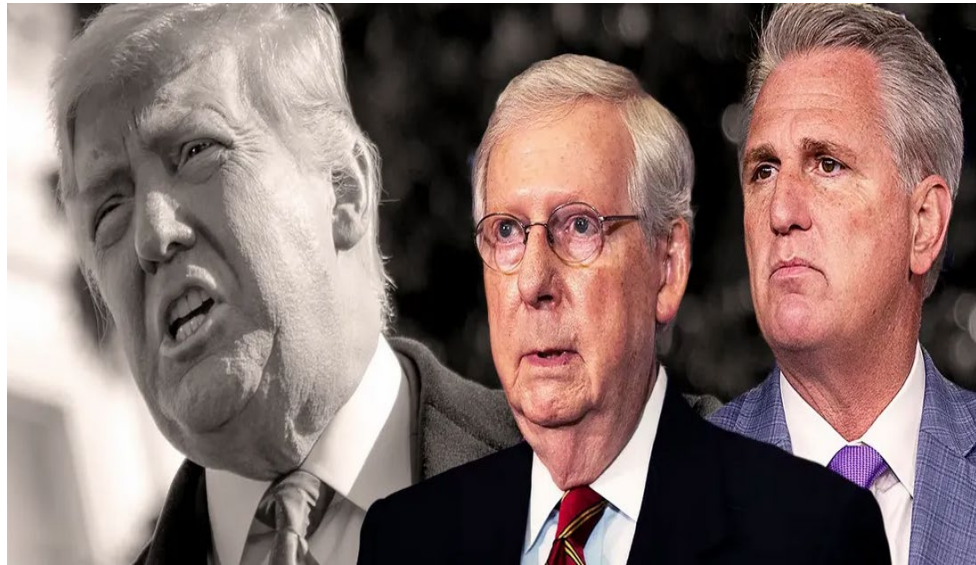




CANDIDATES MATTER



2022 Midterm Elections: Outcomes & Implications

SUMMARY

Trump's states went red. Biden's went blue. Candidates mattered. Issues did too.

- ✓ While 2022 may officially be a “change election,” it was **the least change-y change election since 2002:**
 - ✓ 27/28 incumbent Governors won reelection
 - ✓ 28/28 Senate incumbents won (27/28 if GA flips)
 - ✓ 356/365 (97.5%) of House incumbents won (may fall slightly)
 - ✓ 17/17 Trump states elected a Republican Senator... 15/16 Biden states elected a Democrat (-1 if GA flips)

Voters sought stability at a time of heightened disruption:

- ✓ 2022 resembled 2020, where voters sought less chaos (Biden > Trump) without a mandate for radical change
- ✓ **Candidates mattered:**
 - ✓ GOP challengers lost Senate races where they frightened voters with extremist positions and/or ran weak campaigns reflecting inexperience
 - ✓ GOP incumbents mostly won when they focused on today's challenges rather than yesterday's conspiracies
- ✓ **Issues mattered:**
 - ✓ Voters concerned about rising inflation, increasing crime, lack of border security and “woke” intolerance, voted GOP
 - ✓ Voters concerned about abortion criminalization, election denialism and a return to Trumpian chaotic disruption, voted DEM

Confrontation, competition and uneasy cooperation will define the next two years:

- ✓ Confrontation: Fiscal Fights; Oversight in Overdrive; “Woke Wars”
- ✓ Competition: Who leads each party? Who wins the working class?
- ✓ Cooperation: Containing China; Taming Big Tech; Promoting Resiliency

WHAT JUST HAPPENED?



HOUSE

SENATE

GOVERNORS

R+9*

TBD**

D+2

2021-22

223D-212R

50D-50R

28R-22D

2023-24

221R - 214D

50D - 49R

26R - 24D

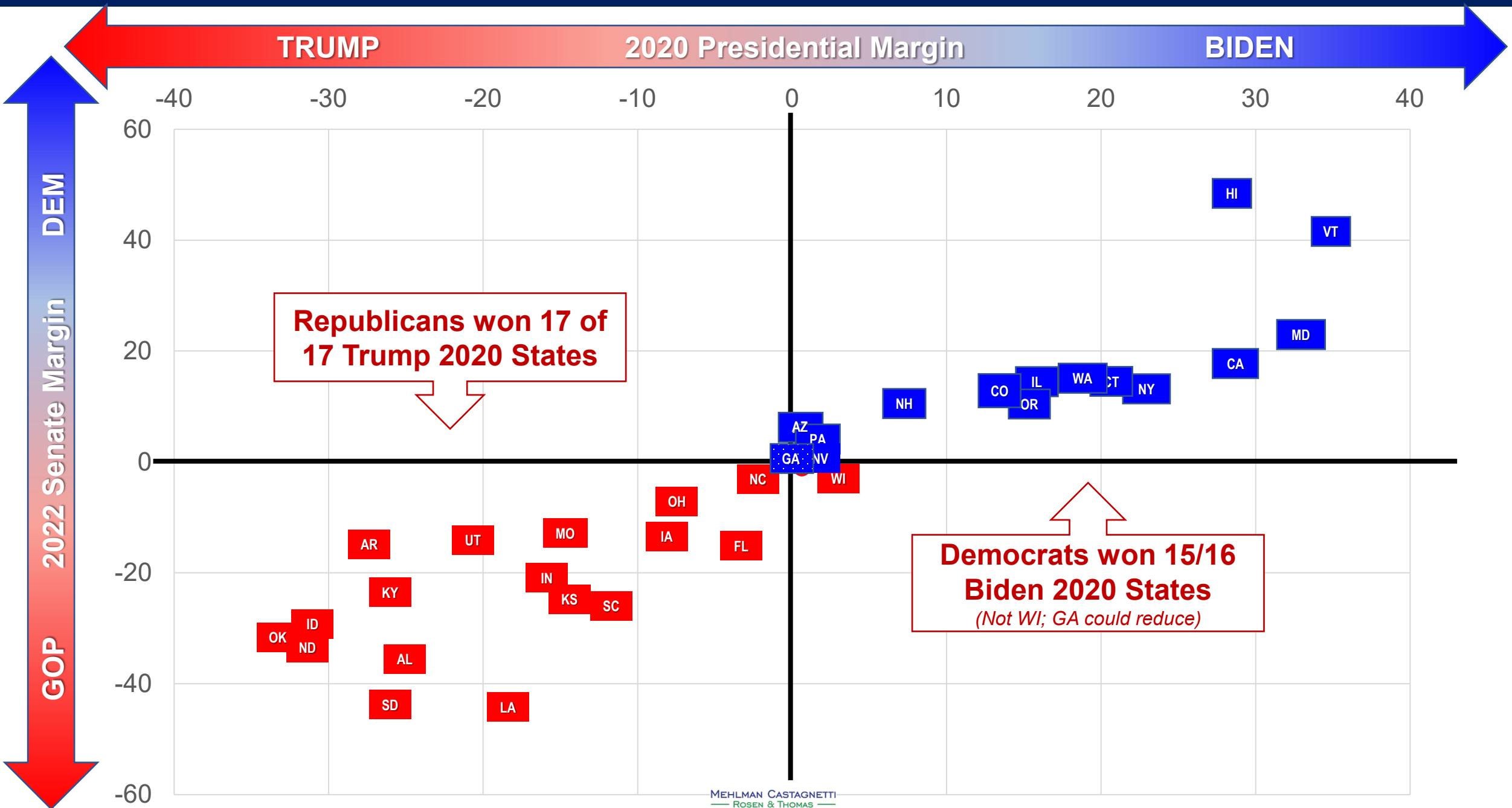
* Unofficial: several races still not called; this reflects NBC forecast as of 11/18, 7am

** GA runoff 12/6; Counting Independents Sens. Sanders & King as D's

8 Broad Takeaways

Don't Overthink It

TRUMP'S STATES WENT RED, BIDEN'S WENT BLUE



INCUMBENTS OVERWHELMINGLY RE-ELECTED

Voters Sought Stability at a Time of Heightened Anxiety

Incumbent Reelection Rates, 2022

SENATORS

100%

28/28 (but GA could flip)

GOVERNORS

96%

27/28 (only NV)

HOUSE

97.5%

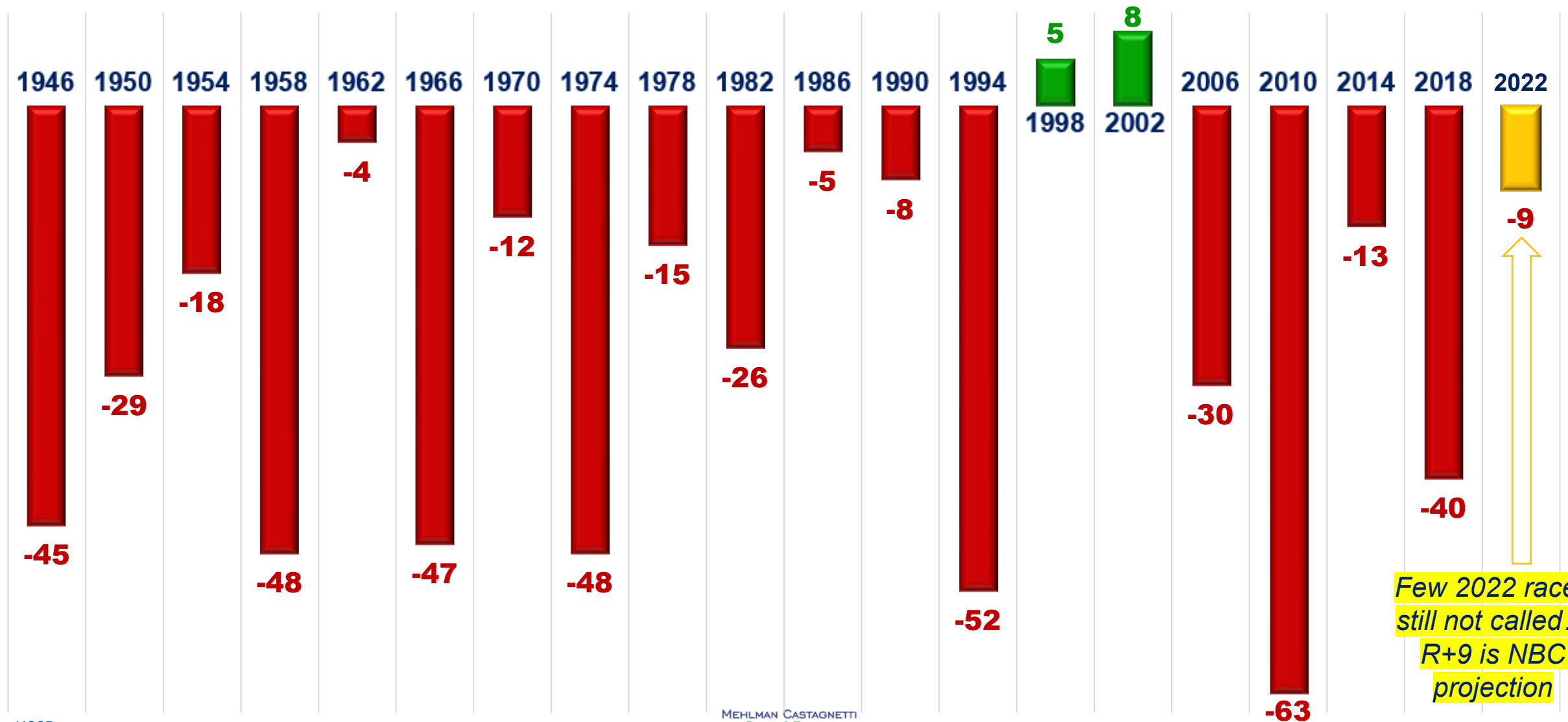
356/365 (may slip 1-2)

