TRUST FALL

Politics & Policy: 2023 Take-Aways & 2024 Look-Aheads
Rarely has trust been in greater demand and shorter supply.

A majority of the world goes to the polls in 2024 amidst ongoing trade wars, a growing Cold War and two active shooting wars. **Perceived disorder drives voter discontent.** Nationalists & Populists campaign on skepticism of free trade, embrace of industrial policy, rejection of global elites & vilification of domestic foes.

America is careening towards a Presidential rematch that 2/3rds of voters don't want. A third close election in a row may trigger claims of fraud, but unlike 2016 & 2020, there are no trusted referees to adjudicate. Republicans don’t trust the FBI or mainstream media, Democrats the Supreme Court or Fox. Emerging technologies could supercharge misinformation campaigns & multiply conspiracy theories.

After a highly-productive 2021-22, the U.S. Congress hit dysfunctional new lows in 2023. Facing a big agenda immediately upon return, leaders will struggle to go beyond "must do" legislation to address important issues lacking deadlines: eg foreign aid, the border crisis, AI, taxes, deficits. But 2024’s work will set up 2025’s battles.

While Parties bicker in Washington, 40 states are now led entirely by one party. Look for competing state approaches to regulating tech, health care, energy, education & civil rights, pressuring Congress. **Partisans & courts will continue provoking culture warriors**, but fewer businesses will take the bait & engage in 2024.

Luck will favor the prepared. Buckle up.
2023: Ten Take-Aways

1. Failures Undermined Confidence in Leaders
2. Persistent Problems Worsened
3. Perceived Disorder Drove Discontent
4. Trust in Institutions Fell Further
5. Legislative Productivity Cratered
6. Trump Surged Ahead
7. Economy: Soft Landing, Hard Feelings
8. Hypocrisy Broke “Woke”
10. Don’t Trust the Pessimists Either

2024: Ten Look-Aheads

1. Intense Sprint to Start the Year
2. Biggest Election Year in Human History
3. You Can’t Spell CampAIgn without AI
4. Political Spending Will Crush Records
5. Campaigns Will Play on Anger, Fear & Mistrust
6. Unpopularity Contest Invites 3rd Party Spoilers
7. State Policy Patchwork Quilt Will Grow
8. Labor Likely to Remain on the March
9. Global Supply Chain Disruptions Will Persist
10. Expect Plot Twists & Curve Balls
Politics & Policy in 2023
Top 10 Take-Aways
FAILURES UNDERMINED CONFIDENCE IN LEADERS

Take It From the Headlines…

How Years of Israeli Failures on Hamas Led to a Devastating Attack

Israel officials completely underestimated the magnitude of the Oct. 7 attack by Hamas, threatening the country’s once invincible sense of security.

FDI in China Turns Negative For First Time In 25 Years

Quarantine measures and investment shifts in China's economy. (U.S. Department of Commerce)

Silicon Valley Bank collapsed days after featuring on Forbes America’s Best Banks List

Hairy Plotter

Why America faces a debt catastrophe
PERISTENT PROBLEMS WORSENED

Natural Disasters

United States Million-dollar disaster events 1980-2023 (CPI-adjusted)

Illegal Immigration

2023 saw 2.5 million migrant encounters at the southern border

Drug Overdose Deaths (000's)

Debt ($T)

Sources: Disasters (NOAA); Debt (FRED; CBO); Border (USCBP per NYT); Overdoses (CDC).
PERCEIVED DISORDER DROVE DISCONTENT

American Voters Sense Things Are Out of Control, On Wrong Track

Source: Public Opinion Strategies & Hart Research for NBC News
TRUST IN INSTITUTIONS FELL (COMPARING YEAR BEFORE ELECTIONS)

Percent Trusting a “Great Deal / Quite a Lot” (vs 2019)

- Supreme Court: 49% (2019), 26% (2023)
  - Decrease: -23%
- Higher Ed: 36% (2019), 17% (2023)
  - Decrease: -19%
- Mass Media: 32% (2019), 14% (2023)
  - Decrease: -18%
- Church / Org. Religion: 32% (2019), 8% (2023)
  - Decrease: -24%
- Presidency: 26% (2019), 8% (2023)
  - Decrease: -18%
- Criminal Justice Syst: 14% (2019), -3% (2023)
  - Decrease: -17%
- Big Business: 14% (2019), -9% (2023)
  - Decrease: -23%
- Congress: 8% (2019), -7% (2023)
  - Decrease: -15%

Source: Gallup, 2023
LEGISLATIVE PRODUCTIVITY CRATERED

A House Divided in a House Divided in a House Divided

Public Laws enacted by Congress

First year / Second year

Most rounds of voting for Speaker since 1860

You Are Here

Most censures since 1870, 1st expulsion since 2002

Source: Congress.gov
TRUMP SURGED AHEAD

Dominating Primary Polls

Trump Lead in Primary
(average Morning Consult weekly tracker)

July: 40
August: 43.2
September: 46
October: 47.5
November: 50.25
December: 53.5

Besting Biden Head-to-Head

Historically Weak Biden Approval

Leading on Most Issues

Who is better able to handle issue?

