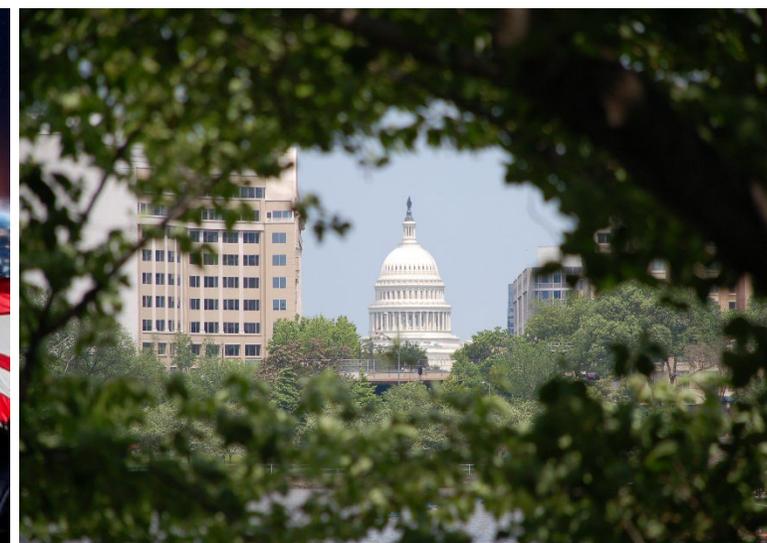




Possibilities & Probabilities



A Dozen Questions for the Next Thirteen Months

Possibilities & Probabilities



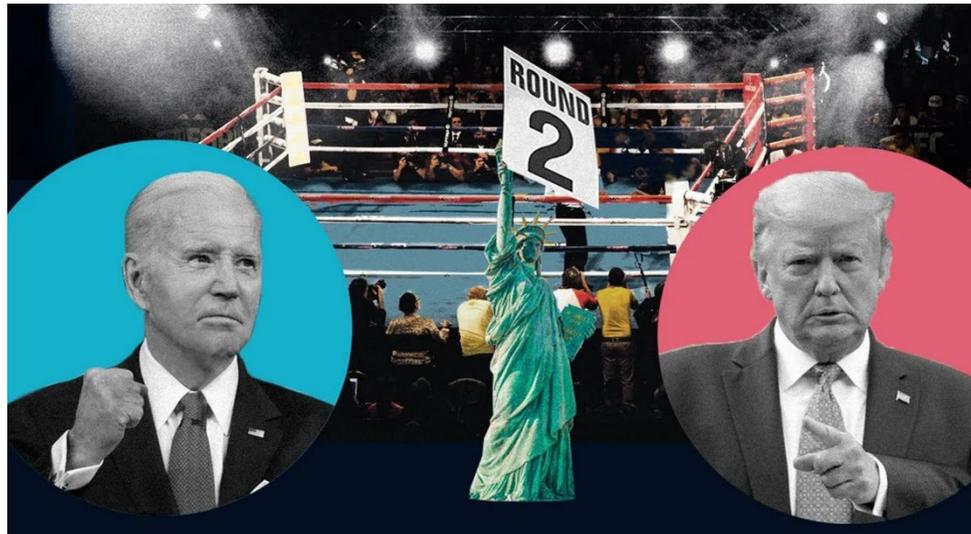
1. The Presidential Election
2. The Parties
3. The Campaign
4. Senate Elections
5. House Elections
6. Trust & Crises

7. The Economy
8. The 118th Congress
9. AI Regulation
10. U.S.-China Relations
11. Culture Wars & ESG
12. Recommendations for Leaders



#1: The Presidential Election

Will 2024 be a rematch?



