MIDTERMS IN THE AGE OF DISRUPTION

What to Expect in the 2018 Elections
Most Elections This Century Flipped House, Senate &/or WH

2002
2006
2008
2010
2014
2016
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Economy, Electorate, Maps, Unity

CASE FOR THE DEMS ......................................................... Slides 10-15
History, Enthusiasm, Recruiting, Special Elections

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Money, Markets, Madmen, Manufactured Crises

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GOP Motivation, Dem Disunity, SCOTUS

WHAT COMES NEXT ...................................................... Slides 25-30
2018 Agenda, Future of Dems & GOP, 2019 Issues
THE CASE FOR THE GOP
STRONG ECONOMY

U.S. Economy Strong, Voters Confident

Q2 GDP forecast: 3.8%

4.0% unemployment rate
(lowest in midterm election year since 1966)

All-time high construction spending ($1.3T in May 2018)

Small Business Optimism Index Maintains at 107.2
Based on 10 survey indicators, seasonally adjusted, Jan. '00 – June. 18

Satisfaction With U.S. Direction Reaches 12-Year High
via GALLUP

Consumer confidence near 18-year high
Confidence rebounds in April to 128.7

Sources: Atlanta Fed GDPNow; BLS; AGC; NFIB; Gallup

Source: The Conference Board
Midterm Voters Typically Older, Whiter

As a Share of the Electorate

- 18-29 Year Olds
- African Americans
- Hispanics

Source: Election Project
Dems Defending 10 Trump States; GOP Defending 1 Clinton State

<table>
<thead>
<tr>
<th>TRUMP '16</th>
<th>DEMS DEFENDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>+42</td>
<td>MANCHIN (WV)</td>
</tr>
<tr>
<td>+36</td>
<td>HEITKAMP (ND)</td>
</tr>
<tr>
<td>+20</td>
<td>TESTER (MT)</td>
</tr>
<tr>
<td>+19</td>
<td>DONNELLY (IN)</td>
</tr>
<tr>
<td>+18</td>
<td>McCASKILL (MO)</td>
</tr>
<tr>
<td>+8</td>
<td>BROWN (OH)</td>
</tr>
<tr>
<td>+1</td>
<td>NELSON (FL)</td>
</tr>
<tr>
<td>+0.8</td>
<td>BALDWIN (WI)</td>
</tr>
<tr>
<td>+0.7</td>
<td>CASEY (PA)</td>
</tr>
<tr>
<td>+0.2</td>
<td>STABENOW (MI)</td>
</tr>
</tbody>
</table>

SENATE: DEMS ON DEFENSE
Fewer Easy Targets For Democrats in 2018

Wave Year
- 1994
- 2010
- 2006
- 2018

Won by Other Party’s Presidential Candidate
- 1994: 53
- 2010: 34
- 2006: 18
- 2018: 23

Rated Toss Up or Worse (by Cook Political Report)
- 1994: 63
- 2010: 78
- 2006: 43
- 2018: 33

Seats Lost
- 1994: -54
- 2010: -63
- 2006: -30
- 2018: ??

Source: David Wasserman, Cook Political Report
HISTORIC PARTY UNITY BEHIND PRESIDENT

It’s Trump’s Party (He Can Tweet If He Wants To)

Own Party Approval
~July 4 of Midterm Year

Bush43 | 96%
Trump | 88%
LBJ** | 86%
JFK | 84%
Ike | 84%
Nixon | 84%
Bush41 | 83%
Obama | 81%
Reagan | 79%
Ford** | 77%
Clinton | 67%
Truman** | 61%
Carter | 52%

Source: Gallup; **VPs who became President after death / resignation
THE CASE FOR
THE DEMS
## Presidents Usually Lose Seats in First Midterm Elections

