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# THE 2016 US PRESIDENTIAL ELECTION: RESULTS AND ANALYSIS

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## Election Results

After one of the longest, most volatile, and arguably most contentious presidential campaigns in modern American history, Donald Trump has emerged as the president-elect and will be the 45<sup>th</sup> President of the United States of America.

Mr. Trump and Gov. Mike Pence have stunned the political establishment, winning 279 Electoral College votes (with three states yet to be officially called) and garnering more than 59.3 million votes nationwide. While former Secretary of State Hillary Clinton is leading the national popular vote, Mr. Trump racked up wins in formerly dependable “blue wall” states of Pennsylvania, Michigan and Wisconsin that contributed enough Electoral College votes to put him over the edge. His victory was fueled by a coalition of traditional conservative Republicans, rural and small town voters, and working class households that have usually been reliable supporters of the Democratic Party.

In no small part, this new coalition allowed Republicans to hold their majority in the Senate and continue to hold a comfortable, though slightly smaller, majority in the House of Representatives. Whether this marks the beginning of a new Republican majority that will reshape the political landscape is unknown. What is clear is that Mr. Trump’s victory was largely fueled by deep voter discontent with economic opportunity for working class families and a sense of alienation from establishment policies that appear to have turned a blind eye to large segments of working class America. Mr. Trump will come to Washington with a set of policies and promises that are at odds with long-established norms of his own party and yet he will lead a government with complete control of the executive and legislative branches of government. The path forward for Mr. Trump and the Republican majority is not clear, but it is a path for Republicans to define from a position of strength.

## The Mood of the Electorate

As the immediate shock of the result subsides, the country will begin to sort-out the implications of the election over the coming days. This much is clear to political observers: Americans feel divided, are anxious with the direction of the country, and are looking for change. Given the vitriol of the campaign, the election results are not likely to provide a unifying moment for the country, but rather contribute to the sense of national angst. Nearly two-thirds of Americans think the US is on the “[wrong track](#),” more than half hold an [unfavorable](#) view of the president-elect, and more than three-quarters [disapprove](#) of Congress. An NBC/WSJ [poll](#) found that 62% of voters said the election made them feel less proud of America – no doubt a product of the long-standing, simmering divisions in the country that were exposed throughout the campaign.

## Governing Dynamics

In this critical early period, the way Mr. Trump addresses the country – and how lawmakers, voters and constituency groups grapple with the outcome of the election – will likely determine the tone and tenor of the next two years in Washington. His conciliatory acceptance speech gave many hope that he intends to build bridges, saying it was “time to bind the wounds of division.”

In the immediate aftermath of the election, many Washington insiders are asking the following questions:

- Will the election results be interpreted by political insiders as a mandate for broad-based change? Will the long-promised goal of entitlement reform and fiscal conservatism become the foundation of their program of government? How will that impact both parties' legislative strategy?
- Given the vitriol of the campaign, will moderate Republicans sign on to Mr. Trump's demand for change and reverse years of efforts to open borders for trade and seek greater economic integration with our allies? Further, how does House Speaker Paul Ryan deal with his caucus and does his lack of overt support for Mr. Trump place his leadership position in doubt?
- Do Congressional Republicans pursue past grievances as Mr. Trump promised in his campaign or do they focus on a new agenda to take the country forward? Do Congressional Republicans launch immediate investigations into Clinton, her advisers and her campaign?
- Will Mr. Trump continue to target Republican leadership for criticism, and what effect will this have on efforts to unify the Republican Party? If not, will this lead to disappointment from his coalition that expects a clean sweep of Washington as Mr. Trump promised?
- How will Mr. Trump reach out to disaffected voters – on the left and right – who opposed his candidacy? Will his coalition support compromise with more centrist interests in order to achieve his agenda of change?
- To give President-elect Trump a clean slate when he takes office in January, will the Senate vote on pending trade legislation and work with President Obama to move legislation that remains unpopular with voters but critical to the smooth functioning of the government?
- What, if any, role will Hillary Clinton play in activating and speaking to her coalition of voters who won a narrow plurality of the national vote?

