

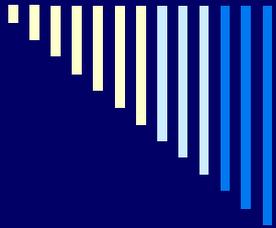
An Election Year Like No Other: 2016 and its Consequences

Ron Elving / NPR

FMI / Energy & Store Development

New Orleans

September 12, 2016



Overview

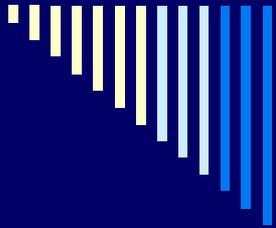
How Did We Get Here?

Election Fundamentals of 2016

What to Expect in November

What to Expect in 2017

Business Impacts



Overview

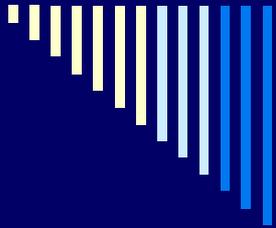
A Note on the Clinton Health Issue

Unknown parameters

Unfavorable contrasts

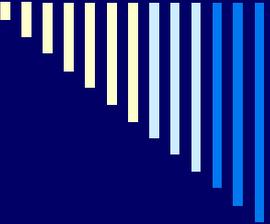
Uncertain Impacts

Ifs...



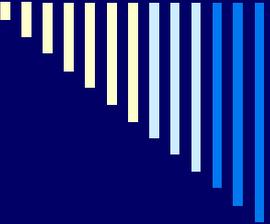
Overture

The past 12 months have been a humbling experience for everyone who thought they understood our presidential politics.



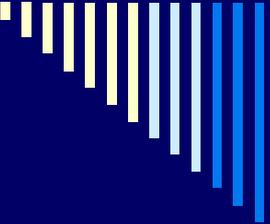
Did You See This Coming?





What Did We Miss?

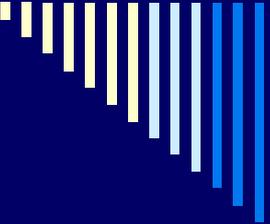
The emergence of certain candidates
(Trump, Sanders, Carson, Cruz)
and the salience of specific issues
(TPP, Mexican wall, hand sizes)



What Did We Miss?

*The extent of economic and political
alienation among voters...*

*Especially among millennials
and non-college white voters...*



Why It's All Happening

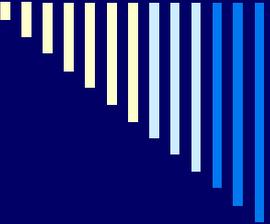
Voters are feeling **anxious**

Economic insecurity (jobs)

Cultural unease (identity)

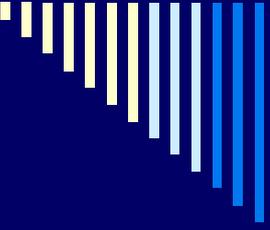
Immigration (nationalism)

Terrorism (security)



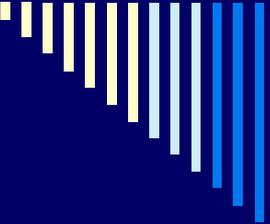
Why It's All Happening

Voters are feeling **angry**
And directing their anger at
“Washington”
Government
Wall Street



How Did We Get Here: Standoff in Washington

Current President and Congress
lack the motives and mechanisms
to negotiate as they must
to make government work



Standoff in Washington

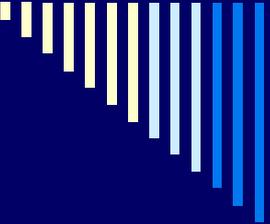
Threat of October shutdown

Long summer recess without Zika funding

Refusal to consider SCOTUS appointee

Resisting Speaker and other leadership

Refusal to negotiate with “the other body”

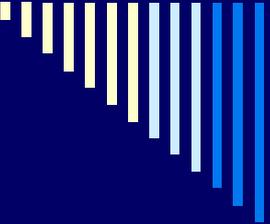


Congress = Political Anxiety

Members in both parties & both chambers are often driven by electoral insecurity.

Greatest fears:

Primary challenge & being outspent.



