



# ***DISEQUILIBRIUM***



## ***The Issues & Leaders Driving Politics & Policy in 2023***



***UNDERSTAND \* ANTICIPATE \* ENGAGE***

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

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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**



# WE WERE ALREADY LIVING THROUGH A DISRUPTIVE TRANSITION

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

### ECONOMIC TRENDS



Permissionless Innovation in Era of "Free Money"

## How It's Going Age of Disruption 2008-202x

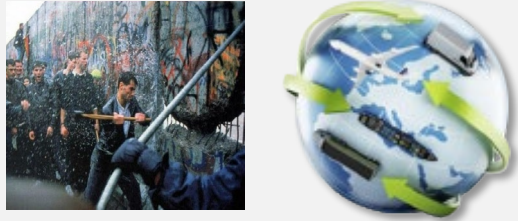


Social, Mobile, Cloud & Renewable  
Revolutions as Inflation Returns

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



### GEOPOLITICAL TRENDS



Hyper-Globalization in Unipolar World



Deglobalizing & Decoupling as  
Geopolitical Rivalries & Populism Rise



### CULTURAL TRENDS



Rising Economic Inequality in a Rapidly  
Diversifying Nation



Anger Amplification Incites Hyper-Activism



or



# THE EXTRAORDINARY SHOCKS OF '20-'22 INTENSIFIED THE INSTABILITY

## SYSTEMS FAILED



## INSTITUTIONS FAILED



## LEADERSHIP FAILED



## ECONOMIC ANXIETY



## SOCIAL ANXIETY



## GLOBAL ANXIETY

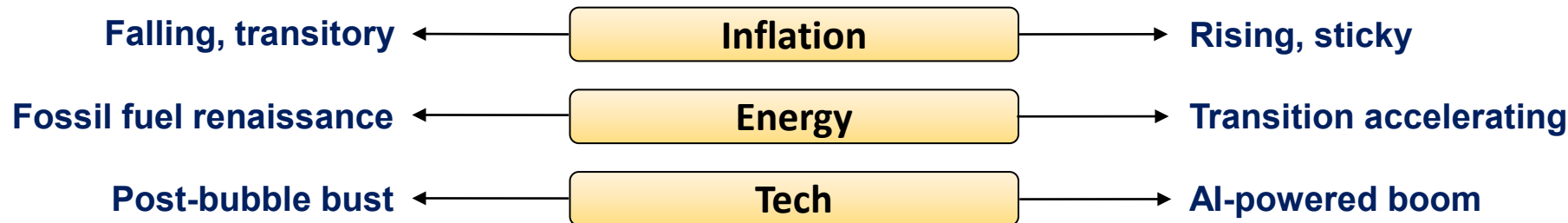




# 2023 FINDS A WORLD OUT OF BALANCE

→ **Bet on Change... But in Which Direction?** ←

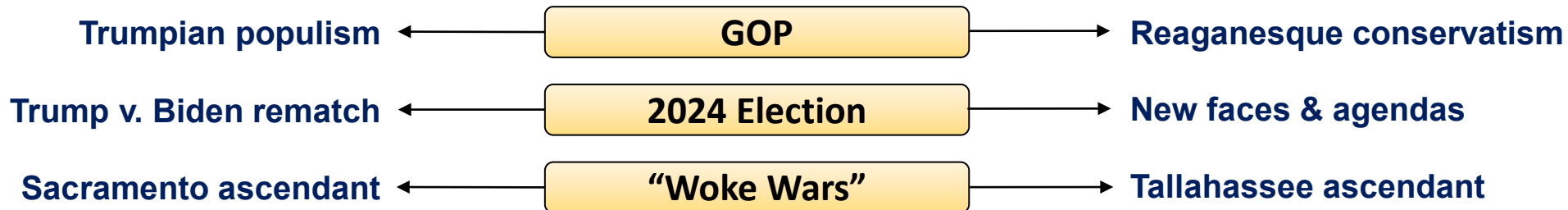
## ECONOMY



## GEOPOLITICS



## CULTURE



# THE POLITICAL DISEQUILIBRIUM: EVERY ELECTION IS A CHANGE ELECTION

## No “Alignment” Has Lasted Longer than Two Years

	2013-2014	2015-2016	2017-2018	2019-2020	2021-2022	2023-2024
POTUS	Blue	Blue	Red	Red	Blue	Blue
SENATE	Blue	Red	Red	Red	Blue	Blue
HOUSE	Red	Red	Red	Blue	Blue	Red
Change Election 2 years later?	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>???</b>

### Average Duration of Control

	House	Senate
20 <sup>th</sup> Century	<b>11.1</b> yrs	<b>9.0</b> yrs
21 <sup>st</sup> Century	<b>5.5</b> yrs	<b>4.5</b> yrs

Source: author's calculations

### Combined Votes Enabling Victory (Historically small margins minimize mandates)

	House	Presidency
Last Election	<b>6,675</b> votes in 5 races	<b>42,922</b> votes in AZ, GA & WI
Prior Election	<b>31,751</b> votes 5 races	<b>79,316</b> votes in PA, MI & WI

Sources: [Cook Political](#); [Decision Desk](#)

