DISEQUILIBRIUM

The Issues & Leaders Driving Politics & Policy in 2023
DISEQUILIBRIUM:
The Issues & Leaders Driving Politics & Policy in 2023

Summary ................................................................. 3

The Big Picture: Where We Are & How We Got Here ......................................................... 4-8

What to Know: 8 Major Trends for Politics & Policy ............................................................. 9-17

Whom to Watch: 10 Key Leaders’ 2023 Playbooks ............................................................. 18-28

What to Do: 5 Recommendations for Leaders ................................................................. 29-34

1. Get to know new policymakers before you need them
2. Rules for effective stakeholder engagement
3. Be ready for tough questions on China (the “other ESG”… End users, Suppliers & Gov’t interference)
4. Prepare for likely disruptions (known knowns)
5. Have backup plans for foreseeable calamities (known unknowns)
DISEQUILIBRIUM:
The Issues & Leaders Driving Politics & Policy in 2023

The world is out of balance. The disruptive changes that were already rewiring the economy, geopolitics and U.S. culture accelerated over the past 3 years, and a predictable backlash began. But we are nowhere close to a “new normal”.

2023 presents extreme uncertainty to those trying to navigate policy and political risk. Things are definitely moving, but in which direction? Soft landing or global recession? New Cold War or Globalization 2.0? Policy diktats from Sacramento or Culture War salvos from Tallahassee? Will Republicans and Democrats re-fight the last war or offer new leaders and directions in the 2024 campaign that has already begun?

To succeed in such an unstable environment, leaders need to understand what is happening and why, anticipate potential outcomes to prepare for alternatives and engage with key stakeholders on all sides to offer ideas and solutions.
The Big Picture: Disequilibrium
Where We Are & How We Got Here
**CULTURAL TRENDS**

**How It Started**
*Post Cold War Boom*
*1989-2008*

Rising Economic Inequality in a Rapidly Diversifying Nation

**How It’s Going**
*Age of Disruption*
*2008-202x*

Anger Amplification Incites Hyper-Activism

**How It Ends?**
*The New Equilibrium*
*202x-*

Mehlman Consulting

---

**ECONOMIC TRENDS**

**How It Started**
*Post Cold War Boom*
*1989-2008*

Permissionless Innovation in Era of “Free Money”

**How It’s Going**
*Age of Disruption*
*2008-202x*

Social, Mobile, Cloud & Renewable Revolutions as Inflation Returns

**How It Ends?**
*The New Equilibrium*
*202x-*

---

**GEOPOLITICAL TRENDS**

**How It Started**
*Post Cold War Boom*
*1989-2008*

Hyper-Globalization in Unipolar World

**How It’s Going**
*Age of Disruption*
*2008-202x*

Deglobalizing & Decoupling as Geopolitical Rivalries & Populism Rise

**How It Ends?**
*The New Equilibrium*
*202x-*

---
THE EXTRAORDINARY SHOCKS OF ‘20–‘22 INTENSIFIED THE INSTABILITY

SYSTEMS FAILED

INSTITUTIONS FAILED

LEADERSHIP FAILED

ECONOMIC ANXIETY

SOCIAL ANXIETY

GLOBAL ANXIETY
2023 FINDS A WORLD OUT OF BALANCE

Bet on Change… But in Which Direction?

**ECONOMY**
- Falling, transitory → Inflation → Rising, sticky
- Fossil fuel renaissance → Energy → Transition accelerating
- Post-bubble bust → Tech → AI-powered boom

**GEOPOLITICS**
- Cold War 2.0 → U.S.-China → “Chimerica” unbowed
- Slowing and narrowing → Globalization → Adjusting but growing
- Stalemate → Russia-Ukraine → Escalation

**CULTURE**
- Trumpian populism → GOP → Reaganesque conservatism
- Trump v. Biden rematch → 2024 Election → New faces & agendas
- Sacramento ascendant → “Woke Wars” → Tallahassee ascendant
## The Political Disequilibrium: Every Election Is a Change Election

No “Alignment” Has Lasted Longer than Two Years

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SENATE</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>???</td>
</tr>
<tr>
<td>HOUSE</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>???</td>
</tr>
<tr>
<td>Change Election 2 years later?</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>???</td>
</tr>
</tbody>
</table>

