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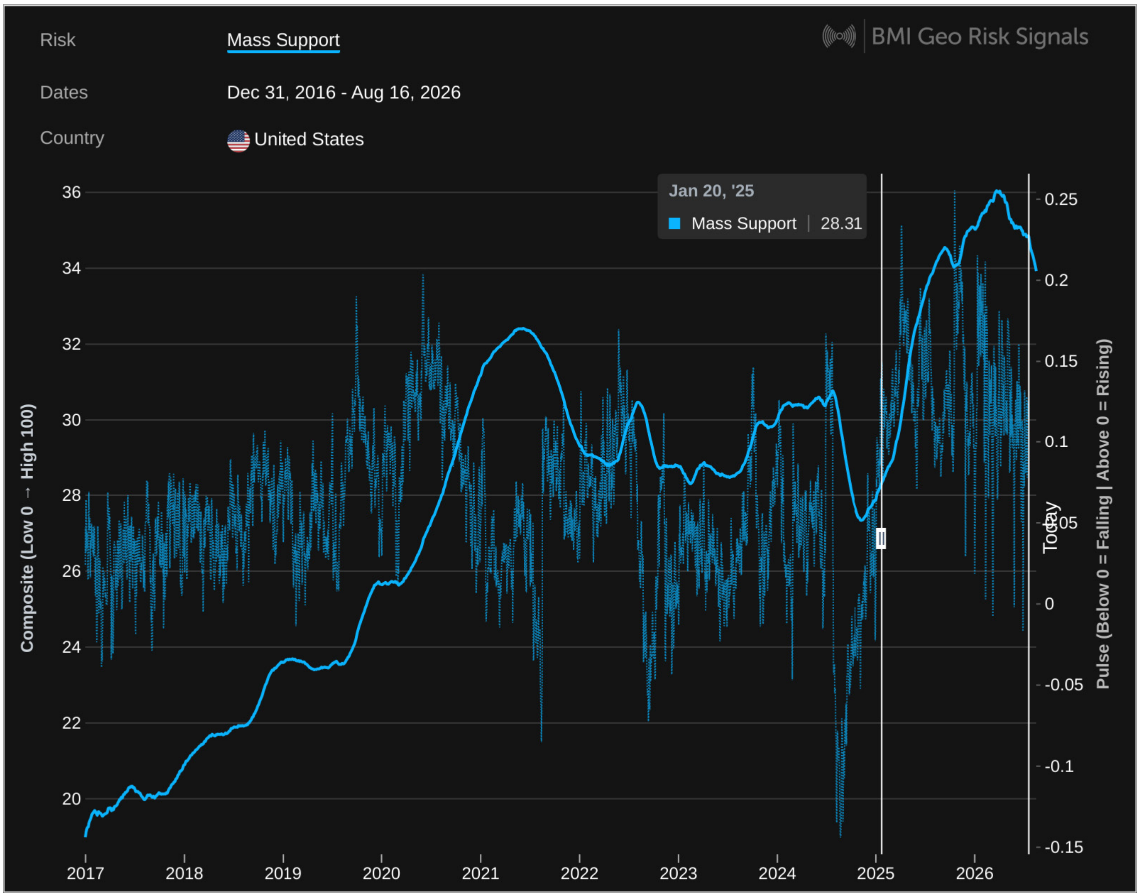
United States: Midterm Elections Will Divide Government

Expect legislative gridlock, not cooperation

Key Points:

- The 2026 midterms are likely to produce divided government – with the Democrats taking control of the House and keeping the Senate contest close – followed by aggressive Democratic oversight, continued constitutional confrontation as Trump resists meaningful constraints.
- When Democrats gain congressional power, they are likely to launch extensive oversight of Trump administration actions using hearings, subpoenas, and confirmation battles to pressure the administration. Impeachment is likely, though Senate conviction would be unlikely.
- Under divided government, bipartisan stopgap funding will likely keep the government open, but with entrenched partisan conflict over taxes and spending, large deficits and rising debt are expected to persist while the debt ceiling remains a potential flashpoint for fiscal or political crisis.

