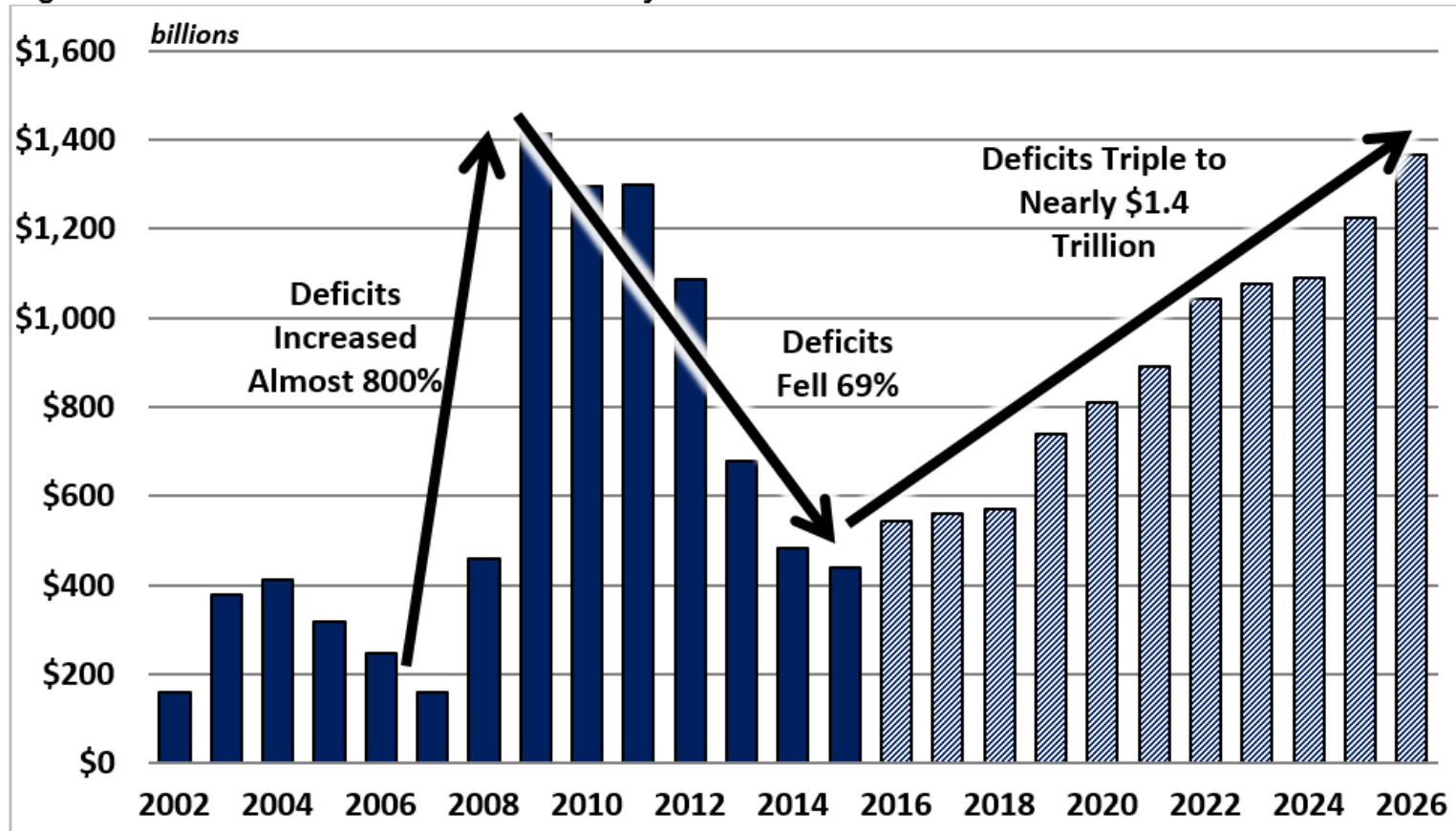
Cloture Votes = # Filibusters



House Progress Risk = Deficit Attention Disorder

“Revenue Neutrality” Makes Most Proposals Harder to Pass

Fig. 1: Trillion-Dollar Deficits Set to Return by 2022



Sources: CBO and CRFB calculations

Cost of Trump Campaign Proposals (avg. est.)

