

January 12, 2024

## WASHINGTON POLICY STRATEGY

# Potomac Perspective

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### “IS THIS HEAVEN?” “NO. IT’S IOWA” (FIELD OF DREAMS)

**For some Republican presidential candidates, Iowa might be far from Heaven. It could be the end of the road. We preview some possible takeaways from Monday’s Iowa caucuses.**

For Republican presidential candidates, the Iowa Caucus might be their exit point from the presidential race. With Chris Christie’s exit, there are only three viable candidates remaining – Donald Trump, Nikki Haley, and Ron DeSantis – Trump being the most viable. For Haley and DeSantis, Iowa could mark the end of their campaigns if not officially then at least practically.

In Iowa, Trump currently leads Haley by over 35 points and DeSantis by around 38 points, according to the RealClearPolitics average. If the polls are close to accurate, then Trump could clear 50 percent and win Iowa by the largest margin ever. Winter weather, especially in rural areas that are Trump’s strongholds, could limit turnout and lead to a closer-than-expected race, but all signs suggest a massive win for Trump.

The result that polls are currently signaling would effectively end DeSantis’s campaign, as he has focused on Iowa and spent considerable time and resources there. DeSantis won the backing of key conservatives in the state, as well as Iowa’s Governor. If all of that produces a weak second or, worse, third-place finish, there is no path forward for him. He polls better in Iowa than in New Hampshire, so a bounce back there seems unlikely. DeSantis could be out of the race by Tuesday morning.

Haley has focused on New Hampshire rather than Iowa, so winning in Iowa is not the same priority as it is for DeSantis. Theoretically, Haley could lose Iowa badly, win New Hampshire, and try and build on that momentum. However, a weak finish by Haley in Iowa would be a bad sign for her prospects in states beyond New Hampshire. Even if Haley recovers and wins New Hampshire, the Granite State could be an outlier because of the state’s rule that allow independents to vote in the GOP primary. Also, given the state’s demographics, which have more suburban, college-educated voters (Haley’s strength), as compared to other states that have more rural voters who lack a college degree (Trump’s strength), a win for Haley in New Hampshire might not be an accurate harbinger of results in upcoming primaries. Haley does not need to win Iowa but, in our opinion, she needs to finish no more than 10 points behind Trump in order to have a glimmer of hope that she can do well in some states that follow New Hampshire. Current polls suggest she has a lot of ground to make up in Iowa.

Absent a big shift in Iowa, it appears that Trump could clinch the Republican nomination in early or mid-March. In this scenario, the general election campaign would start then and increased attention would be paid the economic policy proposals for both camps. On the Trump side, we expect the campaign will talk about his tax cut plan, which includes extending the tax cuts for individuals that expire in 2025. Trump could also push his tariff plan. Under this plan, the U.S. would expand tariffs on China and would also place a 10 percent tariff on imports into the U.S. Investors might like Trump’s tax and regulatory policies, but the tariff proposal (which lacks many details) could increase trade tensions and lead to retaliation – something we do not think investors have factored in yet.

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