

**FRANK KELLY**

Founder and Managing Partner  
Fulcrum Macro Advisors

## U.S. Election: The Policy Choice

Putting rhetoric and personality (mostly) aside, we explore key policy differences—and similarities—between the political combatants.

The U.S. presidential election continues to heat up, with new surprises seemingly around every corner—from a criminal conviction to an assassination attempt to the late withdrawal of the incumbent. With a new Democratic candidate emerging, the contest has become even more volatile as a closely divided nation inches toward November. In contrast, the policy views informing the race remain relatively stable. We recently met with political consultant Frank Kelly to assess the views on both sides, noting meaningful contrasts, but common ground as well.

### **In terms of business policy, what can we expect from another Democratic administration?**

With a Democratic win, we would likely see a continuation of President Biden's historic focus on the energy transformation, moving the U.S. toward electric vehicles and reducing emissions overall. Vice President Harris, who is considered the likely nominee, has been vocal in her support of green energy. Industrial policy will also likely remain at the forefront, with reshoring and nearshoring of supply chains in light of tensions in the Middle East, and with China and Russia.

Business competition is also a major issue for the Democrats. The Federal Trade Commission and the Antitrust Division at the Department of Justice are not just looking at the mega-mergers anymore. They are redefining their mandate to focus on smaller deals: Will the purchase of a midsize company lead to industry domination and "too big to fail" companies down the road? There have been successful legal challenges to this work, but if the Democrats can keep appointing judges the winds could change.

## **What about a second Trump administration?**

Interestingly, there are some commonalities with Democratic positions. Another phrase for onshoring could be “Make America great again.” Both Donald Trump and Joe Biden raced to object to Nippon Steel’s proposed acquisition of U.S. Steel. There’s nothing illegal about it, and there’s no strategic risk, but their reaction reflects commonly held economic nationalism. On the other hand, Trump would likely work to reverse or modify the push toward electric vehicles and alternative energy. He’s out there saying, “Drill, baby, drill,” and wants to maximize our use of natural resources.

On China, the two parties are on the same page, while Trump’s stance on Russia is a major question, although I think that he may be less friendly than some believe. NATO is also a question, although his chief complaint was about their spending, and since his administration they have increased their commitments and become less dependent on U.S. defense. Trump has talked about broad tariffs on exports, particularly against China, while Biden has introduced levies on certain Chinese goods.

## **Let’s move to taxes and spending. The Democrats have pledged to let the Trump tax cuts lapse and raise taxes on corporations and the wealthy, while the Republicans want to extend—or even expand—their tax cuts. Meanwhile, the budget deficit continues to grow.**

This reminds me of *The Perfect Storm*. You have deficits at all-time highs, which nobody in Washington wants to talk about because it’s the fastest way to the unemployment line. Still, Social Security is moving toward bankruptcy, along with Medicare and the Highway Trust Fund; even moderates are saying that we need to bolster defense spending after 20 years of neglect. There’s also talk of a CHIPS 2.0 Act, which could see support.

How are we going to pay for all this and slow deficit spending? I think we are going to wake up after the election in November and there’s going to be a sudden hard shift in discussion to all things taxes and fiscal. As you mention, the two sides have very different views on taxes, but in reality neither has articulated a way to address the central issue, which is entitlements.

In my view, we could eventually wind up with a solution like the one used to close military bases during the 1990s: A commission could be in charge of determining entitlement reforms, and its proposals would only be subject to a single up-or-down vote—with no amendments allowed. That way, folks could insulate themselves from political pressure.

## **Trump has talked about gutting the federal bureaucracy. Is that doable?**

It’s easier said than done, and I wouldn’t take it too seriously. Trump often starts out with a public negotiating position in order to reach a goal that’s somewhere in the middle; he threatens to go 10 steps, but would be happy with five. We have laws that protect federal employees, and Trump can’t unilaterally fire tens of thousands of people. He’d have to work with Congress, and without the unlikely scenario of a supermajority in the Senate, the outcome would be more nuanced. That said, we would likely see efforts to reduce regulation, a hallmark of the first Trump administration.

## **What about immigration? Are mass deportations and detention centers possible?**

I don’t think they are, again because of the courts and the years it would take to litigate the issues. Trump’s hyperbole is meant to discourage the flow of illegal immigration, now and in the future. If you’re waiting south of the border and you hear his comments, you may have second thoughts about coming.

