Why 2018 Will Make 2017 Seem Tame

10 Reasons

Photo by Gage Skidmore, Wikimedia Commons

Photo by Mark Dixon, Wikimedia Commons
Why 2018 Will Make 2017 Seem Tame

**POLITICS**
House & Senate Majorities Up for Grabs.
Intense State-Level Elections With Big Redistricting Impact.
DEM Civil War Growing, Temporary GOP Cease-Fire Possible.

**PEOPLE**
Trump Team Will Turn Over Faster.
More Congressional Departures & Bipartisan Harassment Allegations.
Another WH vs. Special Counsel War Likely.

**PERSPECTIVES**
Both Sides Think They're Winning & Plan to Double Down.
Trump-Media Feud Will Intensify.
Market Volatility Likely to Increase.

**POLICY**
Intense Q1 Agenda Demands Deals.
Global Populism Will Spread, Challenging Trade & Tech.
Geopolitical Risks Will Grow.
Both Sides Think They’re Winning & Plan to Double-Down
Trump Sees Significant First Year Accomplishments

22:1 deregulatory to regulatory actions

ANWR, Keystone & EPA reversing Obama climate policy

Gorsuch & 12 circuit ct judges appointed, most in U.S. history

22:1 deregulatory to regulatory actions

ANWR, Keystone & EPA reversing Obama climate policy

Gorsuch & 12 circuit ct judges appointed, most in U.S. history

TAX REFORM

WINNING

Gage Skidmore, wikicommons

Individual Mandate Penalty

98% territory taken back from ISIS

70% drop in illegal border crossing (CBP)

34.8% DJIA since 2016 election
Trump Remains Historically Unpopular Overall

Source: VOX graphic showing Gallup data in December of President's 1st year

Voters More Eager to Identify as DEM, Not GOP

Source: Gallup, Nov. 2017

Trump Lost: ObamaCare, Border Wall

Hyper-Energized Base

Winning Elections
#2
Majorities in the U.S. House & Senate Are Up For Grabs
The Case for the GOP Maintaining House Majority

#1. DISTRICTS: Most GOP House Seats “Safe”

- Solid GOP: 177
- Likely GOP: 24
- Lean GOP: 22
- Toss Up: 17
- Lean Dem: 1

As of Dec. 2017 in GOP-held Congressional districts...
- Prefer GOP Control: +8
- Trump Approval: 50%

#2. DEMOGRAPHICS: Midterm Electorate Always Older, Whiter

18-29 year-olds: 45%
Non-White voters: 20%

Source: Cook Political Report, Dec. 15, 2017
Source: NBC/WSJ, Dec. 2017

#3. DOLLARS: GOP Out-Fundraised Dems in ‘17

$215M
NRCC
$160M
DCCC
RNC
DNC

Source: FEC, per Open Secrets

Source: VEP, FEC ($$)
The Case for Democrats Winning the House

#1. POTUS Approval Predicts Midterm Outcomes

<table>
<thead>
<tr>
<th>POTUS Approval</th>
<th>Under 50%</th>
<th>50%-60%</th>
<th>Over 60%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. Seat Gain / Loss since 1962</td>
<td>-40</td>
<td>-12</td>
<td>+3</td>
</tr>
</tbody>
</table>

1/1/18 Trump approval: 40.0%

Sources: Cook Report in Nat’l Journal, 11/9/17; RCP avg. approval 1/1/18

#2. Significant Dem Lead in Early “Generic” Polls

Sources: 538, Dec. 2017

#3. Dems More Motivated to Vote in 2018

% voters “extremely or very enthusiastic about voting for Congress next year”