Senate Control Outcomes for Presidents' First Midterm Election When Their Party Held the Senate Pre-Election

PRESIDENT	SENATE
BIDEN (2022)	HELD (+0 or +1)
TRUMP (2018)	HELD (+2)
OBAMA (2010)	HELD (-6)
W BUSH (2002)	HELD (+4)
CLINTON (1994)	LOST (-8)
REAGAN (1982)	HELD (-0)
CARTER (1978)	HELD (-3)
JOHNSON (1966)	HELD (-3)
KENNEDY (1962)	HELD (+4)

PARTY IN WHITE HOUSE LOST SEATS, PER USUAL (IF BARELY)

House Seats Lost/Won by Party Holding WH in Midterm Elections

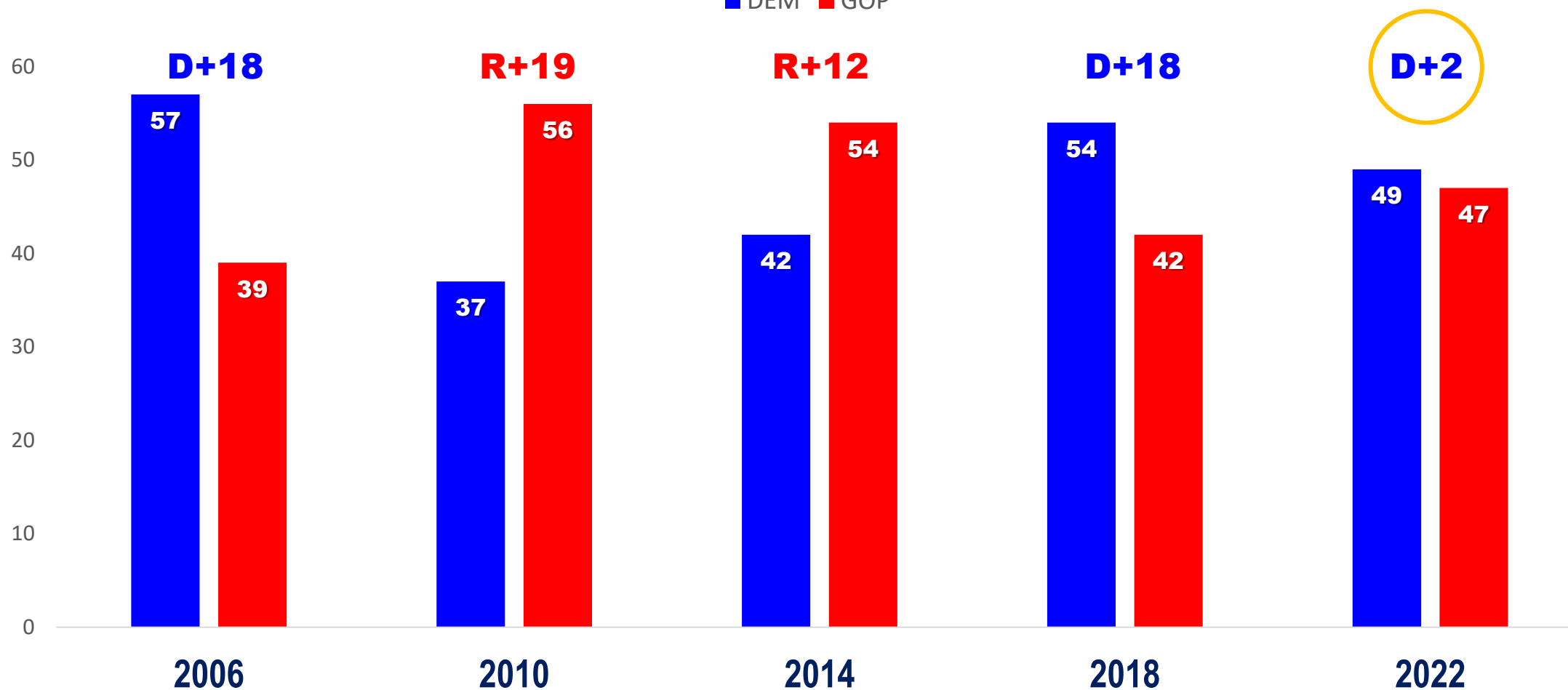


INDEPENDENTS BROKE ALMOST EVENLY

Red Wave? Roe Wave? Blue Wave? No Wave!

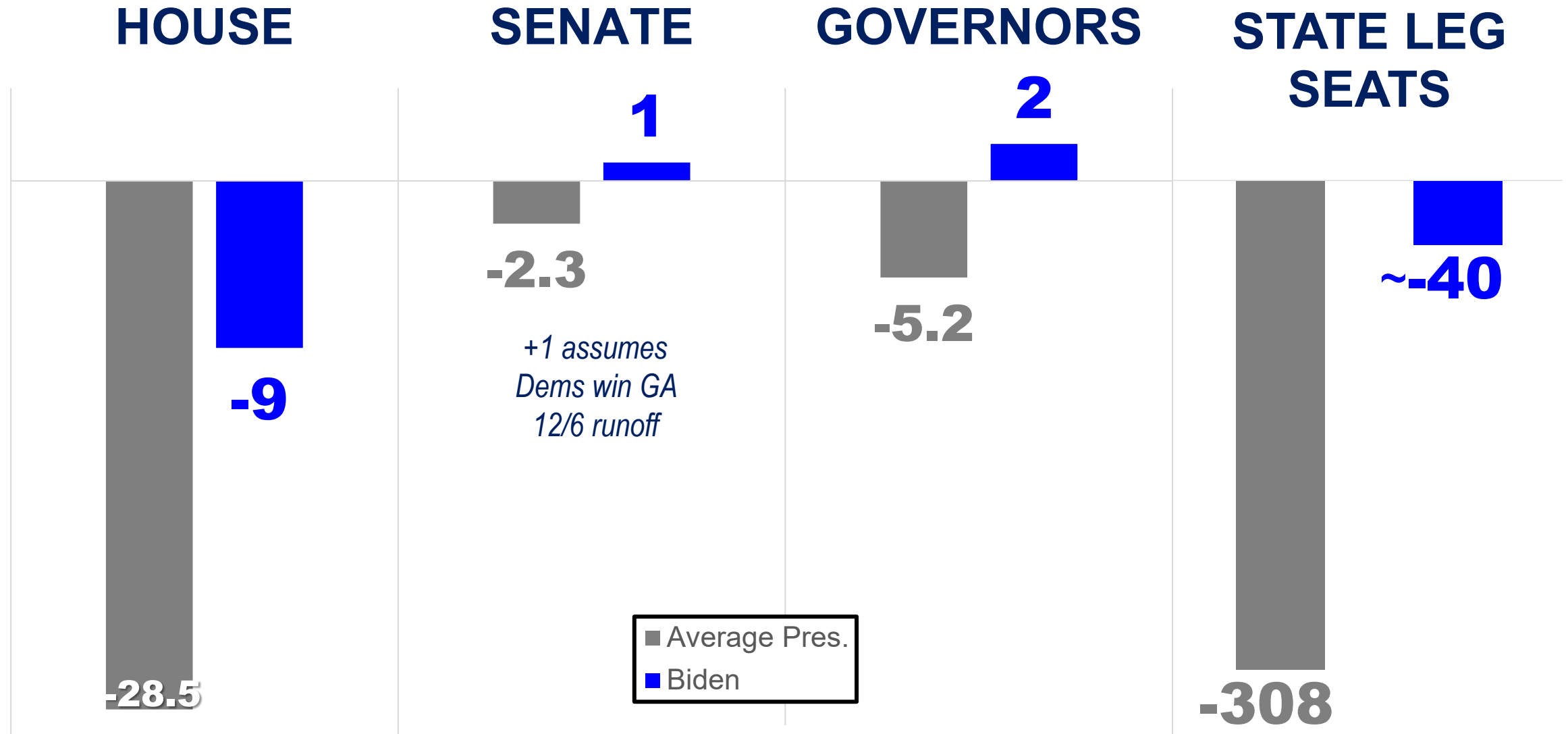
Independent Voters' Party Preference in Modern Midterm Elections