THERE ARE ALTERNATIVES & EXIT RAMPS

Both parties have viable alternatives

DEMOCRATS



REPUBLICANS



Theoretical scenarios under which Biden / Trump could exit

Health incident

**I'VE FALLEN AND I
CANT GET UP!**



Family crisis



Establishment bails

WASHINGTON POST

Opinion | President Biden should not run again in 2024

NEW YORK TIMES

2024's Field of Nightmares

Opposition consolidates



Found Guilty



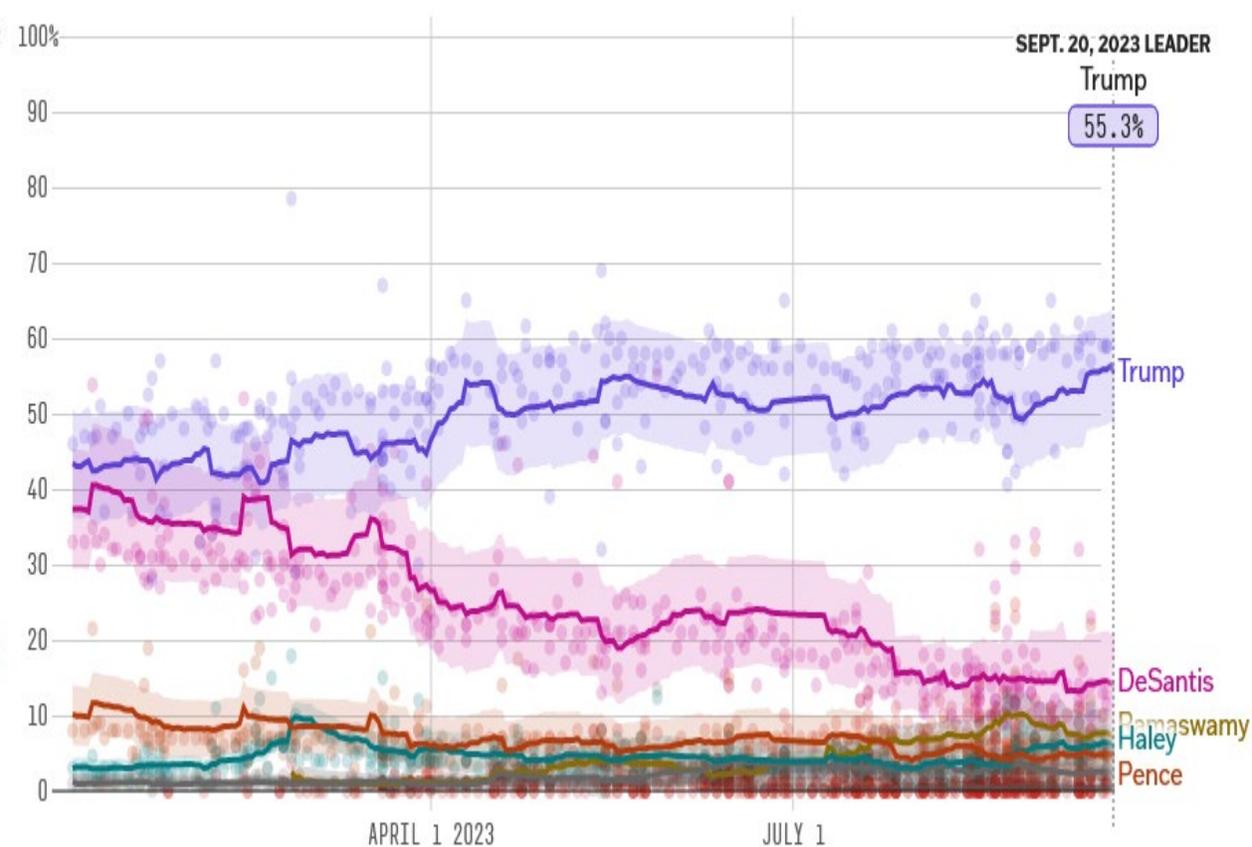
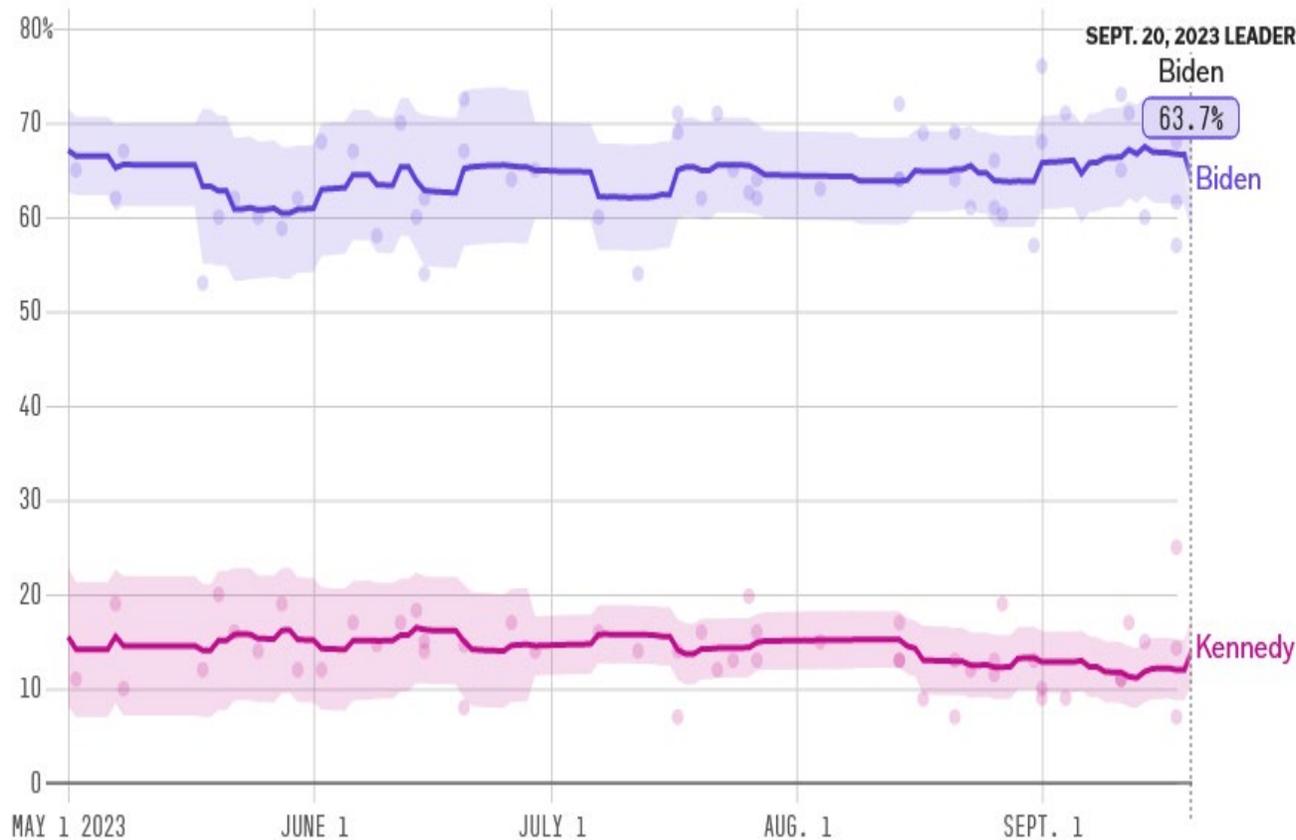
Health incident

**I'VE FALLEN AND I
CANT GET UP!**



EXPECT BIDEN vs TRUMP, ROUND TWO

Biden has no real opposition. Trump is crushing his.



#2: The Parties

Why the least anticipated sequel since...



MEHLMAN
CONSULTING

MAYBE BOTH PARTIES ARE TRYING TO LOSE?

39%*



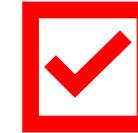
Very Unpopular Nominee



39%*



Very Questionable Future



CHICAGO
DNC 2024



Highlight Weakest Issues



ABORTION**

Pro-Choice: 69%

Pro-Life: 31%

Brings focus on Crime; Parents vs Teachers Unions; Refugee crisis

** "Should be legal in first 3 months" ([Gallup](#))

* "Favorability" ([WSJ poll](#), Aug. 24-30, 2023)

D'S FOLLOW LEADERS TO BIDEN. R'S FOLLOW BASE TO TRUMP

Dems led by Party Establishment. GOP follows Party's Base.



Establishment		
Base		

Establishment focuses on electability, falling in line.

- ✓ Dem establishment fears outcome of a contested primary, prefer sticking with proven team.
- ✓ GOP establishment fears Trump weakness with moderates will lead to defeat as in 2018, 2020, 2022.

Base focuses on relatability, falling in love.