# ***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

Multilateralist Ideals

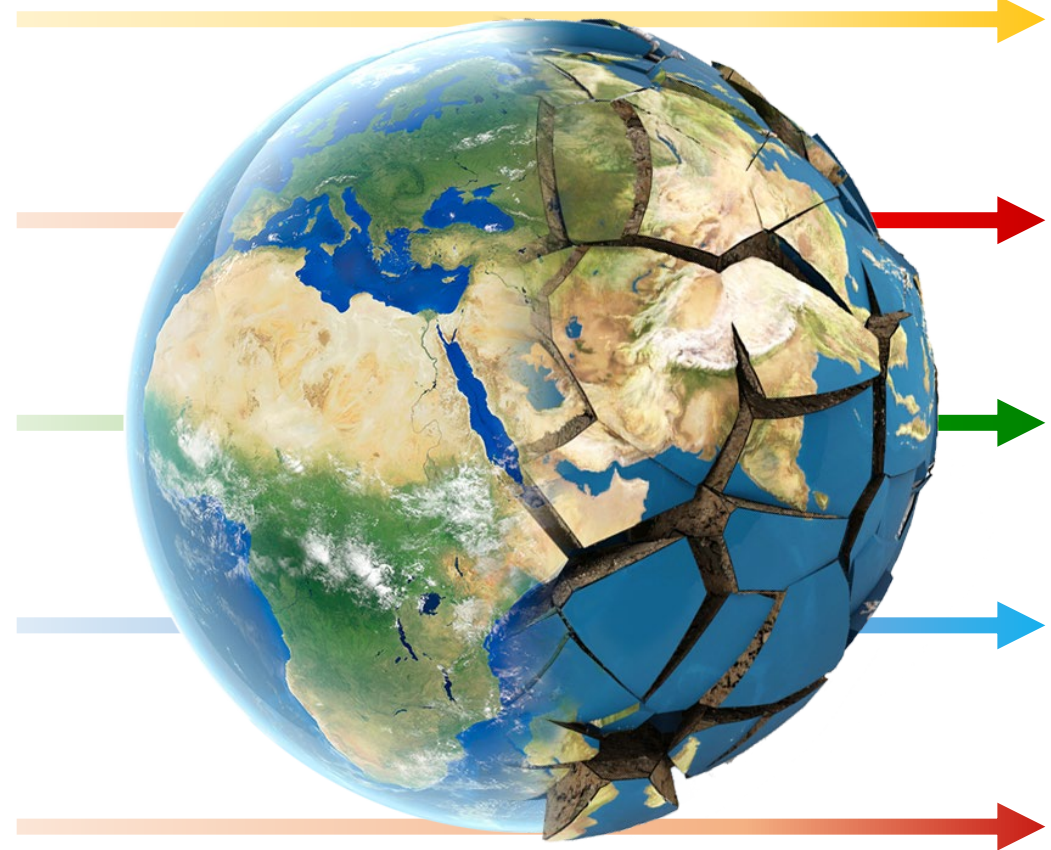
Supply Chain Efficiency

Offshoring

Hands Off Industrial Policy

Information Interconnectivity

Regulatory Harmonization



Supply Chain Resiliency

Onshoring & Friendshoring

Hands On Industrial Policy

Data Protectionism

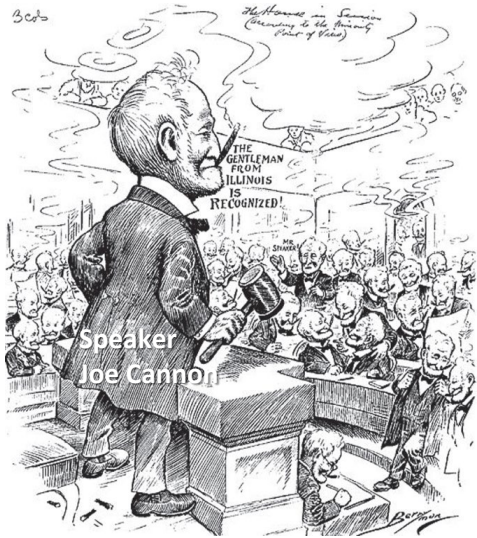
Regulatory Fragmentation

Nationalist Likelihoods

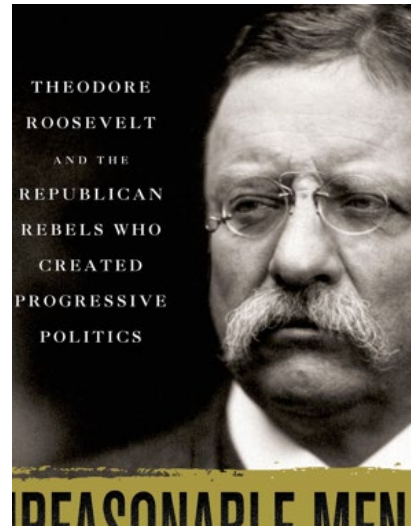


# GOP DISUNITY IS NOT UNPRECEDENTED (NOR EVEN UNUSUAL)

1910



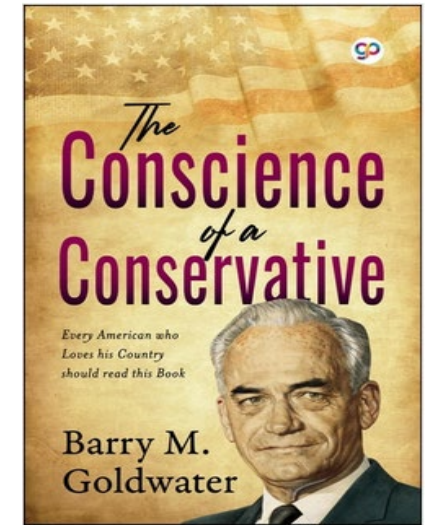