■ DEM ■ GOP



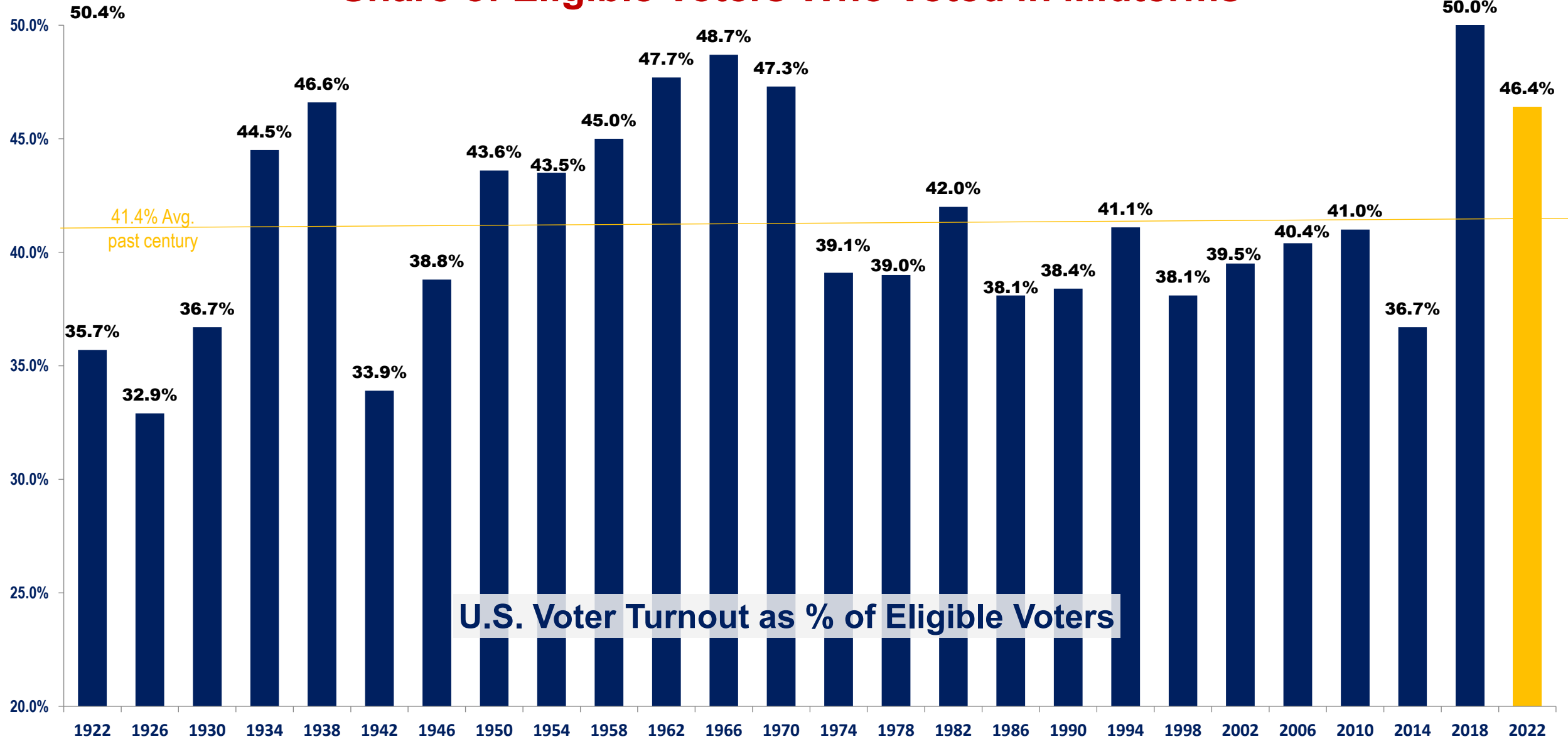
BUT...DEMS MASSIVELY EXCEEDED EXPECTATIONS

Biden Outperformed Presidents' Post-WWII First Midterm Average



AMERICANS WERE EAGER & ABLE TO VOTE

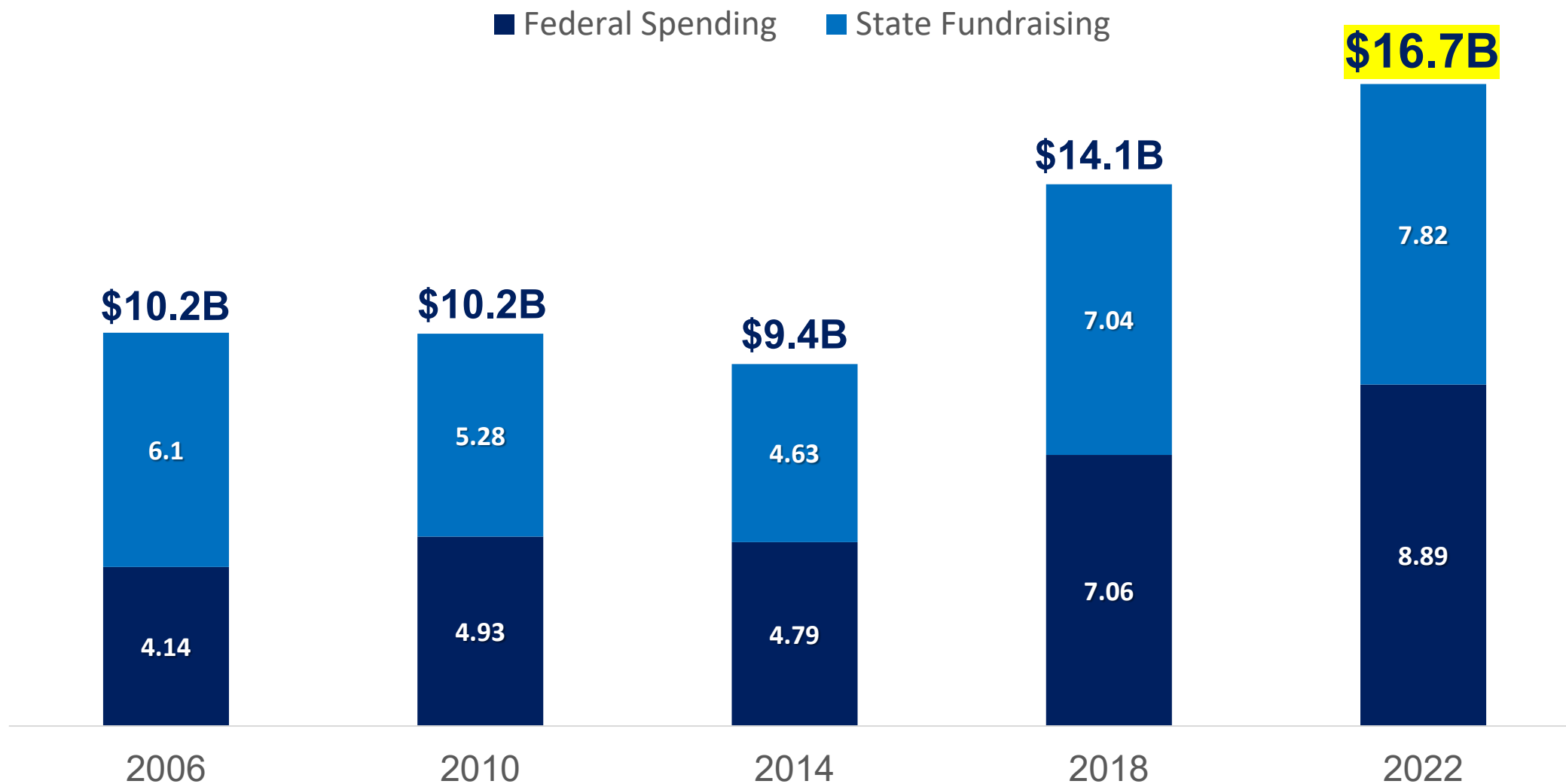
Share of Eligible Voters Who Voted in Midterms



U.S. Voter Turnout as % of Eligible Voters

ELECTION SPENDING KEPT RISING (BECAUSE IT'S A BUSINESS)

Another Banner Year for the Anger-Industrial Complex



Candidates Matter

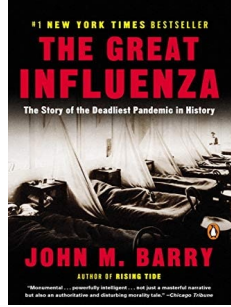
***Poor GOP Candidate Quality Offset
Traditional Midterm Tailwinds***

VOTERS SEEK STABLE POLITICAL LEADERS AMID DISRUPTION

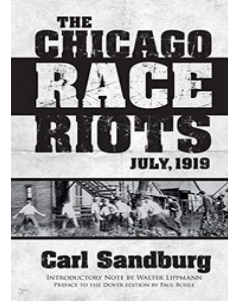
Global War



Public Health Crisis



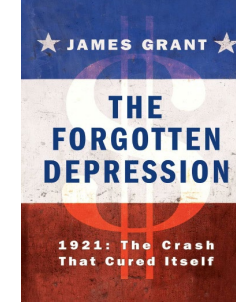
Crime & Racial Violence



Domestic Political Violence



Economic Fears



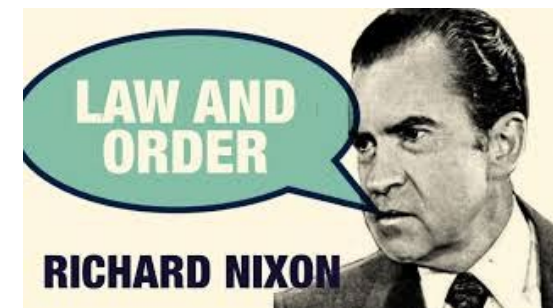
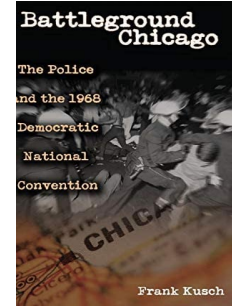
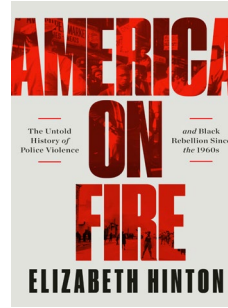
Voters Seek Less Chaos More Stability



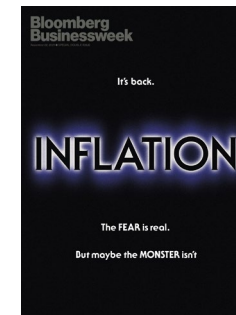
Early 1920s



Late 1960s



Early 2020s



In 2022 known incumbents seemed more stable, less chaotic than many challengers

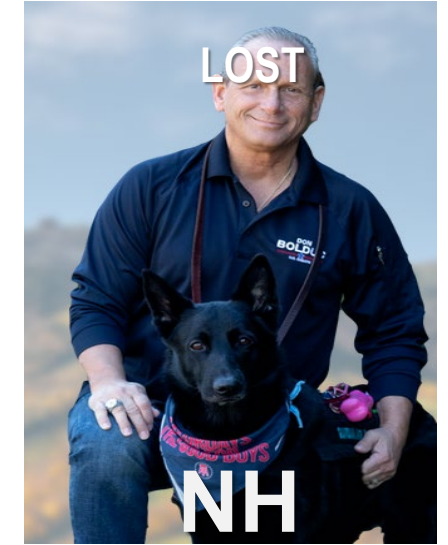


MANY GOP NEWBIES WERE WEAKER CANDIDATES, SEEMED MORE CHAOTIC

First-Time, Anti-Establishment Candidates Often Stumble...