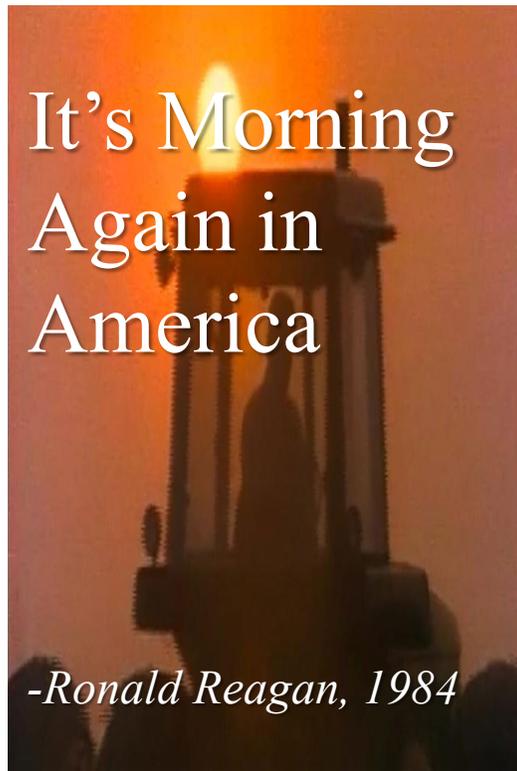
- ✓ Dem base sees Biden too old, too Washington & too willing to compromise on progressive goals.
- ✓ GOP base sees Trump leading a needed holy war vs a corrupt establishment.

#3: The Campaign (Tone & Tenor)

*Might this year's election inspire,
rally & heal a divided nation?*



APPEALS TO HOPE & OPTIMISM HAVE WORKED BEFORE



EXPECT THE MOST NEGATIVE CAMPAIGN IN AMERICAN HISTORY



Referend-Whom?

*Trump wins a referendum on Biden.
Biden wins a referendum on Trump.*



55%



55%



OUR POLITICS ARE OPTIMIZED FOR OUTRAGE

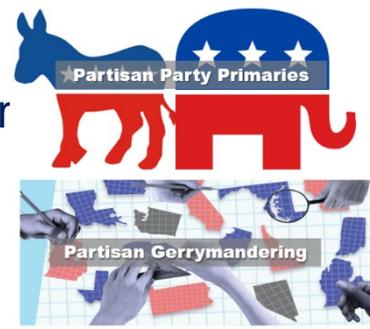
You Get What You Optimize For

Optimized for Craving



OBESITY

Optimized for Partisan Advantage



HYPER-PARTISANSHIP

Optimized for Engagement



FOMO

Optimized for Viewing



HIGHLY SPUN ANGERTAINMENT

Optimized for Compulsion



ADDICTION

Optimized for Giving



APOCALYPTIC MESSAGING

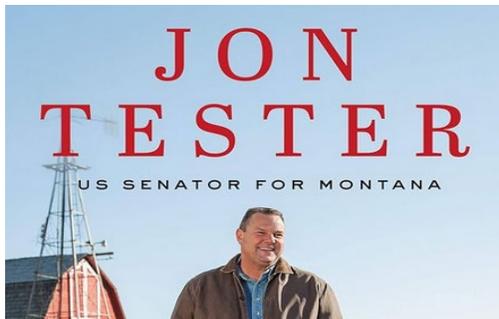
#4: 2024 Senate Elections

Can the Democrats hold the Senate?

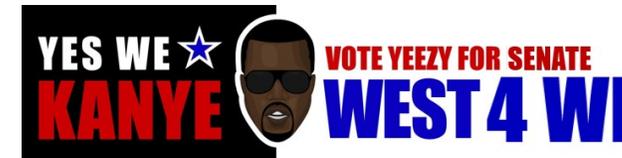


DEMS KNOW HOW TO SURVIVE TOUGH SENATE CYCLES

Dems Run Tested & Trusted Incumbents



GOP Nominates Weak Candidates



Dems Defending Tough States

Senate '24 Battleground States & the 2020 Presidential Election

Democrats Defending

WV (Trump +39%)

MT (Trump +16%)

OH (Trump +8%)

AZ* (Biden +0.3%)

WI (Biden +0.6%)

PA (Biden +1.2%)

NV (Biden +2.4%)

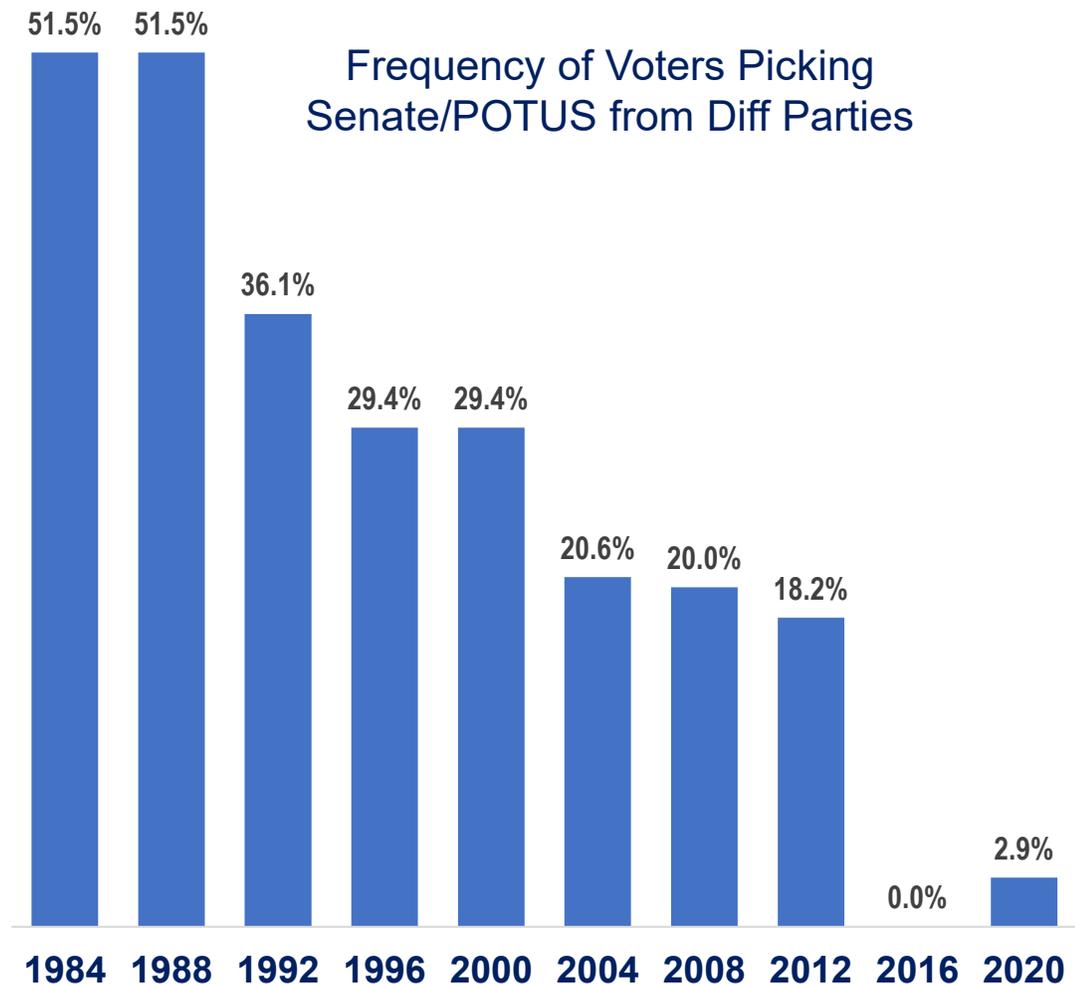
MI (Biden +2.8%)