1912



1923



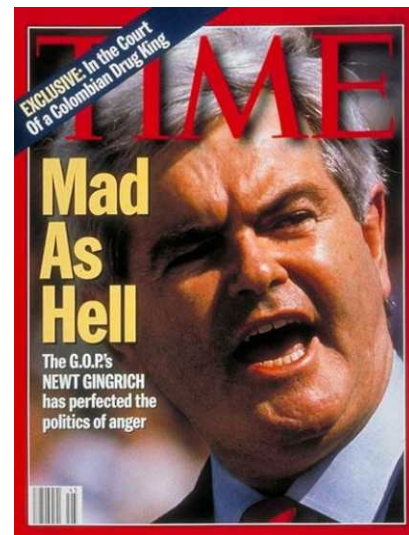
1960



1976



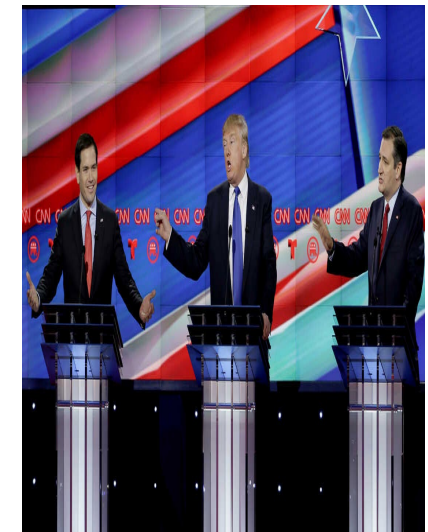
1994



2010



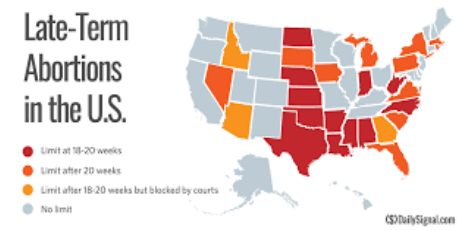
2016



# DEM UNITY MAY BE LESS ABSOLUTE THAN IT SEEMS

## United Against Trump (& Trumpism)

## But on Other 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

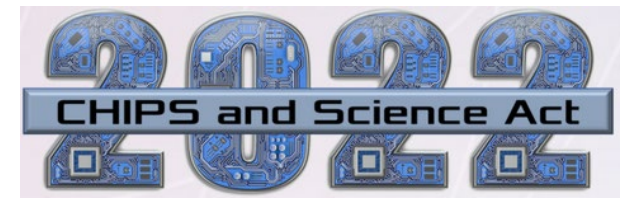
# CHINA CRACKDOWN WILL DRIVE PAIN... AND OPPORTUNITY

## 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



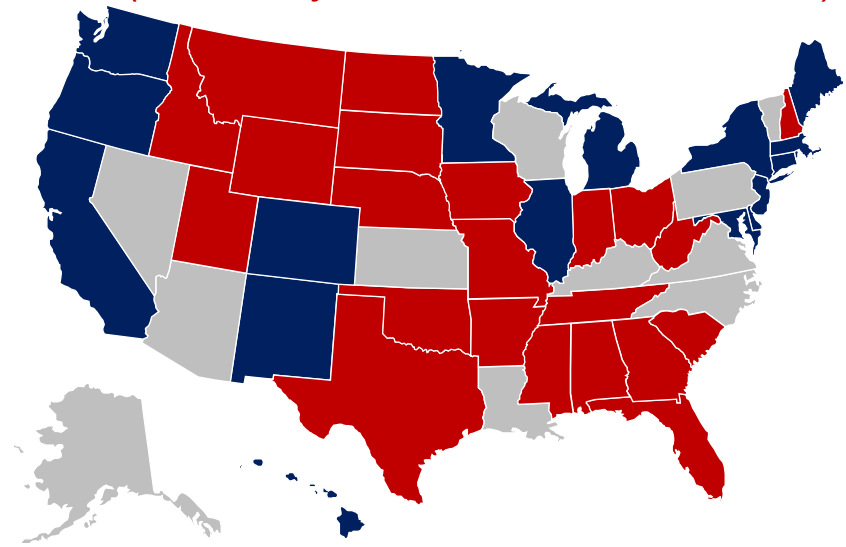
Historically, efforts to run faster catalyzed great things





