

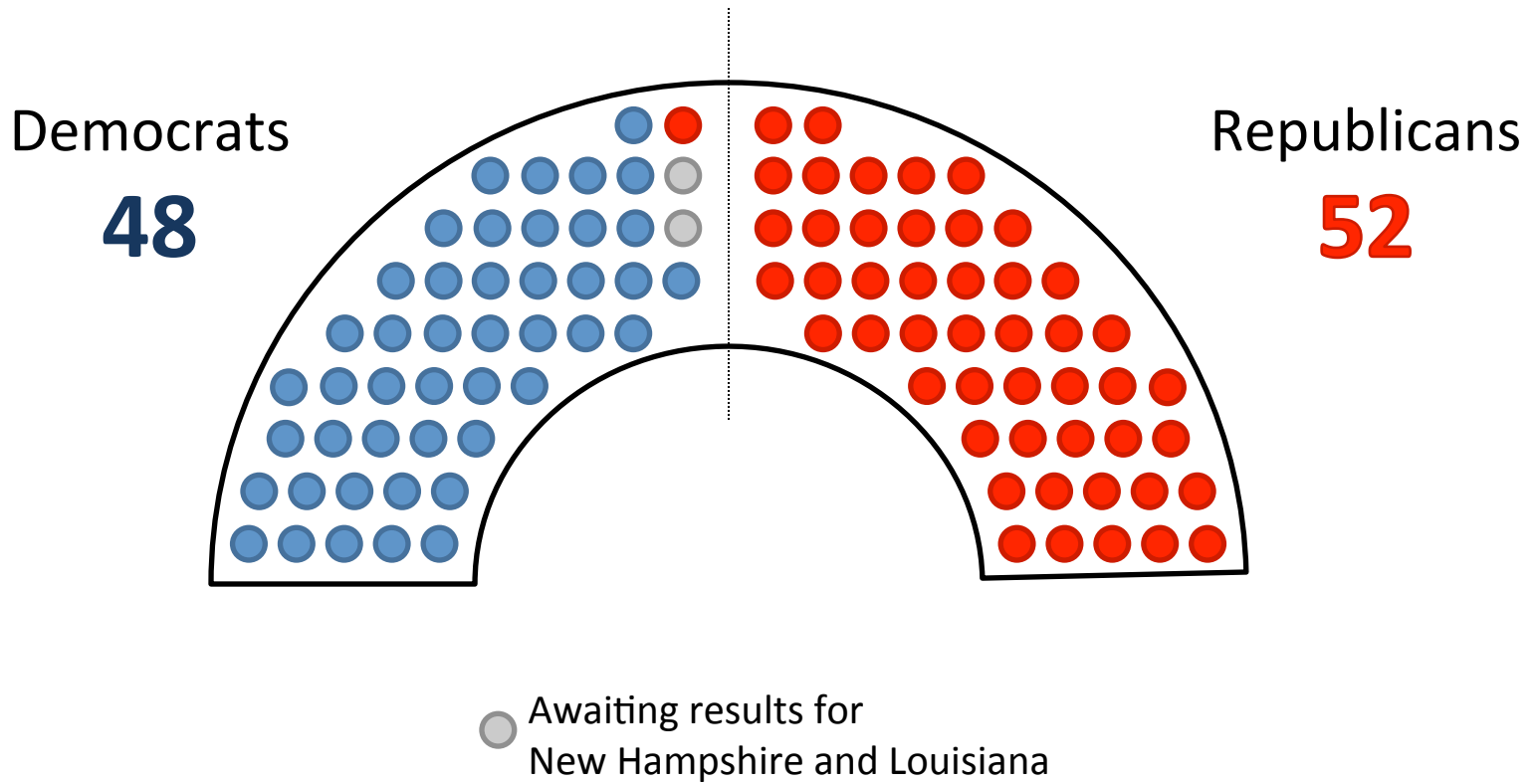
Election 2016

An Assessment

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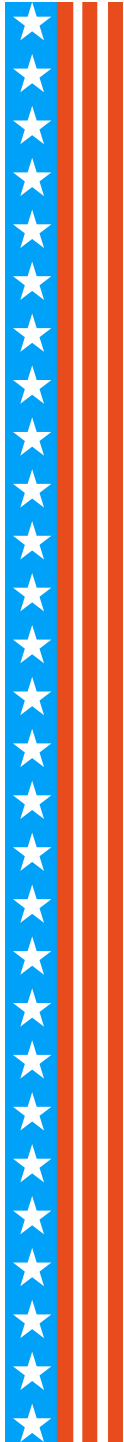
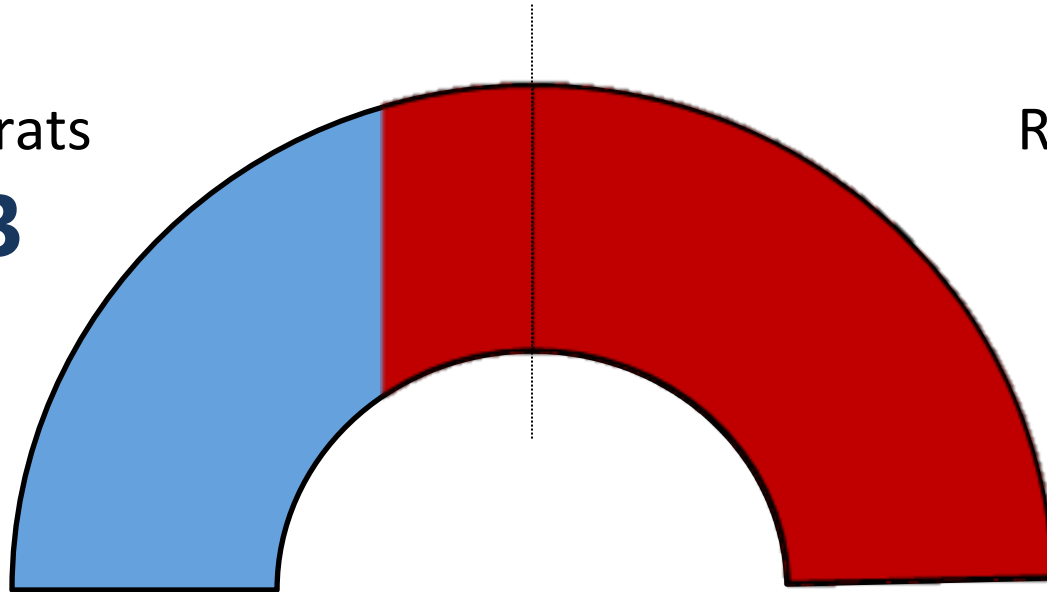
Senate Balance of Power: 115th Congress



