

Cozen Currents: 2024's Bull Market for Presidential Candidates



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The Cozen Lens

- It may be a bear market on Wall Street but it's a bull market for 2024 presidential ambitions. Even if they don't pull the lever and run, would-be candidates, left and right, need to begin the pre-presidential dance now.
- The trend of hyperpolarization in US politics extends beyond Washington, DC to the states and even to the C-suite. Corporations are not immune from politics, and this dynamic can create challenges for business leaders and shareholders.
- In the twenty-first century, national emergency declarations are in the eye of the chief executive, who, in this case, is President Joe Biden. But their easy access does not guaranty action.

The Bull Markets for President

The Republican Bull Market: With President Joe Biden's approval rating at a historic low, Vice President Kamala Harris doing no better, and Americans taking a dim view of the direction of the country, Republicans right and less right are all chomping at the bit to put their hat into the 2024 ring.

- Donald Trump is saying it's not a matter of "if" but "when" he announces. He's at about 50 percent of Republican voters in the primary polls, which is a front-runner position for any individual person but also a weak showing for a former president. It's a mixture of boredom, legal liability from January 6th investigations, and dwindling relevance that Trump is looking to announce his candidacy before the midterm elections. It's those same dynamics that are keeping other Republicans interested in a run.
- Trumpism without Trump is the leading contender to replace Trump, the man. Atop the pack is Governor Ron DeSantis (R-FL), who is looking to use his reelection this year as a launch pad for 2024 where he could run to the right of Trump on issues like vaccines and the administrative state. He, along with others like Senators Ted Cruz (R-TX) and Josh Hawley (R-MO), represent a continuation of Trumpism and are in aggregate getting about 20-30 percent of the vote. Americans, however, don't really know DeSantis and Hawley so their viability as national candidates remains a huge unknown.
- While not eschewing Trump and Trumpism, there's a coterie of Republicans looking to provide something else for the GOP. This includes former Vice President Mike Pence, Governor Glenn Youngkin (R-VA), Senator Tim Scott (R-SC), former Ambassador Nikki Haley, and former Secretary of State Mike Pompeo. This large group in the aggregate polls between 10-20 percent. A few could even run if Trump runs, although most won't.
- There's a small group of anti-Trump Republicans who are explicit in their opposition to Trump and the Republican Party needing a new direction. This includes Governor Chris Sununu (R-NH), Governor Asa Hutchinson (R-AR), Governor Larry Hogan (R-MD), and Rep. Liz Cheney (R-WY). They compile less than 10 percent of the GOP vote and are being driven more by their own networks, the old Bush establishment, and even some Democrats than any real Republican coalition.

The Democratic Bull Market: Biden is unpopular and his age is viewed as a liability that has left several ambitious Democrats seeking to raise their national profiles if Biden doesn't seek reelection.

- Blue state governors are looking to pick fights Biden won't. Governor Gavin Newsom (D-

CA) is fighting against DeSantis and Governor J.B. Pritzker (D-IL) is fighting against the gun lobby and making trips to the early voting state of New Hampshire.

- Democrats prize electability more than Republicans, and there are several more moderate Democrats who could make a name on the national stage. This includes Governors Jared Polis (D-CO), Gretchen Whitmer (D-MI), and Governor Roy Cooper (D-NC). Yet national politics have put a premium on candidates in Washington, making it harder to repeat what a moderate Democratic governor from Arkansas was able to do back in 1992.
- Biden has every intention of running for reelection and still has enough Democratic support and connections throughout the party to not invite a credible challenger. In the event he doesn't run, Harris will be a leading candidate for the 2024 nomination. She may struggle with her position as veep (but which veep hasn't) and she struggled in her own 2020 campaign, but she has the platform to mount a strong candidacy.

The Third Party Bull Market: If the two major parties nominate an unpopular septuagenarian and an unpopular octogenarian at a time when trust in the institutions of government is at an all-time low, the timing may be right for a third option to rise.

- The two most unpopular nominees for president ever were Donald Trump and Hillary Clinton in 2016. With the current polling, a Trump vs. Biden general election would be even more unpopular. The 2016 election had the largest number of third-party votes (Libertarian Party's Gary Johnson and Green Party's Jill Stein) since Ross Perot in the 1990s.
- No Labels, a bipartisan political organization that has long sought third-party candidates, is polling a hypothetical ticket of Senators Joe Manchin (D-WV) and Lisa Murkowski (R-AK).
- Third parties are spoilers more than contenders in this day and age of political polarization. Of those voters who disapproved of both Trump and Clinton in 2016, more still voted for either of the major-party candidates rather than choosing another option.