The answers to these questions will drive the politics for the critical weeks following the election and set the tone for the next two years.

### **Policy Priorities**

During the campaign, Mr. Trump promised that tax reform, the repeal and replacement of Obamacare, infrastructure spending, criminal justice reform and immigration reform will be immediate priorities for his Administration. Mr. Trump promised that he would revisit trade deals and, if necessary, “tear them up.” What will be his approach and the approach of Republican leadership in meeting the expectations of the Trump coalition? With favorability numbers for Congress at all-time lows, Republicans will have to decide whether it is more beneficial to follow the lead of their president or adhere to long-held policy positions that are at odds with his campaign promises.

## The First 100 Days and Beyond

### Infrastructure

- In his victory address, Mr. Trump was light on the details of his agenda but stated his intention to focus on rebuilding inner cities and undertaking a massive infrastructure program to put Americans to work and make America more competitive. In his own words, “We are going to fix our inner cities, and rebuild our highways, bridges, tunnels, airports, schools hospitals... We are going to rebuild our infrastructure, which will become, by the way, second to none and we will put millions of our people to work as we rebuild it.”
- One of Mr. Trump’s campaign pledges was to work with lawmakers to introduce legislation to “spur \$1 trillion in infrastructure investment” over the course of a decade. Trump asserts that the bill would be “revenue neutral” and would leverage “public-private partnerships, and private investments through tax incentives.” On the campaign trail Mr. Trump promised to introduce *and pass* this legislation during his first 100 days.

### Tax

- Mr. Trump provided some specifics of how he will pay for infrastructure investments in the run-up to the election. His stated approach would set-up tax breaks that would enhance returns for investors who are willing to lend money to state and local governments hoping to take on new infrastructure projects. Mr. Trump’s advisers reason that the cost of doling out those tax breaks would be offset by the money the government would bring in from new tax revenue paid by the workers and companies undertaking those projects. The tax scheme would only apply to revenue-generating infrastructure projects like airports and toll roads.
- Mr. Trump has signaled that he will also impose a 10 percent tax on unrepatriated income to help fund the non-revenue generating infrastructure plan and facilitate the return of capital to the US to be deployed and invested domestically. How this plays out will have significant implications on tax reform which, in part, has assumed repatriation revenue to pay for lower rates and a territorial system.
- The potential use of repatriation could signal a major push to tie the infrastructure program to tax reform. With control of both chambers of Congress, Republicans could use the momentum of the election to push for larger tax policy changes. They could use budget reconciliation to push a proposal through with simple majorities in the House and Senate.

### Technology

- The technology industry has a considerable task ahead of itself to mend fences and establish a better relationship with the new president. Mr. Trump is openly hostile to many of the tech industry’s top priorities in Washington, after a campaign in which he urged a boycott of Apple for fighting the FBI over encryption, called out Amazon for tax avoidance and engaged in a war of words with Facebook.
- Among the priorities for high tech companies that Mr. Trump opposes are the increase in high-

skilled H-1B visas and support for the Trans-Pacific Partnership trade deal.

- Mr. Trump has consistently opposed and criticized the Federal Communications Commission (FCC)'s proposed net neutrality rules. Republicans have strongly opposed the Open Internet Order, and will likely encourage Mr. Trump to appoint a new chairman to take down the proposed new rules.
- Mr. Trump said last month his administration would not approve the \$85 billion AT&T-Time Warner transaction on the grounds that it would create too much concentration in the telecommunications industry.

## Healthcare

- Mr. Trump made a centerpiece of his “Real Change” agenda the repeal and replacement of the Affordable Care Act (Obamacare). A full repeal could be challenging in the Senate where Democrats will be able to block legislation under the filibuster rules.
- Congress could use budget reconciliation to repeal or replace major portions of the Affordable Care Act and Mr. Trump will have considerable executive options to scale back or kill parts of the law. The ability to fill the vacant Supreme Court seat could also tip the balance for Trump to press his authority in taking Obamacare apart.