- ❖ Tax Reform: \$9.3 trillion
- ❖ Health Reform: \$0.55 trillion
- ❖ VA Reform: \$0.5 trillion
- ❖ Defense: \$0.45 trillion
- ❖ Infrastructure: \$0.137 trillion



666

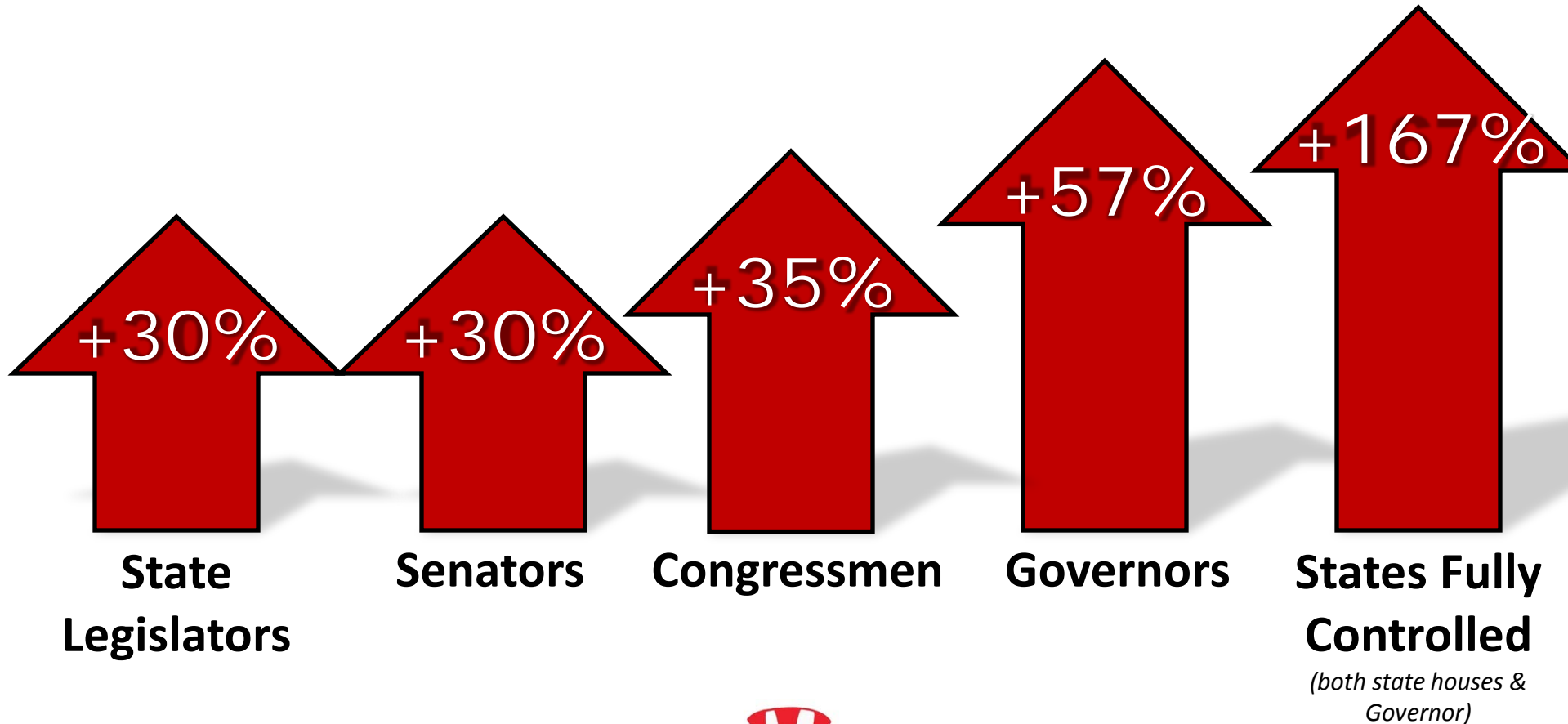
Days Until the 2018 Midterm Elections

(from 1/9/17)