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NET APPROVAL</th>
<th>HOUSE</th>
<th>SENATE</th>
<th>GOVs</th>
<th>ST. LEG. SEATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>JFK (1962)</td>
<td>+36</td>
<td>-4</td>
<td>+4</td>
<td>0</td>
<td>-76</td>
</tr>
<tr>
<td>IKE (1954)</td>
<td>+35</td>
<td>-18</td>
<td>-2</td>
<td>-8</td>
<td>+483</td>
</tr>
<tr>
<td>GW BUSH (2002)</td>
<td>+33</td>
<td>+8</td>
<td>+2</td>
<td>-1</td>
<td>+127</td>
</tr>
<tr>
<td>NIXON (1970)</td>
<td>+31</td>
<td>-12</td>
<td>+2</td>
<td>-11</td>
<td>-288</td>
</tr>
<tr>
<td>GHWBUSH (1990)</td>
<td>+26</td>
<td>-8</td>
<td>-1</td>
<td>-1</td>
<td>+32</td>
</tr>
<tr>
<td>CARTER (1978)</td>
<td>+13</td>
<td>-15</td>
<td>-2</td>
<td>-5</td>
<td>-357</td>
</tr>
<tr>
<td>LBJ (1966)</td>
<td>+3</td>
<td>-47</td>
<td>-3</td>
<td>-8</td>
<td>-762</td>
</tr>
<tr>
<td>CLINTON (1994)</td>
<td>0</td>
<td>-54</td>
<td>-9</td>
<td>-10</td>
<td>-514</td>
</tr>
<tr>
<td>OBAMA (2010)</td>
<td>-3</td>
<td>-63</td>
<td>-6</td>
<td>-6</td>
<td>-708</td>
</tr>
<tr>
<td>REAGAN (1982)</td>
<td>-6</td>
<td>-26</td>
<td>+1</td>
<td>-7</td>
<td>-201</td>
</tr>
<tr>
<td>TRUMP (2018)</td>
<td>-10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRUMAN (1946)</td>
<td>-19</td>
<td>-54</td>
<td>-12</td>
<td>-2</td>
<td>-456</td>
</tr>
</tbody>
</table>

Sources: Gallup; Sabato; NCSL; RCP (Trump)
UNPRECEDENTED RECRUITING SUCCESS

Record Number of Democratic House Candidates

Source: Center for Responsive Politics (based on FEC reports)
HOUSE: MANY WAVE INDICATORS FLASHING

RESISTANCE INTENSITY (Approval of President by out party)

GENERIC BALLOT (Which party do you prefer to control Congress, minority-majority)

CONGRESSIONAL JOB APPROVAL (Do you approve of the Job Congress is doing)

OPTIMISM GAP (Are you satisfied with direction of the country minus dissatisfied)

ENTHUSIASM GAP (Difference in “more enthusiastic than usual to vote” between parties)

Sources: Generic (WSJ/NBC), Pew (Enthusiasm), Gallup (Congress, Resistance, & Optimism)
## Dem Candidates Beat the Spread Every 2017-18 Election

### Democratic overperformance in federal special elections
Special elections this cycle, by the seat’s partisan lean and final vote margin

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DATE</th>
<th>SEAT</th>
<th>PARTISAN LEAN</th>
<th>VOTE MARGIN</th>
<th>DEM. SWING</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>June 30</td>
<td>Texas 27th†</td>
<td>R+26</td>
<td>R+21*</td>
<td>+5</td>
</tr>
<tr>
<td></td>
<td>April 24</td>
<td>Arizona 8th</td>
<td>R+25</td>
<td>R+5</td>
<td>+20</td>
</tr>
<tr>
<td></td>
<td>March 13</td>
<td>Pennsylvania 18th</td>
<td>R+21</td>
<td>D+0.3</td>
<td>+22</td>
</tr>
<tr>
<td>2017</td>
<td>Dec. 12</td>
<td>Alabama U.S. Senate</td>
<td>R+29</td>
<td>D+2</td>
<td>+31</td>
</tr>
<tr>
<td></td>
<td>Nov. 7</td>
<td>Utah 3rd</td>
<td>R+35</td>
<td>R+32</td>
<td>+3</td>
</tr>
<tr>
<td></td>
<td>June 20</td>
<td>South Carolina 5th</td>
<td>R+19</td>
<td>R+3</td>
<td>+16</td>
</tr>
<tr>
<td></td>
<td>June 20</td>
<td>Georgia 6th</td>
<td>R+9</td>
<td>R+4</td>
<td>+6</td>
</tr>
<tr>
<td></td>
<td>May 25</td>
<td>Montana At-Large</td>
<td>R+21</td>
<td>R+6</td>
<td>+16</td>
</tr>
<tr>
<td></td>
<td>April 11</td>
<td>Kansas 4th</td>
<td>R+29</td>
<td>R+6</td>
<td>+23</td>
</tr>
<tr>
<td></td>
<td>April 4</td>
<td>California 34th†</td>
<td>D+69</td>
<td>D+87</td>
<td>+18</td>
</tr>
</tbody>
</table>