## **Could we see a resolution of the immigration crisis?**

The last time we saw meaningful reform was when I was working in the Reagan White House. Since then, both sides have used immigration as a political cudgel to appeal to their voting base. However, we may be hitting an inflection point, given the need for workers. As a matter of competitiveness and economics, I believe we have to address this issue in the next two to three years.

## Are free trade agreements out the window, no matter who gets elected?

Interestingly enough, we could actually see some deals. For example, the U.S. government is poised to start pursuing a U.S.-British free trade agreement; Biden indicated he wants one and Trump talked about it during his first term. Trump's mother was Scottish, and apparently, she used to hang a picture of Queen Elizabeth in their living room. This reverence rubbed off on the former president, who is very pro-U.K. and would like to support it further.

## The Trump White House was frequently described as chaotic. Could we expect that again?

Winning the 2016 election actually came as a surprise to Trump, so the administration had to play catch-up in filling positions. This time, nothing is being left to chance. The Heritage Foundation, for example, has been working to develop recommendations for staffers who could start on day one. Moreover, Trump is no longer a novice; he understands how the system works and is more disciplined in his communication. He and his team would likely be far more efficient in a Trump 2.0—something that may please or dismay your readers depending on their political viewpoint.

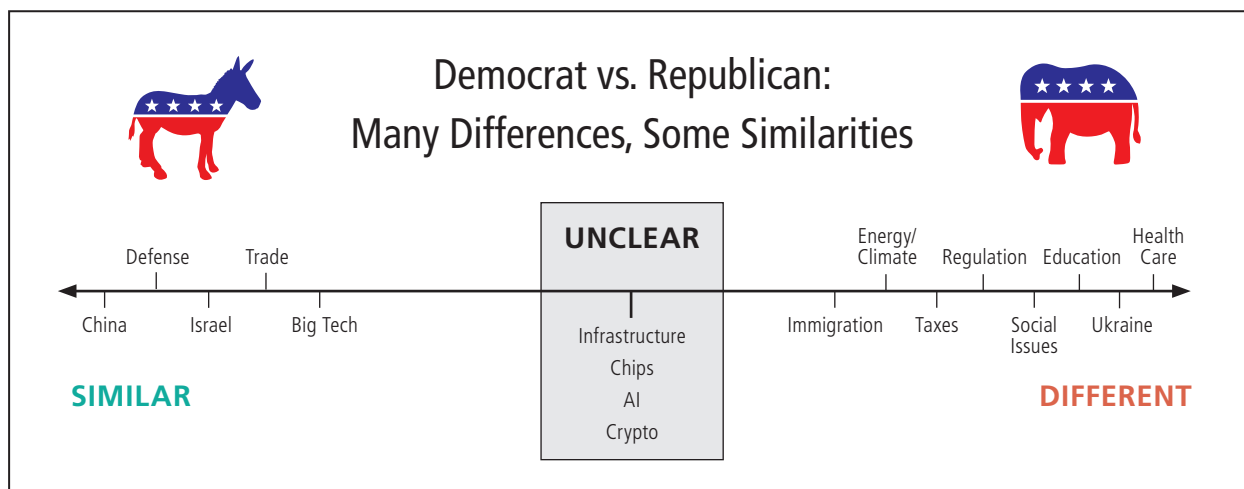
## If there's a closely divided Congress, can anything get done? And should we, once again, expect to hear about the filibuster and expanding the Supreme Court?

With narrow governing margins, I think the legislative picture is going to reflect a muddled grind on taxes, health care and other issues. This is when we will see the Washington sausage-making that everybody abhors. It will be slow and painful, but also a reflection of our divided nation. That said, we could still make progress, as we did in negotiations around the CHIPS Act, infrastructure and foreign aid. A sweep in either direction would enhance the controlling party's ability to act, but progress would still likely be limited by the Senate filibuster.

On eliminating the filibuster, it's a great polemical point, but in reality neither side really wants it—or a larger Supreme Court, for that matter—given how much our institutions could change. As a member of Congress, you would likely think, "I'm in the majority now, but what happens when I move into the minority?" Many in Washington believe that such changes would undermine the country's checks and balances.

## How does Biden's withdrawal from the ticket affect the policy picture?

Overall, I would say that positions on the Democratic side will likely remain pretty stable. Kamala Harris shares common ground with Biden across issues, although she's been more critical of Israel, and was the first sitting vice president to visit an abortion clinic—a significant political statement and consistent with her progressive profile. Other candidates, if they were to emerge, might seek to position themselves as more moderate than Biden in some areas to appeal to swing voters.