Republicans Defending

FL (Trump +3.4%)

TX (Trump +5.6%)

Ticket-Splitting Is (Mostly) Dead



* Dem vote may split in AZ between Dem & Independent Sinema

#5: 2024 House Elections

Can the GOP hold the House?



IF HISTORY HOLDS, GOP HOLDS HOUSE

Majority party held House in every Presidential year since 1952

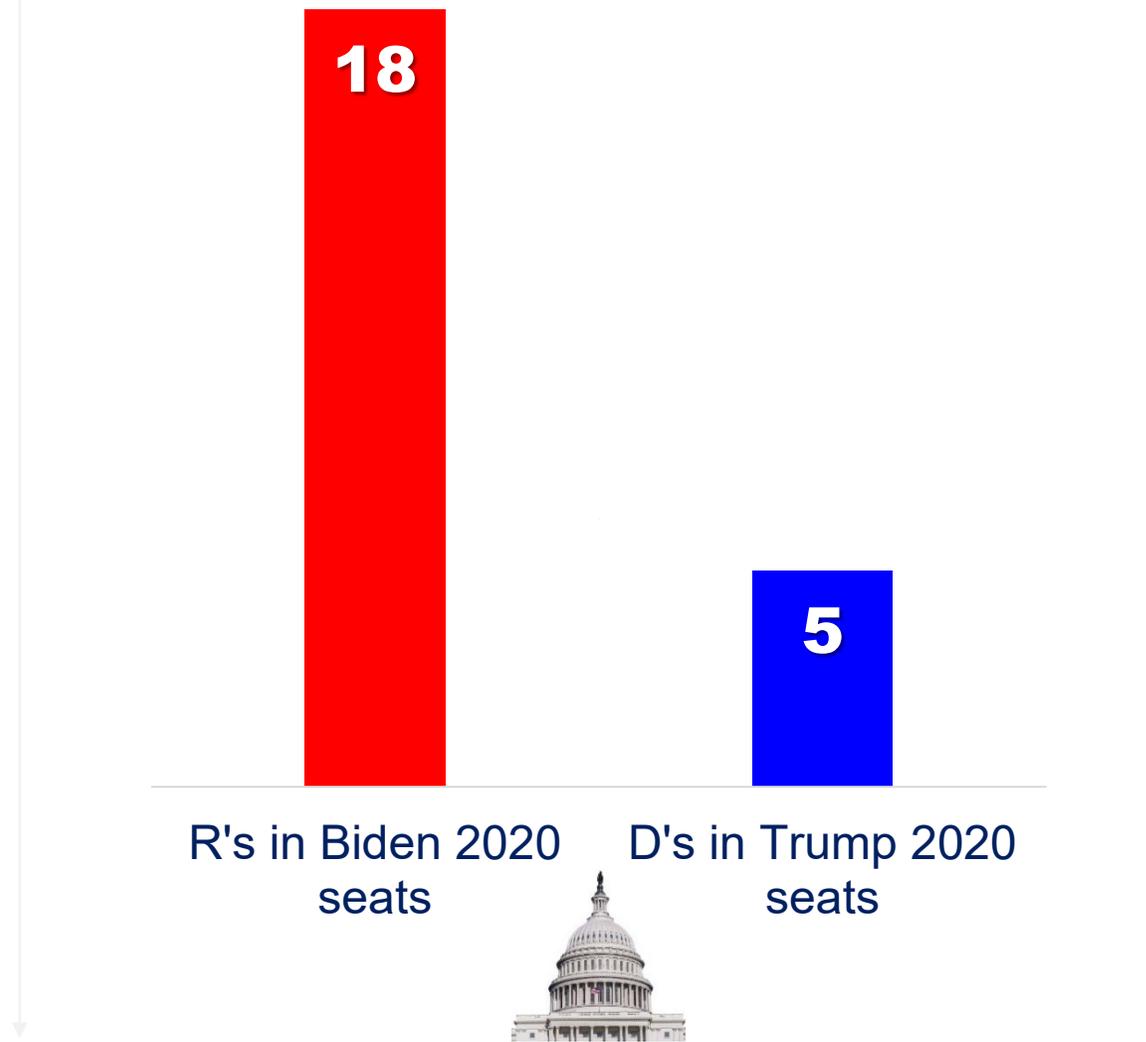
Year	Control Before	Control After	Outcome
2020	Democrat	Democrat	HOLD
2016	Republican	Republican	HOLD
2012	Republican	Republican	HOLD
2008	Democrat	Democrat	HOLD
2004	Republican	Republican	HOLD
2000	Republican	Republican	HOLD
1996	Republican	Republican	HOLD
1992	Democrat	Democrat	HOLD
1988	Democrat	Democrat	HOLD
1984	Democrat	Democrat	HOLD
1980	Democrat	Democrat	HOLD
1976	Democrat	Democrat	HOLD
1972	Democrat	Democrat	HOLD
1968	Democrat	Democrat	HOLD
1964	Democrat	Democrat	HOLD
1960	Democrat	Democrat	HOLD
1956	Democrat	Democrat	HOLD
1952	Democrat	Republican	FLIP
1948	Republican	Democrat	FLIP

CURRENT HOUSE OUTLOOK: TOO CLOSE TO CALL

Advantage Dems



Best Pick-up Opportunities

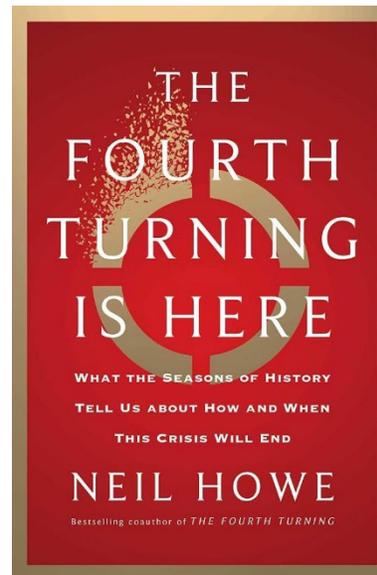


Advantage GOP



#6: TRUST & CRISES

Will 2024 accelerate healing or division?

