COLLECTIVE
INTELLIGENCE

Navigating the Presidential Rematch:
Second Term Scenarios for Business Leaders

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The US presidential election and battle for control of Congress carry profound policy implications that business leaders must be prepared to address no matter the outcome.

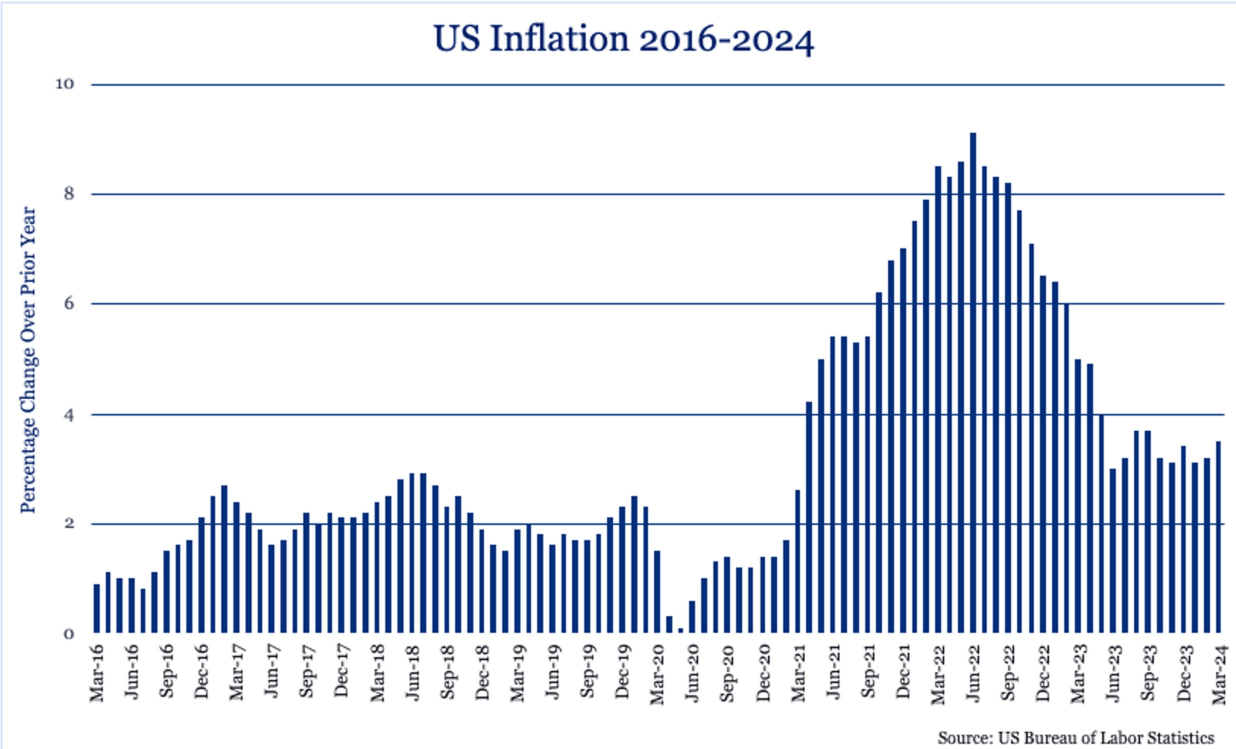
A potential second term for President Joe Biden, unencumbered by immediate political constraints, would likely herald a doubling down on and expansion of first-term policies through an assertive executive approach. Conversely, a reelection victory for former President Donald Trump would likely instigate immediate efforts to dismantle policies enacted during the Biden administration.

Given the inevitability of change, it is imperative for businesses to commence strategic planning now, recognizing that the time for proactive anticipation and adaptation is rapidly diminishing with less than seven months until the election.

Overview

"It's the economy, stupid"

As both a kitchen-table issue and the ultimate business concern, nothing is more top of mind for both voters and industry leaders than the state of the economy. With consumer prices remaining stubbornly high, ticking up to 3.5% recently after slowing from a peak of 9.1% in June 2022, the economy will, no doubt, remain the top campaign issue this fall. Each campaign is laser-focused on convincing voters that their candidate's economic policies are what the country needs.