# 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

## 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**



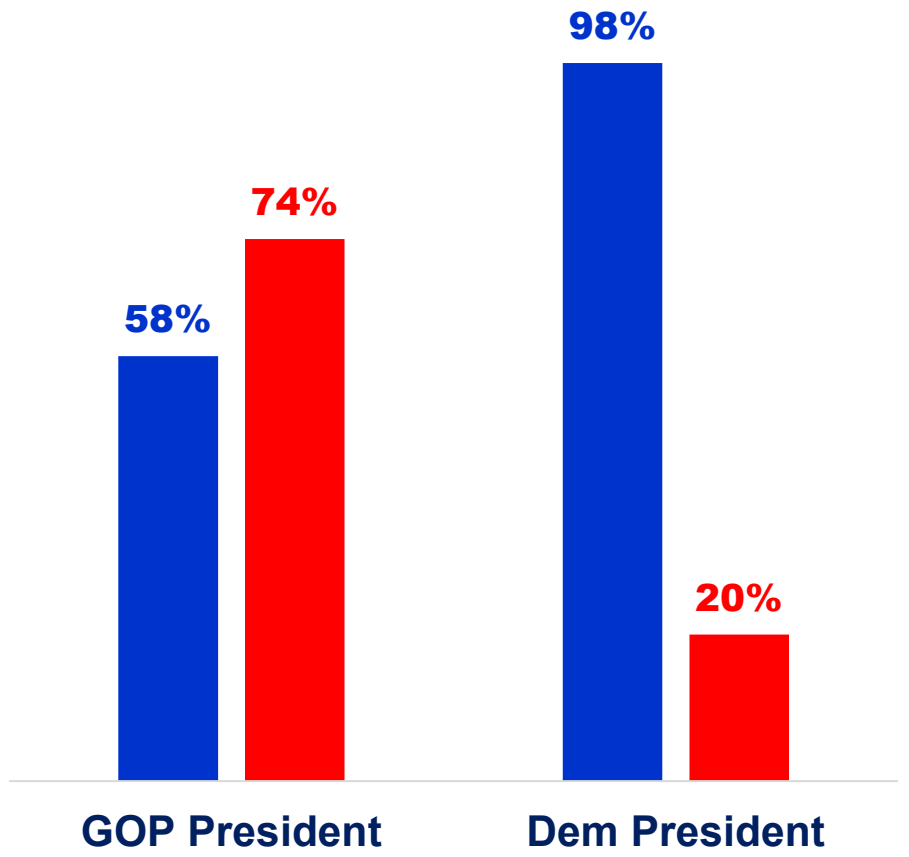
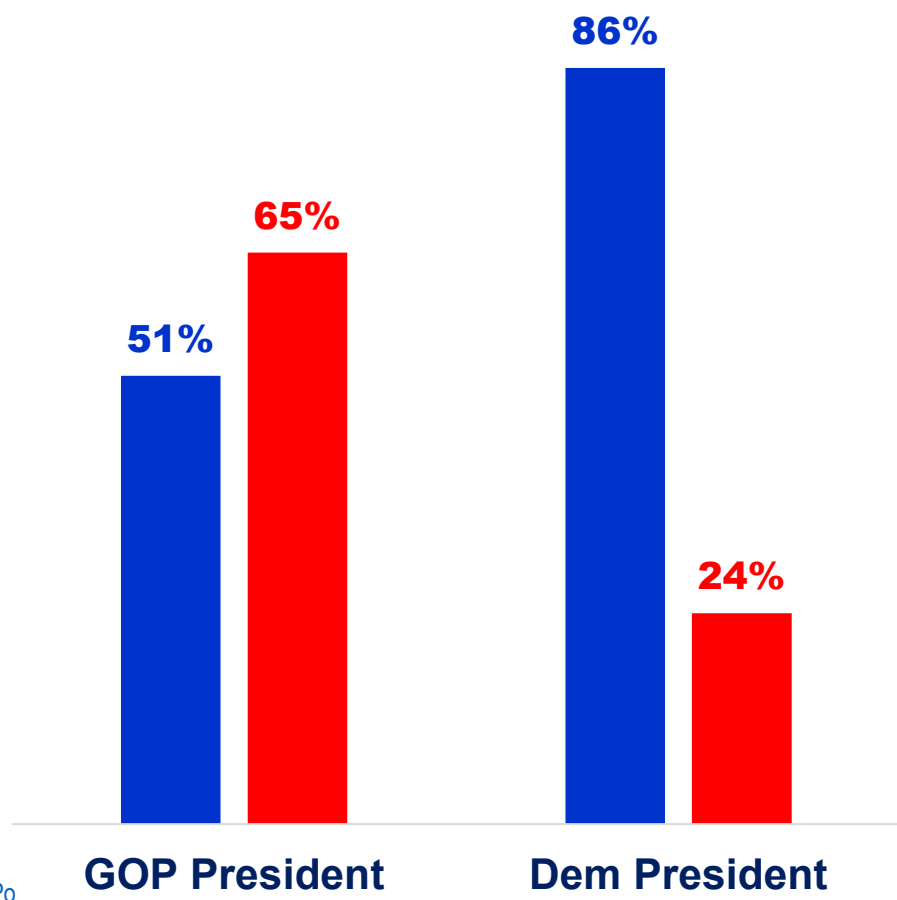
# DEBT CEILING: THIS TIME IS USUALLY NOT DIFFERENT (UNTIL IT IS)