### Average Duration of Control

<table>
<thead>
<tr>
<th>Century</th>
<th>House (yrs)</th>
<th>Senate (yrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20th Century</td>
<td>11.1 yrs</td>
<td>9.0 yrs</td>
</tr>
<tr>
<td>21st Century</td>
<td>5.5 yrs</td>
<td>4.5 yrs</td>
</tr>
</tbody>
</table>

Source: author’s calculations

### Combined Votes Enabling Victory

(Historically small margins minimize mandates)

<table>
<thead>
<tr>
<th>Election</th>
<th>House</th>
<th>Presidency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last Election</td>
<td>6,675 votes in 5 races</td>
<td>42,922 votes in AZ, GA &amp; WI</td>
</tr>
<tr>
<td>Prior Election</td>
<td>31,751 votes in 5 races</td>
<td>79,316 votes in PA, MI &amp; WI</td>
</tr>
</tbody>
</table>

Sources: [Cook Political][1], [Decision Desk][2]
WHAT YOU NEED TO KNOW

8 Key Trends for Politics & Policy in 2023
THE TURN AWAY FROM GLOBALIZATION WILL CONTINUE

Economic Nationalist Pressures Persist, Prevailing

- Supply Chain Efficiency
- Offshoring
- Hands Off Industrial Policy
- Information Interconnectivity
- Regulatory Harmonization
- Supply Chain Resiliency
- Onshoring & Friendshoring
- Hands On Industrial Policy
- Data Protectionism
- Regulatory Fragmentation

Multilateralist Ideals

Nationalist Likelihoods
GOP DISUNITY IS NOT UNPRECEDENTED (NOR EVEN UNUSUAL)

1910
1912
1923
1960

1976
1994
2010
2016
United Against Trump (& Trumpism)  

But on Other Issues?...
C-SUITES WILL FACE NEW PRESSURE TO ENGAGE ON SOCIAL ISSUES

Trigger Warnings! 2023’s Social, Cultural & Political Flashpoints

- Abortion bans & liability for “abetting”
- Ban on doing business with the state/lost tax credits if abortion benefits offered… or denied (TX vs CA?)
- Ban on cooperating with other states’ law enforcement subpoenas for data or internal comms
- College Affirmative Action / SCOTUS decisions
- K-12 “Parents Bills of Rights” (eg FL) & curricula
- Public University tenure & curricula
- Trans athletes & sports
- Nondiscrimination laws (eg TX SB13) prohibiting firms that refuse to finance fossil fuels from business with state
- Bans on investing state $ in ESG funds vs bans on gas cars/stoves, extraction regulation & “windfall profits” taxes
- Federal & state efforts to limit or disallow proxy voting by fund managers
- Ban on teaching gender issues in early education
- Trans access to health care
- Gun controls / de-controls
- Sanctuary Cities & refugee policies
- DEI mandates… or bans on training
- Gun controls / de-controls (post-Bruen decision)
- Election laws (voter ID, ballot security, mail-in ballots)
- Policing reform
CHINA CRACKDOWN WILL DRIVE PAIN... AND OPPORTUNITY

To Contain / Outcompete a Dangerous Rival, Slow Them & Run Faster

**BUSINESS PAIN**
- 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

**BUSINESS OPPORTUNITIES**

- Quadrilateral Security Dialogue
- CHIPS and Science Act
- Reshoring / Friend-shoring
- Critical Materials Sourcing

Historically, efforts to run faster catalyzed great things
STATE POLICIES WILL INCREASINGLY DIVERGE

39 State Govt Trifectas
(One Party Control, Most in 40 Years)

SCOTUS Expanding States’ Rights, Limiting Feds

Patchwork Quilt Will Grow… Red States vs Blue States on:

**ECONOMICS**
- Taxes
- Unionization
- Minimum wage
- ESG investing

**CIVIL RIGHTS**
- Guns
- LGBTQ
- Elections
- Immigration
- Education & DEI

**TECH POLICY**
- Privacy
- Censorship / bias
- Gig Work
- Classification

**HEALTH CARE**
- Abortion
- Vax mandates
- Paid sick leave
- Medicare exchanges

**CLIMATE/ENERGY**
- Permitting
- EVs & Gas cars
- ESG investment
- Gas stoves
THE 118th CONGRESS WILL DO A LOT MORE THAN YOU THINK

While the media focuses on the debt ceiling / spending drama, watch for…

**WHAT THEY MUST DO**
- Debt ceiling extension
- Fund government; FY24 appropriations
- Nat’l Defense Authorization Act
- Farm bill (incl. SNAP)
- FAA reauthorization
- Foreign Intelligence Surveillance Act (§702)
- Health reauths (PAHPA, GME, DSH, FDA fees, etc.)

