

The US Presidential Elections and Their Possible Implications

"A house divided against itself cannot stand."

Abraham Lincoln

(in a speech about slavery dividing the United States in 1858)

Every four years, on the first Tuesday in November (this year on November 5), the American population come together to elect their next head of state. Although electing the president of one of the world's largest economies is an event of great importance, understanding the topic is often limited outside the country, given the many specificities of the American electoral system. In this Letter, we aim to clarify the mechanics of the election process and provide a brief overview of the potential outcomes of the 2024 presidential race and its potential implications for the economy and markets.

Nominating the Presidential Candidates

From a legal standpoint, only three conditions must be met for an individual to run for president: they must be a natural-born American citizen, be at least 35 years of age, and have lived in the country for 14 years or more. It is worth noting that the 22nd Amendment to the Constitution, introduced in 1947¹ limits each president to two terms (consecutive or not). Franklin D. Roosevelt is the only president in American history to serve more than two terms, holding office from 1933 until his death in 1944. This was possible due to his strong popularity as he led the country through the Great Depression with massive fiscal support policies known as the New Deal. However, by tradition, none of his predecessors ran for a third term.

Although the legal requirements are simple, running for president is highly challenging in practice, involving aspects such as party infrastructure, fundraising (typically obtained through donations), and ballot access requirements². These complexities reinforce the "two-party system" seen in the country, as only the two major parties have elected presidents since the mid-19th century, even though there are other active parties (third parties), and independent candidates are allowed.³

Before the general election, the main parties select their candidates in events known as primaries and caucuses. Primaries are direct elections in which party members vote for their preferred candidates. Caucuses, on the other hand, function as debates where candidate representatives and their supporters discuss who should be chosen and vote openly. Although caucuses are less common, they can be crucial in the party's decision-making process. For example, the Iowa caucus traditionally marks the beginning of the presidential race and can signal important trends in the nominations.

Finally, the official nomination of each party's presidential and vice-presidential candidates takes place at the **National Conventions** (held between July and September), although the names of the nominees are often known before the event.

The Electoral College and Delegates

The general election operates through an indirect system in which the president is elected by the votes of "electors" (often translated as delegates). These individuals are chosen to represent each state's votes in the Electoral College, which comprises 538 delegates, distributed as follows:

- **Senate:** Each state has two delegates, equivalent to its number of senators, totaling 100.
- **House of Representatives:** Each state also has an additional number of delegates proportional to its population, totaling 435, in line with representation in the House.
- **District of Columbia (Washington, D.C.):** Although not a state and therefore without representation in the House or Senate, D.C. has three delegates.

The president is elected upon reaching an absolute majority in the Electoral College, or 270 delegates. If no candidate reaches this minimum, the House of Representatives decides who will be president, as occurred in the 1824 election, when John Quincy Adams was elected in what became known as the "corrupt bargain." In this case, the Senate chooses the vice president.

The selection of delegates occurs in two stages: (i) nominating party candidates for delegates, conducted in state conventions or committees sometime before the election (with requirements that vary by party and state), and (ii) the general election, in which voters choose delegates who represent the chosen party candidate (in some states, the delegates' names do not even appear on the ballots). Typically, parties select members known for their loyalty and service to the party, such as party leaders, elected state and local officials, and party activists.

In most cases, delegate candidates are "pledged," meaning their votes are necessarily tied to the party's choice (either by state law or party commitment). However, there are exceptions, such as Democratic superdelegates (congress members, governors, and other party leaders) and Republican National Committee member delegates (RNC member delegates).

¹ If a vice president or another person assumes the presidency and serves for more than two years of their predecessor's term, that person may run for only one additional term.

² Requirements for ballot inclusion vary across states but generally demand a large number of signatures and strict deadlines, creating barriers for smaller parties.

³ Although there is no rule prohibiting independent candidacy, George Washington was the only president in U.S. history elected without party affiliation.