49% DEM

32% GOP

Source: CNN, Dec. 2017

#4. Huge Dem Leads Among Key Sub-Groups

<table>
<thead>
<tr>
<th>Generic Preference (NBC/WSJ)</th>
<th>2006 Margin</th>
<th>2014 Margin</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ages 18-29</td>
<td>+22%</td>
<td>+11%</td>
<td>+48%</td>
</tr>
<tr>
<td>Moderates</td>
<td>+22%</td>
<td>+8%</td>
<td>+25%</td>
</tr>
<tr>
<td>Independents</td>
<td>+18%</td>
<td>+12%</td>
<td>+12%</td>
</tr>
<tr>
<td>Midwest</td>
<td>+5%</td>
<td>+8%</td>
<td>+12%</td>
</tr>
<tr>
<td>Suburban</td>
<td>+2%</td>
<td>+12%</td>
<td>+5%</td>
</tr>
<tr>
<td>White Women</td>
<td>+1%</td>
<td>+14%</td>
<td>+6%</td>
</tr>
</tbody>
</table>

Source: NBC / WSJ polling per Public Opinion Strategies, Dec. 2017
From Current 51R-49D Margin, Senate Could Go Either Way

While Democrats Are Defending 25 Seats Including 10 That Trump Won in 2018 (vs. GOP 8 Total, 1 Clinton)

...Since 1982, in Midterm Senate Elections...

96.5% re-elected from the opposite party from the President (110/114)

80.5% re-elected from the same party as the President (103/128)

Sources: 538 (Harry Enten)

Note: Following Sen. Al Franken's resignation, both Minnesota seats are up in 2018.

<table>
<thead>
<tr>
<th>SOLID D</th>
<th>LIKELY D</th>
<th>LEAN D</th>
<th>TOSS-UP</th>
<th>LEAN R</th>
<th>LIKELY R</th>
<th>SOLID R</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA-Feinstein</td>
<td>NY-Gillibrand</td>
<td>MT-Tester</td>
<td>FL-Nelson</td>
<td>IN-Donnelly</td>
<td>TX-Cruz</td>
<td></td>
</tr>
<tr>
<td>CT-Murphy</td>
<td>RI-Whitehouse</td>
<td>NJ-Menendez</td>
<td>ME-King (I)</td>
<td>MO-McCaskill</td>
<td>MS-Wicker</td>
<td></td>
</tr>
<tr>
<td>DE-Carper</td>
<td>VT-Sanders (I)</td>
<td>PA-Casey</td>
<td>ND-Heitkamp</td>
<td>WV-Manchin</td>
<td>NE-Fisher</td>
<td></td>
</tr>
<tr>
<td>HI-Hirono</td>
<td>VA-Kaine</td>
<td>WI-Baldwin</td>
<td>OH-Brown</td>
<td>MN-Smith</td>
<td>UT-Open (Hatch)</td>
<td></td>
</tr>
<tr>
<td>MD-Cardin</td>
<td>WA-Cantwell</td>
<td>MI-Stabenow</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MA-Warren</td>
<td>MN-Klobuchar</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NM-Heinrich</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Source: Cook Political Report, Dec. 15, 2017 Ratings
#3

Intense Q1 Agenda Will Require Bipartisan Compromises

*(None of Trump’s 2017 wins needed 60 votes in the Senate)*
115th Congress Unable to Compromise Much So Far…

... And bipartisan compromises now needed to:

- Avoid gov’t shutdown 1/19
- Maintain NSA surveillance of global terrorists 1/19
- Provide more disaster aid to TX, FL, PR, etc.
- Fund Children’s Health Insurance Program
- Subsidize cost-sharing for lower income individuals
- Avoid deporting Dreamers (DACA expires 3/5)
- Avoid default on US debt in March
- Avoid FAA shutdown 3/31