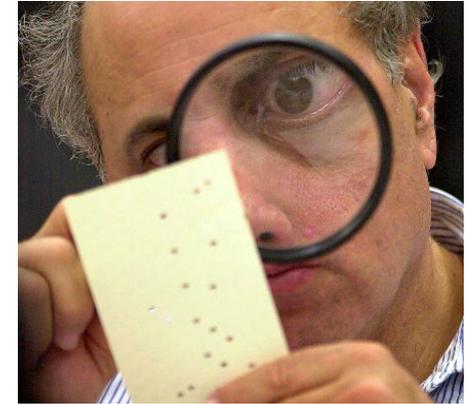


ZERO TRUST ELECTION: A LOT COULD GO WRONG

Don't Believe What You See



Recounts / Lawsuits likely



Risks of Violence, Interference

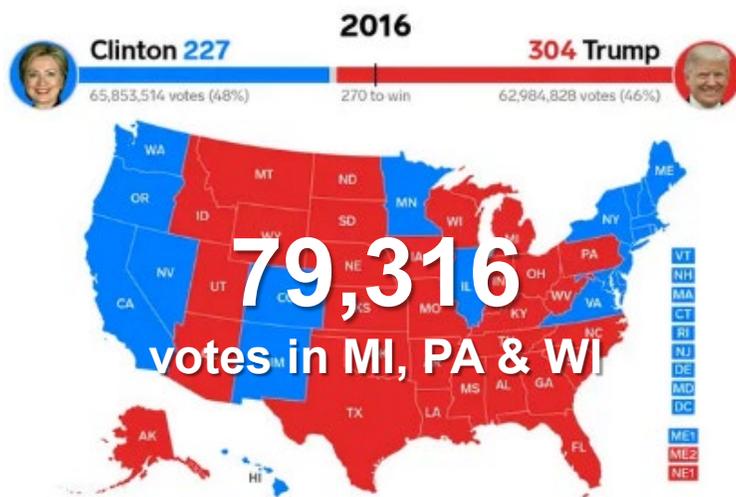


No Trusted Referees

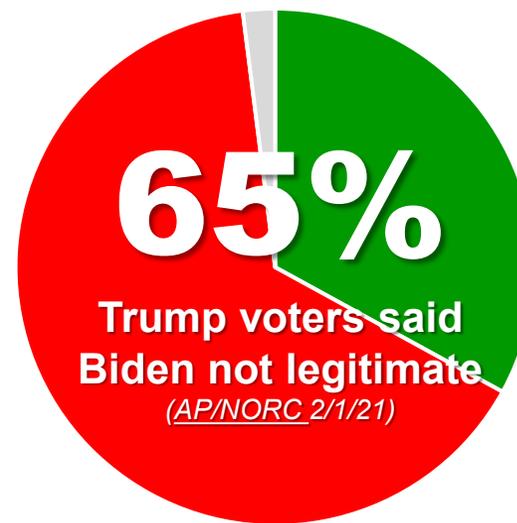
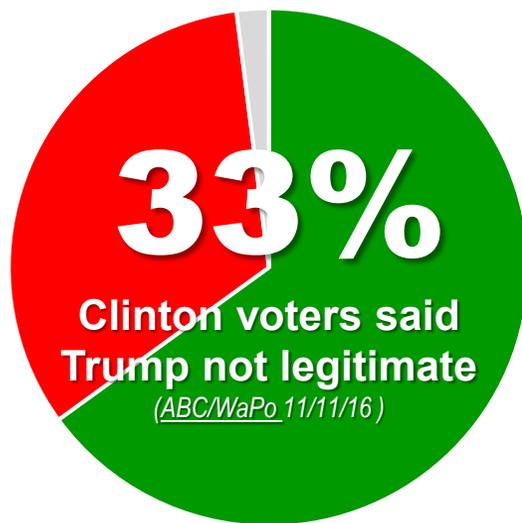


2024 WILL TEST OUR DEMOCRACY'S RESILIENCE... AGAIN

It will be very close, again



Half the nation may reject the outcome



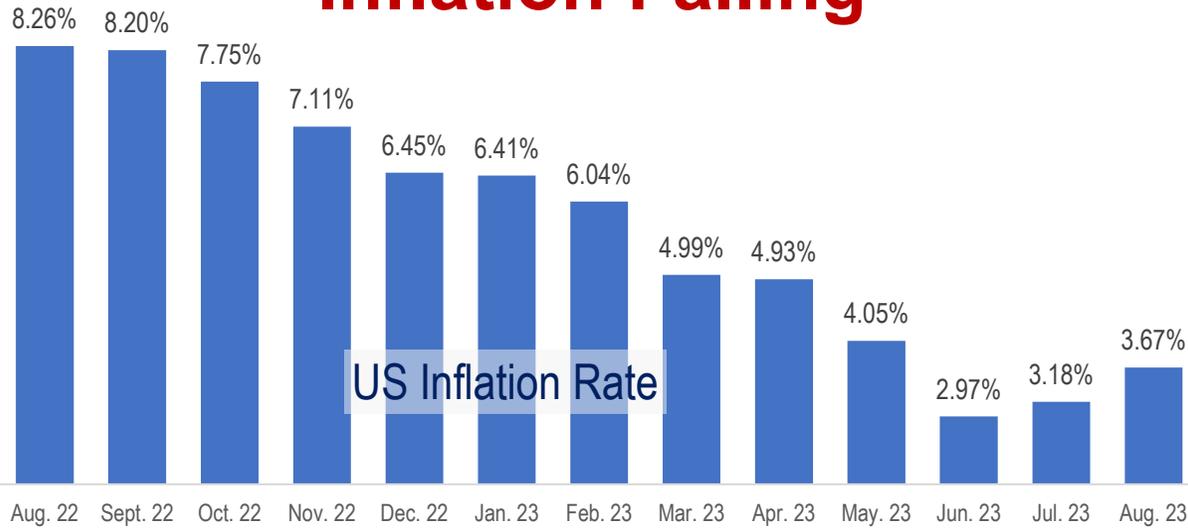
#7: The Economy

Is “Bidenomics” a winning hand?