**BIG DEALS IN PLAY (HARDER)**
- Domestic energy (all-of-the-above deal)
- Bilateral trade deal (US-UK?)
- Jobs 4.0 (capital formation)
- Immigration (DACA / Ag + Border)
- Antitrust legislation
- Future pandemic readiness
- Doc Fix 2.0 (Medicaid reimbursement)

**BIPARTISAN POSSIBILITIES**
- Support Ukraine
- Counter China
- Support regional allies vs Iran
- Crypto regulatory framework
- Cybersecurity enhancement
- Broadband deployment (5G + open RAN)
- Privacy regulatory framework
- Supply chain resilience (critical minerals)
- Telehealth enablement
- Crim. justice (Equal Act), policing reform
- Fix R&D amortization (+ other taxes, CTC)
- Outbound investment restrictions
- Domestic energy permitting reform
- Spectrum auction authority (FCC)
- Mental health/ substance abuse/ fentanyl
- Maternal & rural healthcare
DEBT CEILING: THIS TIME IS USUALLY NOT DIFFERENT (UNTIL IT IS)

Congress Has Raised/Suspended Debt Ceiling 20x in the 21st Century
But Partisanship Heavily Impacts Support

House Members Voting to Raise / Suspend Debt Ceiling

- GOP President: 51%
- Dem President: 65%
- Overall: 86%

Senate Members Voting to Raise / Suspend Debt Ceiling

- GOP President: 58%
- Dem President: 74%
- Overall: 98%

Source: WaPo
WHOM YOU NEED TO WATCH

10 Key Leaders’ 2023 Playbooks
PRESIDENT BIDEN: “Triangulation Lite”

Highlight Popular, Bipartisan Leadership

Tack to Center on Key Issue(s)

Set Up “Extremists” Foil

Navigate Oversight & Investigations
SPEAKER McCarthy: “Unite the Right”

Lead on Popular Issue(s)

Aggressive & Productive Oversight

Grow the Majority

Navigate Activist Right Wing

Recruit Challengers vs. Vulnerable Democrats

Protect Incumbents from tough votes

Raise Money
LEADER SCHUMER: “Protect the Team”

Advance Biden Nominees

Judicial Appointments, 1st 2 Years

- Biden: 99
- Trump: 85
- Obama: 62
- W Bush: 100
- Clinton: 128
- HW Bush: 71
- Reagan: 88

https://ballotpedia.org/Federal_judicial_appointments_by_president

Protect Endangered Incumbents

Aggressive & Productive Oversight

Cut Deals that Can Pass the House
Defeat Weak Candidates in Primaries

Cut Deals on Key Issues

<table>
<thead>
<tr>
<th>Selected Bills from the 117th Congress</th>
<th>Vote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nat'I Defense Authorization FY</td>
<td>83-11</td>
</tr>
<tr>
<td>Railway Strike Prevention</td>
<td>80-15</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>69-30</td>
</tr>
<tr>
<td>Electoral Count Reform (part of Omnibus)</td>
<td>68-29</td>
</tr>
<tr>
<td>Gun Safety</td>
<td>65-33</td>
</tr>
<tr>
<td>CHIPS &amp; Science</td>
<td>64-33</td>
</tr>
<tr>
<td>Marriage Equality</td>
<td>61-36</td>
</tr>
</tbody>
</table>

Block Objectionable Actions

Navigate Rising Populist Flank

… in the Senate and House
#5

**LEADER JEFFRIES: “Succeed the G.O.A.T.”**

<table>
<thead>
<tr>
<th>Deliver Dem Votes on Biden Deals</th>
<th>Maintain Unity Under New Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Debt Ceiling" /></td>
<td><img src="image" alt="The Squad" /></td>
</tr>
<tr>
<td><img src="image" alt="Shutdown" /></td>
<td><img src="image" alt="THE SQUAD" /></td>
</tr>
<tr>
<td><img src="image" alt="House of Representatives" /></td>
<td><img src="image" alt="100" /></td>
</tr>
<tr>
<td><img src="image" alt="18" /></td>
<td><img src="image" alt="100" /></td>
</tr>
<tr>
<td><img src="image" alt="5" /></td>
<td><img src="image" alt="96" /></td>
</tr>
<tr>
<td><strong>18</strong> Republicans in “Biden Seats” (vs. 5 Dems in “Trump seats”)</td>
<td><strong>5</strong> Net Dem pick-ups needed to gain control</td>
</tr>
<tr>
<td><img src="image" alt="Democrats in House" /></td>
<td><img src="image" alt="9" /></td>
</tr>
<tr>
<td><img src="image" alt="96" /></td>
<td><img src="image" alt="39" /></td>
</tr>
<tr>
<td><img src="image" alt="7" /></td>
<td><img src="image" alt="7" /></td>
</tr>
<tr>
<td><img src="image" alt="# Members in House Dem caucuses / coalitions" /></td>
<td><img src="image" alt="# Members in House Dem caucuses / coalitions" /></td>
</tr>
</tbody>
</table>