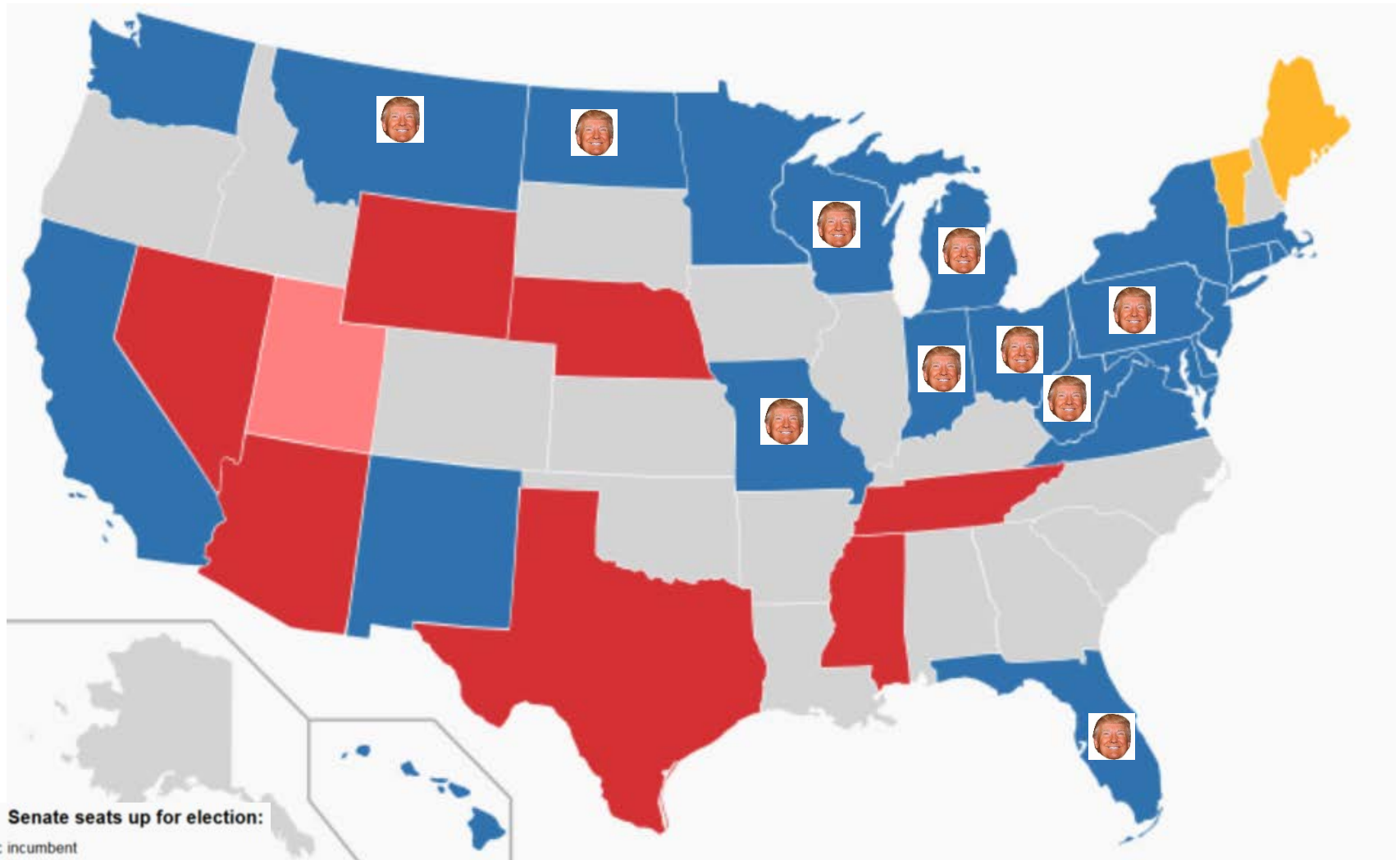
Trump Enters WH After 8 Years of Republican Gains

GOP in the Age of Obama



2018 Senate Battlefield Favors GOP

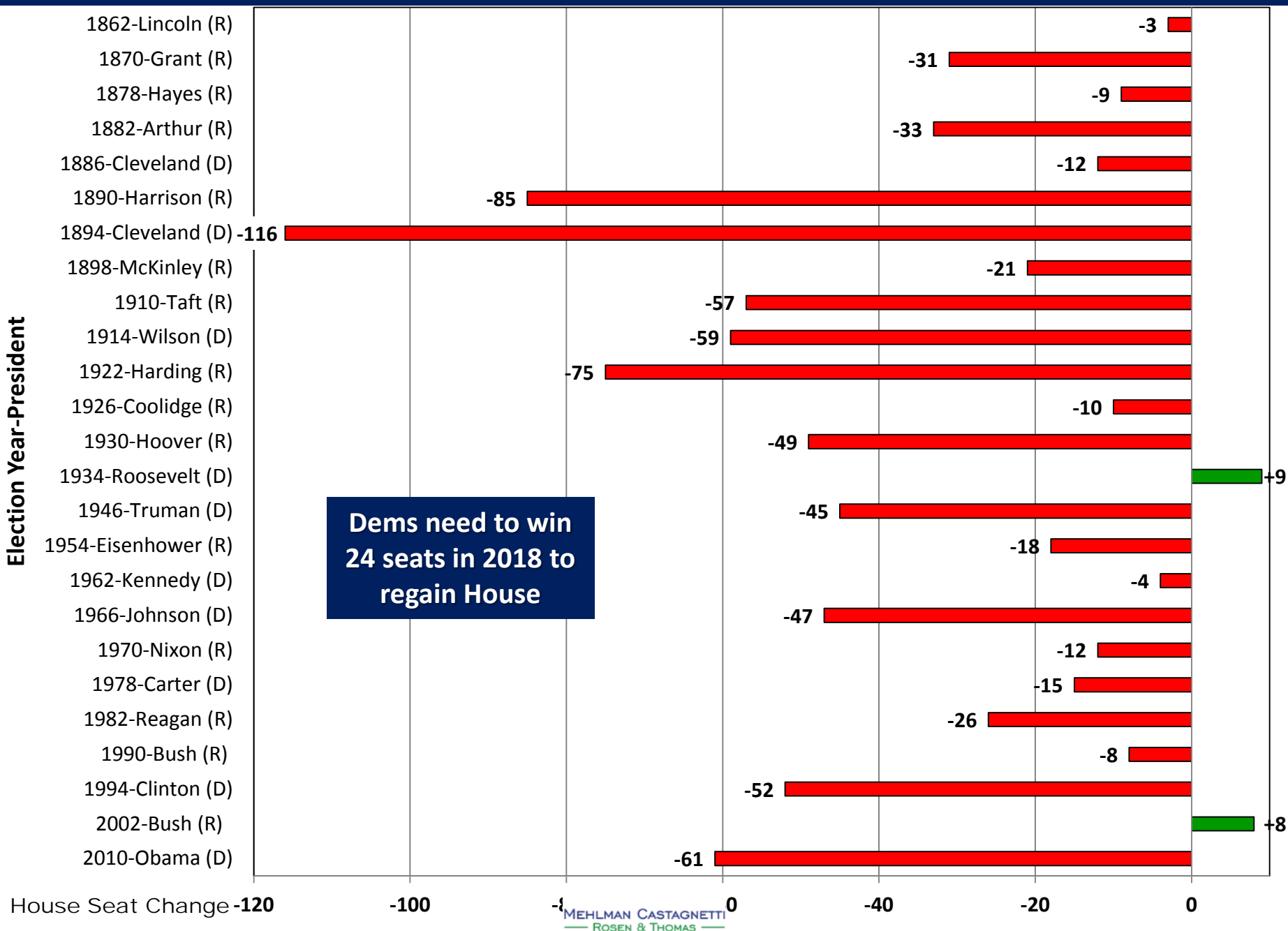
Dems defending 25 total states, 10 Trump won
GOP defending 8 total, only 1 Clinton state (NV)



