

# *Hawthorn Friends and Family --*

It has been ten days since the polls closed on the most expensive and surprising (and, to many, disappointing) mid-term in U.S. history. A few votes are still being counted, others remain to be re-counted. And a lot of analysis (beyond “finger-pointing”) remains to be done.

While reserving the right to “alter and amend,” we thought we ought to get something out about how -- as the dust starts to settle, Congress reassembles, state offices ready for change, and Presidential campaigns formally begin -- we are thinking about what happened.

Attached is a presentation we prepared, based on what we know NOW, about how we’re thinking about what happened, how (why is beyond us), and what it means.

If you would like links to watch any of the ads, let us know and we’ll send them.

Our main conclusions were:

- As the POST so eloquently said, “The Red Wave Never Reached the Shore.” And as the great Charlie Cook has reminded me over 30 years, “*the quality of the candidate DOES matter.*”
- But Republicans – especially in Florida – DID have a good night . . . and, by however modest (and ungovernable, thanks to their own far right members) a margin win in the House.
- All eyes are on the Senate runoff in Georgia . . . and if Republicans can win it, whether Joe Manchin – up for re-election in two years in a state Trump carried by 40 points and with an opponent already announced – will switch parties and give the GOP control of the new Senate.
- Biggest surprise to us was Independents. While they were giving President Biden a less than 40% job approval, they appear to have voted for Democrats 49-47. We have always said “*Independents decide elections.*” With voters increasingly polarized into two extreme camps, Independents play an even more decisive role.
- What it means for business includes:

- Gridlock in Washington. With McCarthy's razor-thin margin and a turnover in Democratic leadership, NOTHING is going to get done, maybe including failing to pass the debt ceiling in the Lame Duck session.
- Continued shifting of action to the STATES, 38 of which now have trifectas, with a single party control governorship and both house (21 R, 17 D).
- Business attacked from BOTH sides, progressive liberal and populist conservative
- The Biden administration will be focused on moving clean energy money from the Inflation Reduction Act out to the states, while Republicans will be looking for wasteful spending in the new program. Lawmakers may try to get energy permitting through this year as part of a broader spending bill to avoid dealing with a fractious new Congress.
- Because the federal government will continue to be hamstrung, more issues will be fought at multiple state levels. It will be important to identify states that matter to you, get plans and resources in place (including securing the best lobbyists before others hire them), and drive the debate rather than react to it.

As Delve CEO Jeff Berkowitz says, "You cannot wait until you're in a fight to find out who your friends and enemies are and where your enemies are trying to take policy."

Hope this helps in your thinking about what happened/how (maybe you even have a view on why)/what it means.

Happy Thanksgiving to all!

***John***