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

**House** Members Voting to Raise / Suspend Debt Ceiling



**Senate** Members Voting to Raise / Suspend Debt Ceiling



- Republicans
- Democrats

# ***WHOM YOU NEED TO WATCH***

## **10 Key Leaders' 2023 Playbooks**

# PRESIDENT BIDEN: "Triangulation Lite"

## Highlight Popular, Bipartisan Leadership

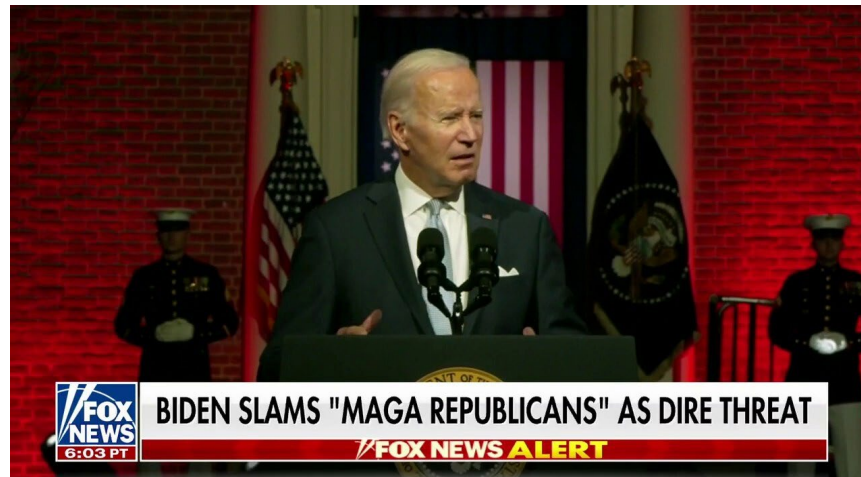


Image Tweeted by @POTUS

## Tack to Center on Key Issue(s)



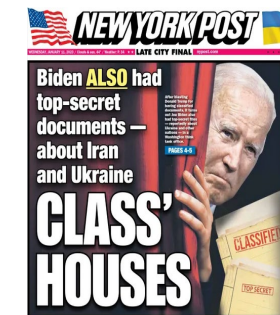
## Set Up "Extremists" Foil



BIDEN SLAMS "MAGA REPUBLICANS" AS DIRE THREAT

FOX NEWS ALERT

## Navigate Oversight & Investigations





# SPEAKER McCARTHY: "Unite the Right"

## Lead on Popular Issue(s)



## Grow the Majority



✓ Recruit Challengers vs. Vulnerable Democrats



✓ Protect Incumbents from tough votes



✓ Raise Money

## Aggressive & Productive Oversight



## Navigate Activist Right Wing

HOUSE FLOOR

LIVE | 3:16 PM ET

★ 118 <sup>TH</sup> UNITED STATES CONGRESS	
HOUSE SPEAKER VOTE	
MCCARTHY	214
JEFFRIES	212
OTHERS	6
PRESENT	0

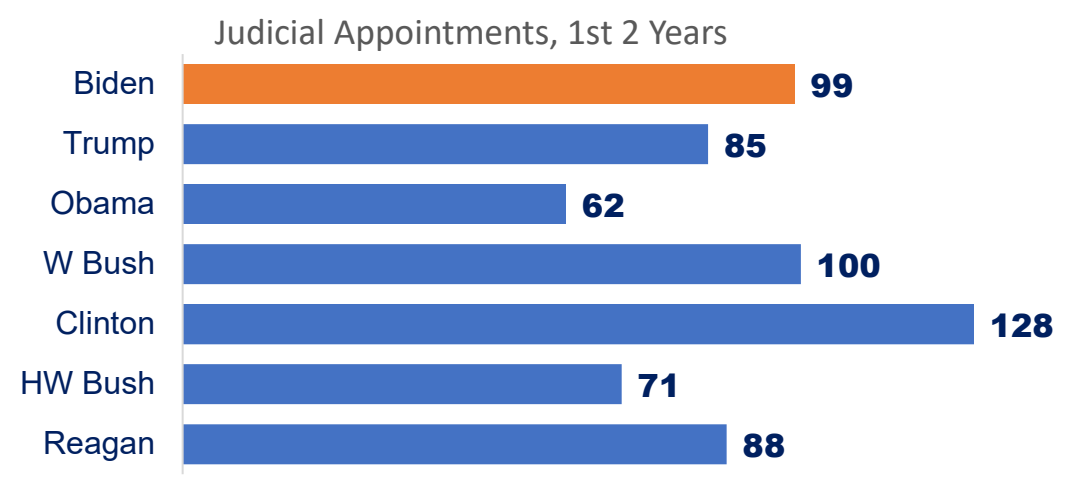
MAJORITY NEEDED TO CONFIRM