Border Sec.
Economy
Inflation
Crime
Israel-Hamas
Abortion

Presidential Approval
(December before reelection year, Gallup)

Trump: 54
Biden: 51

WSJ
Gallup; Gallup
## ECONOMY: SOFT LANDING, HARD FEELINGS

While 2023’s Economy Is Nearly as Strong as 2019’s, People Feel Worse

<table>
<thead>
<tr>
<th>2019</th>
<th>2023</th>
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<tbody>
<tr>
<td><strong>28.9%</strong></td>
<td>S&amp;P 500 Return</td>
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<tr>
<td><strong>3.6% (Dec)</strong></td>
<td>Unemployment Rate</td>
</tr>
<tr>
<td><strong>$63,257 (Q4)</strong></td>
<td>Real (after inflation) GDP per capita</td>
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<tr>
<td><strong>$327,100</strong></td>
<td>Median Home Value</td>
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<tr>
<td><strong>$15.68T (Dec)</strong></td>
<td>Disposable personal income, after inflation</td>
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<table>
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<tr>
<th>2019</th>
<th>2023</th>
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<tr>
<td><strong>99.3</strong></td>
<td>Consumer Confidence (U. Mich)</td>
</tr>
<tr>
<td><strong>+26</strong></td>
<td>Gallup Economic Confidence Index</td>
</tr>
<tr>
<td><strong>+16%</strong></td>
<td>Small Businesses “Expect Economy to Improve”</td>
</tr>
<tr>
<td><strong>3.74%</strong></td>
<td>30 Year Fixed Home Mortgage rate</td>
</tr>
</tbody>
</table>

Sources: S&P (Macrotrends); Unemployment (BLS); Real GDP (FRED); Median home price & Disposable personal income (WaPo); Consu. Conf (UM); Gallup; NFIB (2019, 2023); Mortgage rate (Fed)
Even More than Disney, Bud Light & Blackrock controversies, “Free Speech” Hypocrisy Accelerated the “Wokelash”

SPEECH = VIOLENCE
…if offending favored group

Harvard University
Harvard students could be punished for not using preferred pronouns: Report

By Jeremiah Poff, Education Reporter
September 14, 2022 12:46 PM

Source: Washington Examiner

VIOLENCE = SPEECH
…if targeting disfavored group

Congresswoman Stefanik: “At Harvard, is calling for the genocide of Jews a violation of Harvard’s rules of bullying and harassment?”

Harvard President: “It can be, depending on the context.”

Source: Congressional hearing per Harvard Crimson
COURTS HAD MORE IMPACT THAN CONGRESS

Legislate for Show, Litigate for Dough

No constitutional right to abortion, states can restrict
Business can discriminate vs same sex couple on religious grounds
Voting Rights Act still forbids certain gerrymandering
Public universities cannot discriminate based on race

Liability shield may protect social media companies (issue returning in 2024)
$400B student loan forgiveness needs Congressional action
Tech companies cannot unfairly leverage monopolies (district court)
State legislatures can’t oversee elections without any oversight from courts or governors
DON’T TRUST THE PESSIMISTS EITHER

Good News Stories with Policy Implications

1. Soft landing. Despite 85% of economists predicting a U.S. recession in 2023, we instead enjoyed accelerating growth, cooling inflation, more than 2.5M new jobs.

2. Science delivered. While 42% of Americans are now obese, the new class of FDA-approved appetite suppression drugs could potentially improve public health and reduce costs.

3. Carbon emissions fell. Even as the U.S. set new records for energy production, total carbon emissions are on track to fall nearly 3% in 2023.


5. Progress on pay gap. Gender pay gap, though persistent, hit an all-time low.

6. New drugs available. FDA approved effective new treatments for Alzheimer’s, RSV, post-partum depression & Sickle Cell Anemia.

7. New materials discovered. Google DeepMind’s new AI tool helped create more than 700 new materials that might be used to make better solar cells, batteries, computer chips, and more.

8. Global child mortality fell to a record low.

9. Brazilian deforestation plummeted by 48% in only eight months.

10. Fusion energy breakthrough. Two groundbreaking fusion power experiments saw net energy gains for a potential zero-carbon energy source of the future.
Politics & Policy in 2024
Top 10 Look-Aheads
INTENSE SPRINT TO START THE YEAR

**MUST DO**
(Deadlines)

**JANUARY**
First CR expires 1/19 (potential shutdown)

**FEBRUARY**
Second CR expires 2/2 (potential shutdown)

**MARCH**
FAA reauthorization expires 3/8

**APRIL**
FISA Authorization expires 4/18

1% across-the-board cuts to discretionary spending if no deals

**MIGHT DO**
National Security Supplemental

**CAMPAIGN '24**

- **IA** 1/15
- **NH** 1/23
- **NV** 2/8
- **SC** 2/24
- **ID, MI, MO, ND**
- **AZ, FL, IL, KS, OH**

72% of GOP delegates selected by end of March

**WILD CARDS**
1/13 election
1/21 GOP House majority down to 2 (219-213)

3rd Party Go/No Go decision
2024 = BIGGEST ELECTION YEAR IN HUMAN HISTORY

Driving Nationalism, Populism, Disinformation & Interference

Source: (1) Economist Intelligence Unit, United Nations, V-Dem 4. European countries included because of EU Parliamentary elections. UK general election could take place as late as January 2023, though 5-year Parliamentary term will end in 2024.
YOU CAN’T SPELL CAMP\textit{Ai}GN WITHOUT “\textit{AI}”