The passage and implementation of the Inflation Reduction Act of 2022 (IRA) serves as a prime example of the different ways Biden and Trump approach initiatives aimed at lowering inflation. While this landmark legislative package touches climate change, healthcare costs and tax reform, its electric vehicle components continue to draw out the candidates' differences. Take, for instance, the debate around subsidies for electric vehicles (EVs).

EVs and the transformation of the auto industry will continue to be hotly debated in the months ahead, raising questions about climate, industrial policy, trade and how to compete with China. In March, for example, Donald Trump voiced his opposition to EV mandates and stated he would put a "100% tariff" on any cars built in Mexico and imported into the US.

In the meantime, the Biden administration is finalizing new rules for fuel economy and EV adoption, balancing competing pressures from environmentalists and the United Automobile Workers at a time when market demand for EVs is not growing as rapidly as anticipated.

Republicans are not against EVs per se, but they generally oppose biasing market adoption and spending money to accelerate EV penetration. Meanwhile, the Environmental Defense Fund reported in 2023 that automakers investing in the US have already announced more than $120 billion in EV-related investments, primarily in non-unionized, historically red states. While the journey toward electrification is well underway, the election will determine the strength of the policy push driving the pace of the transformation.

Trade – more similarities than differences

Despite differences in both personality and rhetoric, the candidates' approaches on trade are more similar than different. While Biden may not have explicitly endorsed an "America First" approach at this point, his stance on trade aligns closely with that sentiment. Both candidates exhibit comparable positions on China, particularly in terms of corporate interests. Biden notably has left Trump's tariffs on China in place, citing that they help create US jobs. Regardless of the similarities, Trump has proven to be much more averse to multilateral efforts and has vowed to be far more aggressive on new tariffs compared to what could be expected from a second Biden term.

Regulators, mount up

Regulatory issues for business are not front and center on the minds of voters, who are more focused on the turmoil in the Middle East and Ukraine, border security in the US and ongoing economic anxiety. Yet companies can expect a Biden second term will continue or increase its strong approach to regulation, especially with regard to mergers. A Trump presidency will likely focus on rolling back regulation established during the Biden administration. Shifts in policy if Trump wins will go well beyond aggressive deregulatory efforts. Trump will look to implement ambitious, unprecedented and arguably destabilizing initiatives as well, especially on immigration and trade. He has also called for significant politicization of the century-old civil-service structure, something sure to impact the regulatory process.

Taxing approach

Both Biden and Trump have vowed to protect Social Security, though with different approaches. The current president's 2025 budget proposes raising taxes on businesses and billionaires to fund social programs, including Social Security and Medicare. And while this budget has little chance of passing in Congress, it does provide the key pillars for Biden's campaign platform. In response, Trump suggested reducing federal funding for entitlement programs, citing "theft and bad management." This debate continues against the December 31, 2025, sunset date for key elements of Trump's Tax Cuts and Jobs Act.

Party mix

As always in American politics, we can expect the passage of any major legislation at the federal level to depend on single-party control. Whether Democrat or Republican, if either party were to win the presidency and a majority in both chambers, they could potentially remove the roadblocks currently in play: a Biden White House, a slim Democratic majority in the Senate and the turmoil of Republican leadership changes in the House. Consequently, if either chamber of Congress or the presidency is in different party hands, it will be hard to imagine any substantive legislation passing in the next administration.

If either party succeeds at winning Congress and the White House, states controlled by the opposing party could respond with a flurry of regulatory actions in the opposite direction. Forty states are currently under single-party control, with a 23-17 split in favor of Republicans. Thus, businesses should continue to monitor state-level legislative and regulatory threats. And if Washington remains divided, state governments can also be expected to weaponize their power in the absence of federal action (think attorneys general recently uniting against social media companies).