Polarization in the States and the C-Suite

Polarization on the State Level. Washington, DC isn't the only place where politics has become increasingly divisive. The same trend of polarization in our nation's capital can be seen across the country as leaders of red states and blue states clash in the culture wars.

- This dynamic is exemplified by the exchange earlier this month between California Governor Gavin Newsom (D) and Florida Governor Ron DeSantis (R). On July 4th, Newsom's re-election campaign aired an [ad on Fox News in Florida](#) telling voters "Freedom, it's under attack in your state," citing the Sunshine State's restrictions on abortion and voting rights, efforts to ban "critical race theory," and the Parental Rights in Education bill known by its opponents as "Don't Say Gay." DeSantis responded to the attack in a [press conference](#) later that week, criticizing California's approach to managing the Covid-19 pandemic, crime, drugs, and homelessness, and suggesting that Florida is a more attractive place to live. "I can just tell you this, I was born and raised in this state, and until the last few years I rarely if ever saw a California license plate in the state of Florida. You now see a lot of them. I can tell you if you go to California you ain't seeing very many Florida license plates."
- State-level polarization is not limited to a few states or a few feuding governors. Recently, there's been an increasing trend of Republican state attorneys general banding together in litigation. Last month's landmark Supreme Court case *West Virginia v. EPA*, in which the Court invoked the major questions doctrine to limit the Environmental Protection Agency's ability to curb certain emissions, was brought by West Virginia and over a dozen red states, including Alabama, Alaska, Indiana, Louisiana, Missouri, South Dakota, and Texas. The [New York Times](#) reported last month that attorneys general from some of these states are at work on further judicial challenges targeting the federal government's ability to enact policies to combat climate change.
- The Supreme Court's overruling of *Roe v. Wade* has contributed to greater polarization. In the wake of the *Dobbs v. Women's Health Organization* decision, blue and red state governors have clashed on abortion access. As described by the [New York Times](#), the chief executives of more liberal states have argued that protections to abortion access make their states more attractive places to do business, while conservatives have countered that their more business-friendly economic policies will win out. The Times quoted Governor Roy Cooper (D-NC), who faces a GOP-controlled legislature, saying that prohibiting the procedure "would have a

negative effect on economic growth here in our state.” “I’ve spoken to C.E.O.s who are rethinking those states,” Commerce Secretary Gina Raimondo, herself a former Democratic governor of Rhode Island, told the Times in reference to states banning abortion. “I think the cumulative effect will, over time, develop to be quite significant.”

Politicization of the C Suite. In today’s highly polarized political environment, politics finds its way into the corporate boardroom as well, with consequences for business leaders and shareholders.

- The business community is increasingly finding itself embroiled in politics. In red states, elected officials are cracking down on corporations they view as too “woke.” Perhaps the most visible example so far is Florida’s effort to revoke Disney’s special tax status, known as the Reedy Creek Improvement District. In the aftermath of *Dobbs*, companies that announce that they will cover the expenses of employees who go out of state to access abortion services may end up in the right’s crosshairs. For example, the Texas Freedom Caucus, a group of conservative members of the Texas House of Representatives, sent a letter accusing a law firm of having been “complicit in illegal abortions” and warning that it was “exposing itself and each of its partners to felony criminal prosecution and disbarment.” The caucus’s chairman noted that “We will also be introducing legislation next session that will impose additional civil and criminal sanctions on law firms that pay for abortions or abortion travel.” On the other side of the coin, Citadel recently announced plans to relocate its headquarters from Chicago to Miami. The firm’s founder, Ken Griffin, has historically sparred with Illinois’s Democratic leadership and criticized the city’s problems with crime.
- Economists from Boston College and Washington University in Saint Louis recently published a paper titled “The Political Polarization of Corporate America” that was featured in *The Washington Post*. Their work reveals key findings about the state of politics in the C-suite and its implications for the business community. The researchers looked at voter registration data for top executives at over 900 firms in the S&P 1500 between 2008 and 2020, and their analysis revealed that top management is becoming more politically homogeneous. “We measure the partisanship of executive teams as the probability that two randomly drawn executives from the same team are affiliated with the same political party. Based on this measure, we find a 7.7-percentage-point increase in the average partisanship of executive teams over our sample period,” they wrote. They found that 61 percent of the rise in partisanship among corporate executives could be explained by greater likelihood to self-sort with others who possess similar views, while 39 percent could be explained by executives becoming more Republican in general. The researchers found that so-called “misaligned” executives, i.e., Democrats on majority-Republican teams and vice versa, are more likely to leave their positions, and for “misaligned” CEOs, these terminations are more likely to be involuntary.
- The paper also found that a more politically homogeneous C-suite has negative implications for shareholders. When a “misaligned” executive departs his or her position, the decline in the company’s stock price is 1.7 percent greater than what occurs following the termination of an “aligned” executive. If the trend towards greater political homogeneity in the C-suite continues, it could have costs for shareholders.