Partisan lean is the average difference between how the constituency voted and how the country voted overall in the last two presidential elections, with 2016 weighted 75 percent and 2012 weighted 25 percent.

* Unofficial.

† Results are from either an all-party primary or an all-party general election, both of which include multiple candidates of the same party; vote margin is the total vote share of all Democratic candidates combined minus the total vote share of all Republican candidates combined.

**SOURCES:** DAILY KOS ELECTIONS, SECRETARIES OF STATE
Over the past 10 midterms (333 Senate races)

### INCUMBENT SENATORS

<table>
<thead>
<tr>
<th>PARTY HOLDING WHITE HOUSE</th>
<th>WINNING %</th>
<th>PARTY OUT OF WHITE HOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State voted for POTUS by 10%+</td>
<td>90.7%</td>
</tr>
<tr>
<td></td>
<td>State voted for POTUS by 0-10%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>State voted against POTUS by 0-10%</td>
<td>90.6%</td>
</tr>
</tbody>
</table>

- Donnelly
- Heitkamp
- Manchin
- McCaskill
- Tester
- Heller

### OPEN SEATS

<table>
<thead>
<tr>
<th>PARTY HOLDING WHITE HOUSE</th>
<th>HOLD %</th>
<th>PARTY OUT OF WHITE HOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State voted for POTUS by 10%+</td>
<td>71.4%</td>
</tr>
<tr>
<td></td>
<td>State voted for POTUS by 0-10%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>State voted against POTUS 0-10%</td>
<td>75.0%</td>
</tr>
</tbody>
</table>

- Baldwin
- Brown
- Casey
- Nelson
- Stabenow
- TN Open
- AZ Open

Sources: Research by Jake Brennan, MCR&T
BIGGEST WILDCARDS
Outside Spending Crushing Midterm Records, But Who Benefits?

<table>
<thead>
<tr>
<th>Election Cycle</th>
<th>Spending (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$198.3</td>
</tr>
<tr>
<td>2014</td>
<td>$124.2</td>
</tr>
<tr>
<td>2010</td>
<td>$43.7</td>
</tr>
<tr>
<td>2006</td>
<td>$5.5</td>
</tr>
<tr>
<td>2002</td>
<td>$2.2</td>
</tr>
<tr>
<td>1998</td>
<td>$3.3</td>
</tr>
<tr>
<td>1994</td>
<td>$1.6</td>
</tr>
</tbody>
</table>

There’s More Where That Came From
(Announced spending on 2018 elections)

- **KOCH**: $400M
- **BLOOMBERG**: $80M
- **ADELSON**: $30M
- **STEYER**: $30M
- **UIHLEIN**: $25M

Sources: Center for Responsive Politics; various newspapers
MARKETS

Will Rising Costs Anger Consumers or Investors?

- Trade war already imposing $150B in bilateral tariffs, $550B more threatened by with retaliation likely. Higher prices, fewer jobs likely.
- Implemented & threatened tariffs & retaliation projected to reduce GDP by ~$105B (0.42%) & kill 325,000+ jobs over time (Tax Foundation).

- Oil prices up 22.5% so far in 2018, near 3 year high.
- Morgan Stanley forecasts 15% further increase this year.

- Avg monthly health insurance premium up 27% this year for coverage purchased through ACA exchanges (CMS).
- One month before election new (likely higher) rates for 2019 come out (KFF).

- Consumer inflation hit 6 year high in June.
- Federal Reserve expected to raise interest rates 4x in 2018.

Sources: US Chamber; Tax Fdn; Morgan Stanley (Oil YTD; CMS; KFF via NBC; CPI; Fed.)
Will Hacking, Terrorism, Diplomacy or War Dominate Discussion?
MANUFACTURED CRISES

Opportunities for Major Disruption Remain
KEY QUESTIONS
WILL GOP REMAIN UNIFIED & MOTIVATED?