Pressure for change

Ultimately, whoever wins the White House this November will face immediate pressure to deliver meaningful policy change to the American people. Yet in an era where partisan divides often lead to legislative standstills, presidents are pulled toward the exercise of executive action (through, for example, the issuance of executive orders) and regulatory activity. Past administrations have used executive action to deliver change across a wide variety of areas, from healthcare reform to immigration policy changes. While these actions are impactful in the short run, the policy change resulting from executive action lacks durability and is sometimes halted by judicial intervention. For example, recall that one of former President Barack Obama's signature immigration reform efforts, Deferred Action for Childhood Arrivals (DACA), has been stuck in litigation for many years, and parts of it were halted by Trump soon after he took office. Similarly, Trump's travel ban, an executive order restricting immigration from some countries, was halted by federal courts until amended. It can be expected that Trump will roll back some of Biden's executive actions if he wins in November. With their split-screen visits to the border in early March, one can easily imagine either candidate pursuing immigration-related executive action shortly after Inauguration Day.

Issues by Sector

Healthcare

On healthcare, a myriad of pressing issues has captured the attention of voters, reflecting the complexity and significance of the industry. Recent polls indicate that voters prioritize refining the existing healthcare system over large-scale changes, such as the repeal of the Affordable Care Act (ACA) or the passage of Medicare for All, a single-payer healthcare system. Biden's advisors are homing in on politically popular issues, with a focus on reducing prescription drug prices and healthcare costs more broadly, as well as expanding access to health coverage for those who are uninsured or underinsured. Biden has also contemplated introducing a public option, which would create a public health insurance plan to compete with private plans, while Trump has continued to champion the repeal and replacement of the ACA, something that Republicans tried and failed to do during his first year in office.

Mental health, reproductive healthcare, the opioid crisis and prescription drug pricing have emerged as critical issues within the broader conversation on healthcare for both campaigns.

Uniting both sides of the aisle is a shared concern over rising healthcare costs, with both Biden and Trump targeting the pharmaceutical industry's role in driving up prescription drug prices. Initiatives supporting price transparency are popular across the healthcare system, encompassing insurers, pharmacy benefit managers (PBMs) and hospitals. The focus on prescription drug prices aligns with the widespread support among voters for actions against pharmaceutical companies, as evidenced by Biden's efforts in the IRA to cap certain prescription drug costs under Medicare through direct government price negotiation. The Biden administration has proposed expanding the number of drugs covered under the policy and extending it to the private market.

During his first term, Trump also took steps to address the high cost of prescription drugs and is likely to continue his focus on drug pricing in a second term. His American Patients First plan offered a blueprint to lower drug prices and reduce out-of-pocket costs, though certain Trump-era policies have since been revoked, including the Most Favored Nation (MFN) Model, which tied prices for drugs reimbursed under Part B to prices paid by countries overseas.

The rise in opioid use across the labor force has taken a significant toll on medical systems and has heightened the rhetoric around securing the southern border, making this issue one of cross-sector and bipartisan interest. Approaches to handling the crisis diverge, as Biden allocates significant resources to address the epidemic through expanded treatment access and international initiatives both at the US-Mexico border and via China's fentanyl production, while Trump is likely to double down on strategies and rhetoric related to the national security apparatus. His comments against fentanyl traffickers and cartels have included calls for drug dealers to get the death penalty.

Reproductive healthcare remains a highly charged topic, even more so after the Alabama Supreme Court ruling on frozen embryos. On abortion, Biden attributes the overturning of *Roe v. Wade* to Trump and Republicans, with Trump boasting about his role in nominating the Supreme Court justices who did so. This spring, Trump indicated he supports leaving abortion bans up to the states and declined to endorse a national abortion ban. In contrast, Biden will likely re-up his effort to codify access to abortion at the federal level if Democrats win control of Congress. Key to this would be the continuation of his administration's policies to expand access to reproductive health care services, including guidance issued by the departments of Treasury, Labor and Health and Human Services to support expanded coverage of contraceptives at no cost under the ACA.