...2022 GOP Novices Showed Inexperience, Failed to Run Strong Campaigns



MEHLMAN CASTAGNETTI
ROSEN & THOMAS

STRONGER STATEWIDE REPUBLICANS STAYED OUT OF SENATE CAMPAIGNS

In an Alternate (Non-MAGA) Universe, GOP Might Have Run These Guys

New Hampshire (57% in 2022)



Georgia (53% in 2022)



Arizona (56% in 2018)



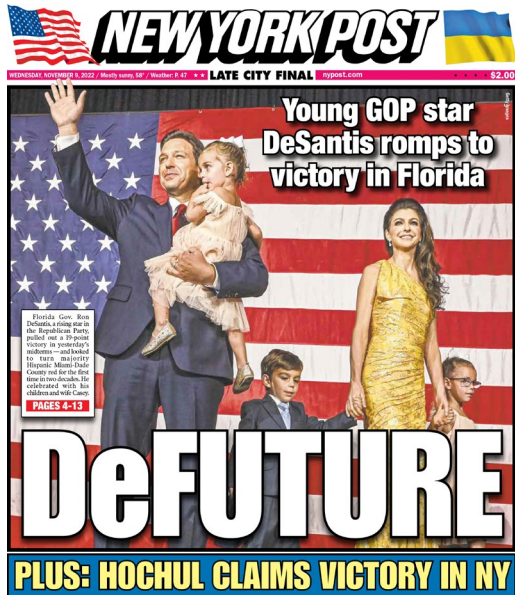
Maryland (55% in 2018)



FLORIDA SHOWED RED WAVE POSSIBLE BY DISCIPLINED CANDIDATES

DeSantis '22 Outperformed Trump '20 Among Every Demographic

“All the great anti-woke taste, none of the crazy-incompetence calories”



DESANTIS 2022		TRUMP 2020
59.4%	Winning %	51.2%
63%	Men	55%
52%	Women	48%
64%	White	61%
57%	Hispanic	45%
13%	Black	9%
63%	Older (65+)	55%
42%	Younger (18-29)	34%
61%	Married	60%
54%	College	50%
60%	No College	52%
69%	White No Coll.	64%



TRUMP NOT A '22 CANDIDATE, BUT IMPACT FELT

Recruited & Elevated Weaker Candidates

(same ones pushed by the DNC)



Teased '24 Announcement on Eve of '22 Election

(making it a choice > referendum)






Discouraged Early Voting

(undoing longtime GOP advantage)



Failed to Support 2022 Candidates

	 SENATE LEADERSHIP FUND	 CONGRESSIONAL LEADERSHIP FUND	 SAVE AMERICA PRESIDENT DONALD J. TRUMP
	(McConnell SuperPAC) #1 advertiser this cycle	(McCarthy SuperPAC) #2 advertiser this cycle	Trump Super PAC, also MAGA Inc. PAC
Ad spend	\$237.2M	\$207.3M	\$16.6M
\$ Raised	\$250.2M	\$244.4M	\$139.2M
% Spent	94.8%	84.8%	11.9%

Attacked 2022 GOP Candidates in vulnerable seats / swing states



DEMOCRATS PROMOTED EASIER-TO-BEAT EXTREMIST GOP CANDIDATES

**They May Be “Threats to Democracy” But They’re Good for Democrats...
Cynical Strategy Appears to Have Worked**

<u>State</u>	<u>Race</u>	<u>Dem spending in GOP primary</u>	<u>Did Far-Right Candidate Win Primary?</u>	<u>Did Far-Right Candidate Win General?</u>
IL	Governor	\$34,500,000	YES	NO
MD	Governor	\$1,700,000	YES	NO
PA	Governor	\$1,200,000	YES	NO
MI	US House, 3 rd Dist	\$2,000,000	YES	NO
NH	US Senate	\$3,200,000	YES	NO
NH	US House, 2 nd Dist	\$100,000	YES	NO

Issues Matter

A Choice Election: Fear vs Disappointment

THE CHOICE OF 2022: WHO FRIGHTENS YOU MORE?

Each Party Painted Frightening Caricatures of the Other's Agendas

DEMOCRATS

Inflation-Increasing

Border-Opening

Crime-Ignoring

“Woke Moralizers”

Party Approval: -9

Biden Approval: -15



REPUBLICANS

Abortion-Criminalizing

Democracy-Undermining

Conspiracy-Peddling

“Chaotic Disruptors”

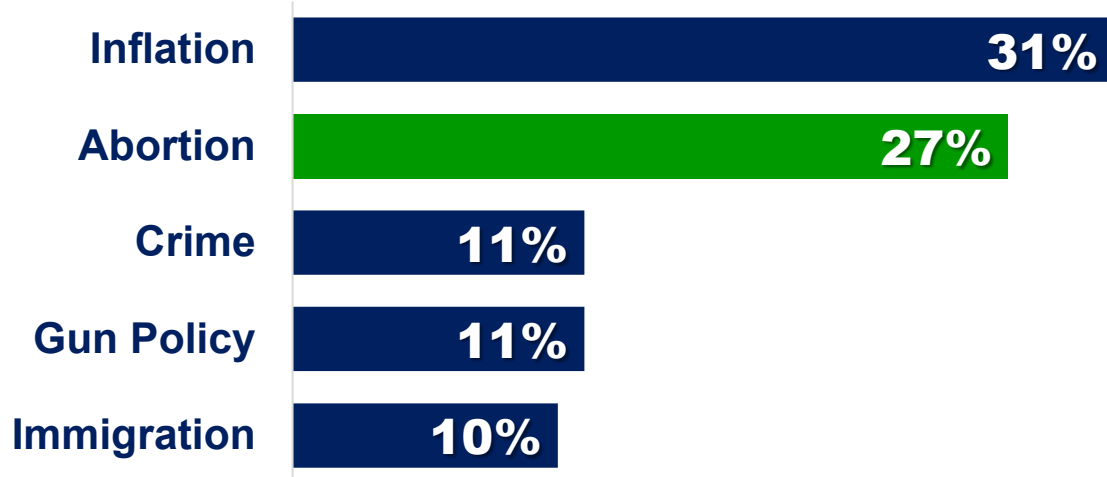
Party Approval: -8

Trump Approval: -19

ABORTION DROVE DEM TURNOUT & SUPPORT

2nd Most Important Issue to Voters

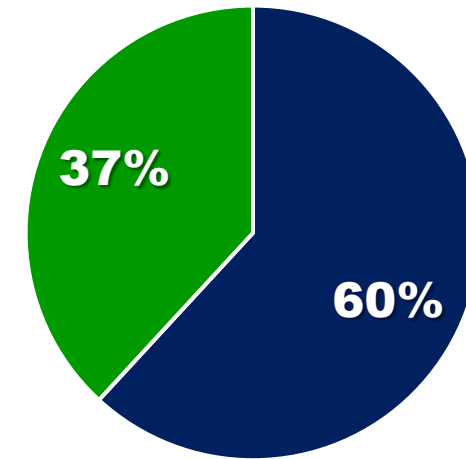
“What as the most important issue to your vote?”



60/40 Issue, Dems on Winning Side

Should Abortion be...