Source: FiscalNote analysis
Meanwhile, in an Alternate Universe…

<table>
<thead>
<tr>
<th>WHY DEALS MAY HAPPEN</th>
<th>BIGGEST OPPORTUNITIES FOR BIPARTISAN COOPERATION</th>
<th>WHY DEALS LESS LIKELY</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Trump got highest ratings of 2017 for Sept. deal with “Chuck &amp; Nancy”.</td>
<td><strong>INFRASTRUCTURE</strong></td>
<td>✓ Growing % of Dem base demands 100% opposition, No Deals!</td>
</tr>
<tr>
<td>✓ Primary filing deadline passes for most by Q2.</td>
<td><strong>BUDGET &amp; SPENDING</strong> (debt ceiling, sequester relief)</td>
<td>✓ No moderate Dems in the House to replace lost right wingers.</td>
</tr>
<tr>
<td>✓ 11 Dem Senators in red Trump states.</td>
<td><strong>IMMIGRATION</strong> (border security, Dreamers)</td>
<td>✓ Base muckrakers attack Trump for deals w/ Dems.</td>
</tr>
</tbody>
</table>

- **INFRASTRUCTURE**
- **BUDGET & SPENDING** (debt ceiling, sequester relief)
- **IMMIGRATION** (border security, Dreamers)
- **TECH / TELECOM** (online sex trafficking, election cyber, political ad disclosure, open Internet, data breach)
- **HEALTH CARE** (Opioid remediation, device tax, premium support for poor / high cost, expired Medicare extenders)
- **OTHER ISSUES** (CFIUS reform, GSPs, Dodd Frank reform, higher ED, tax corrections, pensions)
#4

Agencies Will Staff Up While WH & Congressional Turnover Accelerates
### White House Turnover & Agency Staffing

#### AT THE AGENCIES: Still Arriving

<table>
<thead>
<tr>
<th>STAFFING UP</th>
<th>(as of the end of the first year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Top Jobs Confirmed</td>
<td>Data not available</td>
</tr>
<tr>
<td>% Top Jobs Nominated</td>
<td>Data not available</td>
</tr>
</tbody>
</table>

#### AT THE WHITE HOUSE: Increasingly Departing

<table>
<thead>
<tr>
<th>TURNING OVER</th>
</tr>
</thead>
<tbody>
<tr>
<td>WH Top Staff Turnover Yr 1</td>
</tr>
<tr>
<td>WH Top Staff Turnover Yr 2</td>
</tr>
</tbody>
</table>

Sources: Washington Post citing Partnership for Public Service data thru 12/23/17; K.D. Tenpas, Brookings
Expect More Harassment Accusations & Departures

Allegations No Longer Survivable, Especially for Democrats

More Accusations of Improper Behavior Are Expected in 2018

What Did Leaders Know & When Did They Know It?

Franks

Conyers

Farenthold

Franken

Kihuen

Hoo Boy: WaPo, CNN Preparing to Expose Dozens of Members of Congress on Sexual Harassment and Misconduct?

VANITY FAIR
CONGRESS’S SECRET HISTORY OF SEXUAL HARASSMENT IS ABOUT TO EXPLODE

Bipartisan Bill Filed To End ‘Sorry Your Congressman Groped You’ Hush Fund

#METOO
State-Level Elections Will Be Intense With Big Redistricting & Litigation Impacts
2018 Election Will Have Major Impact on Redistricting

“In 34 states, the Governor who’ll be in office for the next redistricting will be elected this year”

Key Governors Elections for 2020s State Legislative Redistricting

Sources: Map (Daily Kos); 34 states (Vox)
History Suggests Dems Will Gain Down Ballot