Senate seats up for election:

- Democratic incumbent
- Independent incumbent
- Republican incumbent
- No election

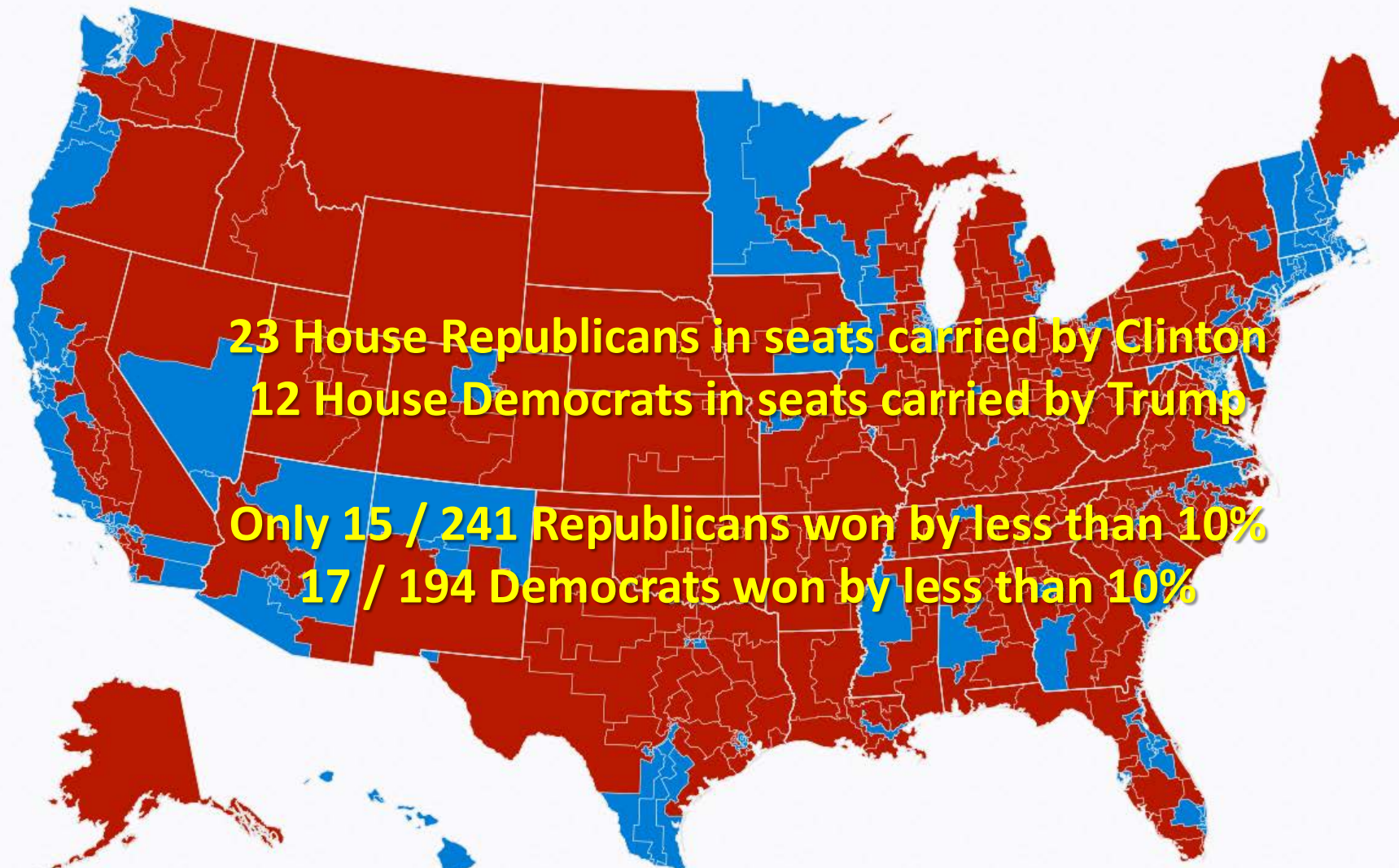
First Midterm Election Usually Bad for Incumbent Party