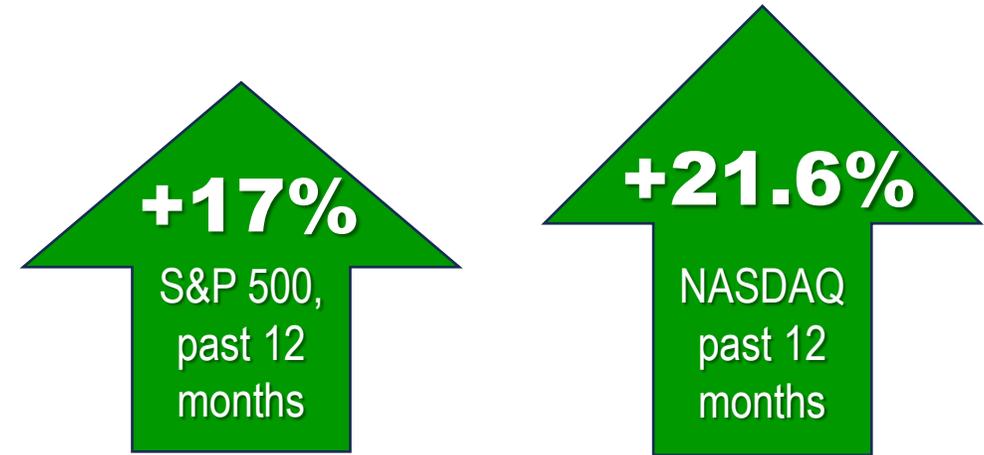


“BIDENOMICS”: IF THIS AIN’T A SOFT LANDING, WHAT IS?

Inflation Falling



Markets Rising



Robust Job Growth

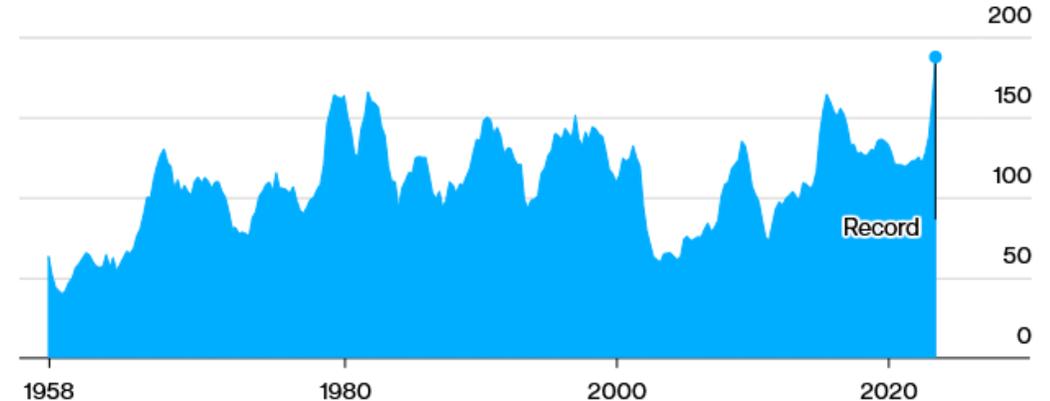


Record Factory-Building

Investment in US Manufacturing Hits Record High

Spending on structures such as factories has surged this year

■ Real private fixed investment in manufacturing (2012 = 100)

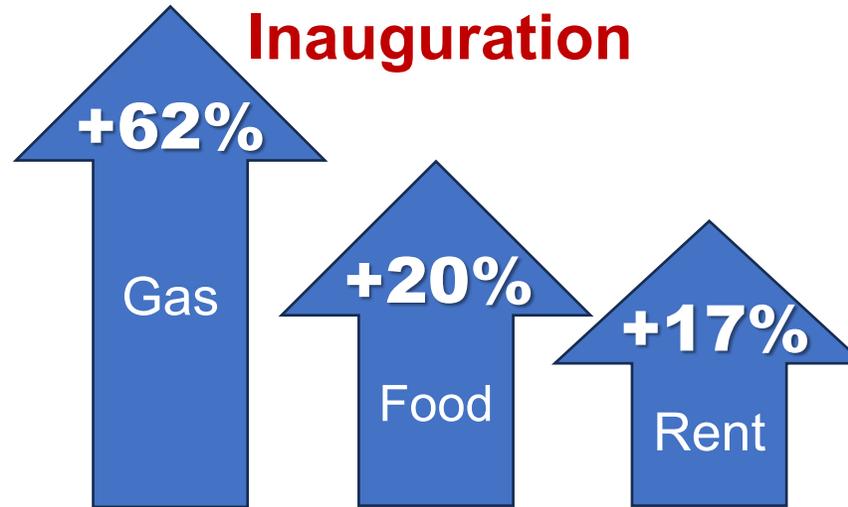


VOTERS UNHAPPY WITH ECONOMIC TRENDS, INFLATION

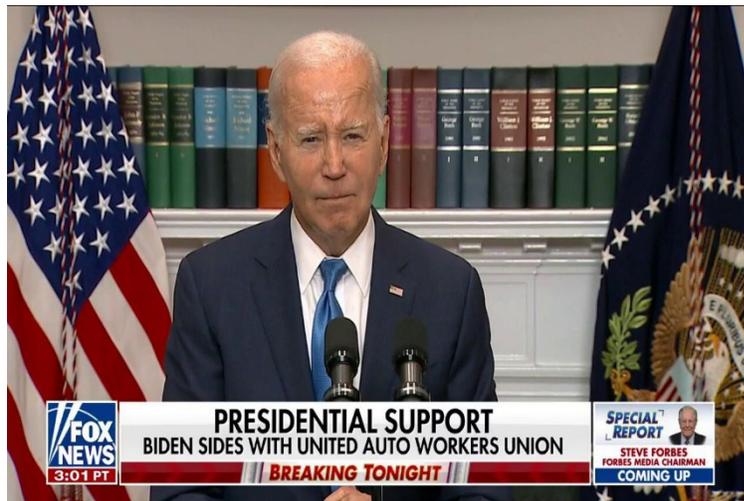
Mortgage rates up 160% since 1/21, highest in 20+ years



Prices since Biden Inauguration

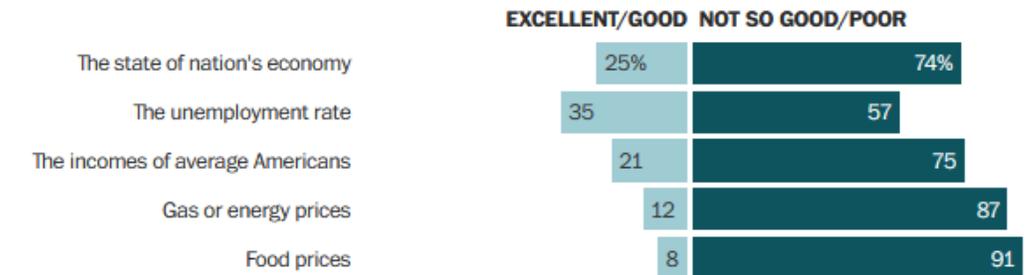


National debt up 18.5%, over \$5.2T, since 1/21



Americans hold negative views of several aspects of the U.S. economy

Q: Would you describe _____ these days as excellent, good, not so good or poor?