▶ SCOTT PERRY (R) | PENNSYLVANIA CONGRESSMAN-ELECT

FREEDOM CAUCUS CHAIR ON CHANGING VOTE TO MCCARTHY

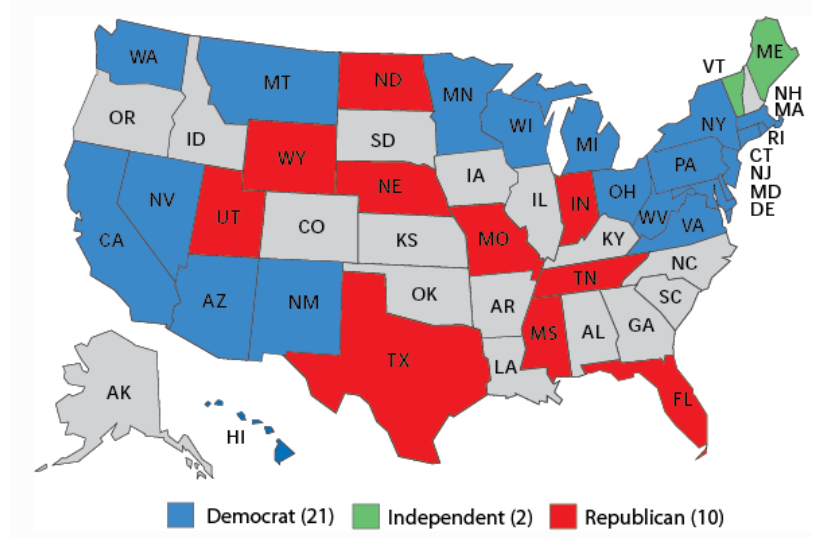
# LEADER SCHUMER: "Protect the Team"

## Advance Biden Nominees



[https://ballotpedia.org/Federal\\_judicial\\_appointments\\_by\\_president](https://ballotpedia.org/Federal_judicial_appointments_by_president)

## Protect Endangered Incumbents



## Aggressive & Productive Oversight



**VOTER REGISTRATION**



**"BIG TECH"**  
G a Apple infinity Microsoft

## Cut Deals that Can Pass the House





# LEADER McCONNELL: "Eyes on the Prize" (Majority in '25)

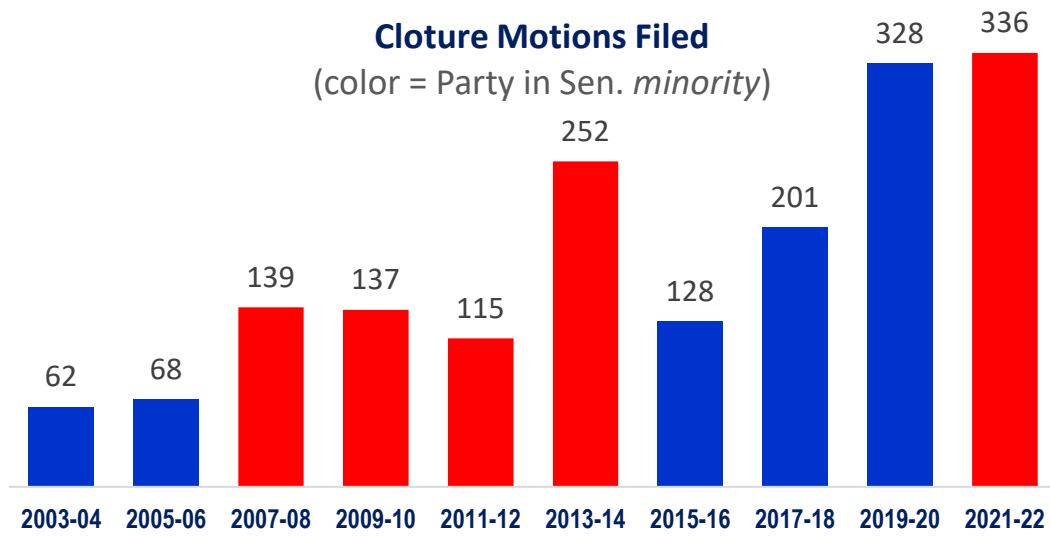
## Defeat Weak Candidates in Primaries



## Cut Deals on Key Issues

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

## Block Objectionable Actions



## Navigate Rising Populist Flank



... in the Senate and House



## Deliver Dem Votes on Biden Deals



## Maintain Unity Under New Leadership



# Members in House Dem caucuses / coalitions

## Recruit Challengers, Raise \$\$



# 18

Republicans in "Biden Seats" (vs. 5 Dems in "Trump seats")