■ Legal in All/Most Cases ■ Illegal in All/Most cases



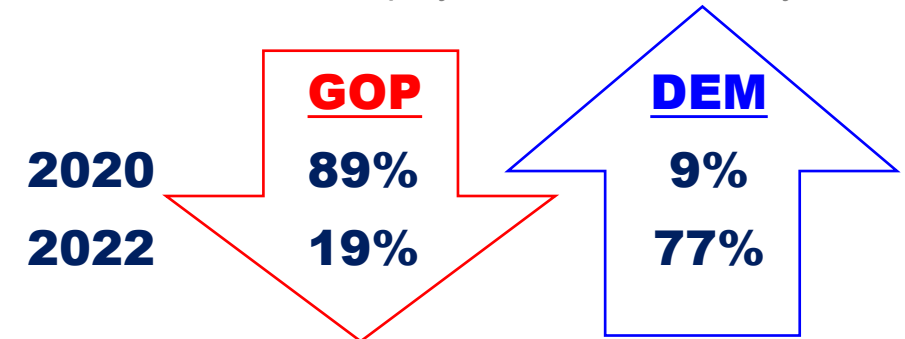
Dems Prioritized Issue

Share of Ads on Abortion, final 2 weeks



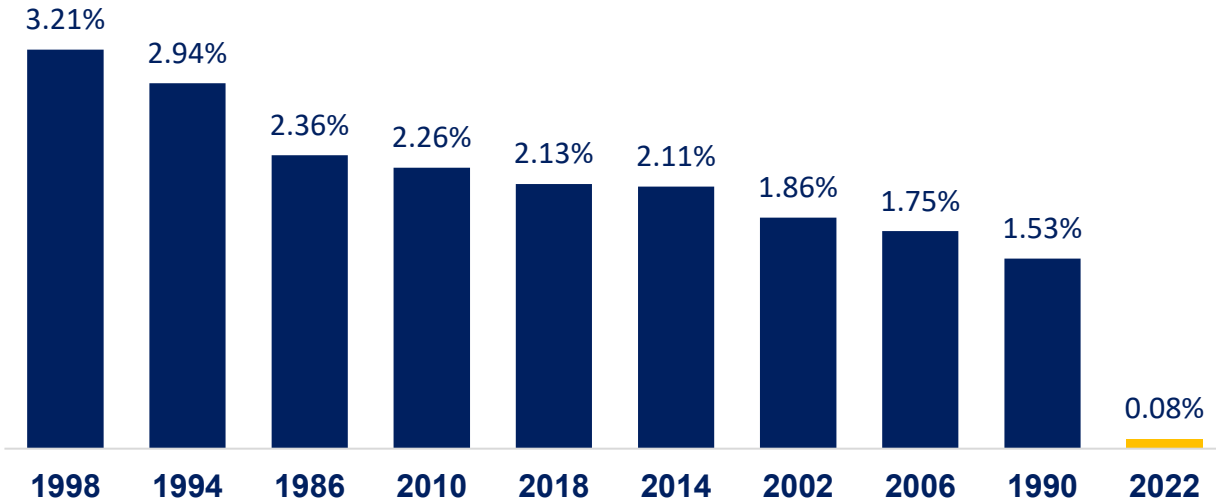
Post-Dobbs R's Less Motivated by Issue

% voters who said abortion played a role in how they voted

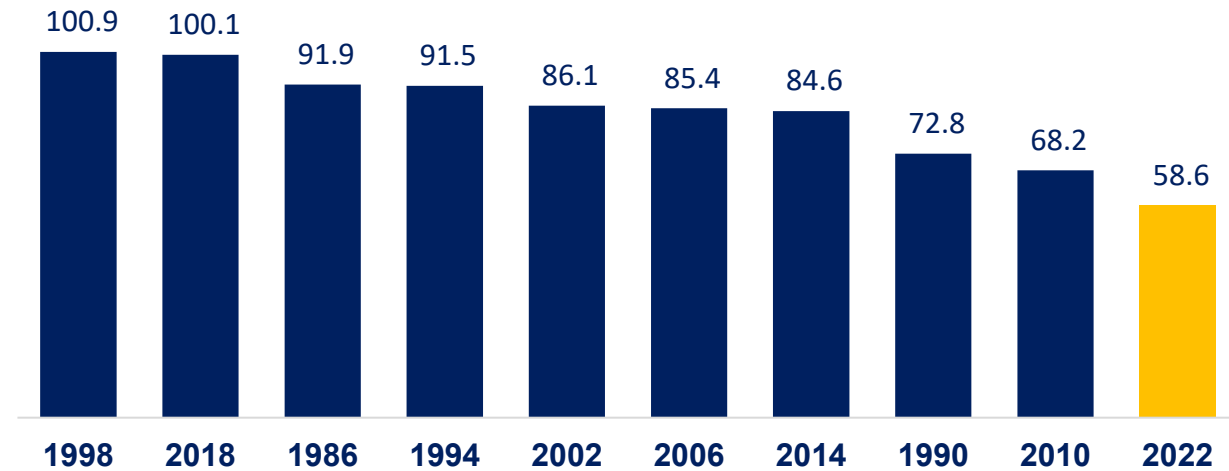


HARSHEST ECONOMIC HEADWINDS OF PAST 10 MIDTERMS SLOWED DEMS

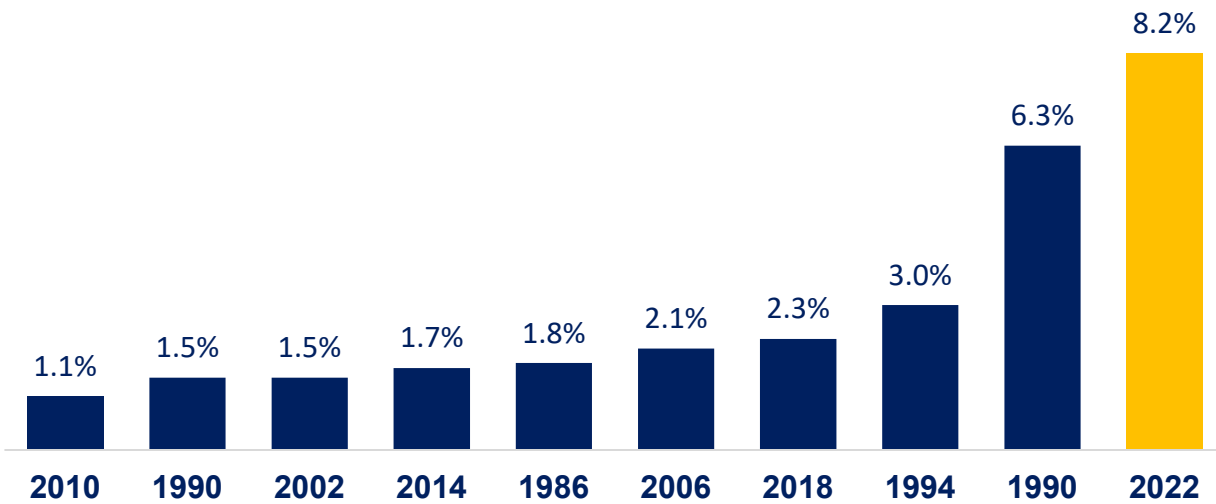
GDP Growth, 1st 3 Qs



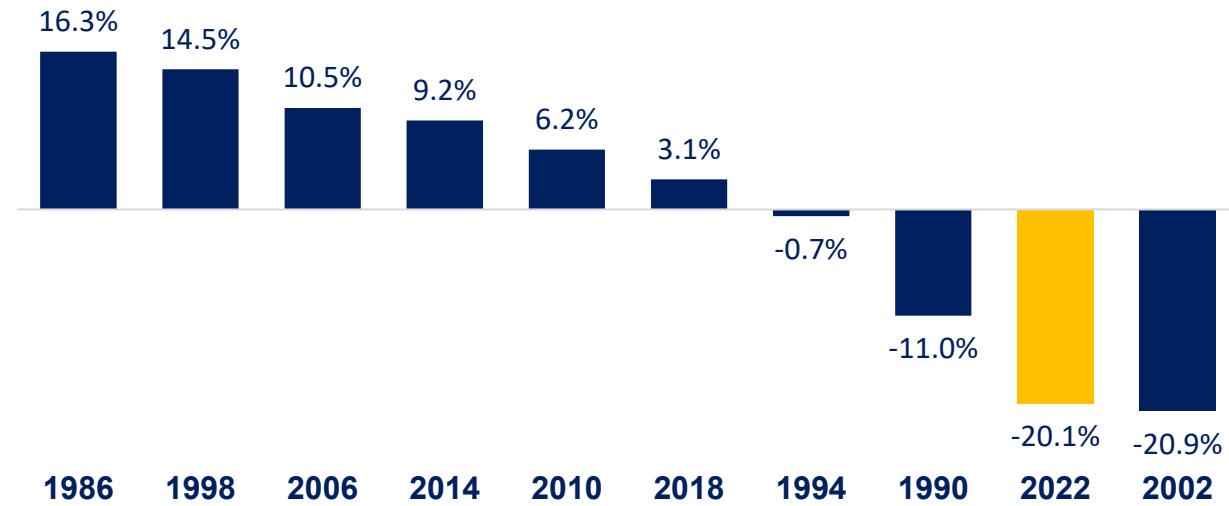
Consumer Confidence (Sept)



Inflation (Sept)



S&P500, Jan. 1 - Election Day



ELECTION DENIAL HURT CANDIDATES, ESPECIALLY WITH INDEPENDENTS

Winners Focused on Today's Problems, Not Yesterday's Conspiracies

Gubernatorial Candidates NOT Relitigating Spurious Claims of "Stolen" Elections (+/-Indy's)

(OH) DeWine: +25	✓
(NH) Sununu: +21	✓
(FL) DeSantis: +8	✓
(NV) Lombardo: +3	✓
(GA) Kemp: +1	✓
(TX) Abbott: -2	✓
(VT) Scott: No exits	✓

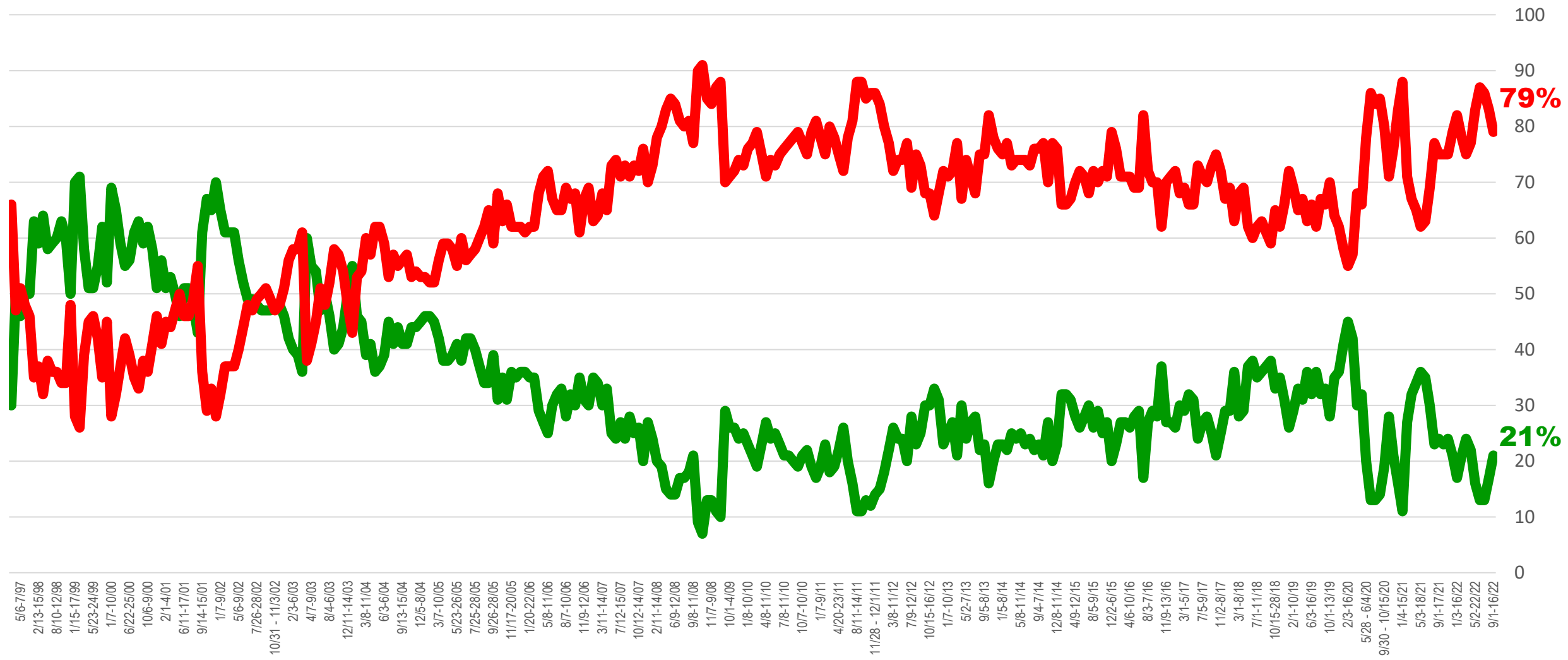
Gubernatorial Candidates Running on Unproven Claims of Past "Stolen" Elections (+/-Indy's)

X	(PA) Mastriano: -31
X	(MI) Dixon: -13
X	(AZ) Lake: -7
X	(WI) Michel: -6
X	(GA) Abrams: -1
X	(MA) Diehl: No exits
X	(MD) Cox: No exits

MOOD: VOTERS DISSATISFIED WITH PRESENT... BUT DON'T WANT TO GO BACK

“Are you satisfied or dissatisfied with the way things are going?”