This system has weaknesses, such as the existence of “faithless electors” - delegates who, despite the will of those who elected them, choose to vote for another candidate or abstain. Although this has occurred on various occasions, whether as a protest or due to personal beliefs, it has never changed the election outcome. Although there is no federal law or constitutional article requiring delegates to follow the popular vote, the Supreme Court unanimously ruled in *Chiafalo v. Washington* (2020) that states have the right to impose sanctions on faithless electors and may require them to vote according to their state’s popular vote results. Currently, at least 36 states and the District of Columbia have laws against this practice.

Vote Distribution and Swing States

The foundations of the voting system we know today date back to the drafting of the U.S. Constitution (1787), designed to address several concerns of the founding fathers, including the “risks of direct democracy” and balancing the interests of larger and smaller states, while also simplifying the initially challenging logistics of elections. The intent was that a group of informed and qualified individuals would serve as intermediaries between the popular vote and the election in a geographically vast and newly independent democracy without a structured party system. At the same time, the distribution of delegates aligned with congressional representation aimed to combine proportional and equal representation models among the states, rewarding population size while limiting the disproportionate influence that highly populous states might exert on the election results.

Despite the context of its creation, the format has been frequently criticized, particularly because it allows a president to be elected without winning the popular vote⁴. Almost all occasions when this occurred can be attributed to the winner-takes-all model, which means that the candidate who wins the majority of votes in a state receives all its delegates, regardless of the margin of victory. This model is used in nearly all states, except Maine and Nebraska, which use the congressional district method, in which part of the votes goes to the most voted candidate, while the remainder is distributed proportionally.

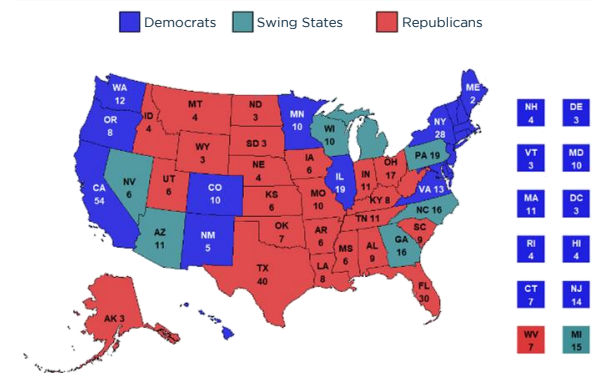
The format is also criticized for allowing practices such as gerrymandering, which involves manipulating district boundaries to favor certain parties⁵. The term - derived from combining the names “Elbridge Gerry” and “salamander” - dates back to 1812 when the governor of Massachusetts (later elected vice president) redrew the state’s districts, resulting in a distorted shape that resembled a salamander.

In 2010, Republican strategist and George W. Bush adviser Karl Rove published an article in the *Wall Street Journal* describing a coordinated strategy to redraw district maps in favor of the Republican Party. Rove stated that “whoever controls

redistricting can control Congress.” These redistricting processes can occur every 10 years following the national census and are typically influenced by each state’s governors. The latest redistricting took place in 2020 during Donald Trump’s administration, and some states, such as Texas, Georgia, Ohio, North Carolina, and Maryland, were accused of manipulating the process to benefit their parties.

In addition, the vast majority of American states tend to allocate their votes to the same parties in most electoral cycles. Only a few states, known as “swing states” or “battleground states,” lack a dominant party alignment, so their votes can shift in each election, often leading to narrow victories but ones that are decisive for the overall election outcome. While no technical consensus exists to define them, this year, the main swing states are expected to be Arizona, North Carolina, Georgia, Michigan, Nevada, Pennsylvania, and Wisconsin.

Electoral Colleges and Party Trends by State



Source: 270toWin

Balance of Power and Congressional Composition

Every two years, congressional representatives are also elected, including all 435 seats in the House of Representatives and about one-third of the 100 seats in the Senate (34 in this cycle). The current composition shows a narrow Democratic majority in the Senate (51 Democratic seats versus 49 Republican seats) and a Democratic minority in the House (212 seats versus 220).