## Trade

- Mr. Trump has been highly critical of trade agreements and has called for a reassessment of existing trade pacts like the North American Free Trade Agreement (NAFTA). The Republican majorities in Congress are overwhelmingly supportive of free trade, making it unlikely Mr. Trump will be able to repeal existing trade deals. However, this will effectively kill the Trans-Pacific Partnership (TPP) and make the Transatlantic Trade and Investment Partnership (TTIP) considerably more difficult.
- Mr. Trump will be decidedly more isolationist and aggressive on US interests with respect to trading partners and we expect he will seek to back-up his tough talk on China with increased scrutiny of inbound investments and M&A from China, as well as market access and conditions in China.

## Immigration

- Mr. Trump will move quickly to repeal President Obama's executive orders on legal status for the children of undocumented immigrants and will increase resources and focus on enforcement.
- It is less likely that a true immigration reform will happen under Mr. Trump as he focuses on securing the borders and works his way to a policy resolution of his more prominent positions like the “wall” between the US and Mexico.

## Financial Services

- A major part of Mr. Trump's populist appeal has been his willingness to take on Wall Street.

While Mr. Trump is pro-business, his final campaign policy advertisement accused Wall Street, Goldman Sachs and Federal Reserve Chairwoman Janet Yellen as being the “villains of the economy.”

- Mr. Trump is generally pro-business and favors less onerous regulation and wants to reign in the Consumer Financial Protection Bureau, but has not embraced repeal of Dodd-Frank. He will likely champion higher taxes in the form of carried interest and higher rates for upper-income Americans.
- It is likely that financial services reforms will not be prioritized in the early parts of the new administration.

### **Regulatory/Executive Authority**

- Mr. Trump will likely look to put points on the board immediately. He has already called for a moratorium on all new regulatory and rulemaking processes underway in the Obama Administration. He will likely focus on immigration, the environmental regulations at the Environmental Protection Agency, the Treasury Department’s recent section 385 tax regulations, the Department of Labor Fiduciary rule, FCC’s net neutrality proposal and numerous other areas where the Administration has pushed the boundaries of executive action.
- Given the precedent set by President Obama, it will be interesting to see how a President Trump chooses to wield executive authority. With an ability to pack the courts, he could be willing to push the boundaries.
- Mr. Trump has indicated that he will require two regulations be repealed for every new rule put on the books. It is clear he will try to scale back the regulatory approach of the Obama Administration and will use his pen to deliver immediate results.

### **Supreme Court**

- One of the first orders of business for the new Trump Administration will be nominating a Supreme Court Justice. This will likely dominate the first 100 days and will set the tone for the new administration. Mr. Trump’s choice will send a strong signal of how he intends to govern, and what ideology and philosophy he will project. Mr. Trump will likely be mindful not to derail his first 100 days or honeymoon with a controversial pick that will eat up his political capital.

### **Transition**

- Mr. Trump has a very lean transition team, led by New Jersey Governor Chris Christie, which he will need to scale up very quickly. The personnel challenge will consume much of the time between now and the inauguration, leaving little time for deep policy engagement.
- Ultimately, Mr. Trump must staff the entire government. He will start from scratch and will need time to fill the agencies and departments with people aligned with his vision.

The challenges of transition could yield a closer working relationship with Republicans in Congress as much of the Republican bench are staff members on key committees and leadership. This could improve

Mr. Trump's relations with Speaker Ryan and Majority Leader McConnell and serve to further unify the agenda.

### **Moving Forward**

In 2016, both parties learned that the electorate was more divided, angry and in search of real results than previously thought. Voters of all backgrounds are looking for politicians who can deliver on policies that will provide real benefit to the lives of everyday Americans. President-elect Trump campaigned on a set of policies aimed at helping American families but his policy promises are not likely to survive his own party without serious adjustments. Will President-elect Trump and a fully Republican Congress be able to deliver?

*FTI Consulting's Public Affairs & Government Relations practice is available for additional insight into the results of last night's election, including electoral, political and legislative analysis, from **Jackson Dunn**, Senior Managing Director and Head of the Public Affairs practice in the Americas; **Tom Crawford**, Senior Managing Director and Head of the Government Affairs practice; and **Bill Cullo**, Managing Director and Head of the Strategy Consulting & Research practice in the Americas.*

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