

FSVC REPORT ON ITS WEBINAR “2020 U.S. ELECTION RESULTS AND GLOBAL POLICY IMPLICATIONS”

On December 11, 2020, the Financial Services Volunteer Corps (FSVC) hosted its first webinar under the program “Fostering Economic and Political Cooperation Among Key Countries in a Post-COVID19 Environment” funded by the Konrad-Adenauer-Stiftung (KAS). The webinar focused on the 2020 U.S. election results and its global policy implications. The main presenter, Charles Kilbourne, is a Managing Director at FSVC with extensive U.S. campaign experience. Participants were engaged and the webinar raised several critical topics that could be further explored during an international conference in 2021, particularly as they impact future U.S.-Asia relations. Key observations raised during the webinar included the following:

Numbers Help Cut Through the Noise – Republican presidential nominees have earned approximately the same share of the popular vote (46-47%) for the past three elections. Voters are not moving, despite the hysteria surrounding the Trump administration. There was a lot of “noise” and media coverage that got this U.S. election wrong, largely due to biases interfering with analysis. With campaigns, it is critical to be ruthlessly analytical and examine the numbers.

Key Message: Fight for the Forgotten Working Class – Successful campaigns focus on what voters want and have a clear message. A key message in U.S. elections is whether a candidate is a fighter for the forgotten working class. The issue of trade is particularly sensitive to the working class, as it ties directly to economic security and jobs. Candidates like Hillary Clinton got into trouble both during the 2016 Democratic primary (in Wisconsin, in particular) and the general election for supporting the Trans-Pacific Partnership. Support for global trade is one reason why Democrats are losing working-class voters, their core voters in key states.

Key Battleground: Upper Midwest – This message is particularly important to voters in the upper Midwest. The U.S. elects Presidents through the Electoral College system, whereby each state awards its electoral college votes to the winner of that state. The 2012, 2016 and 2020 elections were all won in the upper Midwest region. In 2012, Obama won the electoral college by securing Ohio, Michigan, Wisconsin and Pennsylvania. In 2016, Trump won Ohio, Michigan, Wisconsin and Pennsylvania. In 2020, Biden won back Michigan, Wisconsin and Pennsylvania.

Democrats did not Convert their Presidential Win into Congressional Wins – The Biden campaign did a good job of finding former Obama voters and voters inclined to vote Democrat, particularly in Michigan, Pennsylvania and Wisconsin. This would typically translate into Biden being able to pull other Democrats lower on the voting ballot to victory. This was not the case in 2020. Of the 12 Senate races deemed competitive this election cycle, 11 were held by Republicans. Republicans won the only Senate race deemed competitive held by a Democrat and won 9 of the 11 other races. Democrats had expected to pick up at least 4 seats in the

Senate, maybe 6 or 7, and did not. In the House of Representatives, not a single Republican incumbent has lost, and the Republicans picked up so far 12 seats. It has been over 100 years since a party that won the presidency has lost this many seats in the House of Representatives.

Democrats had expected a banner year. Polls pointed to a favorable electoral environment for Democrats, and Democratic candidates were outraising Republicans in most competitive seats. So what went wrong? Among other factors, Republicans recruited better candidates and executed well their Congressional campaigns, and U.S. voters are polarized and tribalism is defining how people vote. For example, in Arizona, Biden pulled in about 100,000 votes just in Maricopa county thanks to supporters of the late and beloved Senator McCain that Trump relentlessly criticized. These new Biden voters however did not vote for Democratic candidates further down the ballot; instead, they reverted back to voting for Republican candidates.

The implications of the Democratic failure in Congressional races are severe. The U.S. Senate will be held by Republicans, leaving the Biden administration little to no room to maneuver policy-wise right from the start. The situation is likely to worsen in 2022. Since 1945, the party holding the White House has lost an average of 27 seats in the House of Representatives in midterm elections. This means Democrats are seriously at risk of losing the House of Representatives in 2022, leaving the Biden administration even further constrained in terms of passing significant legislation. Political gridlock is expected for the next two to four years.

The U.S. is Not an Isolated Case – The 2019 Canadian election bore some resemblance to the U.S. election. It was very close and decided in the province of Ontario, which is located right above Wisconsin, Michigan, Pennsylvania and Ohio, and is a working-class state. There, working-class voters were also upset with the status quo and uncomfortable with the direction the country was taking. The Premier of Ontario, Doug Ford, is a nationalist and populist Trump-like figure. Aside from Canada, many countries (Hungary, Philippines) are seeing the same type of nationalist, populist movements gain momentum, fueled in part by working-class rebellion.