The Fundamentals of 2016: Economy: The Good

Unemployment 4.9%

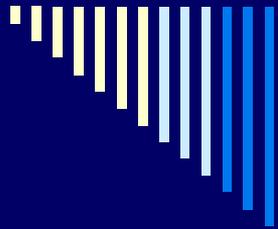
Prime rate 3.5%

Mortgages < 3.5%

Core inflation 2.3%

Fed discount rate 1%

Gasoline \$2/gal.



The Fundamentals of 2016

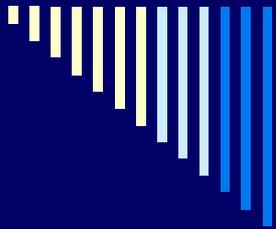
Things change, but some things always matter:

State of the economy / Mood of the nation

White House pendulum / (Standing of the president)

Electoral College map / Polling indicators

Campaign performance / Debates



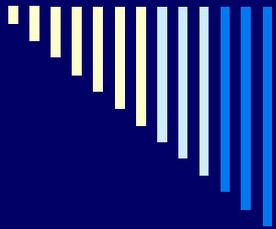
The Fundamentals of 2016: Economy: The Bad

Anemic growth (1.2% latest Q)

Home ownership down

Student debt swelling

Wage growth weak



The Fundamentals of 2016: Economy: The Ugly

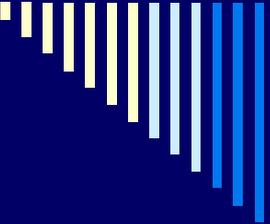
Federal debt burden = record high

Labor force particip. = record low

Federal deficit growing again

Infrastructure deteriorating

Tax code overdue for overhaul



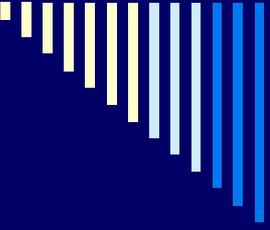
The Fundamentals of 2016: The Big Pendulum

“Time for a Change”

Party in White House 2 terms loses

Only one exception since World War II

George H. W. Bush in 1988



The Fundamentals of 2016: The Big Pendulum

“Time for a Change”

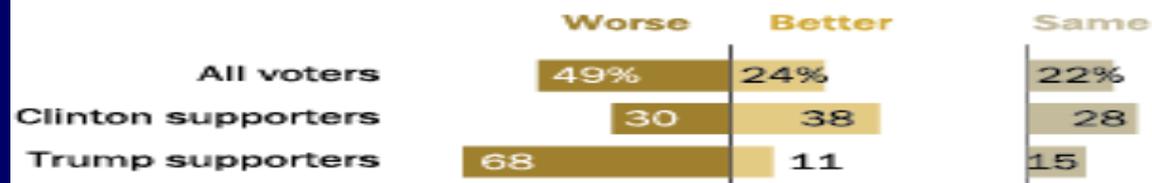
*The change offered by Trump
is a restoration of times/conditions past;
Clinton = Obama = Status Quo*

Voters diverge on how U.S. has changed and where it's headed

Compared with 50 years ago, life for people like you in America today is ...



The future of the next generation of Americans will be ___ compared with life today (%)

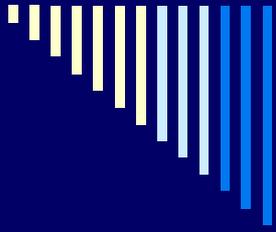


Notes: Based on registered voters.

Don't know responses not shown. Q7 and Q8.

Source: Survey conducted August 9-16, 2016.