*Party In Power (WH) Usually Loses Seats in 1st Midterm*

<table>
<thead>
<tr>
<th>President &amp; Year of 1st Midterm</th>
<th>Net POTUS Job Approval</th>
<th>Governorships</th>
<th>Seats in State Legislatures</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRUMAN (1946)</td>
<td>-19</td>
<td>-2</td>
<td>-456</td>
</tr>
<tr>
<td>IKE (1954)</td>
<td>+35</td>
<td>-8</td>
<td>+483</td>
</tr>
<tr>
<td>JFK (1962)</td>
<td>+36</td>
<td>0</td>
<td>-76</td>
</tr>
<tr>
<td>LBJ (1966)</td>
<td>+3</td>
<td>-8</td>
<td>-762</td>
</tr>
<tr>
<td>NIXON (1970)</td>
<td>+31</td>
<td>-11</td>
<td>-288</td>
</tr>
<tr>
<td>CARTER (1978)</td>
<td>+13</td>
<td>-5</td>
<td>-357</td>
</tr>
<tr>
<td>REAGAN (1982)</td>
<td>-6</td>
<td>-7</td>
<td>-201</td>
</tr>
<tr>
<td>GHW BUSH (1990)</td>
<td>+26</td>
<td>-1</td>
<td>+32</td>
</tr>
<tr>
<td>CLINTON (1994)</td>
<td>0</td>
<td>-10</td>
<td>-514</td>
</tr>
<tr>
<td>GW BUSH (2002)</td>
<td>+33</td>
<td>-1</td>
<td>+127</td>
</tr>
<tr>
<td>OBAMA (2010)</td>
<td>-3</td>
<td>-6</td>
<td>-708</td>
</tr>
<tr>
<td>TRUMP (2017)</td>
<td>-15.6 (in 2017)</td>
<td>-1 (in 2017)</td>
<td>-34 (thru 1/17/18)</td>
</tr>
</tbody>
</table>

Sources: Sabato; NCSL; W.Post

2018

**GOP DEFENDING**
26 Governorships
15 open seats
6 Toss-Up / worse

**DEM DEFENDING**
10 Governorships
4 open seats
3 Toss-Ups
State AG Lawsuit Tsunami Will Grow, Esp. if More Dems Win

AGs Challenging Trump on Immigration, Net Neutrality, Tax, Energy, etc.

Multistate Lawsuits Against the Administration

State AG Lawsuit Leaderboard

<table>
<thead>
<tr>
<th>State</th>
<th>Lawsuits</th>
</tr>
</thead>
<tbody>
<tr>
<td>MA</td>
<td>27</td>
</tr>
<tr>
<td>NY</td>
<td>26</td>
</tr>
<tr>
<td>CA</td>
<td>24</td>
</tr>
<tr>
<td>MD</td>
<td>24</td>
</tr>
<tr>
<td>WA</td>
<td>22</td>
</tr>
<tr>
<td>IL</td>
<td>20</td>
</tr>
<tr>
<td>OR</td>
<td>20</td>
</tr>
<tr>
<td>DC</td>
<td>18</td>
</tr>
<tr>
<td>IA</td>
<td>17</td>
</tr>
<tr>
<td>VT</td>
<td>17</td>
</tr>
</tbody>
</table>

Source: Prof. Paul Nolette, Marquette U. [https://paulnolette.com/](https://paulnolette.com/)
The Trump-Media Feud Will Intensify
Trump vs Media Feud Will Intensify

Why It’s Working for Trump

1. The Base Loves It
   (politically-incorrect & anti-elite)

2. Neutralizes Dangerous Foe
   Does Media Fabricate Trump Stories?
   (% GOP voters)

3. Commands Center Stage
   "Trump was the #1 story every week for every audience."

Why It’s Working for the Media

1. Total Viewership Up in 2017

2. Total Readership Growth in 2017
   New York Times paid digital subscribers (M)

3. Compelling Story Line
   “[N]ewspapers, television, all forms of media will tank if I’m not there because without me, their ratings are going down the tubes...”
   -- President Trump to NYT, Dec. 29, 2017

Source: Morning Consult, Oct. 2017
Source: Statista
Source: Nielsen, per Variety, Dec. 2017
Disruptor-in-Chief Speaks Directly to the People

President Trump averaged 5.84 Tweets/day before Gen. Kelly became Chief of Staff & 8.28 Tweets/day after

http://trumptwitterarchive.com/archive
Democrats’ Civil War Will Grow, While the GOP May Temporarily Cease Fire
De-Clintonification of the Democratic Party Accelerating

