

September 22, 2014

Election Watch: Senate Swing State Follow-up

Introduction

The following election coverage summarizes our current views of the upcoming midterms and details specific insights into the highly contentious senate races in Arkansas, Colorado, Kansas, Kentucky, New Hampshire and North Carolina. Please see our [client letter](#) on September 11 for insights into the other contentious races in Alaska, Georgia, Iowa, Louisiana and Michigan.

Outlook

1) On September 11, we predicted that the decline in President Obama's approval ratings would likely hit a 'bottom' as he laid out his strategy to confront the threat of ISIL. A little more than a week later, there is some evidence that his plan has reversed the slide in popularity polls. During the last week, his approve/disapprove ratings have moved to 42%/53% respectively from 38%/57%. Should the spread continue to narrow, it may help Democratic chances in key swing states.

2) The upcoming midterms would be more dramatically in favor of Republicans had they unveiled a "Contract With America" that supported monetary reform (ending the Fed's zero interest rate policy and targeting a stable dollar) and fiscal reform (such as eliminating capital gains and corporate taxes). Newt Gingrich's & Dick Armey's 10-point plan that included proposals for economic growth and political reform was a marketing gem that ushered in a revolution. Curiously, it was only unveiled 6 weeks prior to the 1994 midterms. A similar blitz might produce a "GOP wave" of 7 or more Senate seats. The absence of such a clear pro-growth GOP platform in the current cycle urges caution regarding the chatter of a 'Republican wave.'

3) According to RealClearPolitics, if the November elections were held tomorrow, Republicans would have only 50 seats, with Democrats having 49 and independent candidate Greg Orman becoming the kingmaker of the Senate.

4) Without deviations from the scripts of major senate candidates, we believe Republicans will win Arkansas, Kansas and Kentucky; Democrats will win New Hampshire and North Carolina. If the Democrats can win Iowa (where Braley is now in a dead-heat with Ernst) and Colorado, where Udall is slightly behind, it will mean Republicans pick up only five seats in total. Democrats could retain the Senate through Vice President Biden's tie-breaking vote.

COLORADO: Gardner Rallies, Will He Have Enough Gas to Pull it Off?

1) Of the races we surveyed recently (Alaska, Colorado, Georgia, Iowa, Louisiana, and Michigan), the most notable political shift has occurred in Colorado, where the latest poll by USAToday/Suffolk shows Cory Gardner now ahead of Democrat Mark Udall by 1 percentage point.

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2) Some have surmised this is due to the Administration's decision to wait on any immigration reform, thereby blunting any advantage the Democrats might have had with the Latino vote.

3) The Gardner team's defense of Udall's attack on Gardner's positions on birth control and abortion has been strong. For example, while Udall & Company have two attack ads painting Gardner as a staunch anti-abortionist, Crossroads GPS has launched an ad with four women around a kitchen island accusing Udall of failing to talk about the "issues that matter."

4) Udall may need to focus on other issues if he hopes to fend off Gardner's challenge. The fact that Gardner now has a chance to win this race suggests that Republicans will prevail with more than 50 senate seats in November; in line with Iowa Electronic Market odds (where a GOP-senate is a 75% probability).

5) If Gardner begins expanding on pro-growth economics, such as his support for a flat tax, he could pull away from Udall. We don't yet see Gardner emphasizing the position.

ARKANSAS: Mark Pryor Abandons Foreign Policy Construction, Concedes High Ground to Cotton.

1) Recent foreign policy chaos regarding Ukraine, Iraq and Syria has been a tailwind for Republican Tom Cotton and his hawkish brand of foreign policy. In the latest poll from September 4, Cotton leads Pryor by 5 points, with the RealClearPolitics average giving the advantage to Cotton by 2.5 percentage points. Unlike Pryor, Cotton has consistently argued for greater U.S. involvement in the Middle East, and was one of the first to advocate airstrikes against the Assad regime.

2) Those numbers probably won't improve for Pryor. We believe Pryor has hurt himself by waffling on the issue. In recent weeks, he has supported the Senate bill to arm and fund Syrian rebels. In July, Pryor had sought passage of an amendment that would have stripped weapons and funds for Syrian rebels fighting the Assad regime. Although the measure failed in committee, his switch this month seems to betray his well-stated concern from July, "There is just too much of a chance that those weapons will land in the hands of extremists, just like in Iraq....Our friends today could be our enemies tomorrow." This kind of waffling harms the integrity of Pryor's platform. To change his position so dramatically within two months, voters cannot be confident that Pryor will adhere to his current promises. As Jude Wanniski wrote in the *Way the World Works*, "If the duck candidate has shown sufficient signs of being untrustworthy, so weak and vacillating that in post-election he might easily become a hawk, the electorate would choose the more trustworthy parrot."

3) It would have been more consistent if Pryor had voted with the Nays and adopted the line of West Virginia Democratic Senator, Joe Manchin who has argued: "I believe ISIS is a grave threat to the region and could become a direct threat to the United States. We must confront and defeat them. I just do not believe that arming the Syrian opposition forces is the correct approach." Manchin, who won his seat in 2010, is not up for reelection in November.

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4) Mark Begich, who is facing an uphill climb against Dan Sullivan in Alaska, voted with Manchin and the Nays. Begich offered voters a clear binary choice between himself and Sullivan on the issue, while Pryor's decision to throw in with Cotton dilutes his appeal at best; at worst it shows an alarming lack of conviction.