Historically, the composition of the House has aligned with the White House outcome in the first half of the presidential term, though this may change in the midterm elections, as seen in 2022, a trend often related to the incumbent’s popularity. The Senate structure, however, is much more complex given its staggered election system. In the current cycle, of the 34 seats in dispute, only 11 are held by Republicans, while the remainder are Democratic or independent. Given the Democrats’ slight advantage in the current composition, it seems unlikely that the party will maintain its edge in the Senate.

⁴ Five U.S. presidents were elected without a majority of the total votes: John Quincy Adams (1824), Rutherford B. Hayes (1876), Benjamin Harrison (1888), George W. Bush (2000), and Donald Trump (2016).

⁵ Manipulation of district boundaries is carried out by concentrating as many voters of one party into a few districts (“packing”) or spreading them across multiple districts (“cracking”).

Following this logic, two likely scenarios emerge for the current cycle: a Democratic victory with a divided Congress or a Republican victory with a majority in both chambers. The implications of these two scenarios differ not only in party policies but also in the degree of freedom the government would have in implementing them.

Limitations of a Government Without Congressional Support

Congressional support is necessary to pass federal laws, constitutional amendments, and even the annual budget. Without support in both houses, the president may even face an impeachment process, which requires only a simple majority in the House and a two-thirds majority in the Senate. It is worth mentioning that during his term, Donald Trump was impeached by the House twice, though both cases were overturned in the Senate.

In some cases, even with a simple majority (50% of votes plus one), the executive branch may struggle to pass its policies, either due to issues requiring a qualified majority (usually two-thirds of the Senate) or through practices like the filibuster, which involves prolonging debates on certain issues to delay or even block a Congressional decision. In this case, a 60-seat majority in the Senate is needed to end the obstruction.

On the other hand, even without Congressional support, the president can issue *executive orders* (similar to decrees in Brazil), which do not require Congressional approval but can be legally challenged and must not contradict existing laws. The president can also veto laws passed by Congress, appoint ministers, ambassadors, and judges (though these require Senate approval), and deploy armed forces in short-term operations (though a formal declaration of war requires Congressional approval).

The Origins of the Parties and Their Current Agendas

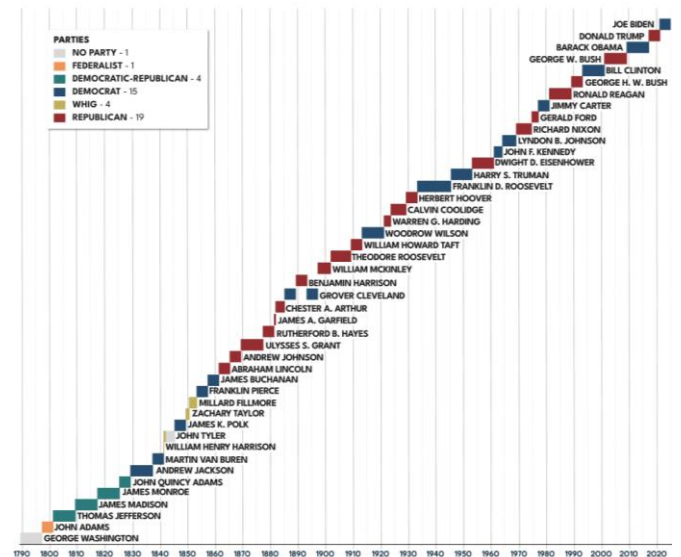
Interestingly, although the platforms of the current presidential candidates Kamala Harris and Donald Trump differ diametrically in some aspects, Democrats and Republicans have not always been associated with the agendas they defend today. In fact, the origins of these parties date back to the 19th century, in a context very different from today's.