Satisfied Dissatisfied



What's Next
**10 Things to Watch for
in 2023-2024**

#1. LAME DUCK CONGRESS CONVENES

MUST / WILL DO

1. FY '23 Appropriations or CR
2. Nat'l Defense Authorization Act (with Intelligence, Coast Guard & WRDA reauthorizations, maybe Taiwan Policy Act)
3. Health care (extenders; mitigating cuts; telehealth)
4. Judges & Nominations

SOLID CHANCE

1. Spending riders (*Ukraine \$; pandemic \$; Disaster \$; Flood Ins.; FDA user fee riders*)
2. Respect for Marriage act
3. Electoral Count Reform
4. Secure 2.0 (*pensions*)
5. EQUAL Act (*cocaine/crack sentencing*)
6. SAFE banking (*cannabis*)
7. Tax extenders
8. Tax expansion (*R&D; CTC; EBITA*)

HARD, BUT MAYBE

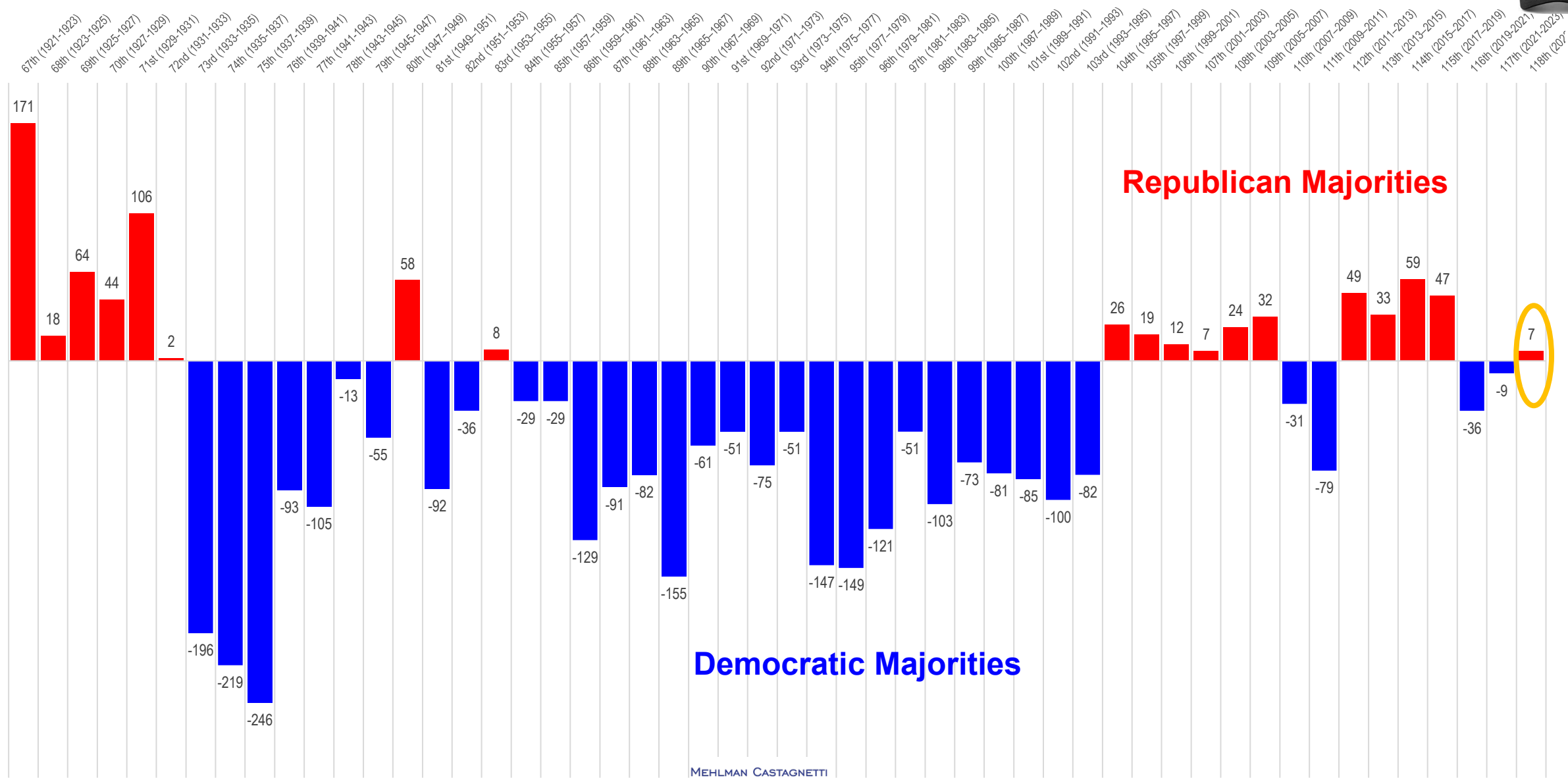
1. Antitrust reform
2. Privacy regulation (*ADPPA*)
3. Cryptocurrency reform
4. Debt ceiling extension
5. Member stock trading ban
6. Outbound CFIUS
7. Energy permitting reform
8. Kids' privacy (*KOSA; COPPA 2.0*)



#2. NARROWER MAJORITIES EMPOWER FACTIONS



Party Control Margins in the U.S. House, 1921-2023

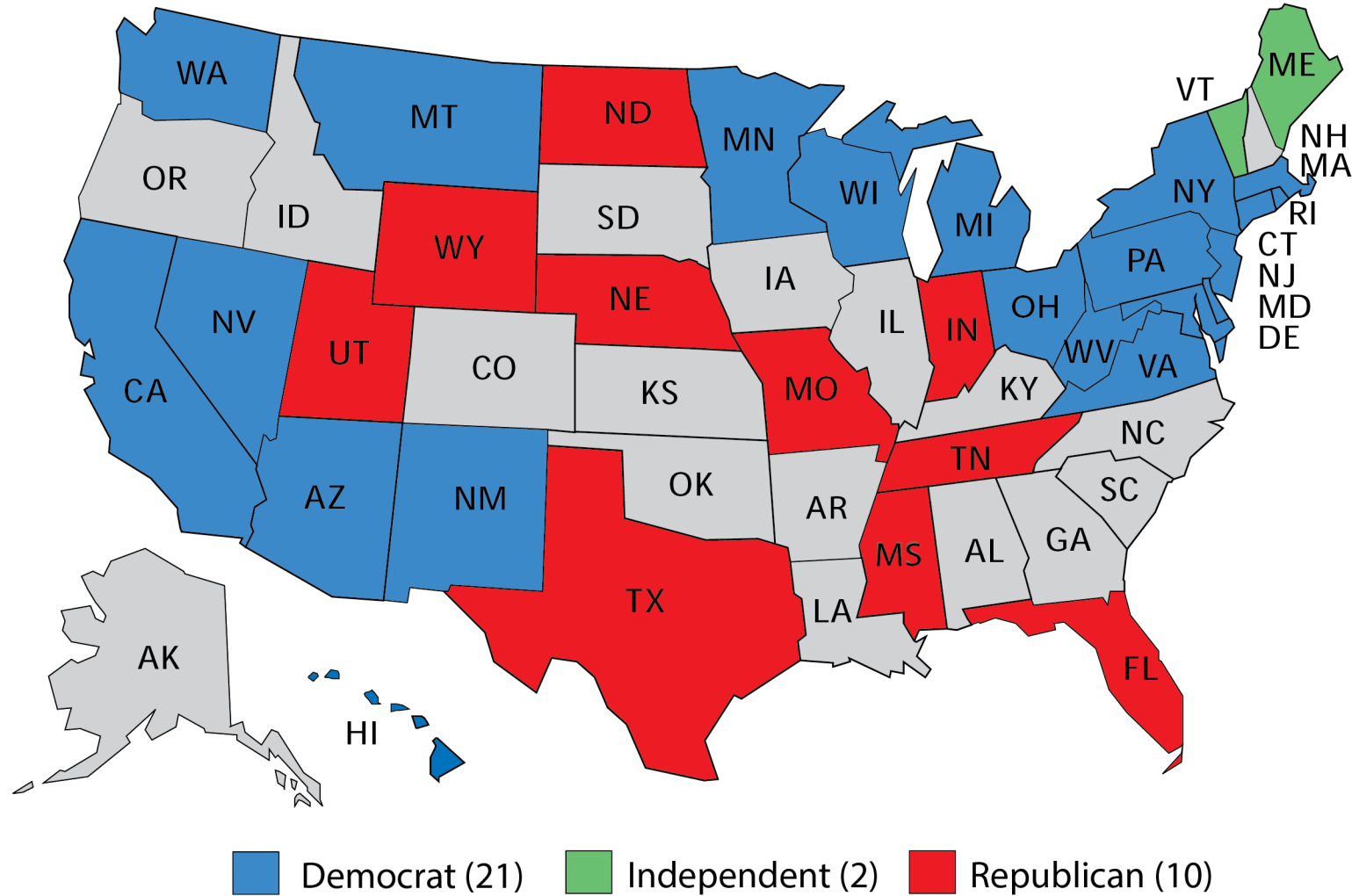


Republican Majorities

Democratic Majorities

#3. SENATE DEMS: BRUTAL 2024 BATTLEFIELD

Multiple At-Risk States, Few Opportunities

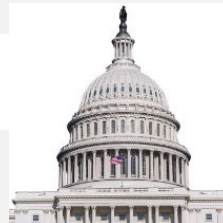


#4. OVERSIGHT WILL GO INTO OVERDRIVE

Competing Committees Aiming to Score Points, Send Messages

DEMOCRATS*

1. Trump Admin & Business
2. “UnWoke” CEOs
3. Climate (Oil Co’s)
4. China Collaborators
5. Falsehoods Online
6. Regulatory Under-Enforcement
7. COVID Profiteering
8. Election Deniers
9. Refugee Maltreatment
10. Inflation & Corporations



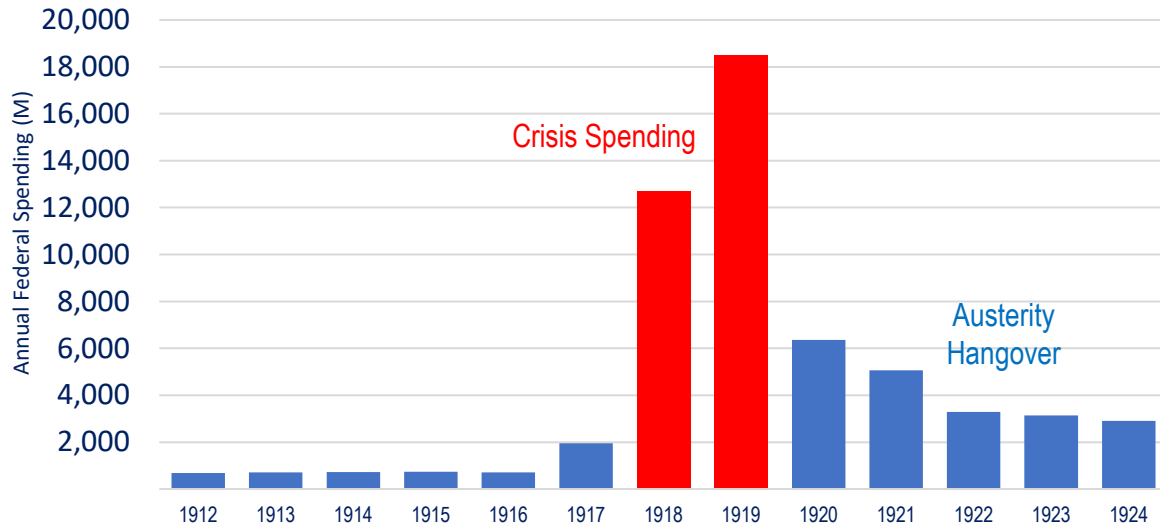
REPUBLICANS

1. Biden Family & Admin
2. “Woke” CEOs
3. Climate (ESG)
4. China Collaborators
5. Free Speech Online
6. Regulatory Over-Reach
7. COVID Origins / Fauci
8. Deep State (FBI, IRS)
9. Border/Immigration
10. Inflation & Big Government