House May Be “Too Gerrymandered to Fail” for GOP

194 Democrat
Net 6, Gained 9, Lost 3

Republican 241
Net -6, Gained 3, Lost 9



23 House Republicans in seats carried by Clinton

12 House Democrats in seats carried by Trump

Only 15 / 241 Republicans won by less than 10%

17 / 194 Democrats won by less than 10%



2016

Lessons for the Boardroom

1. Offer a Clear Brand
2. To Get Coverage, Make News
3. Don't Fight the Last War
4. Secure Core Customers First
5. Broaden Stakeholder Engagement
6. Reassess Political Risk & Strategy
7. Remember Everything Is On the Record
8. It's Time to Rebuild Trust
9. Build Bipartisan Alliances
10. Play the Long Game

#1. OFFER A CLEAR BRAND

Great Brands Relentlessly Communicate Values

Everything Trump Did Reinforced His
Clear Brand: **Strong + Change**



What Was Clinton's Brand?

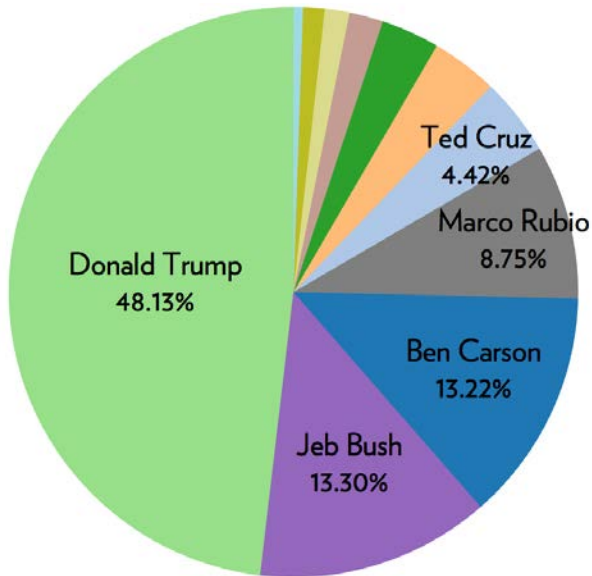


#2. TO GET COVERAGE, MAKE NEWS

Also Look to Alternative Channels, Direct-to-Consumers

Trump Earned Half of all TV Mentions

(Sept 1, 2015-Jan 1, 2016)



Trump's Virtual Army

Twitter	19.2M
Facebook	17.3M
Instagram	4.6M



APPEARANCES ON SUNDAY TALK SHOWS

Donald Trump

President-elect



appearances

Hillary Clinton

Former secretary of State



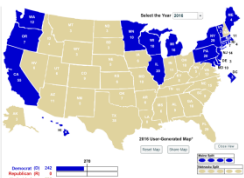
appearances

#3. DON'T FIGHT THE LAST WAR

Past Performance is No Guarantee of Future Returns



Clinton Re-Ran Obama '12 Campaign



1. Identity politics: Micro-target specific groups via analytics.
2. Attack Ads: Define opponent as “unfit” via TV barrage.
3. Safe States: Assume Big Blue Wall will hold & try to win red states (e.g. AZ, GA, NC).



Trump Innovated to Win



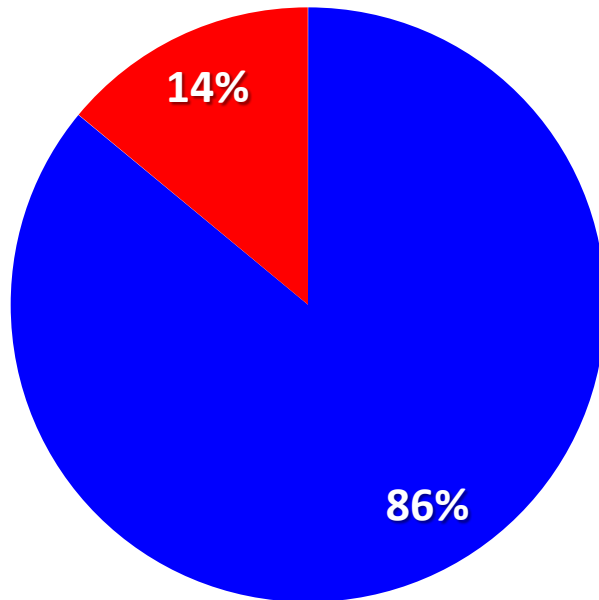
1. Policy: Reject orthodoxy on trade to win new voters.
2. Brand: Run against DC elites including GOP leaders.
3. Medium: Take message direct-to-voters via huge rallies & social media.