**Disrupt House GOP**

<table>
<thead>
<tr>
<th>Leverage “Open” Rules</th>
<th>Force Bills to the Floor</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Leverage “Open” Rules" /></td>
<td><img src="image" alt="Force Bills to the Floor" /></td>
</tr>
</tbody>
</table>

**Recruit Challengers, Raise $$**

<table>
<thead>
<tr>
<th>18 Republicans in “Biden Seats” (vs. 5 Dems in “Trump seats”)</th>
<th>5 Net Dem pick-ups needed to gain control</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Vote 2024" /></td>
<td><img src="image" alt="VOTE 2024" /></td>
</tr>
<tr>
<td><img src="image" alt="18" /></td>
<td><img src="image" alt="5" /></td>
</tr>
</tbody>
</table>

**Maintain Unity Under New Leadership**

<table>
<thead>
<tr>
<th>9 THE SQUAD</th>
<th>100 CONGRESSIONAL PROGRESSIVE CAUCUS</th>
<th>96 NEW DEMOCRAT COALITION</th>
<th>39 Break the Gridlock</th>
<th>7 BLUE DOG COALITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 THE SQUAD</td>
<td>100 CONGRESSIONAL PROGRESSIVE CAUCUS</td>
<td>96 NEW DEMOCRAT COALITION</td>
<td>39 Break the Gridlock</td>
<td>7 BLUE DOG COALITION</td>
</tr>
</tbody>
</table>

# Members in House Dem caucuses / coalitions
<table>
<thead>
<tr>
<th>EXECUTIVE BRANCH &amp; AGENCY HEADS: “Advance the Agenda”</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Implement 2021-22 Laws</strong></td>
</tr>
<tr>
<td>Bipartisan Infrastructure Law</td>
</tr>
<tr>
<td>CHIPS &amp; Science Act</td>
</tr>
<tr>
<td>Inflation Reduction Act Passes</td>
</tr>
<tr>
<td><strong>$1.2T</strong></td>
</tr>
<tr>
<td><strong>$280B</strong></td>
</tr>
<tr>
<td><strong>$1.22T</strong></td>
</tr>
<tr>
<td><strong>Accelerate Regulation</strong></td>
</tr>
<tr>
<td><img src="image1.png" alt="Image" /></td>
</tr>
<tr>
<td><img src="image2.png" alt="Image" /></td>
</tr>
<tr>
<td><img src="image3.png" alt="Image" /></td>
</tr>
<tr>
<td><strong>$1.2T</strong></td>
</tr>
<tr>
<td><strong>$280B</strong></td>
</tr>
<tr>
<td><strong>$1.2T</strong></td>
</tr>
<tr>
<td><strong>Increase Enforcement</strong></td>
</tr>
<tr>
<td><img src="image4.png" alt="Image" /></td>
</tr>
<tr>
<td><img src="image5.png" alt="Image" /></td>
</tr>
<tr>
<td><img src="image6.png" alt="Image" /></td>
</tr>
<tr>
<td><strong>Defend Actions &amp; Authorities in Court</strong></td>
</tr>
<tr>
<td><img src="image7.png" alt="Image" /></td>
</tr>
<tr>
<td><img src="image8.png" alt="Image" /></td>
</tr>
<tr>
<td><img src="image9.png" alt="Image" /></td>
</tr>
</tbody>
</table>
FORMER PRESIDENT TRUMP: “Divide & Conquer”

Stay Visible

Attack / Divide GOP Rivals

Stay Relevant

Move Past “Stop the Steal”
OTHER GOP WH WANNABES: “Prove You Can Win”