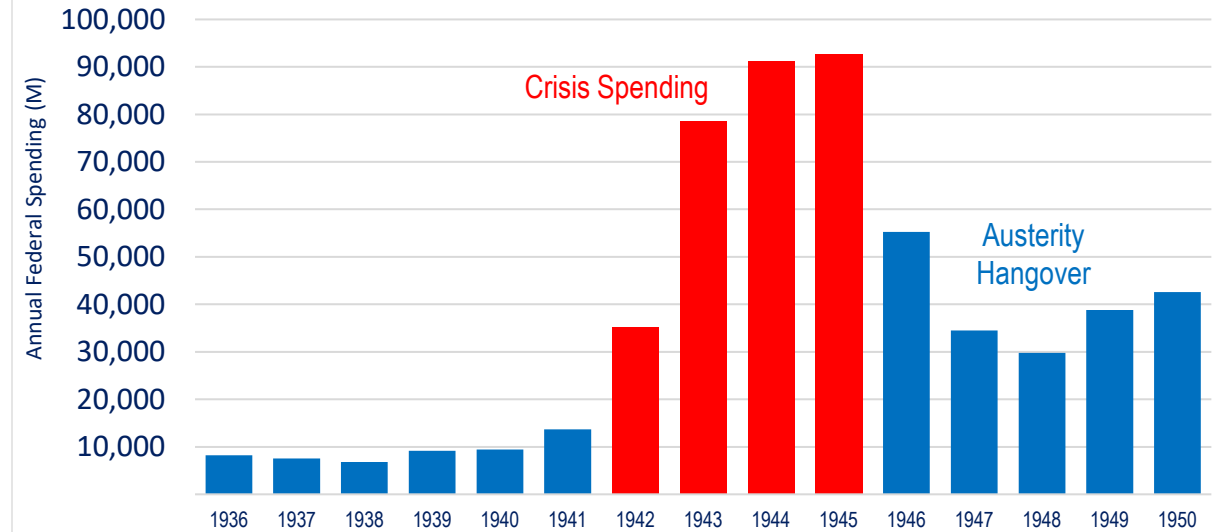
* Note 51 seats would give Senate Dems subpoena power. 50 does not.

#5. FISCAL FIGHTS WILL FOLLOW CRISIS SPENDING

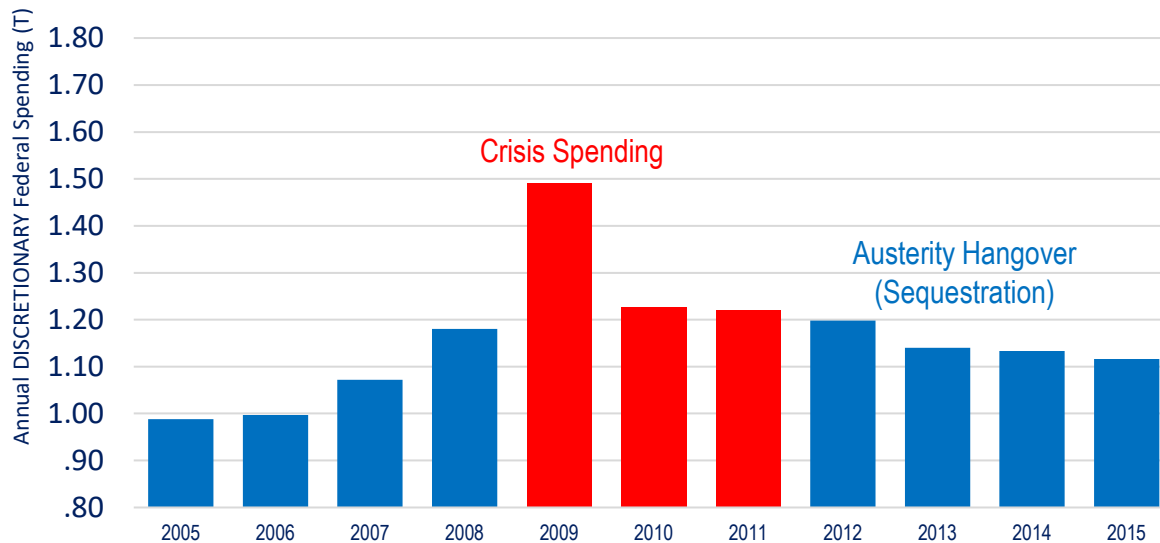
WWI & Spanish Flu



World War II



Global Financial Crisis



Extraordinary Economics of 2020-22 → Backlash

U.S. National Debt +31.6%

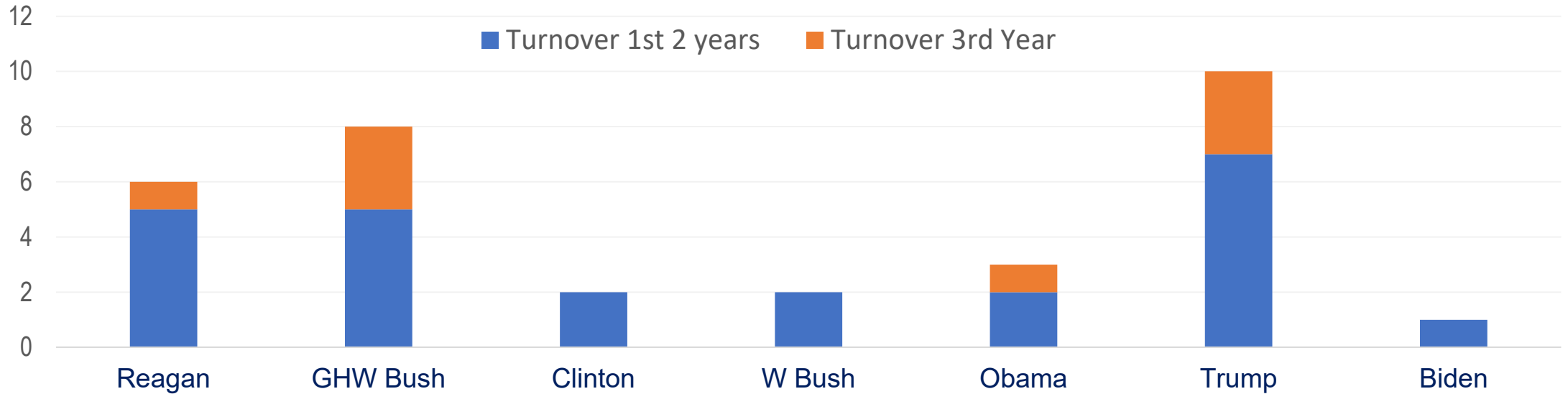
Federal Spending +42.5%

U.S. Inflation 40 year-high

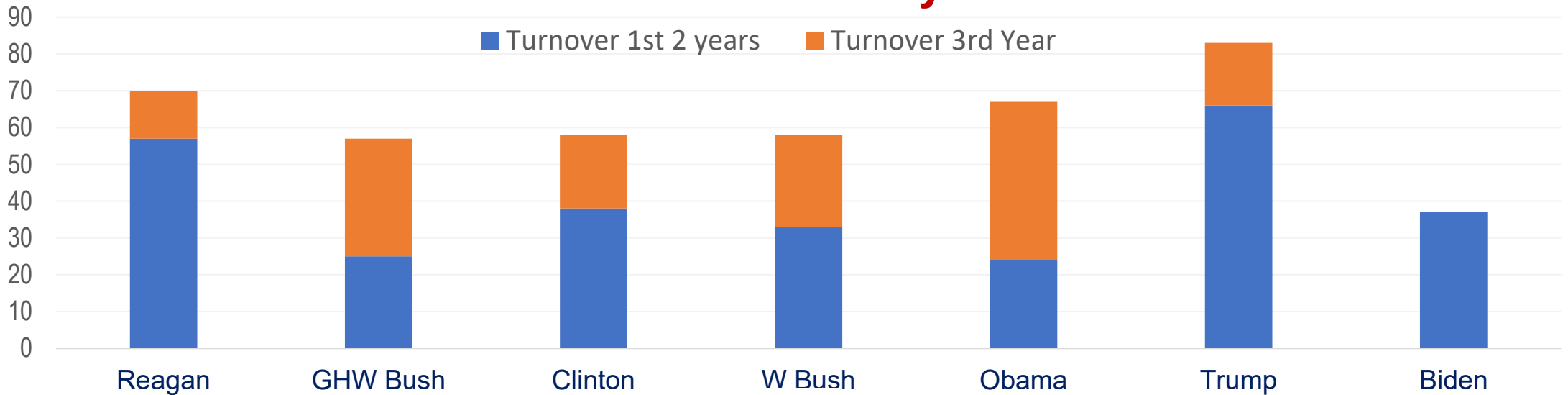


#6. THE EXECUTIVE BRANCH SHUFFLE: TURNOVER LIKELY IN TEAM BIDEN

Cabinet Member Turnover by President



Senior Staff Turnover by President



#7. AGENCIES WILL GET MORE AGGRESSIVE

Driving the Agenda by “Phone & Pen”

OVERSIGHT



Consumer Financial
Protection Bureau



REGULATION



ENFORCEMENT



#8. IMPLEMENTATION IMPERATIVE WILL DOMINATE AGENCIES

Massive Amount of New Spending (& Taxes) to Oversee

Select Stimulus Bills	COST (2020 Dollars)	% US GDP
American Rescue Plan (2021)	\$1.90T	8.4%
Inflation Reduction Act (2022)	\$1.22T*	5.3%
Bipartisan Infrastructure Law (2021)	\$1.20T	5.2%
Student Loan Forgiveness (2022)*	\$519B	2.4%
CHIPS for America (2022)	\$280B	1.3%
Phase 4 Covid Relief (2020)	\$900B	4.3%
CARES Act (2020)	\$2.02T	10.2%
Trump Tax Cuts (2017)	\$1.46T	7.5%
ARRA (Obama Stimulus) (2009)	\$1.03T	5.8%
Marshall Plan (1948-1951)	\$144B	~2%
New Deal (1933-1940)	\$793B	40.1%

*IRA:
\$790B new taxes
\$485B spending
+ tax breaks

#9. "WOKE" WARS WILL EXPAND, ESG WILL GET HARDER

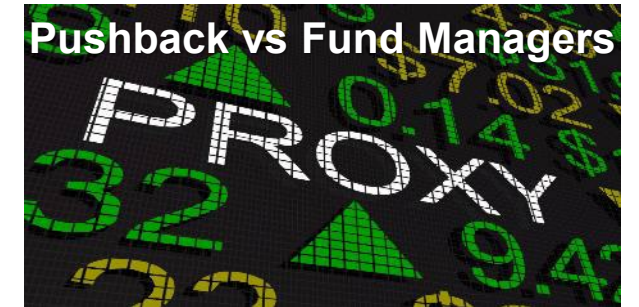
ENVIRONMENTAL



SOCIAL



GOVERNANCE



U.S.-CHINA POLICY 2023-24

- Tighter Tech Export Controls
- Outbound Investment Restrictions
 - Limits on Cross-Border Data
- Propaganda Transparency & Ban
 - Supply Chain Decoupling
- New Regional Economic Alliances
 - Defense Deals & Strategy
- Human Rights Push