Trends in U.S. Voter Behavior – There are several trends in voter behavior in recent U.S. elections, including a backlash against the inequalities created by globalization, fear among white voters of losing influence, and a rebellion among working-class voters against the establishment (particularly in the upper Midwest). These concerns are important to keep in mind when discussing policy making. Other trends include a huge social divide between people living in big cities and those in smaller communities, and who you vote for is now based more than ever on your level of education. Finally, other trends noted included the fact that voters are becoming tribal, primaries produce nominees (e.g., Bernie Sanders) who polarize in the general election, media elevates fringe voices and social media adds fuel to the fire.

Spotlight on a Senate Race: South Carolina – In 2016, Lindsey Graham, a longtime Senator from South Carolina, was highly critical of Donald Trump, and blocked President Obama's Supreme Court nominee on the basis that it was an election year. During the next four years, Senator Graham became a staunch supporter of Donald Trump and pushed through Trump's

Supreme Court nominee in 2020, an election year. Given this reversal, Democrats believed they could win and poured \$57 million into the race during the last quarter. Senator Graham won the race by ten points as his strategists recognized that his voters want him to oppose Democrats at all costs, and do not care if he “flip-flops” on the Supreme Court issue if it means having a Republican-appointed judge in the court. Senator Graham was rewarded for this behavior, as were many other Republican Congressional candidates. They run races and govern like Graham, in constant campaign mode, appealing only to their base, and with the belief that their job is to stop the opposition at all costs. It may take 10 years to reverse this trend, and this approach is also being taken by Democratic members of Congress to some extent.

Trump Did Well in Part as He is a “Master Persuader” – In 2015, Scott Adams, the creator of the Dilbert cartoon, identified Trump as a “master persuader” and predicted his victory. Adams has studied extensively persuasion, and noted that Donald Trump was using communication and persuasion tools that no politician had ever done before. For example, when Trump declared in 2016 that he would build a wall between the U.S. and Mexico, and that Mexico would pay for the wall, Adams ascertains that Trump knew this was not a credible statement, but it would enable him to be the clear candidate against immigration, a key issue for working-class voters.

Trump Disrupted the Leadership and Direction of Both Parties – Donald Trump is a disrupter and the policy implications of this disruption are significant. His win in 2016 repudiated the people and ideas that have defined the Republican party for decades. It is now a wide-open question who will lead the party and what issues will define it. Donald Trump has also disrupted the Democratic party, ending the Clinton era, helping to bleed the Democrats of working-class voters and knocking down the “Blue Wall”, the upper Midwest states Democrats believed would prevent them from ever losing. The Democratic party however does have popular leaders (Obama, Biden) to help guide a structured discussion of who should lead the Democratic party.

Some Good News – Due to the COVID-19 pandemic, there was an unprecedented number of paper/absentee ballots mailed in for this election. The process of receiving and counting these ballots went well. In cases where races were so close that a recount was necessary, that process went relatively well too. Finally, the Trump campaign has filed approximately 50 lawsuits to contest the election’s results, with no success at all. A lot of the judges rejecting these legal challenges are Trump-appointed judges, so the U.S. legal system is holding up.

The Global Policy Implications of the Election Results – Joe Biden is a calm, professional politician, steeped in the ways of Washington, D.C. and foreign diplomacy. Biden is 78 years old however, and is therefore more of a placeholder than a change agent. Trade policy, and China by extension, are focal points for the discontent of working-class voters, which will influence the policies of both Democrats and Republicans. Another key implication may be future nationalist, populist leaders. Given the results of the election, it is possible that the U.S. will have other populist, nationalist and isolationist candidates win the White House in the future. Isolationist movements also exist within the Democratic party (e.g., Bernie Sanders) so either party could nominate someone like that in 2024 and 2028.

Appendix I – Biography of Chad Kilbourne (Presenter)

Charles E. Kilbourne is Managing Director and Secretary of the Corporation of FSVC. He is a member of FSVC's management group, and directly oversees FSVC's programs in Albania, Somalia and Tajikistan. He is an officer of the Corporation and the liaison to the Board of Directors.

Before joining FSVC in 2002, Mr. Kilbourne served as Vice President of the Financial Services Forum.

Mr. Kilbourne is a Member of the Board of Directors of the Federal Home Loan Bank of New York (FHLBNY). Mr. Kilbourne serves as an Independent Director, and as a Public Interest Director. He is also a member of the Council on Foreign Relations.

Mr. Kilbourne previously worked in the administration of Governor George E. Pataki of New York in several capacities focused on urban policy and the creation of affordable housing.

Mr. Kilbourne has extensive campaign experience most notably working on statewide races in New York for former U.S. Senator Alfonse M. D'Amato, former Governor George E. Pataki and former U.S. Congressman Rick A Lazio. He has held numerous positions including campaign manager and floor manager for a contested delegate fight at a party convention. He was the primary campaign advisor for nine races for the New York State Supreme Court, all of them successful.

He received a Master's degree from Georgetown University in Washington, D.C. and a Bachelor's Degree from Tufts University in Medford, Massachusetts.