5) Cotton has been asking for at least five debates with Pryor, and he specifically would like a foreign policy debate. Given Pryor's recent waffling on Syria, we don't see the senator taking on that challenge. The two candidates have agreed to a statewide televised debate on Oct. 14 that will focus on domestic issues.

6) Cotton is a stronger candidate than Pryor on fiscal policy. Speaking at a gathering in Texarkana last month, Cotton said, "What I would like to do is turn America and Arkansas in particular, into a free-enterprise zone and that would first start with cutting taxes -- not only for large businesses, but more importantly, for small businesses as well as for all taxpayers needing relief from over taxation." In contrast, Pryor is for higher taxes on the wealthy, opposed an AMT fix last year and opposed raising the exemption level on the estate tax.

We expect a Tom Cotton (R) victory in Arkansas.

KANSAS: Court Ruling to Benefit Orman, But Roberts Comes Out Swinging in First Debate

1) According to the latest polling, Senator Pat Roberts holds a 1% lead on independent Greg Orman. This is in contrast to the 5-10% race-wide lead Roberts enjoyed between June and August, before Democrat Chad Taylor dropped out of the race.

2) Now, with Taylor gone and a state court stipulating that Taylor's name be removed from all election ballots, there is the sense the race will tighten to a head-to-head contest between Orman and Roberts. The RealClearPolitics average gives Orman a 1.2% edge.

3) Orman is an interesting figure, with experience as both a Democrat and Republican. He voted for Obama in 2008 and Romney in 2012. But he is not a strong pro-growther. Even though he supports simplifying the tax code and lowering corporate tax rates, he wants to do it by closing loopholes and exemptions so, in his view, there isn't a major loss in tax revenue. And even though he believes in moving to a territorial tax system, he seems beholden to static scoring in the vein of former Kansas Senator Bob Dole. (Dole will be campaigning across the state with Roberts.) This will likely limit Orman's appeal on fiscal policy vis-à-vis Roberts.

4) Roberts took the initiative in his first debate against Orman. He basically painted Orman as a Democrat "masquerading as an independent." And while Orman tried to position himself as a centrist, often agreeing with Senator Roberts, Roberts did not let up. Near the end of the debate he demanded of Orman, "I just want to know when you're going to take a stand and tell us what party you're going to caucus with? Are you going to be a Republican one day and a Democrat the next...? What are you going to be?" Orman never responded. Orman and Roberts are set to debate again on October 15.

At this point, we believe Roberts (R) will narrowly win Kansas.

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KENTUCKY: McConnell Overwhelming Grimes

- 1) Polling this month suggests this race has moved beyond a toss-up category to leaning Republican. This likely reflects the weakness of Democrat Alison Lundergan Grimes' campaign.
- 2) One recent ad from the Grimes Camp showed her skeet shooting and chastising Republican Mitch McConnell for the way he holds a rifle above his head. McConnell's counter ad [has been](#) masterful in painting Grimes as supporting Obamacare, the Administration's 'war on coal,' Obama's foreign policy, and gun control.
- 3) The McConnell camp is looking to paint Grimes and her support of the recent immigration bill in the Senate as "pro-Amnesty." As a former Clinton operative wrote recently of the immigration issue, "Nothing strikes more fundamentally at the pain of the working class, toiling long hours for no increase in real wages, than the competition of millions who come over the border, willing to work for next to nothing." Amnesty is a losing political position for Grimes.
- 4) On foreign policy, Grimes and McConnell share no substantive difference. With regard to the recent senate bill that had provisions to arm and fund Syrian rebels, Grimes admitted that she would have voted like McConnell in favor of the legislation.

We expect McConnell (R) to win Kentucky.

NEW HAMPSHIRE: Brown Has Primary Victory Momentum, But Shaheen the Inside Track

- 1) The race between Democratic Senator Jeanne Shaheen and Republican challenger Scott Brown may tighten up, but at this point it appears Shaheen will win.
- 2) The post-primary bounce for Brown seems to have dissolved. The first poll after his September 9 primary win showed him tied with Shaheen. But the latest poll shows Shaheen with a 5-point advantage, the exact margin of the RealClearPolitics average.
- 3) Brown continues to disappoint. He persistently campaigns as the anti-Obama or anti-Democrat. That's just not good enough in this political climate.
- 4) Brown may be paying for his earlier ambivalence on opposing an internet sales tax back in February. Shaheen, who had joined Republican Senator Ted Cruz in opposing an internet sales tax this year, made clear that in February Brown was unsure of where he stood on the issue. This is likely unpopular with many high-tech voters who have moved to New Hampshire in recent years for the low taxes.
- 5) Thus far, Shaheen has agreed to three debates, October 20, 21 & 30. Brown has not yet indicated which debates he will attend.

We expect Shaheen (D) to win New Hampshire.

NORTH CAROLINA: Hagan Has Momentum After First Debate, Neutralizes Tillis Attack

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1) Democratic incumbent Senator Kay Hagan is on course to defeat Republican Thom Tillis. The latest polls show Hagan leading by 5 percentage points, in line with the RealClearPolitics average.

2) During their first debate, Hagan neutralized Tillis' attack by refusing to be painted as: a) pro-amnesty, b) weak on addressing the threat of ISIL, and c) oblivious to the problems with Obamacare. Hagan has been consistent throughout her campaign on seeking 'common sense fixes' for the Affordable Care Act while attacking Tillis' call for repeal as jeopardizing the benefits of North Carolina voters.

3) A second debate is scheduled for Thursday, October 7. A third debate, to include Libertarian candidate Sean Haugh, has been agreed upon but a date has yet to be set.

We expect Hagan (D) to prevail in North Carolina.

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