#4. SECURE “CORE CUSTOMERS” FIRST

Don't Assume Elites Speak for Their “Followers”

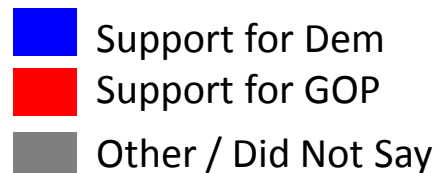
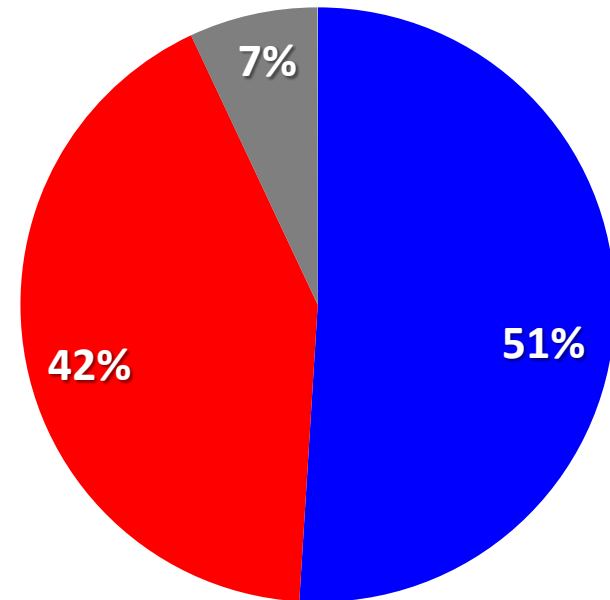
Union Election Spending

(controlled by Leaders in Washington)