Implications for businesses

With bipartisan support for price transparency legislation targeted at hospitals and insurers, we should expect both candidates to talk about the need for the US health system to provide Americans with more information about the healthcare they consume. Whether legislation codifying these requirements passes in the current Congress and is signed by Biden, or it stalls until the next Congress and is signed by either Trump or Biden in the next administration, businesses should be prepared for how they communicate with key stakeholders about the policy's impact.

As Vice President Kamala Harris's recent visit to a Planned Parenthood clinic illustrates, Democrats believe it benefits their electoral prospects to focus on reproductive rights issues. As such, companies should expect increased pressure from their employees to take positions and communicate on this topic – whether through employee programs or executive statements – given that most large American businesses offer employer-sponsored health insurance coverage.

Pharmaceutical and biotechnology companies should also continue to prepare for the implementation of several provisions of the IRA, most notably Medicare price negotiations, for which a first round of negotiations will be completed by the Biden administration by the end of this year. At this point, it is unclear how a second Trump administration would handle the implementation of this component of the IRA. While Trump has previously supported Medicare drug price negotiations, he has changed his position on the issue and instead opted to push for a different policy aimed at bringing US drug prices closer to those of other countries. Given bipartisan support of efforts to lower drug prices, the industry should continue to plan for further scrutiny regardless of who is sworn in next year.

Additionally, the pharmaceutical and biotechnology sectors have experienced incredible growth due to globalization. With this has come an increased amount of attention on the industry's place at the intersection between national security and supply-chain resiliency. Following Trump's 2020 executive order and continued efforts from the Biden administration to boost American pharmaceutical production, industry leaders should prepare for both candidates to continue to shore up supply chains for essential medicine to avoid an over-reliance on overseas production, including in China. Similarly, there has been bipartisan support to limit the ability of US biotechnology companies to work with overseas biotechnology companies that are considered a national security concern, as highlighted in the bipartisan BIOSECURE Act currently being debated in Congress.

Similarly, the ever-growing importance of health data and personal information is becoming a geopolitical flashpoint. Biden's recently signed executive order to better protect the biometrics and health records of

Americans signals a strong desire to continue countering sensitive threats on national security grounds. Healthcare leaders should prepare for continued bipartisan attention in this area and be prepared to mitigate business and operational disruptions.

Finance

Financial institutions continue to be under stress from policymakers and the public, while also navigating the dramatic shifts from Trump's deregulation agenda to Biden's increased oversight of the industry.

Given the gridlock in Congress, we expect that Biden will continue to lean on independent financial regulators to crack down on financial institutions. Biden started his presidency with a promise to deliver greater protections to consumers, and he kept the drumbeat going by making a push to do away with so-called "junk fees." A rule issued by the Consumer Financial Protection Bureau (CFPB) to dramatically lower credit card late fees is a crowning accomplishment of his first term, despite its current legal challenges. While this crusade against fees went beyond financial institutions to include airlines, hotels and ticket distributors, the Biden administration sees this action as a major political win against an industry that is often a political punching bag.

Biden and his team were quick to point out that the spring 2023 banking crisis, triggered by the failure of Silicon Valley Bank and other smaller banks, was due to the more laissez-faire approach his predecessor took to regulation of the industry. While there was momentum to tighten regulations in response, the administration's marquee proposal to increase capital requirements on big banks (known as Basel III) was opposed by players from across the financial services community, therefore slowing the proposal and leading members of Biden's own party to push for changes.

When it comes to Trump's plans, the business community will be focused on his continued push for less regulation, as this was a central theme during his presidency. Trump's landmark Tax Cuts and Jobs Act has been viewed by Wall Street as a kick-starter to economic growth, and we can expect Trump to continue to run on his economic record – namely less regulation and lower taxes – in the upcoming election.

Along with tax cuts, Trump would likely be friendlier to mergers and acquisitions than Biden, although he has not yet spoken about it during his 2024 campaign, and his populist mindset introduces some uncertainty into the environment. Biden's forceful antitrust posture is seen as a pillar of the Democratic Party's agenda to stamp out economic inequality and encourage greater competition. With over 4,000 financial institutions in America, there is a great opportunity for further consolidation of the banking sector, which has greater potential to take off under a future Trump presidency.