Prior to this, the Democratic-Republican Party was founded in 1792 by Thomas Jefferson and James Madison, as an alternative to the Federalist Party (the only existing party at the time), led by George Washington, the first U.S. president. At the time, the Democratic-Republican Party advocated a decentralized government, an agriculture-based economy, and a more democratic and egalitarian approach to politics than its predecessor. This platform dominated American politics from Jefferson's election (1801) until 1828, when the party split.⁶

⁶ The end of the party coincides with the end of the "Era of Good Feelings" (1817-1825), marked by a sense of national unity that followed the Anglo-American War of 1812.

The Democratic Party then emerged with Andrew Jackson's election as the seventh U.S. president, advocating for the interests of "common men" against urban and financial elites. The Republican Party (also known as the "Grand Old Party" or GOP) appeared only in the 1850s, championing the abolition of slavery, and consolidated with the election of Abraham Lincoln in the early 1860s, an election followed by the Civil War⁷.

History of American Presidents and Their Parties



Source: The White House

Over the years, both parties have undergone significant transformations. Today, Democrats are more associated with civil rights, labor unions, and social reforms – particularly since Franklin D. Roosevelt (1933) and John F. Kennedy (1961) – while Republicans have become known for more conservative policies, especially since Ronald Reagan's administration (1981).

Currently, Democratic candidate Kamala Harris's economic agenda leans toward a more active state, not only through increased public spending funded by higher taxes but also through stricter regulatory policies, especially in sectors such as non-renewable energy generation. These practices are broadly aligned with the current administration under Joe Biden. Conversely, Republican candidate Donald Trump advocates tax cuts and increased tariffs in international trade and adopts a tougher stance on immigration and international relations.

Possible Outcomes and Economic Implications

There are various instruments aimed at predicting the outcome of U.S. elections, including opinion and voting intention polls, betting site odds, and more complex predictive models. While the accuracy of these tools tends to improve as the elections approach, historically, their results have often fallen short of expectations, particularly in recent election cycles.

⁷ The Civil War was marked by the secession of seven southern slave-holding states, which formed the Confederate States of America.

At the time of writing this letter, a few weeks before the vote, several models still point to a tight race for the White House, although some indicators have converged toward a Republican victory. Polls reveal a narrowing gap in Harris's lead in national polls (currently below one percentage point), fueling the increased betting on a Trump win. Even if Harris maintains the lead, the narrow margin suggests a Democratic disadvantage due to the composition of the Electoral College. It is worth noting that in 2016, Trump won the election despite Hillary Clinton's 2.1% lead in the popular vote, although he was defeated by Biden in 2020 with a 4.5% margin.

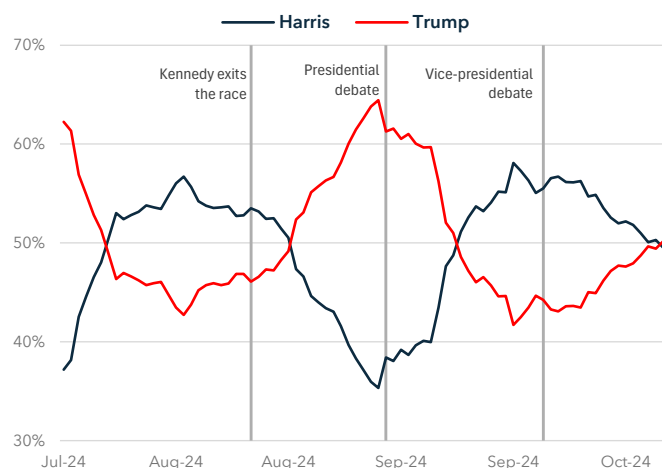
Implied Probability of Trump's Victory on Betting Sites



Source: Polymarket, Predictit, Kalshi | Updated as of October 28

We also highlight, in the graph below, the evolution of victory probabilities for the two main candidates as estimated by the *Silver Bulletin Presidential Model*, highlighting some key events since Harris became the Democratic candidate. Developed by Nate Silver⁸, author of *The Signal and the Noise*, the model considers several explanatory variables, including a weighted average of voting intention polls, with adjustments favoring institutes that have performed better in the past and reducing the weight of responses from individuals unlikely to vote (since voting is not mandatory in the United States). According to this model, as of mid-October, the probability of victory for both sides was around 50/50, although Trump's chances have improved in recent weeks.