House Balance of Power: 115th Congress

Democrats
193

Republicans
238





Presidential Election

Lessons Learned – Republican Perspective

This was a change election – Republicans will control the three branches of government

- Repudiation of status quo
- Frustration with political correctness
- Trump win fueled by a collapse in trust in government institutions

Polls were wrong

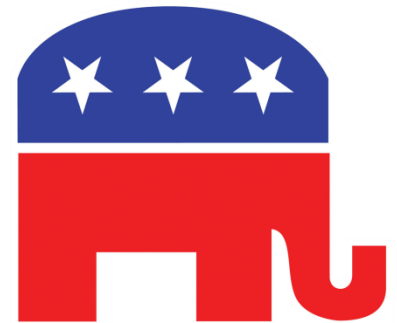
- Frustrated rural voters turned out for Trump – Reagan Democrats
- Clinton underperformed among Hispanics and African Americans

Anti-Trump wave never materialized

Money, organization and ground game did not matter as much in this election

- Trump's utilization of social media to connect with and turn out voters exceeded expectations and was key to success
- GOP Senate candidates had strong coat-tails that helped Trump

The country remains extremely polarized



Presidential Election

Lessons Learned – Democratic Perspective

Democrats forgot that the largest bloc of voters is white working class

- Clinton received fewer white non-college voters than Mondale got against Reagan

The loss cannot be blamed on the FBI Director - there was a bigger “wave” taking place

Clinton’s primary fight with Sen. Bernie Sanders showed fundamental differences within the Democratic party

- Discontent with the status quo was “in the air” across America

The election was not so much about party identification as economic class and income level

Economic issues “trumped” social values issues

Both parties are fractured

- How they are put back together will be the politics of the future



Next Congress Assumptions



Photo from ABC News

GOP retains control of House and Senate

Expect continued legislative gridlock (with occasional spasms of success)

- Senate requires 60 votes to move legislation and nominations
- Look for Sens. Schumer (D-NY) and Warren (D-MA) to aggressively lead opposition

House remains in Republican hands, but caucus faces growing divisions

- Rep. Paul Ryan (R-WI) is expected to be elected Speaker of the House but with smaller majority
- Rise in power and influence of the House Freedom Caucus
- Unexpected outcomes likely as liberal Democrats join Freedom Caucus members on localism issues, “big is bad,” etc.

Investigations to continue

- Senate will continue to focus on corporate wrong-doing and consumer-facing issues (technology and antitrust)
- House continues agency oversight and investigations (CFPB, IRS, Veterans Affairs)
- Any large reduction in domestic jobs will risk White House attention
- Trump promised to assign a special prosecutor to investigate Hillary Clinton

Greater focus on domestic and international mergers and acquisitions

- Progressive Democrats and Freedom Caucus Republicans agree “big is bad”



Post-Election “Lame Duck” Session

House and Senate reconvene the week of Nov. 14, for 4-week work period

- Republican leadership elections Nov. 15 and 16
- Real legislating begins Nov. 28

Lame duck sessions can be wild and unpredictable

Agenda influenced by outcome of the elections

Throughout the lame duck and until Jan. 20, 2017, the Obama administration will accelerate pending agency rules and review of pending transactions





Lame Duck Agenda

Must do

- FY2017 appropriations
- Defense authorization
- House and Senate leadership elections
- Water Resources Development Act reauthorization (includes aid for Flint, MI)

Possible

- Tax extenders
- Smaller tax items (beer tax)
- 21st Century Cures Act
- Energy policy conference
- Louisiana flood aid
- Funding for opioid addiction and prevention
- Iran Sanctions Act renewal
- Amendments to the recently enacted Saudi 9/11 victims bill

Unlikely

- Supreme Court nomination (Garland) / other judicial nominations
- Trans-Pacific Partnership trade agreement
- Criminal justice reform





Trump Administration

First 100 Days



- Freeze/review regulations and Executive Orders
- Move quickly on setting immigration/border control program
- Infrastructure and tax proposals
- Initial steps toward repeal of the Affordable Care Act
- Propose Dodd-Frank “repeal”
- Withdraw from TPP trade agreement and take initial steps to review renegotiating NAFTA
- Stepped up trade enforcement
- Pursue currency manipulation investigations
- Criminal justice reform
- Supreme Court nomination
- Propose constitutional amendment to impose term limits on all members of Congress
- Enact new ethics in government legislation



Presidential Election

What do the results mean for business?

Common-ground may be found early, but expect legislative gridlock to continue

Expect significant deregulatory effort

Roll-back of Obama administration Executive Orders and pending rulemakings

Bigness is Bad

Domestic > Foreign



Selected Affected Industries

Tax and Trade

Technology/Communications

Financial Services

Antitrust

Energy and Environment

Healthcare/Pharmaceuticals



Questions