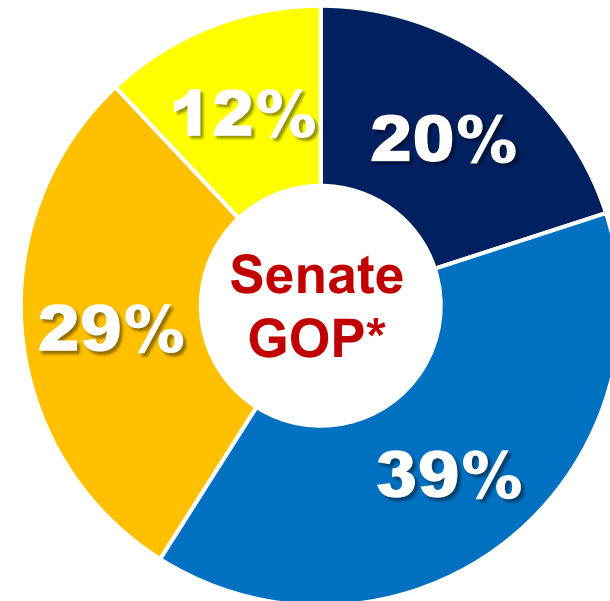
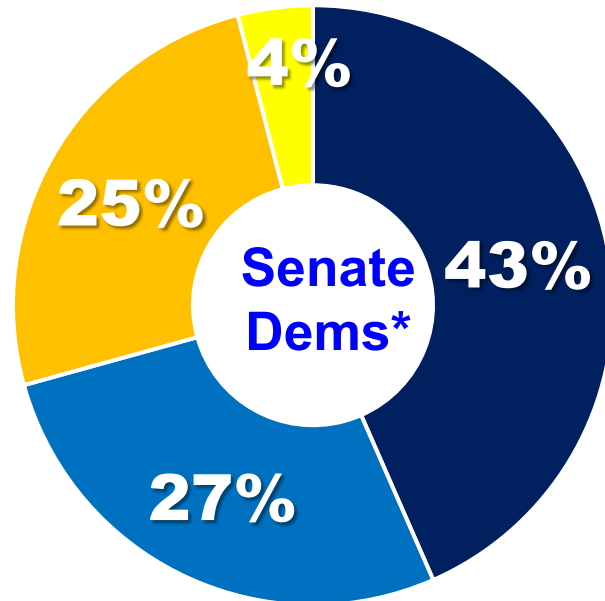
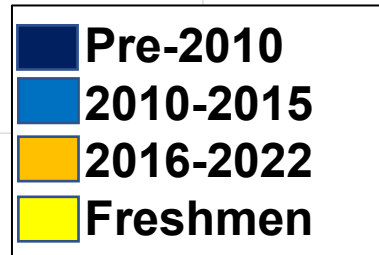
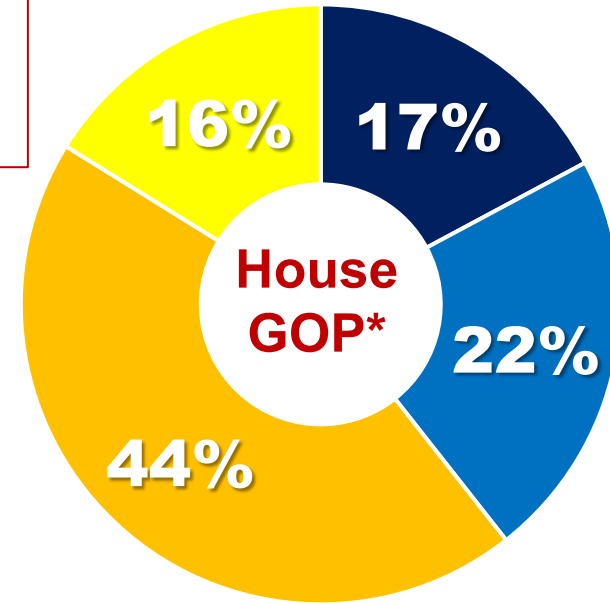
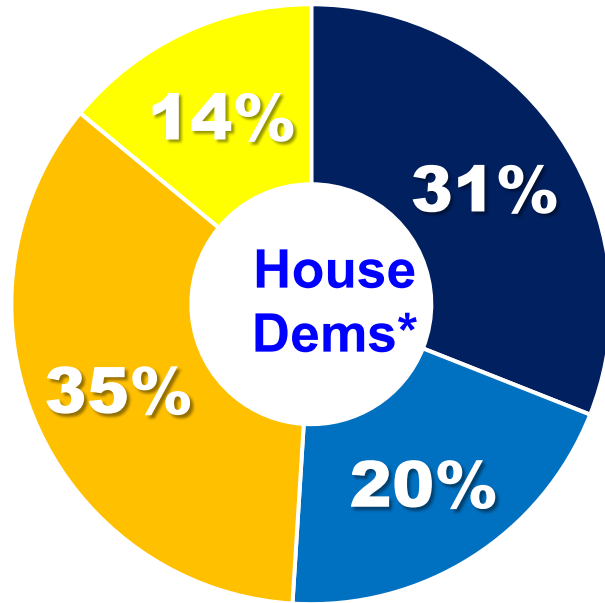
Watch: House Select Committee; Executive Orders

So What?

**3 Recommendations for
Businesses & Groups**

GET TO KNOW NEWER MEMBERS BEFORE YOU NEED THEM

118th Congress by When First Elected



Percentages Will Shift!!
We assume all incumbents return until races called against them.

STAY ENGAGED: THINGS ARE STILL GETTING DONE

Reports of the Death of Bipartisanship are Greatly Somewhat Exaggerated

HOUSE VOTE	SELECTED LEGISLATION IN 117 th CONGRESS	SENATE VOTE
221-201	INFRASTRUCTURE: II&JA	69-30
243-193	GUNS: BSCA	65-33
363-70	DEFENSE: FY '22 NDAA	88-11
342-92	POSTAL: PSRA	79-19
369-40	CIVIL RIGHTS: Anti-lynching law	Unanimous
243-187	CHINA: Chips & Science Act	64-33
267-157	FREEDOM: Respect for Marriage Act	62-37

MACRO TRENDS ARE BIGGER THAN ELECTION CYCLES

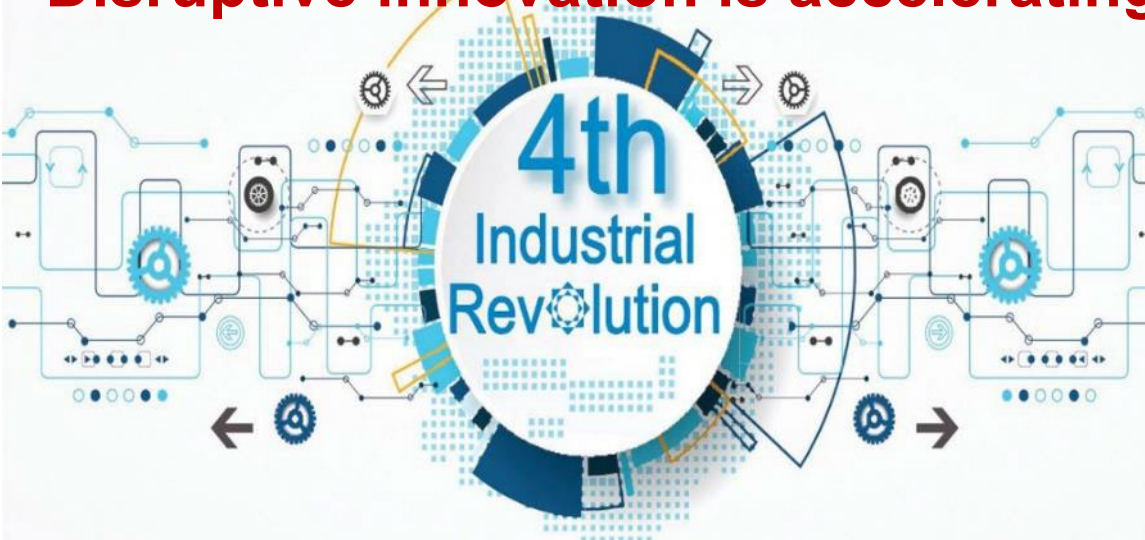
The Energy Transition is coming



U.S.-China competition is growing



Disruptive innovation is accelerating



More diverse & inclusive, older & sicker



BONUS SLIDE: UNCONVENTIONAL WISDOM

- 1. Polling mostly got it right (say the pollsters):** “Absolute avg. error of polling averages in competitive Senate elections looks likely to be half the expected error since 1998, underestimating Dems by ½ to 1 point.” ([Pollster for The Economist](#))
- 2. Georgia’s new voting law did not disenfranchise:** 2022 turnout in GA (52.6%) was higher than in NY (42.6%), DE (43.2%), MA (49.3%) & near WA (55.2%), where all voters receive a ballot in the mail! ([U.S. Elections Project](#), estimates as of 11/18)
- 3. Michigan epitomized GOP failures in 2022:** First-time gubernatorial candidate / election denier with abortion on the ballot in a state where Trump attacked a GOP incumbent (Meijer) = Dems won “trifecta” (House, Senate, Gov), just 4 years after GOP held a trifecta & super-majority. ([WSJ](#))
- 4. NY gerrymander fail may have cost Dems House:** Failed attempt to draw hyper-partisan lines replaced by Court-drawn alternative likely costing Dems 4 House seats. ([NYT](#))
- 5. DeSantis’ gerrymander may have won the House for Republicans:** New FL lines led to 4 more GOP seats in 2022. ([NYT](#))
- 6. D’s outspent Rs at all levels:** Spending margins in Senate (\$101M), House (\$113M) & Governors’ races (\$142M) (Smart Media Group)
- 7. 1914:** The last time no incumbent Senator lost, also when Babe Ruth first signed to play baseball (for the Orioles) ([WaPo](#)).
- 8. 1934:** Last election where opposition party lost net Senate AND Governor seats, same year Alcatraz opened as a prison ([WP](#)).
- 9. Bringing the Miami Heat:** Hillary Clinton won Miami-Dade County by 29 points in 2016. DeSantis won it by >10 in 2022.
- 10. Time to Buy?:** S&P 500 increased over the 365 days following every midterm election since 1950 ([Silverlight Asset Management](#))

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