PEW RESEARCH CENTER



The Fundamentals of 2016: Presidential Turnout Grows

2004: **122** million votes cast

2006: **81** million

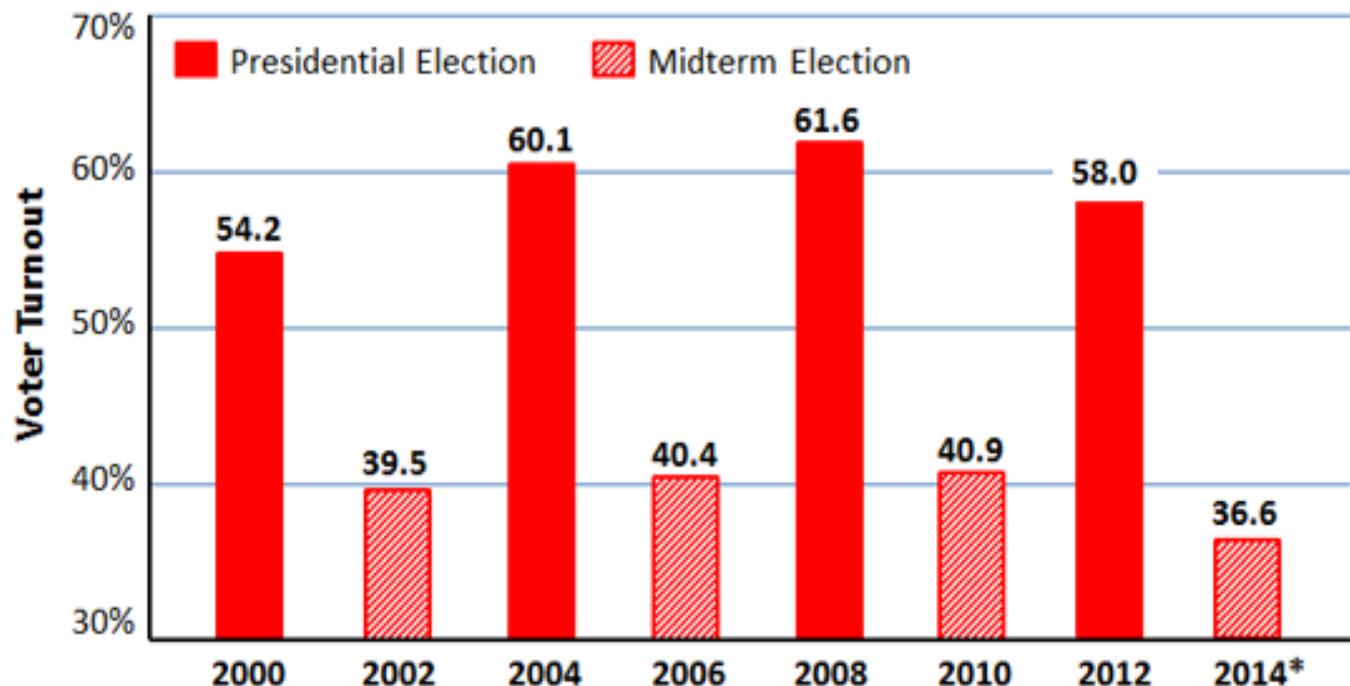
2008: 131 million votes cast

2010: 87 million

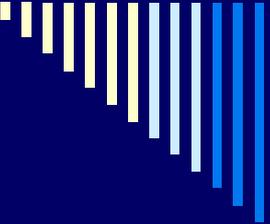
2012: **124** million votes cast

2014: **78** million

U.S. Voter Turnout Since 2000

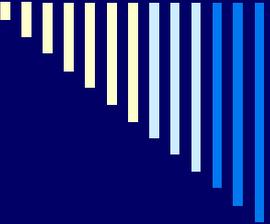


Source: U.S. Election Project, Turnout of Eligible Voters for Highest Office. *2014 preliminary estimate.



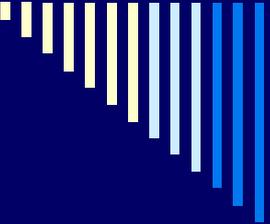
Not Just Bigger, Different

- Younger
 - More Diverse
 - More are single
 - Less Educated / Less Affluent
 - Less Conservative/ Less Republican
-



Winning the White Vote Is No Longer Enough to Win

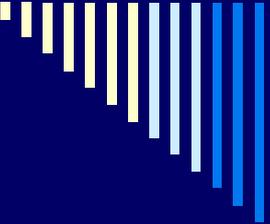
- **When Reagan ran, whites = 88%**
 - Reagan won 55% of their vote = 44 state landslide
 - John McCain 2008: same 55% but lost
 - Mitt Romney 2012: 59% of whites, still lost
 - Trump could take 65-70% of whites and still lose
-



The Fundamentals of 2016: Demographics

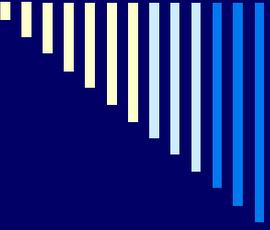
Minorities' share of popular vote
has recently been rising 2 points
in each presidential cycle.