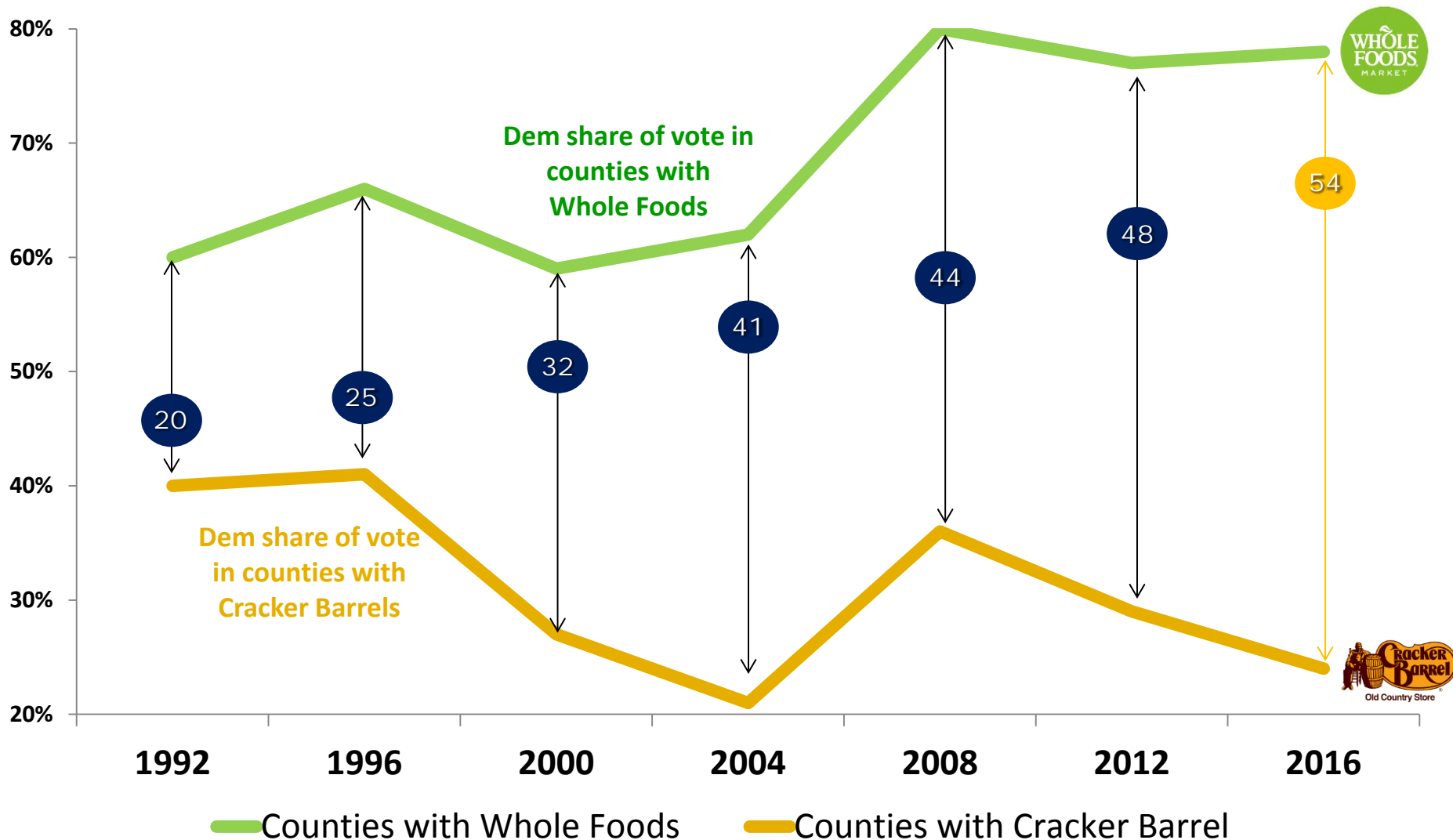
Union Household Voting

(workers voting with their feet)