<table>
<thead>
<tr>
<th>Issue</th>
<th>1994 (%)</th>
<th>2017 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liberal / Mostly Liberal Views</td>
<td>43%</td>
<td>73%</td>
</tr>
<tr>
<td>Immigration is Good for the US</td>
<td>32%</td>
<td>84%</td>
</tr>
<tr>
<td>Racial discrimination is “main reason black people cannot get ahead”</td>
<td>28%</td>
<td>64%</td>
</tr>
<tr>
<td>Single Payer Health care</td>
<td>&lt;50%</td>
<td>65%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Clinton Administration Legacy</th>
<th>Victory</th>
<th>Mistake</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deregulating the Banks</td>
<td>Victory</td>
<td>Mistake</td>
</tr>
<tr>
<td>(Glass-Steagall Repeal &amp; GSE incentives to lend)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerating Globalization</td>
<td>Victory</td>
<td>Mistake</td>
</tr>
<tr>
<td>(NAFTA &amp; admitting China into the WTO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Welfare Reform</td>
<td>Victory</td>
<td>Mistake</td>
</tr>
<tr>
<td>Three Strikes Crime Bill</td>
<td>Victory</td>
<td>Mistake</td>
</tr>
</tbody>
</table>

Sources: IMAGES Wikimedia Commons; Data: Pew Values survey, 2017; Single payer:
GOP More Likely to Close Ranks & Cease Fire

Voters “For Trump” Rather than “Against Clinton” Still Approve Strongly

Establishment-Wing Delivered Policy Wins, Bannon-Wing Delivered Political Losses

Source: NBC/WSJ, Dec. 2017
#8
Another White House vs. Special Counsel War Seems Inevitable
WH Allies Will Attempt to Run the Ken Starr Playbook

Vilifying the Special Counsel Worked for Clinton But Failed Nixon

Ken Starr Unfavorability

Robert Mueller Somewhat / Very Negative

WORKED

WORKING?
Market Volatility Will Surely Increase From Record Lows
How Will Investors React When Markets Get More Erratic?

2017 Volatility Was Historically-Low

Where the Next Market Panic Might Come From?

- FED Too Aggressive
- Geopolitics
- Political Shocks
- Bursting Bubbles
#10
Geopolitical Risks Are Growing
Global Populism Marches On… What’s Next?

USA: Anti-Trade

EU: Anti-U.S. Tech

Significant Elections in 2018:
Will Anti-Establishment Forces Keep Winning?

<table>
<thead>
<tr>
<th>Country</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>March</td>
</tr>
<tr>
<td>Mexico</td>
<td>July</td>
</tr>
<tr>
<td>Brazil</td>
<td>October</td>
</tr>
<tr>
<td>USA</td>
<td>November</td>
</tr>
</tbody>
</table>
Riskiest Global Challenges in 2018

**Frontline Europe: How the Forces Match Up**

**Russia Abroad**
- **Laoumi** (Russia): Russia plans to deploy its first nuclear weapon with increased nuclear power, which will require new security measures.
- **Iran**: Iran's nuclear program remains a significant concern, with possible implications for global security.
- **ISIS**: The ISIS diaspora poses a threat to national security, particularly in Europe.

**Britain on the Frontline**
- **Ukraine**: The situation in Ukraine continues to be tense, with potential for conflict.
- **Estonia**: Estonia remains vigilant against potential cyber threats.
- **UK**: The UK faces challenges related to terrorism and cybersecurity.

**Countries with Claims in the South China Sea**
- **China**: China's territorial claims in the South China Sea are contested by several countries.
- **Philippines**: The Philippines has a claim in the South China Sea, which it is working to assert.

**Whither the ISIS Diaspora?**
- The US and European governments are focusing on the threat posed by the ISIS diaspora, with efforts to prevent terrorist activities.

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