Note: "No opinion" not shown.

Source: Source: Sept. 15-20, 2023, Washington Post-ABC News poll of 1,006 U.S. adults with an error margin of +/- 3.5 percentage points

THE WASHINGTON POST

#8: The 118th Congress

What might get done?



BIPARTISAN PRODUCTIVITY COULD PERSIST

Accomplishments of the 117th Congress Give Hope

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 REFORM: PSRA	79-19
225-201	DEMOCRACY: Electoral Count Reform	68-29
243-187	CHINA: Chips & Science Act	64-33
258-169	FREEDOM: Respect for Marriage Act	61-36

118th CONGRESS WILL DO WHAT IT MUST

Must Do



Likely



Might Do



* We know how this ends: While there may be a government shutdown, government will get funded via bipartisan legislation.

#9: ARTIFICIAL INTELLIGENCE

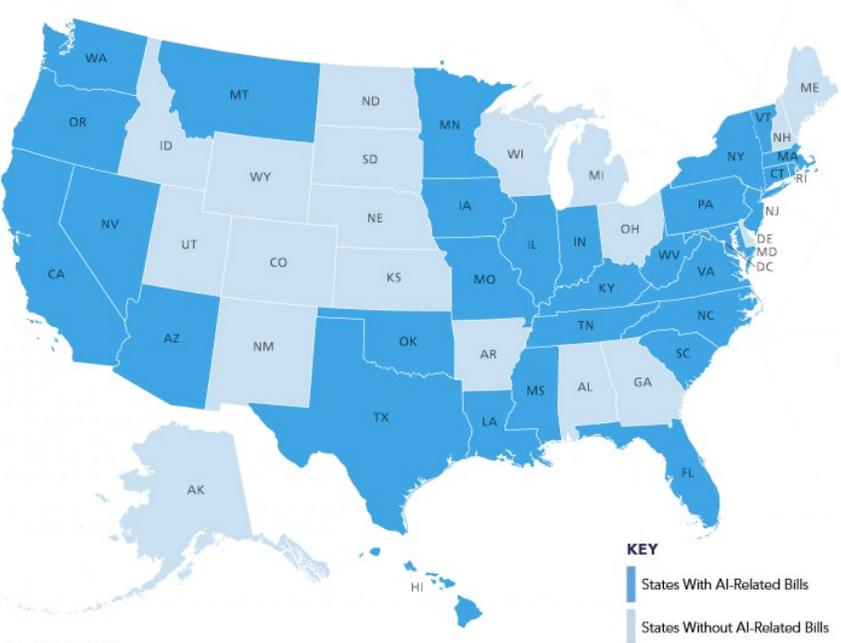
Are AI regulations coming?



INTEREST IN REGULATING AI KEEPS RISING

U.S. States

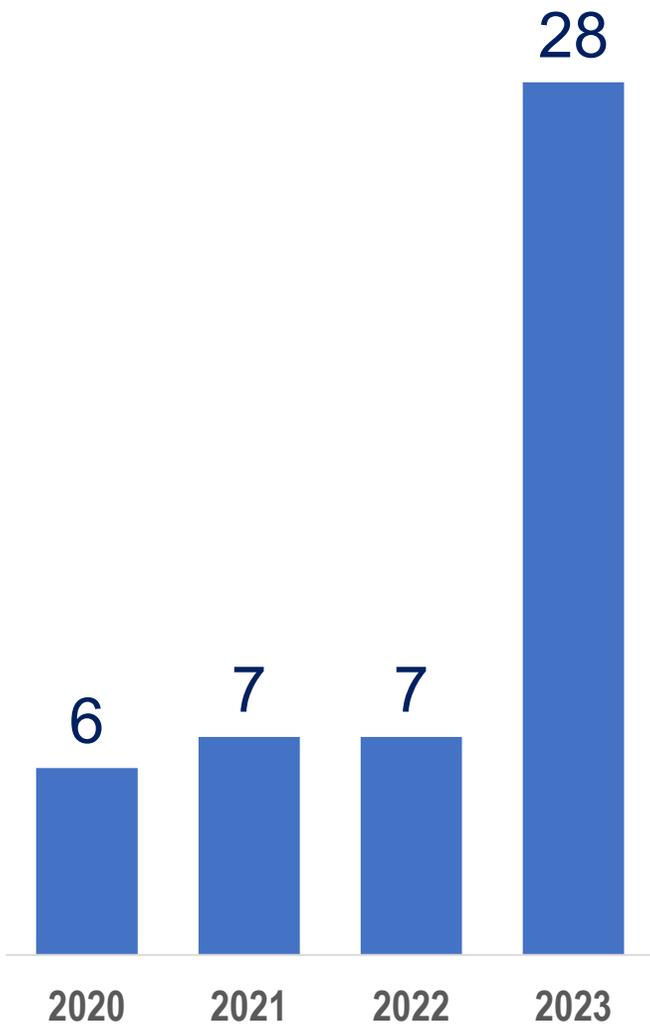
2023 AI STATE LEGISLATION



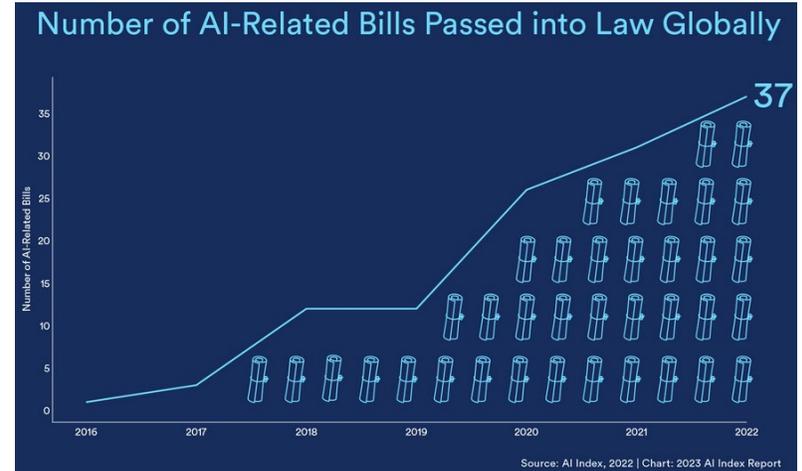
❖ State legislators introduced 191 AI-related bills so far in 2023 & 14 became law.