#5. BROADEN STAKEHOLDER ENGAGEMENT

You Need a Whole Foods Strategy AND a Cracker Barrel Strategy



#6. REASSESS POLITICAL RISK & STRATEGY

Challenges Are Accelerated, Viral & Reputational



#7. REMEMBER EVERYTHING IS ON THE RECORD

Privacy Is Dead & Cyber Is a CEO (not CIO) Problem



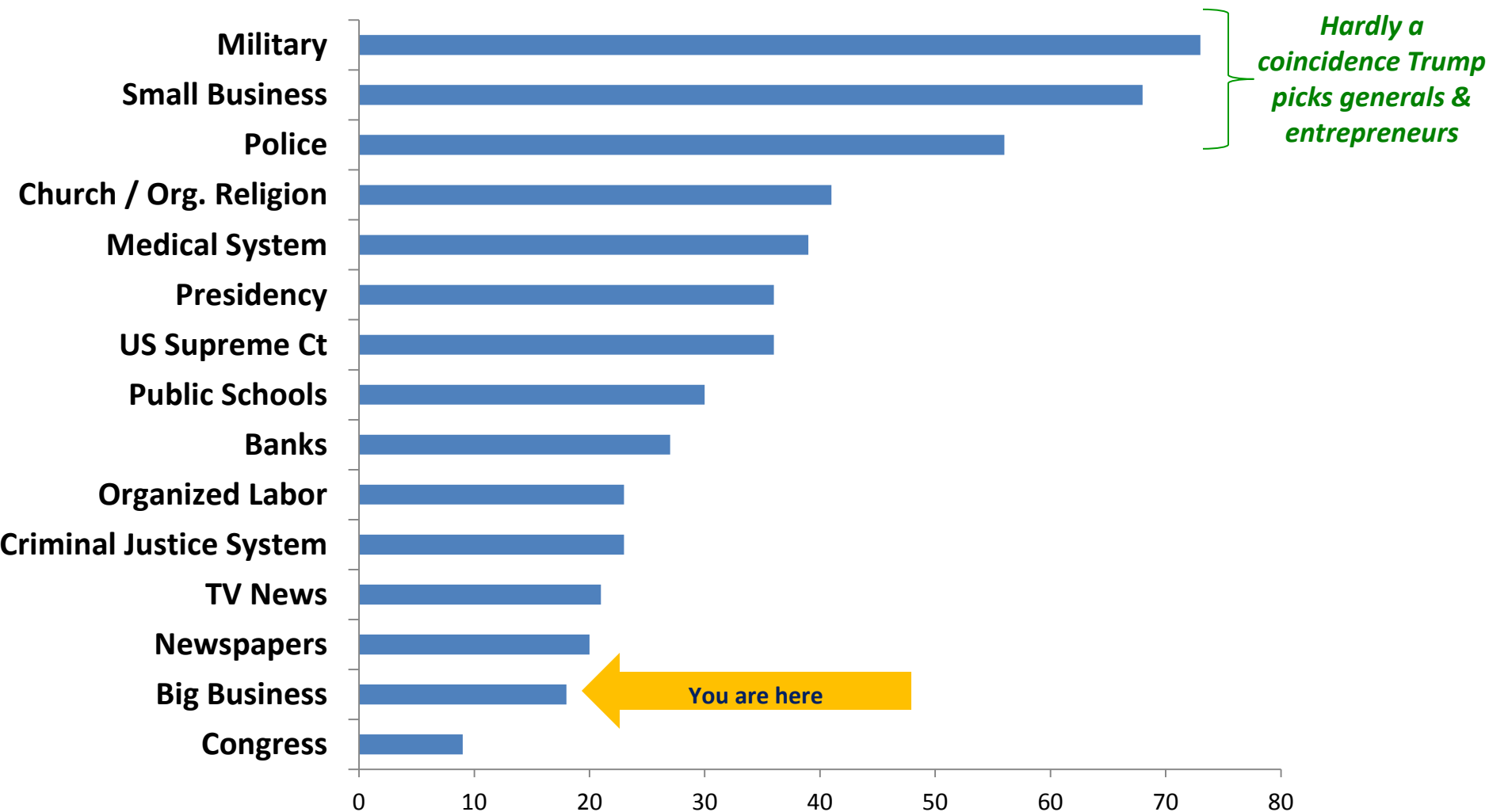
#8. IT'S TIME TO REBUILD TRUST

GALLUP
GOVERNMENT

Look to Alternative Partners, "Good Works" & Community Solutions

Confidence in Institutions

(Percentage of Voters with a "Great Deal" or "A Lot" of Confidence in:)



#9. BUILD BIPARTISAN ALLIANCES

Unilateral Accomplishments Rarely Endure

Walking Dead



Senate: **60 Democrats** + **0 Republicans**



0 lawmakers voted to ratify



FCC: **3 Democrats** + **0 Republicans**

Built to Last



42 Republicans + **12 Democrats**



Passed Senate by Unanimous Consent



House: **236 Republicans** + **178 Democrats**

#10. PLAY THE LONG GAME

114th Congress Was Far More Impactful Than You Thought...

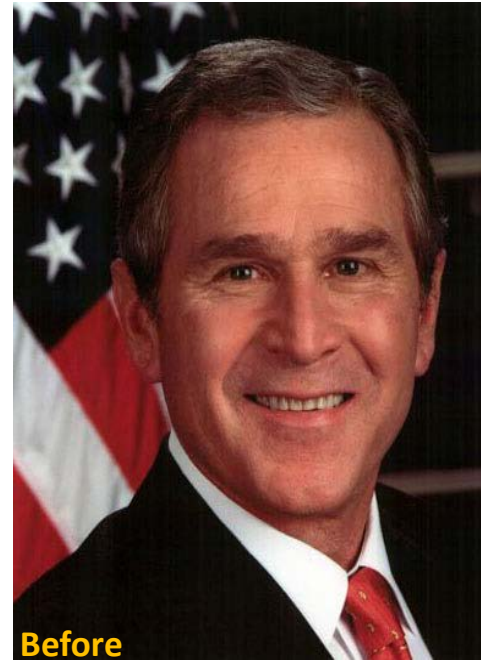
Those Who Engaged Shaped Major Outcomes

- ✓ Passed longest **highway** bill since 1998.
- ✓ Enacted permanent “**Doc Fix**” after 17 temporary bills.
- ✓ Passed first **Trade** Promotion Authority since 2002.
- ✓ Passed first update to **chemical** and toxic substance oversight authority in 40 years.
- ✓ Made **R&D** tax credit (and many others) permanent after 20 years of annual, temporarily extensions.
- ✓ Provided debt relief to **Puerto Rico**.
- ✓ Enacted landmark **medical innovation** / Cures Bill.
- ✓ Passed first major **education** reform since No Child Left Behind (2002).
- ✓ Reformed **NSA’s bulk surveillance** program.
- ✓ Repealed 1975 **Oil Export** ban.
- ✓ Incentivized **cyber security** information sharing via landmark law.
- ✓ Passed 1st **Customs Bill** (MTB) in 6 years.
- ✓ Enacted landmark bill to encourage **commercial space** launch & exploration.
- ✓ Updated **Water** Resources Development Act.
- ✓ Provided funding for **Opioid epidemic**.

PARTING THOUGHTS



IT'S A TOUGH JOB



But If Trump's Truly Changing All the Rules...



DEMOCRACY IS A BARGAIN



\$105.9

Americans' Annual Spending...



★ ★ ★ ★ ★
RACE TO THE
WHITE HOUSE
★ ★ ★ ★ ★



\$2.6

2016
Presidential
Election



Christmas
trees



\$23.0

Pet food



\$18.9

Valentine's
day



\$15.5

Super Bowl
Spending



\$13.5

Plastic
Surgery



\$12.2

Ice cream



\$10.8

Uber



\$7.5

Potato chips



\$3.8

Airline
baggage fees

Beer

CHANGE IS IN THE AIR

		<u>OUT</u>	<u>IN</u>	
		Davos	Des Moines	
		GOP Civil War	DEM Civil War	
		Press conferences	Tweet storms	
		Sustainability initiatives	On-shoring manufacturing	
		Opposition research	Hacking	
		ObamaCare	TBD	
		GOP state AGs sue to block Obama Administration	DEM state AGs sue to block Trump Administration	

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