50,000 Hispanics turn 18 every month
in the U.S. (citizens only)



The Fundamentals of 2016: Demographics

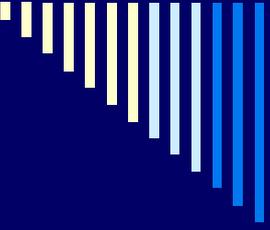
- ❑ **In 2016 minority vote may be 30%**
 - ❑ **Obama got 82% of that vote 2012, HRC may too**
 - ❑ African Americans >90% against Trump
 - ❑ Hispanic Americans >80% against Trump
 - ❑ Asians also, in shift from past pattern
-



The Fundamentals of 2016: Demographics

If HRC gets 80% of all minorities
she is halfway to a popular vote victory
before first white vote is counted.

Just one third of white vote would give her plurality.



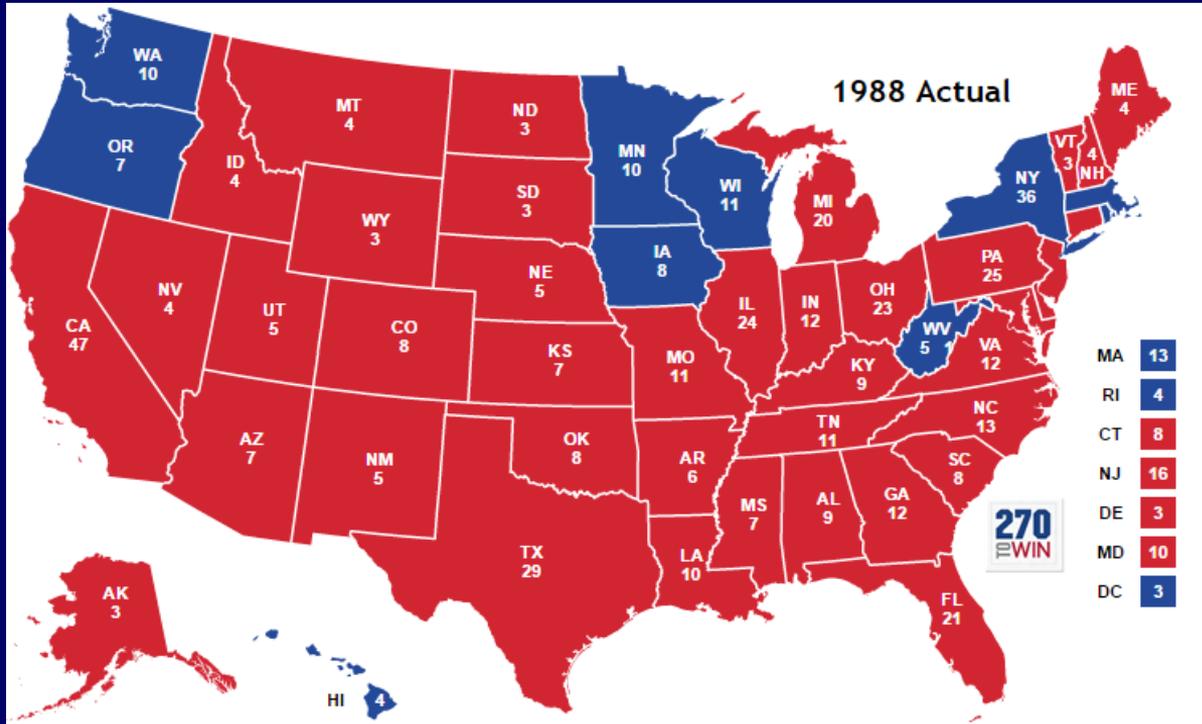
The Fundamentals of 2016: Electoral College Map/Math

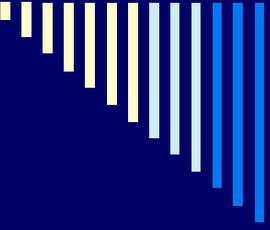
In the 1980s the GOP was said to have
an “Electoral College Lock”

Republicans won the megastates:

California, Texas, Florida,
Pennsylvania, Ohio -- even Illinois

“The Lock” in 1988

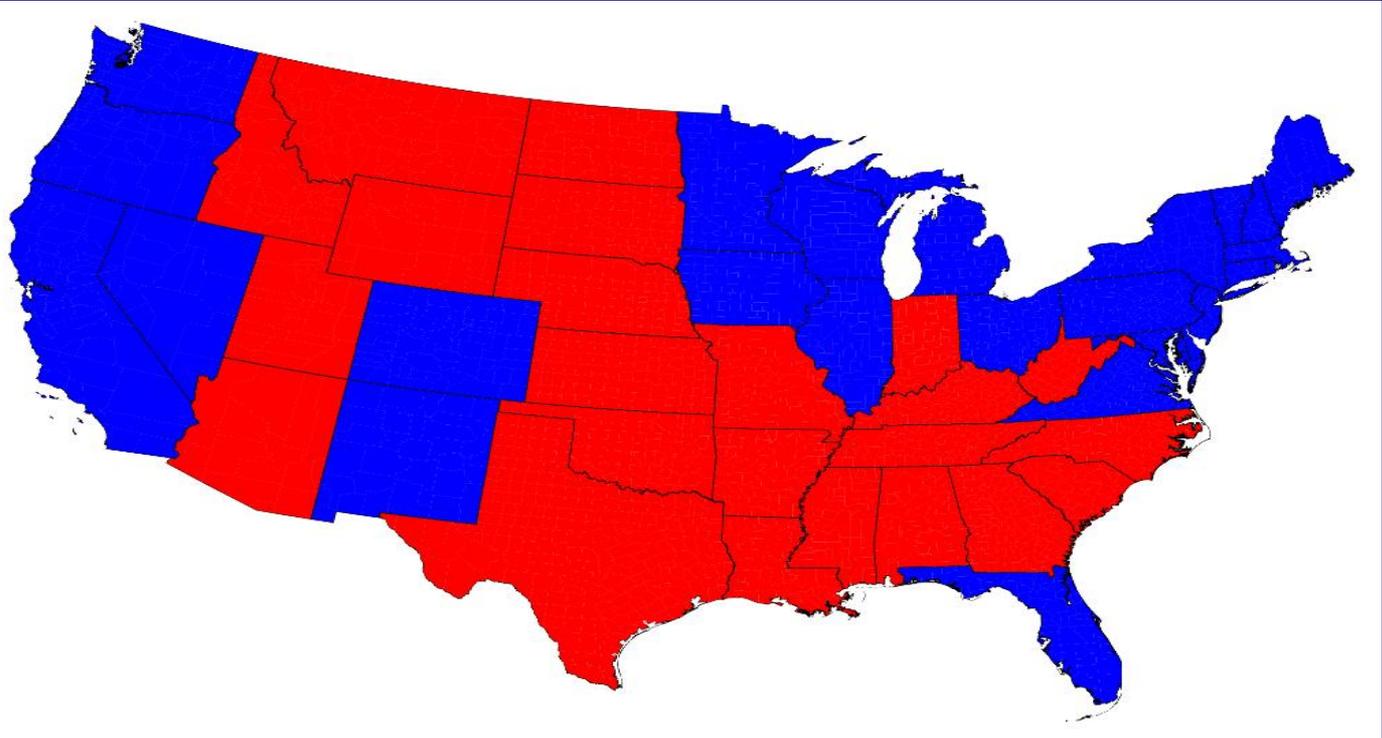




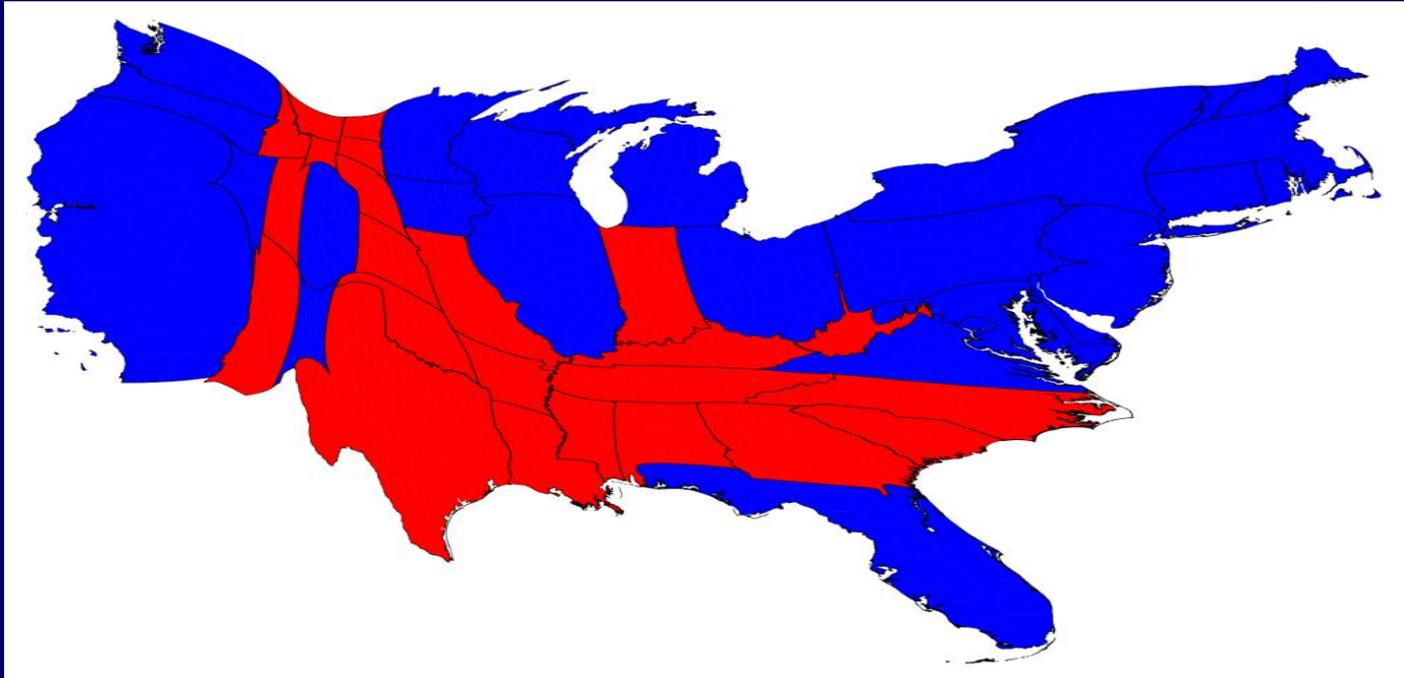
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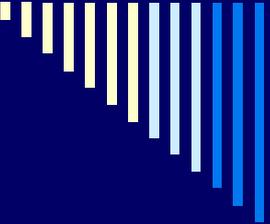
But since the 1990s
most of the megastates
(CA / NY / IL / PA / MI)
have been voting Dem for President

Big Shift in Big States: 2012



Red and Blue 2012: by Population / Electoral College

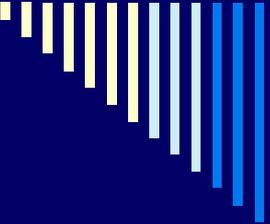




Fundamentals of 2016: *“The Blue Wall”*

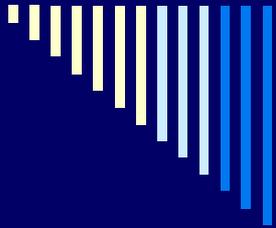
Democrats have now won
4 of the 6 most populous states
in every election since 1992.

Together, those four have
124 electoral votes



Fundamentals of 2016:
“The Blue Wall”

States that voted Dem
every time since 1992
now have 242 electoral votes
Number needed to win: 270



What to Expect in November: WH Battleground States

Florida (29)

Colorado (9)

Ohio (18)

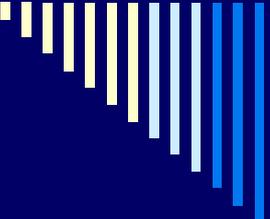
Nevada (6)

North Carolina (15)

Iowa (6)

Virginia (13)

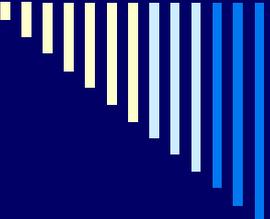
New Hampshire (4)



What to Expect in November

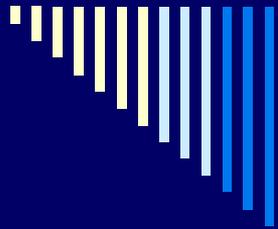
Trump hopes to pull PA / MI / WI
out of the “Blue Wall”