U.S. Congress

U.S. Congressional Hearings on AI



Globally



- ❖ Since 2016, countries have passed 123 AI-related bills, most in recent years.
- ❖ In 2022 legislative bodies in 127 countries passed 37 laws that included words “artificial intelligence.”

AI REGULATION LIKELY MIRRORS INTERNET REGULATION

Internet Regulation Has Been Slow, Regional & Inconsistent



GOAL	PROTECT	EMPOWER	CONTROL
APPROACH	Heavy Regulation <i>(eg GDPR, DMA)</i>	Light Regulation <i>(left to states, voluntary or industry self-regulation)</i>	State Dictates <i>(eg Great Firewall)</i>
ECONOMIC IMPACT	Older Industries Protected <i>(fewer startups)</i>	Disruptors Dominate <i>(consumers / competitors less protected)</i>	Nat'l Champions Dominate <i>(limited global reach, innovators threaten Party)</i>
SOCIETAL IMPACT	Less Tech Diffusion <i>(less innovation, less change, less disruption)</i>	New Voices Elevated <i>(both hope & hate)</i>	Less Freedom <i>(social credit scores; surveillance state)</i>

#10: U.S.-CHINA

What happens next?



Dial Back*



(with Chinese characteristics)

- Economic reforms to reinvigorate growth
- Political reforms to enable entrepreneurs
- Rapprochement with West via reduced military posturing & greater collaboration (*climate, AI, Ukraine*)

* This path is VERY unlikely under Pres. Xi

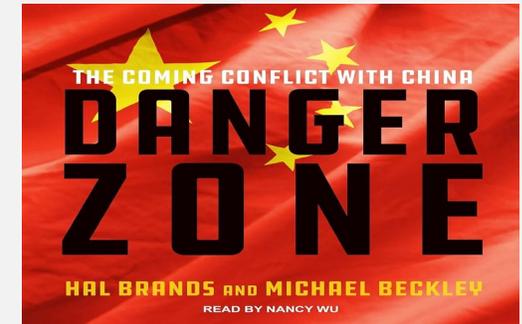


How will China respond to significant economic & geopolitical headwinds?

CHINA'S CHALLENGES, 2023

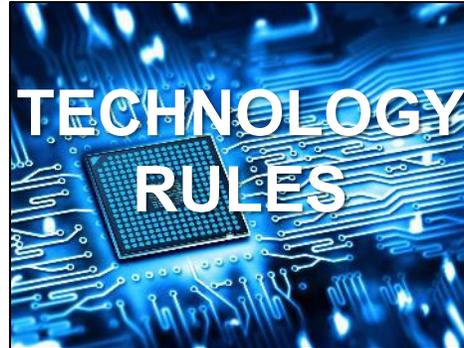
- Burst property bubble
- High youth unemployment
- Slowing economic growth
- Sanctions restricting tech access
- Declining foreign investment
- Leadership disruption (arrests)
- Demographic decline (aging)
- Rising debt, especially provinces
- Growing containment risk

Double Down

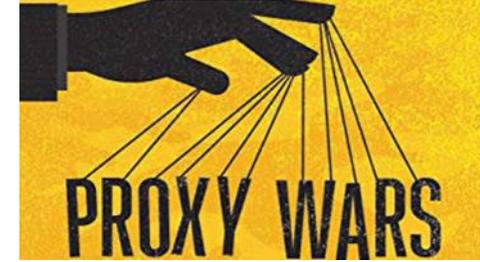
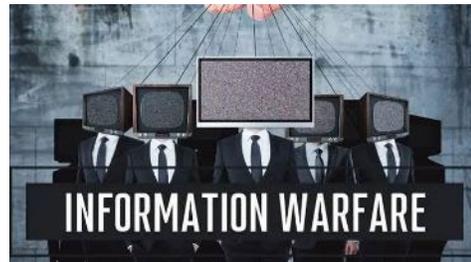


- Accelerate sanction-proofing tech, finance, energy, food
- Tighter alliances with U.S. enemies & global South
- Retaliate against Western firms & supply chains
- Undermine Western allies, elections & social cohesion

Battlefields of the New Cold War



Weapons & Tactics



#11: Culture Wars & ESG

Are we past “peak woke”?



CULTURE WARRIORS HAVE REASON TO BE MORE CAUTIOUS

Democrats

(Political risks with independents)



Businesses

(Brand risks with consumers)



Republicans

(Backlash to the Backlash)



GOP primary voters prefer candidates who:

- 24%:** focus on defeating radical "woke" ideology
- 65%:** focus on restoring law & order in streets & border
- 38%:** fight corporations that promote "woke" left ideology
- 52%:** keep government out of deciding what corporations can support

#12: Recommendations for Leaders

How to navigate division & disruption?

UNDERSTAND TRENDS & EVOLVE STRATEGIES

Playbooks that worked for the past two decades may not succeed in the future



NEW ECONOMICS:

New rules emerging for a new era, less free market, more government-led



NEW GEOPOLITICS:

New alliances, new priorities & new 'commanding heights' in a newly-multipolar world



NEW POPULISM:

Political risks historically-high, Big Business is politically homeless

No “Alignment” Longer than Two Years in Past Decade

	2013-2014	2015-2016	2017-2018	2019-2020	2021-2022	2023-2024
POTUS						
SENATE						
HOUSE						
Change Election 2 years later?	YES	YES	YES	YES	YES	???

Average Duration of Control

	House	Senate
20 th Century	11.1 yrs	9.0 yrs
21 st Century	5.5 yrs	4.5 yrs

Source: author's calculations

MIND THE MACRO TRENDS: THEY'RE BIGGER THAN ELECTION CYCLES

Energy Transition coming



New World Order emerging



Disruptive innovation accelerating



Nation aging, diversifying



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