If the Internet Broke Politics, \textit{AI} May Shatter It

- Fund-raising
- All Politics is Local
- Party Loyalty
- Advertising
- Polling
- Media
- Social
- Video

Hyper Microtargeting

Aggressive Bot Armies

DEEPFAKE
2024 POLITICAL SPENDING WILL CRUSH RECORDS

Historically Expensive Off-Year + Latest “Most Important Election of Our Lives”

### Off-Year Spending
- **2011**: $123,064,525
- **2015**: $263,254,810
- **2019**: $1,076,223,378
- **2023**: $1,372,450,706

### Election Year Spending
- **2012**: $1,814,848,337
- **2016**: $2,309,701,478
- **2020**: $7,948,804,604
- **2024**: $8,824,816,468 * (Projected)

*Source: AdImpact*
CAMPAIGNS WILL PLAY ON ANGER, FEAR & MISTRUST

AREN’T YOU ANGRY?

AREN’T YOU AFRAID?
UNPOPULARITY CONTEST INVITES 3RD PARTY SPOILERS

Both “Under Water”

Net Favorability

-15.3%  -10.6%

Biden Leading on Tone, Entitlements

Who will be better able to:

- Improve the tone of politics in US: Trump 31%  Biden 37%
- Protect Social Security & Medicare: Trump 38%  Biden 44%

Trump Winning on Economy

Have Trump’s/Biden’s policies helped or hurt you personally?

Helped

Trump 23%  Biden 49%

Hurt

Trump 37%  Biden 53%

3rd Parties Poised to Impact Close States

IF they can get on the ballot

49%  13%  2%  2.2%

“somewhat or very likely” consider 3P if rematch

in a 5-way race

(RCP, Jan 2024)

Sources: Net Fav: 538 (Dec 22, 2023); WSJ (Nov. 29-Dec. 4, 2023)
States With One-Party Control Aim to Set National Policies, Often Contradictory

40 State Govt Trifectas
(One Party Control, Most in 42 Years)

Source: Ballotpedia

- AI Regulation
- Privacy
- Censorship/Bias
- Gig worker status
- Taxes
- Unionization
- Minimum wage
- Guns
- LGBTQ
- Elections
- Education
- Permitting
- EVs & Gas cars
- ESG investing
- Abortion
- Paid Sick Leave
- Medicare Exchanges
LABOR LIKELY TO REMAIN ON THE MARCH

Decades-High Public Approval
Do you approve of labor unions?

Political Tailwinds

Decades-High Strike Activity

Significant Success

Sources: Gallup (approval); Bloomberg Law (gains); Activity (BLS per NYT)
GLOBAL SUPPLY CHAIN DISRUPTIONS WILL PERSIST

Globalization Keeps Getting Mugged by Reality… More Risks Coming

Global Elections
- Nationalism & Populism
- Domestic subsidies
- Procurement preferences

New Cold War
- Export controls
- Investment restrictions
- Drive for self-sufficiency

Shooting Wars
- Sanctions on goods & finance
- Sanction-proofing imperative
- Trade Disruptions (e.g. Red Sea)

Tech & Climate Disruption
- AI & content regulation
- Controls on data flows & software
- Climate refugees / migration
- Prioritization of new energy & materials
EXPECT PLOT TWISTS & CURVE BALLS

Foreseeable Risks Demand Strategic Preparation. Survival Demands... Trust

Geopolitical Events

Economic / Technological Events

US Political Events
3 Recommendations
Navigating High Political Risk in Year of Low Trust
#1: REIMAGINE YOUR ARGUMENTS & AGENDA

21st Century Actors Won’t Trust 20th Century Arguments

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
#2: BUILD TRUST PURPOSEFULLY, SPEND IT CAUTIOUSLY

Winning Stakeholder Engagement: Selective, Preemptive & Substantive

**TEAM**
- “There’s safety in numbers & wisdom in crowds”
- ✓ Diverse Decisionmakers
- ✓ Move with the Herd

**PROCESS**
- “Only fools rush in”
- ✓ Practice & Prepare
- ✓ Validate & Verify

**WORDS**
- “Less virtue-signaling, more authenticity”
- ✓ Speak TO employees not FOR them
- ✓ Value, ✓ not Values

**DEEDS**
- “Well-done is better than well-said.”
- ✓ Actions > Tweets
- ✓ Seek preemptive Partnerships
#3: THE TIME TO PLAN FOR 2025 IS NOW

2025 Brings Maximum Policy Exposure & Minimal Predictability

Issues in Play in 2025

Who Will Be in Charge?

Odds of Potential Partisan Alignments
(Assuming** WH 50/50; Sen 57R/43; H52.6R/47.4)

** H & S odds from [https://www.racetothewh.com/](https://www.racetothewh.com/)