Clinton hopes to contest AZ / GA



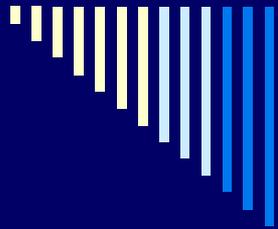
A Few Words on Polling

1. Do not bet on one poll
 2. Focus on averages and trends
 3. State polls mean more than national
 4. Not all polls are created equal
 5. *Registered voters are not all likely*
-



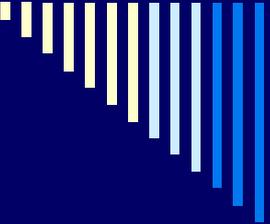
What to Expect in November: Senate in Play

- ❑ Current ratio 54 GOP to 46
- ❑ 24 GOP and 10 Democrats on the ballot
- ❑ GOP worry: IL / WI / IN* / NH / NC
- ❑ And also maybe: PA / FL / OH / MO / AZ
- ❑ Democrats' worry: Nevada*



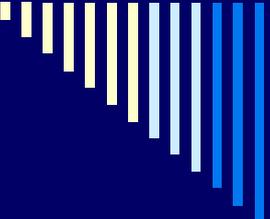
What to Expect in November: Safe House for GOP

- All 435 seats on ballot
 - Current GOP majority is 247 - 188
 - 30 net takeaways for takeover
 - GOP seats at risk 15-30
-



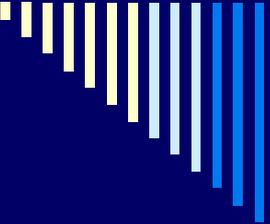
Safe House for GOP

Redistricting exaggerates existing concentration of minority vote in cities. That overload makes urban CDs very D but also makes all surrounding CDs more winnable for GOP.



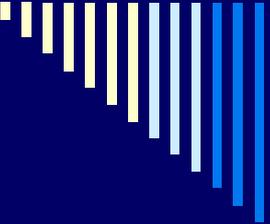
What to Expect in 2017 if...

- ❑ Sweep for GOP transforms DC
 - ❑ President Trump signs bills from GOP Congress, appoints GOP judges
 - ❑ Empowers agenda of GOP Congress:
Obamacare repeal, Planned Parenthood defunding, environmental rollbacks
-



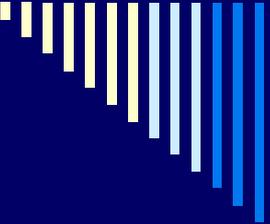
What to Expect in 2017 if...

- ❑ As president, Trump has promised to freeze all new federal rules and regulations *at least temporarily*
 - ❑ Trump has also proposed cutting the corporate income rate from 35% to 15%
 - ❑ Caps deductible interest expenses
-



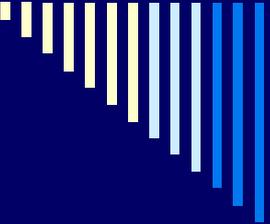
What to Expect in 2017 if...

- ❑ If Clinton wins...
 - ❑ Likely Democrats take Senate
 - ❑ Republicans *still hold on* in House
 - ❑ Stalemate of 2011-2015 remain
 - ❑ Challenge to negotiation/compromise
-



What to Expect in 2017 if...

- ❑ If Clinton wins...
 - ❑ If Democrats took Senate AND House
 - ❑ Return to legislative machinery of 2009
 - ❑ Obamacare, higher minimum wage
 - ❑ More enviro regs, business regs (FMLA)
-

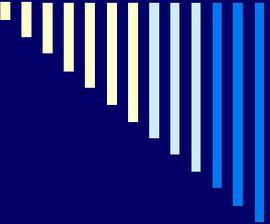


Business Impacts

Clinton likely to follow Obama in using executive powers to enact agenda

Primary exec power = rulemaking

Battles w Congress immediate & inevitable



Specific Business Impacts

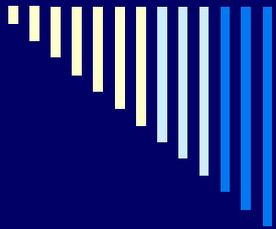
EPA on refrigerant gases

Redefining carbon footprint

More options for carbon offsets

More options for energy management

Hazardous waste: fines & rules



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