# 5

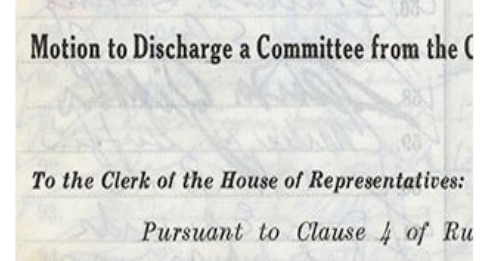
Net Dem pick-ups needed to gain control

## Disrupt House GOP

Leverage "Open" Rules



Force Bills to the Floor



# EXECUTIVE BRANCH & AGENCY HEADS: "Advance the Agenda"

## Implement 2021-22 Laws



**\$1.2T**



**\$280B**



**\$1.22T**

## Accelerate Regulation



## Increase Enforcement



## Defend Actions & Authorities in Court





# FORMER PRESIDENT TRUMP: "Divide & Conquer"

## Stay Visible



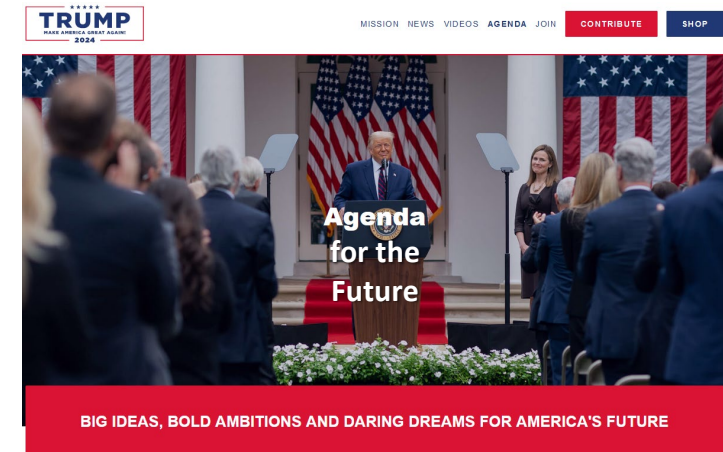
## Stay Relevant



## Attack / Divide GOP Rivals



## Move Past "Stop the Steal"



# OTHER GOP WH WANNABES: "Prove You Can Win"

## Shoot at the Frontrunner



## Differentiate from Trump



## Show Strength, Competence & Fight



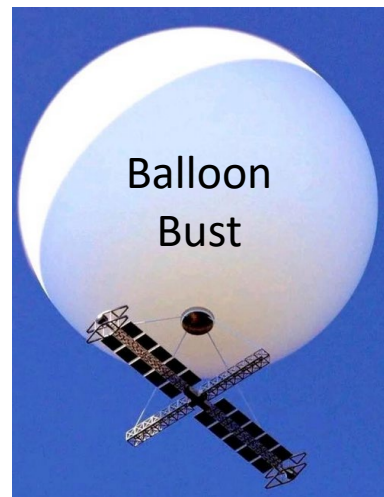
## Build Early State Network & War Chest