**Shoot at the Frontrunner**

**Differentiate from Trump**

**Show Strength, Competence & Fight**

**Build Early State Network & War Chest**
PRESIDENT XI: “Right the Ship”

Restore Confidence in Leadership

Re-Engage World

Reignite Economic Growth & FDI

Accelerate “Sanctions-Proofing”
PRESIDENT PUTIN: “Patience, Persistence & Pressure”

Outlast Ukraine (& West)

- More Russian soldiers set to go to Ukraine

Bring Asymmetric Fight to NATO

- Cyber attack
- Gas blackmail

Keep Allies & Neutrals “On Side”

- South Africa to host second joint naval military exercises with Russia, China near its coast

Rewire Economy for Long Haul

- Needed:
  - New suppliers
  - New customers
  - Alternatives to dollar
WHAT YOU NEED TO DO

5 Recommendations for Leaders
GET TO KNOW NEW POLICY MAKERS BEFORE YOU NEED THEM

New Members

7th largest freshman class in past 50 years

New Congressional Leadership

GOP Whip Emmer
Dem Leader Jeffries, Whip Clark & Caucus Chair Aguilar

New Committees & Chairs

House Select Committee on Strategic Competition between the U.S. & Chinese Communist Party
Way & Means Chairman Jason Smith
Deep State
House Select Subcommittee on Weaponization of the Federal Government

New Biden Players

WH Chief of Staff
NEC Director
Labor Sec'y

Source: US House
HAVE A PLAN FOR STAKEHOLDER ENGAGEMENT: 4 RULES

Don’t take a stand if you don’t have a plan (or can’t take a punch)

**Recognize it’s a Team Sport**
“There’s safety in numbers & wisdom in crowds”
- Convene consistent team of diverse senior advisors & engage CEO
- Coordinate closely with sectoral & local allies

**Build Replicable Processes**
“Only fools rush in”
- Practice... scenario plan to build muscle memory & consistent framework; track potential risks
- Hear-out both sides, read the bills & check facts (don’t take others’ word for it)

**Communicate Openly & Consistently**
“Less virtue-signaling, more authenticity”
- Speak to employees rather than for them... Listening is the key to trust
- Justify actions in business (not moral) terms... align words & deeds with stated values & be consistent

**Prioritize Actions Over Words**
“Well-done is better than well-said.”
- Prove you care by what you do (eg volunteering PTO; charity matching; benefits; CSR $)
- Preempt foreseeable issues and engage stakeholders regularly, before crises
The “Other ESG”: know your **End users, Suppliers & Government interference profile**

**End Users / Customers**

1. Are your products used in military or public security surveillance-related applications / dual use?
2. Do you provide services to government entities, state-owned enterprises, or others subject to coercion or influence by the state?
3. Do your goods / services enhance China’s technological capabilities?
4. Do your financial services / investments accelerate Chinese innovation?
5. Are you supporting any of the CCP’s global infrastructure projects?

**Suppliers**

1. How much of your products sold outside China include components / software made in China? Do you sell those products to the U.S. government?
2. How dependent is your supply chain on China? Does this dependency give the Chinese state leverage over you? How are you remedying that vulnerability?
3. Do your suppliers use Uighur / forced labor? How do you audit?
4. Are you engaged in any joint ventures with Chinese companies, and under what terms?
5. How do you determine whether a customer / supplier is government owned/ controlled?

**Government Interference**

1. Do you store U.S. data in or pass data through China?
2. How do you monitor for insider threats or Chinese government pressure on employees?
3. Do you change what you say (or create) in the U.S. or elsewhere to avoid offending the CCP?
4. Are any members or affiliates of the CCP on your payroll or Board?
5. Does the Chinese government have any ownership interest in your company (including parent co’s, affiliates, subsidiaries)?
PREPARE FOR LIKELY DISRUPTIONS (KNOWN KNOWNS)

Technology
OpenAI

Economy
RECESSION?

Geopolitics

Culture
"WOKELASH"

REGULATION
FED RATE HIKE
TRADE WARS
HAVE BACKUP PLANS FOR FORSEEABLE CALAMITIES (KNOWN UNKNOWNS)

- Domestic Terrorism
- Rogue Provocations
- War
- Climate Catastrophe
- Border Crisis
- Supply Chain Fail
- Disease Outbreak
- System Crash
- Infrastructure Hack
Or find them on LinkedIn: https://www.linkedin.com/in/bruce-mehlman-51239136/

OTHER RECENT ANALYSES:
https://mehlmanconsulting.com/infographics/