The Increasing Use of Presidential Emergency Powers

The President(s) Who Cried National Emergency: President Biden is considering declaring a national emergency over abortion access and is being pressed to declare another over climate change, which would be the latest in a string of such declarations from Biden and his recent predecessors.

- Declaring national emergencies has become increasingly common in recent presidencies for events outside of the cut and dry emergency. With considerable flexibility under the National Emergencies Act, the president is allowed to declare emergencies unilaterally and renew them at will. Over the past 50 years, presidents have declared 100 national emergencies, usually for natural disasters and foreign crises like President Obama’s use of the power during the H1N1 influenza pandemic in 2009 and for foreign policy actions relating to Somali pirates and Russia. But then-President Trump changed the game and controversially used it for diverting funds to build a border wall and later at the start of the Covid-19 pandemic.

- Biden is under growing pressure from his left flank to show he can meet the moment and do something meaningful to preserve the right to an abortion in the wake of the Supreme Court's decision in Dobbs. To that end, the administration has said it is now considering declaring abortion access as a public health emergency in order to access additional policy tools. This would be more of a Trump-style national emergency, and activists have argued that using the national emergency tool would unlock funding and legal protections to help fund patients' financial needs around abortion and enable legal protections to access medication abortions.

Emergencies Are Not All They're Cracked Up to Be: Politically, enacting a national emergency has drawbacks if it does not yield the desired results and talk of declaring an emergency now is only due to the ongoing political calculus of the benefits of taking incremental action versus the perceived weaknesses of doing so and looking ineffective.

- Activists are being backed in their argument for an abortion emergency by Democrats in Congress, 81 of whom signed onto a letter last week to Biden calling for him to take such a step. The same narrative applies to a climate declaration, with activists increasingly frustrated following Senator Joe Manchin's (D-WV) dropping of all clean energy and climate measures from a budget reconciliation package and Democrats in Congress demanding Biden step up his executive efforts in the wake of the legislative failure.
- The problems for both issues are that there is limited funding available and legal challenges abound. On abortion, any efforts to establish legal protections from the federal government regarding abortion will undoubtedly face legal challenges and run into the Hyde amendment, which blocks federal funds from being used for abortions and remains in place despite Democratic opposition. The Hyde Amendment is already forming the basis for a suit led by Texas Attorney General Ken Paxton (R-TX) claiming that federal guidance requiring abortions be provided in medical emergencies to save the life of the mother violates Hyde. On climate, the Supreme Court recently limited the regulatory power of the Environmental Protection Agency (EPA) and raised questions over whether administrative state actions overreach in operating outside of explicit congressional direction.
- National emergencies not only are subject to legal challenges but require funding to amount to more than just messaging. White House Gender Policy Director Jennifer Klein said recently that there are only "tens of thousands of dollars" in the government's public health emergency fund, and adding abortion to its use will only provide further impetus for a future Republican-controlled Congress to block any additional public health funding. The same dynamic would apply to a climate emergency.
- Declaring a national emergency would also create an ongoing political deadline of needing to extend the emergency or risk losing any limited benefits that are a result of the emergency. This is similar to the challenges Biden is facing in deciding the fate of Trump's initial national public health emergency (PHE) that Biden extended again last week for another 90 days. The renewal of the PHE has become a political liability and Republicans have frequently called on Biden to end it. But doing so would create real-world consequences including people in many states losing Medicaid coverage as well as triggering the expiration of the expansion of Medicare's coverage of telehealth.

Biden's Other Executive Power: While he has yet to embrace the power to declare national emergencies, Biden has come to rely on a similar tool in the Defense Production Act (DPA).

- The DPA is a Cold War-era mechanism that allows the president to control elements of domestic manufacturing. Biden has used the DPA to support specific industries in a crisis like the current national baby shortage formula. He has already used it to support segments of the clean energy industry, particularly solar. Biden invoked the DPA to boost domestic solar panel and cell manufacturers after a long political battle between domestic and imported solar manufacturers. He also used it in June to "rapidly expand American manufacturing of five critical clean energy technologies."
- Biden has shown himself to be willing to be more political in his use of the DPA and could employ it in new ways to further aid clean energy, but it is less clear if it could be used in the abortion debate and it faces similar challenges to national emergencies. While the DPA has become a favorite tool for Biden because of the freedom it affords him in policymaking, its impact is somewhat blunted by its funding levels. In FY22, Congress has appropriated about \$888 million for DPA use but Biden has invoked the DPA numerous times so this funding has

already been stretched.