Probability of Victory in the 2024 Presidential Race



Source: Silver Bulletin | Updated as of October 17

Given the inherent uncertainty of the race, we believe it is more productive to analyze the implications of the most likely outcomes rather than attempting to predict the election results. As mentioned in this letter, these outcomes range between a Democratic victory with a divided Congress and a sweeping Republican win. Although less likely, we do not rule out the possibility of a Democratic victory with a Senate majority, which would give the party greater freedom of action but should not lead to significantly different conclusions.

Based on the candidates' proposals, we believe a Republican victory would likely benefit the U.S. stock market through tax cuts and may also lead to an appreciation of the dollar, particularly against emerging market currencies, due to increased tariffs. The potential increase in the cost of imported goods, in a scenario where higher tariffs are not offset by currency appreciation, is also likely to impact inflation, which could, in turn, lead to some increase in interest rates.

Moreover, while both candidates address the issue of immigration, Harris appears significantly more moderate on the subject than her opponent. From a macroeconomic perspective, immigration has been a key factor in increasing the labor supply in recent years, helping to sustain controlled disinflation in the U.S. economy. A reduction in this flow or even its reversal through accelerated deportations would likely lead to a smaller labor supply and, consequently, upward pressure on inflation and downward pressure on economic growth.

Finally, one of the few points of consensus between the two parties is the prospect of a loose fiscal policy, either through increased spending or reduced revenue, though studies suggest that a divided Congress is better for the public debt trajectory⁹.

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⁸ Details on the methodology used in the model can be found online, as cited in this letter's references.

⁹ In April of this year, Goldman Sachs' research division published a study comparing the potential impacts of election outcomes on public finances.

Art Collection Management: Responsibilities, Valuation, and Legacy

**Letter written by Thaís Franco,
Director of Collection Management at KURA***

An art collection is built over time, shaped by years of encounters with people, artworks, and various exhibition spaces—exhibitions, galleries, auctions, and fairs. This gradual process fosters a genuine connection, even when the collector’s initial motivation may not be entirely clear. Their choices are often guided by emotions, personal experiences, or subtle ties to identity and memory. Regardless of the path that informs their research and acquisitions, collecting art frequently becomes a profoundly personal, rewarding, and often irreversible journey.

Throughout this journey, the collector assumes a range of responsibilities that span both collective and personal spheres. In the collective realm, the collector plays a vital role in the art market, supporting the careers of emerging artists, fostering innovative initiatives, and investing in the programming of cultural institutions. Additionally, they sustain an ecosystem of professionals dedicated to meeting the needs of their collection, such as exhibition installers, art photographers, conservators, and providers of transportation and insurance services. In this context, professionalism emerges as an indispensable requirement for effective collaboration.

In the personal sphere—interwoven with and complementary to the collective sphere—the collector’s responsibilities deepen further. They become the steward of an artist’s output, bearing the obligation to ensure the preservation and longevity of the artwork. This stewardship not only guarantees the durability of the pieces but also influences their valuation, both symbolic and financial. Thus, the responsibility for the preservation and maintenance of artworks becomes a fundamental aspect of the collector’s role, extending their commitment beyond acquisition to encompass sustained care that ensures the artwork’s permanence and appreciation over time.

Strategic Management

Preserving artworks requires periodic maintenance, essential for preventing deterioration. This involves evaluations by qualified professionals who assess the specific characteristics of each

material and medium. Moreover, it is crucial to ensure proper safeguarding of the artworks in the collector’s residence, including adequate storage and the contracting of insurance—considerations that should be addressed from the moment of acquisition. These measures not only preserve the physical integrity of the artworks but also underscore the importance of strategic collection management.

