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Geopolitics and Economic Statecraft: Constrain, Extend, or Continue?

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2026 Midterm Election De-Brief

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The big picture

- Election was a referendum on real purchasing power, the Iran war, and presidential overreach
- Election was ***not*** a referendum on industrial policy
  - Tariffs registered with voters as a price issue
  - It was (partly) a referendum on how it's been implemented: unilateral, transactional, and with strong perceptions of self-dealing
- Congress will likely:
  - Use the purse and must-pass bills to **constrain** tariff authority and warmaking powers
  - **Extend** sanctions authority, but make it harder to waive
  - **Continue** industrial policy with more oversight and conflict-of-interest guardrails

Constraints

- Warmaking: Iran is the first fight
  - Dec. 11 stopgap funding package needs Dem. votes in the Senate: leverage starts now
  - Expect a war powers resolution and a veto; constraints via appropriations and NDAA
  - Constraint would provide supply chain relief: Hormuz → fertilizer, sulfuric acid → food prices, minerals processing
- Tariffs: Canada first, delegated authorities second
  - Again, expect veto – vetoes still force Trump onto the record on votes the GOP blocked
  - “Veto bargaining” favors Congress in a popularity contest
- Hearings and investigations
  - Sunshine and shaming – targeting administration and private sector counterparties

Extensions

- Sanctions and enforcement: Significant authorities delegated (Graham Russia/Iran Act), but almost immediately waived
  - Dems are more hawkish on Russia than the administration
  - Extension: mandatory sanctions with congressional review of waivers
- Export controls
  - Arms sale-style review of AI chip exports, a codified Blackwell ban, and verification of where chips end up (parallel to Chinese controls on REEs/related tech)
- Not a repudiation of economic statecraft but of executive discretion

Surface continuity (devil/angel is in details)

- Industrial policy will still be the name of the game
  - Defense Production Act extended to 2031 in the pending NDAA
  - Equity stakes (critical minerals, semiconductors) likely to stay, potentially expand
  - NDAA negotiators deciding now whether to codify equity authority
- But according to more transparent rules
  - Disclosure and conflict-of-interest rules – the problem is not expanded footprint *per se*
  - Price floors and offtake agreements that de-risk, not enrich
  - Conditions on inward investment deals (Japan, Korea, Gulf states)
- You've been getting socialism under Trump 2.0 – expect it to continue
  - New Congress will want checks and balances – and so will markets

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Thank you!

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