Source: Fulcrum Macro Advisors, Mehlman Consulting.

## **How about political dynamics?**

The Democrats have a lot of work ahead of them—to select their candidate, create a new campaign strategy and secure financing (both from Biden election coffers and separate fundraising). After the August convention, they will have under three months to make their case to the American people. Importantly, they face the same polling challenges around inflation, the border and crime that helped suppress the current president's (and vice president's) approval ratings. On the bright side (for them), they no longer will have to deal directly with the age issue, even as Harris and others face recriminations over allegedly "hiding" Biden's cognitive issues. Perhaps most importantly, the change could ease pressure on down-ballot Democratic candidates, reducing the likelihood of worst-case scenarios in the House and Senate.

## **Will Trump's selection of JD Vance as his running mate make any difference?**

It's a common joke that vice presidents specialize in attending state dinners and funerals, and there's some truth to that. To the extent he has influence on policy, Vance may push for stances that are more isolationist or anti-big business, perhaps even extending Biden's aggressive antitrust enforcement. More important, however, is his potential impact on the campaign and the future of the GOP. As a native son of Ohio, with a genuine hardscrabble background, he's in a good position to influence uncommitted voters in Midwestern swing states, while his ties to Silicon Valley have helped with fundraising. As a committed MAGA Republican, his elevation to GOP standard-bearer would signal the party's continued drift from its Reaganite roots.

## **Any final thoughts?**

I would caution anyone about getting too confident in predicting the outcome of this race. Since his New York State conviction, Trump has had an unbelievable streak of luck—from the debate, to his subsequent legal victories, to dodging an assassin's bullet. However, now he will face an entirely new candidate who will likely be far more effective than Biden on the campaign trail and the debate stage.

Moreover, the public has a short attention span. What if a federal appellate court reinstates Special Counsel Jack Smith in the documents case? Or Vance makes controversial statements about abortion or Ukraine? What if the judge in the New York "hush money" trial gives Trump jail time? If the Democrats can find a new "shiny object" to sway public opinion, we could be looking at an entirely different contest. There's a long time until November, and it seems like anything could happen.

## **Thank you for your insights, Frank.**

You are very welcome.

### **About the Author**

Frank Kelly is the Founder and Managing Partner of Fulcrum Macro Advisors, a geopolitical and U.S. political risk advisory firm based in Washington, D.C. He spent more than 30 years on Wall Street doing political risk analysis and working on complex M&A deals for two global investment banks. Prior to that, he served in the Reagan and George H.W. Bush White Houses. He also served in senior roles at the U.S. Department of Justice and U.S. Securities and Exchange Commission, and has advised on numerous presidential, senate and congressional campaigns.

This material is provided for informational and educational purposes only and nothing herein constitutes investment, legal, accounting or tax advice. This material is general in nature and is not directed to any category of investors and should not be regarded as individualized, a recommendation, investment advice or a suggestion to engage in or refrain from any investment-related course of action. Investment decisions and the appropriateness of this material should be made based on an investor's individual objectives and circumstances and in consultation with his or her advisors. Information is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. All information is current as of the date of this material and is subject to change without notice. The firm, its employees and advisory accounts may hold positions of any companies discussed. Any views or opinions expressed may not reflect those of the firm as a whole and Neuberger Berman does not endorse any third-party views expressed. Neuberger Berman products and services may not be available in all jurisdictions or to all client types. References to third-party sites are for informational purposes only and do not imply any endorsement, approval, investigation, verification or monitoring by Neuberger Berman of any content or information contained within or accessible from such sites. This material may include estimates, outlooks, projections and other "forward-looking statements." Due to a variety of factors, actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

This material is being issued on a limited basis through various global subsidiaries and affiliates of Neuberger Berman Group LLC. Please visit [www.nb.com/disclosure-global-communications](http://www.nb.com/disclosure-global-communications) for the specific entities and jurisdictional limitations and restrictions.

Neuberger Berman Investment Advisers LLC is a registered investment adviser. The "Neuberger Berman" name and logo are registered service marks of Neuberger Berman Group LLC.

NEUBERGER	BERMAN
-----------	--------

**Neuberger Berman**

1290 Avenue of the Americas  
New York, NY 10104-0001

[www.nb.com](http://www.nb.com)