Nevertheless, little is said about how these actions can significantly enhance the relevance and valuation of private collections. While investing in art as a means of diversifying assets may appear “complex,” each artwork’s unique characteristics influence its value in a market often marked by volatility. Yet, much like other asset classes, artworks can see a substantial increase in liquidity over time.

Internal data collected and analyzed by KURA* reveals that, unlike the motivations for starting a collection—primarily rooted in emotional factors and often lacking formal collecting intent—the motivations for managing a collection emerge when the collector develops a more committed relationship with the practice. At this point, the responsibilities of the collective and personal spheres converge, as the collector seeks to consolidate the collection through cataloging and maintenance services and to enhance its valuation by employing appraisal services, loans, and collection publications.

For instance, by lending works from their collection, collectors assume a culturally significant role. Beyond their physical preservation, the dissemination of artworks is equally critical. They must be seen and appreciated by the public and studied by researchers in the field of art, contributing to the broader understanding of an artist’s production and the history of art itself. Furthermore, participation in institutional exhibitions enriches the provenance¹ of artworks, positively impacting their cultural and even financial value.

Legacy and Wealth Succession

Collecting is a commitment that, in many cases, is passed down as a family legacy. For heirs who did not participate in the collection’s

¹ Provenance refers to the history of ownership and documentation of an artwork, which establishes its authenticity, origin, and context within the art market and historical narrative.

formation, the primary challenge lies in understanding its cultural and financial significance, in addition to its sentimental value. Asymmetry or even a lack of information about the art market can hinder this understanding. However, when families recognize the importance of continuity, they often take responsibility for organizing documentation if it has not been previously systematized. In this context, cataloging becomes an essential and foundational step in understanding and preserving the cohesion of the artistic estate. This involves systematizing all available information about an artwork, including its physical description (dimensions, technique, edition, signature, etc.), its conservation status, research, and documentation relating to provenance and its history in exhibitions and the market.

Another crucial aspect in determining a collection's financial value is appraisal. This specialized process considers technical and contextual factors, contributing to the valuation of the artworks and informing decisions about estate structuring and succession. Appraisal is also vital for future transactions, tax declarations, and insurance arrangements. By facilitating greater transparency and security, this process empowers families to make informed decisions about their consolidated art assets.

Finally, wealth succession goes beyond the mere transfer of assets. It incorporates sentimental and cultural dimensions that enrich the experience of future generations. Heirs who inherit family collections often reinterpret them, renewing them with their own visions and values. This process not only revitalizes the collection but also inspires reflection on what is truly worth preserving. The exchange of items, which becomes a common practice, fosters a cycle of sustainability where family heritage transforms into a dynamic expression of identity and belonging, forging meaningful connections between past and future.

A recent example involves a collector who inherited a valuable collection from her father, who maintained close relationships with artists and acquired works directly from their studios. After a period of dormancy in her collecting instincts, she turned to KURA to organize, catalog, and appraise her assets. This process reignited the interest of her daughters, who, with no prior exposure to the art world, began exploring their grandfather's collection and learning about the artists and their histories. Supported by KURA, the family developed a strategy to analyze the collection, deciding which works to retain and which to sell. The goal was to identify opportunities to acquire new contemporary works, filling gaps in the collection and fostering its consolidation. Today, the entire family actively participates in decisions, visiting fairs, galleries, and

artist studios, just as their grandfather once did, reconnecting with his legacy through these new narratives. KURA remains committed to ensuring the sustainability of this practice, encouraging and supporting the creation of new collections.

** Founded in 2018 by Camila Yunes Guarita, KURA is a consultancy dedicated to fostering deeper connections between individuals, businesses, and art. It provides guidance for acquiring and selling artworks, managing private and institutional collections, and creating unique projects and experiences within the art world.*

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<https://www.kuraarte.com.br/>