# PRESIDENT XI: "Right the Ship"

## Restore Confidence in Leadership



## Reignite Economic Growth & FDI



## Re-Engage World



## Accelerate "Sanctions-Proofing"



# PRESIDENT PUTIN: "Patience, Persistence & Pressure"

## Outlast Ukraine (& West)



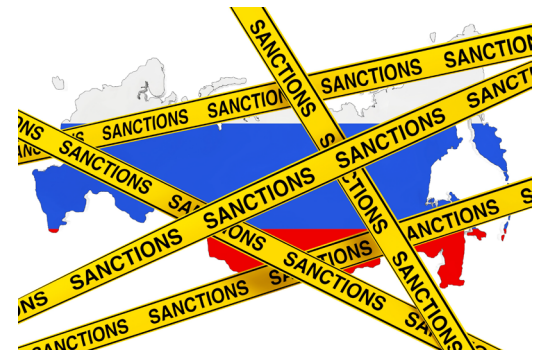
## Bring Asymmetric Fight to NATO



## Keep Allies & Neutrals "On Side"



## Rewire Economy for Long Haul



- Needed:
- New suppliers
  - New customers
  - Alternatives to dollar

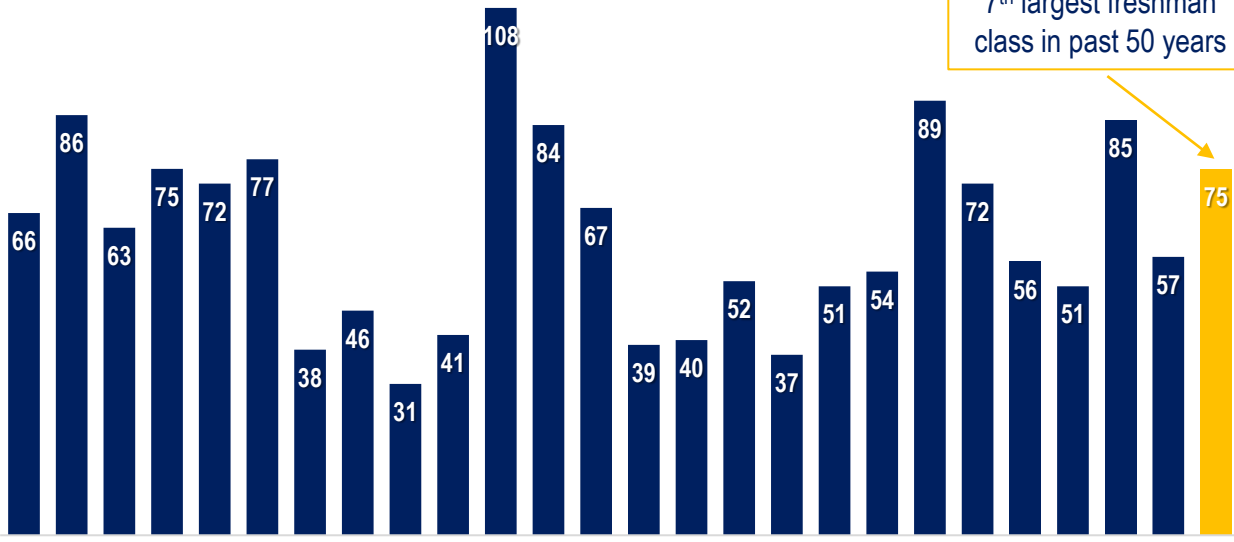


***WHAT YOU NEED TO DO***  
**5 Recommendations for Leaders**

# GET TO KNOW NEW POLICY MAKERS BEFORE YOU NEED THEM

## New Members

7<sup>th</sup> largest freshman class in past 50 years



Size of Freshman Classes in the House of Representatives, 1973-2023

## 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

UNITED STATES HOUSE COMMITTEE ON **WAYS & MEANS**  
CHAIRMAN JASON SMITH



SEN. PATTY MURRAY  
**Appropriations**



House Select Subcommittee on Weaponization of the Federal Government

## New Biden Players



WH Chief of Staff



NEC Director



Labor Sec'y

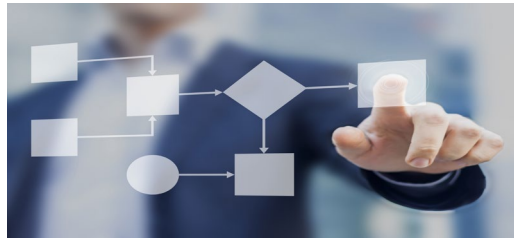
# HAVE A PLAN FOR STAKEHOLDER ENGAGEMENT: 4 RULES

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



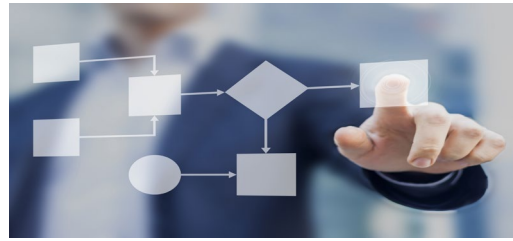
### Recognize it's a Team Sport

*"There's safety in numbers & wisdom in crowds"*



### Build Replicable Processes

*"Only fools rush in"*



### Communicate Openly & Consistently

*"Less virtue-signaling, more authenticity"*



### Prioritize Actions Over Words

*"Well-done is better than well-said."*

Internally

- ✓ Convene consistent team of diverse senior advisors & engage CEO

- ✓ Practice... scenario plan to build muscle memory & consistent framework; track potential risks

- ✓ Speak to employees rather than for them... Listening is the key to trust

- ✓ Prove you care by what you do (eg volunteering PTO; charity matching; benefits; CSR \$)

Externally

- ✓ Coordinate closely with sectoral & local allies

- ✓ Hear-out both sides, read the bills & check facts (don't take others' word for it)

- ✓ Justify actions in business (not moral) terms... align words & deeds with stated values & be consistent

- ✓ 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



## Economy



## Geopolitics



## Culture

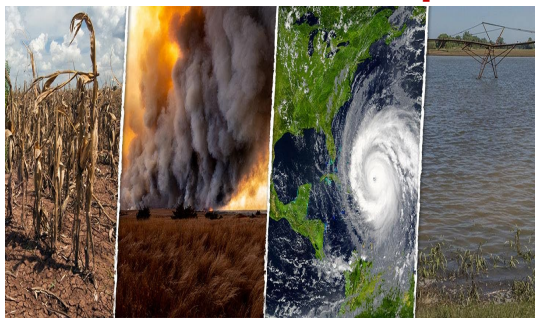


# HAVE BACKUP PLANS FOR FORSEEABLE CALAMITIES (KNOWN UNKNOWNs)

## Domestic Terrorism



## Climate Catastrophe



## Disease Outbreak



## Rogue Provocations



## Border Crisis



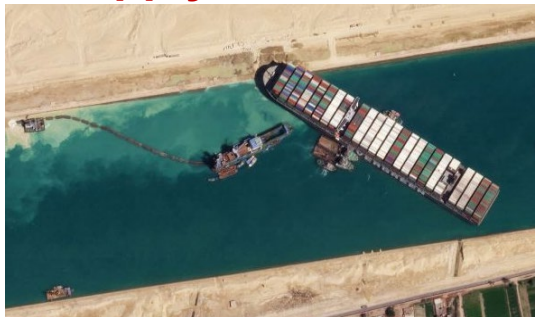
## System Crash



## War



## Supply Chain Fail



## Infrastructure Hack



**EMAIL TO RECEIVE FUTURE REPORTS: [bruce@mc-dc.com](mailto:bruce@mc-dc.com)**

Or find them on LinkedIn: <https://www.linkedin.com/in/bruce-mehlman-51239136/>



**OTHER RECENT ANALYSES:**

<https://mehlmanconsulting.com/infographics/>