All 3 GOP Factions Getting What They Want So Far

EVANGELICAL CONSERVATIVES

- 2 Supreme Court
- 22 Appeals Court

JUDGES

PRO-BUSINESS ESTABLISHMENT

DEREGULATION

(Economically-significant regulations by year)

ANTI-ELITE POPULISTS

HATED BY LEGAL IMMIGRANTS, THE ANTI GUN CROWD, MUSLIMS AND LIBERALS...

DONALD TRUMP HAS MY VOTE!

Sources: Wikipedia (Judges); WSJ (regs)

*Having an annual economic effect of $100 million or more
Source: George Washington University Regulatory Studies Center
WILL DISUNITY DISRUPT DEMS?

“Herbal” Tea Party Pushing Dems Left

QUESTIONING STRATEGY

“Do you think the Democratic Party has a clear plan for the country?”

DEM VOTERS
Yes: 49%
No: 42%

(GOP voters on GOP: Yes 65%, No 29%)

CHALLENGING LEADERS

33 Democratic candidates in 2018 publicly oppose Pelosi for Speaker (12 incumbents)

CA Dems endorse De Leon over Feinstein
NY Dems picked Ocasio-Cortez over Crowley

DEMANDING CONFRONTATION

% who say they like elected officials who make compromises with people they disagree with

Source: Survey of U.S. adults conducted March 7-14, 2018.

Sources: Fox News poll (Plan); Mia Luckett (Pelosi); Pew
Both Sides Can Benefit, But Likely Net Plus for GOP

HOW IT HELPS THE GOP

1. Unifies & motivates all 3 factions of the GOP base.
2. Diverts liberal resources into pressuring red state Dem Senators.
3. Focuses campaigns on substantive issues, not Trump.

HOW IT HELPS DEMS

1. Energizes liberals to give / spend more money.
2. Motivates millennials and minorities to register & vote.
3. Maintains / expands historic gender gap into election season.
WHAT COMES NEXT?
1. Funding government or shutdown 9/30

2. Kavanaugh confirmation & other judges & nominees

3. Nat’l Flood Insurance Program  
   *(expires 7/31)*

   *(expires 12/31)*

5. Farm Bill  *(expires 9/30)*

6. FAA Reauthorization  *(expires 9/30)*

7. Tax cuts 2.0, extenders & corrections

8. Intelligence Reauthorization

9. Opioid Crisis legislation

10. Pandemic preparedness, GME for children’s hospitals, 
    ADUFA *(w/ cosmetics reform maybe)*  *(expires 9/30)*
DISRUPTORS REMAIN IN CHARGE

We’re 37% Through President Trump’s First Term

915 Days Remaining

546 Days Remaining
THE NEXT GOP: MUCH LESS EXPERIENCE

Retiring: 1/4th Leaders, 1/3rd Experience, 43% House GOP Chairmen

Leadership
- 25% retiring

Years Experience
- 31.7% retiring

Committee Chairs
- 42.9% retiring

House Republican Retirements (1930-2018)

Sources: Brookings; MCR&T analysis
THE NEXT DEMOCRATIC PARTY: HISTORIC DIVERSITY

White Men as % of House Republicans
94.9% in 1961, 86.8% in 2017

White Men as % of House Democrats
93.4% in 1961, 39.7% in 2017

Women as % of House Democrats
4.0% in 1961, 32.7% in 2017

Sources: Legistorm (Members) & Pew (USA)
REGARDLESS OF WHO WINS, 2019 INCLUDES...

Health Care Issues

• Prescription Drug Pricing
• Future of the ACA
• Medicare & Medicaid Sustainability
• Opioid Epidemic
• Emerging tech security & ethics (AI, IOT, cyber, CRISPR)

“Techlash”

• Privacy & data security
• Market competition & “data antitrust”
• Fake news, hate speech, election interference & censorship bias
• Platform liability & black markets
• Phone / social media addiction
• USG / law enforcement cooperation
Mehlman Castagnetti
Rosen & Thomas

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