Implications for businesses

The most notable change for financial institutions will be at the helm of the regulatory bodies, namely the Securities and Exchange Commission, Department of the Treasury, Department of Justice and Consumer Financial Protection Bureau. With Biden's current slate of regulatory officials, banks and similar companies can expect a greater crackdown. A Trump presidency would provide an opportunity to reinstall officials focused more on deregulation and less on punitive actions.

During the Biden presidency, financial institutions and business associations have taken a more aggressive stance in fighting increased regulation, notably by suing the government to overturn rules viewed as overreach. If Biden is reelected, we can expect the continuation of these lawsuits, especially if large companies see some success in taking their fight to the courts. Conversely, a Trump victory might lead to more business-friendly negotiations with the administration rather than a resort to legal efforts.

Energy

The partisan divide on perceptions of the pace of the energy transition is not just inter-party, but intra-party. There is a significant difference between older, conservative Republicans who favor increased domestic fossil fuel production and younger Republicans who are increasingly more likely to be supportive of renewable energy sources and see climate change as a genuine problem. Conversely, the divide among Democratic voters is between those who are supportive of a full transition away from fossil fuels and those more supportive of an "all of the above" approach.

The Biden administration will likely focus on priorities such as finalizing pending clean energy regulations, disbursing billions of dollars in grants and loans to various clean energy players, getting its $7 billion hydrogen hub up and running, and finalizing IRA tax credit guidance. While the current Department of Energy (DOE) and other agencies note they are committed to decarbonization efforts, the administration is facing pressure from activist groups to limit fossil fuel production, Liquified Natural Gas (LNG) exports and other fossil fuel infrastructure. The Biden administration has not denied a single LNG export project to date, but it is hinting at changes to methane emissions regulations. The administration also has paused approvals for pending and future applications to export LNG from new projects as they reconsider the way they evaluate proposed LNG projects as being in the "public interest."

Trump's campaign has emphasized his ambition to "unleash energy dominance," enhance American energy security, lower gasoline prices, and roll back regulations on the fossil fuel industry. He would be likely to use executive action to scrap emissions regulations, block climate disclosure rules by the SEC and expedite approvals for fossil fuel infrastructure such as pipelines and LNG plants. Trump is decidedly against the IRA and has spoken often about rolling back much of it. He also has spoken out against EVs, pledging to reverse the Environmental Protection Agency's car pollution rules that could require EVs to account for up to two-thirds of new cars sold by 2032.

Implications for businesses

The IRA boosted incentives for investment in wind and solar, battery storage, hydrogen, nuclear and other low-carbon technologies. For those investors to see real returns, the incentives must remain in place for the next 10 years and beyond.

Despite Republican promises to repeal parts of the IRA, doing so would require an act of Congress. While Trump may not have the power to roll back the law unilaterally, he could make implementation difficult. These actions could include using executive power to tighten the limits of tax credits, withhold certain loans and grants, or revise Department of Treasury rules that are not yet final. Businesses that have invested in projects receiving IRA funding, especially those related to EVs and longer-term renewable energy projects, may be negatively affected by what a Trump administration could undo. Because Republican states have benefitted the most from the IRA, some analysts think a Trump administration would take note that rolling back much of the IRA would not be in its best interest.

The geopolitical dynamics are also considerable. Trump's approach toward Russia is both complex and, at times, contradictory: A decision to lift the executive order that bans Russian LNG exports could calm nerves in Asia and Europe, but at the steep cost of diplomatic alliances around the war in Ukraine. At the same time, China has seen a massive expansion of renewable technologies (as was top of mind throughout Treasury Secretary Janet Yellen's visit to China in April) and has geared its industrial policies to capitalize on the economic opportunities the bustling sector presents. Businesses should prepare for renewable energy infrastructure and technology to become intertwined in US-China strategic competition.

To continue the conversation:

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