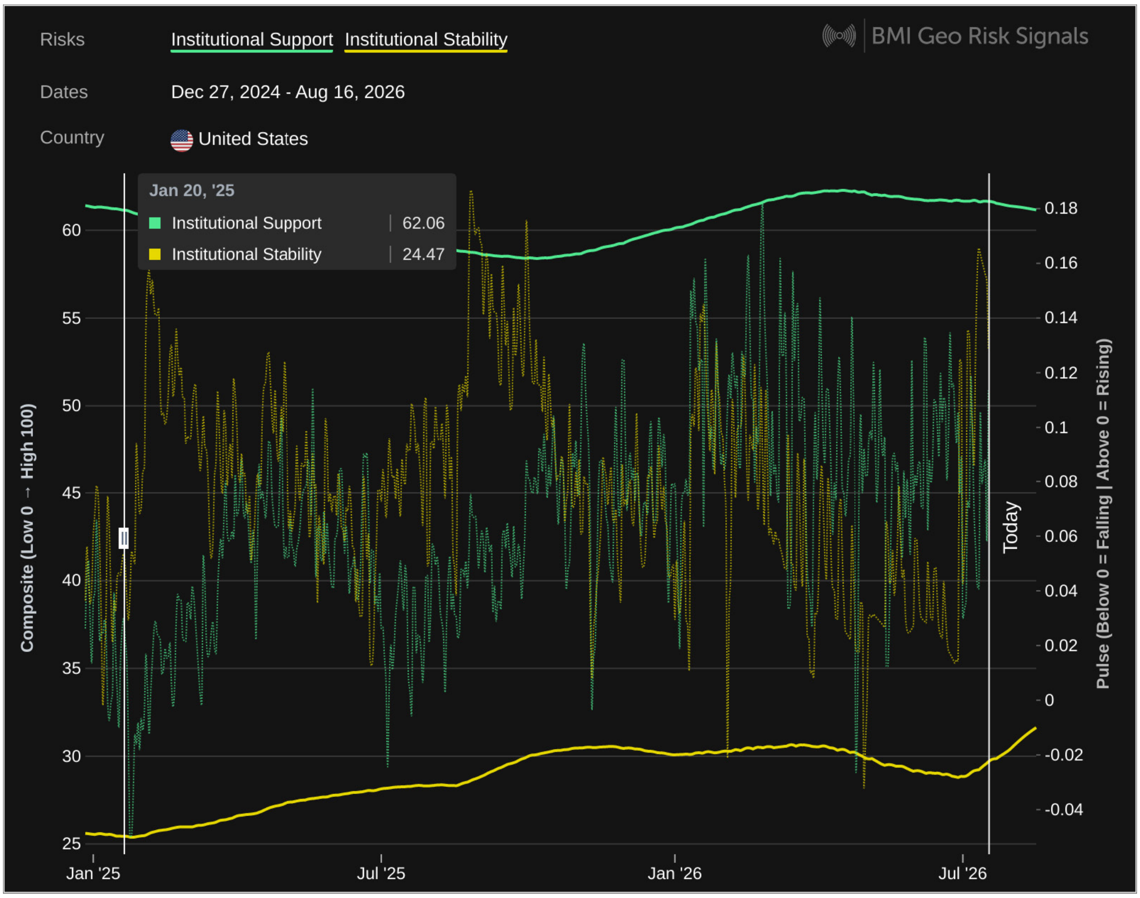
Midterm elections usually punish the president's political party; this cycle is no exception. Republicans are expected to lose the House of Representatives and will have to fight to retain 50 Senate seats to preserve majority control with the vice president's tie-breaking vote. President Donald Trump's declining popularity is the key factor: Mass Support Risk remains near a recent peak and its pulse component is still elevated well above historical patterns since his reelection. As a result, congressional Republicans face a strong headwind ahead of November.



The Democratic Party leads generic ballot polls by more than six percentage points and has won numerous elections since the 2024 presidential race by an average of 13 points. The generic ballot surveys indicate that voter preferences have shifted substantially. The even stronger Democratic outperformance in interim elections also suggests turnout will matter: successive 13-point wins indicate that Democratic voters have been disproportionately likely to show up and vote, a useful signal of partisan enthusiasm.

However, Democrats remain unpopular, just less so than Republicans, and have typically tried to appeal to voters across the aisle rather than mobilize their own base or voters to their left. Cross-aisle appeals tend to depress the base, such a strategy could weaken Democratic performance, though it is unlikely to give Republicans a path to holding the House of Representatives. It could, however, help Republicans in the Senate. Reinforcing this analysis, Institutional Support Pulse Risk is rising and its composite remains elevated, suggesting that Trump will lose legislative support.

We discount concerns that the administration will be able to change the electoral process in ways that materially disadvantage Democrats. States have the constitutional authority to administer federal elections and, despite select gerrymanders, the federal government is very unlikely to be able force Democratic-controlled states to relinquish that authority. Moreover, Republican-led states will likely prove similarly unwilling to give up local control over federal contests; here again, elevated Institutional Support Risk is relevant. In contrast, both the pulse and composite measures of Institutional Stability Risk are rising. That trend points to institutional change rather than continuity, as the Trump administration is now corrupting institutions and, post-election, many Democrats increasingly support institutional change with respect the judiciary, presidential authority, and elections.



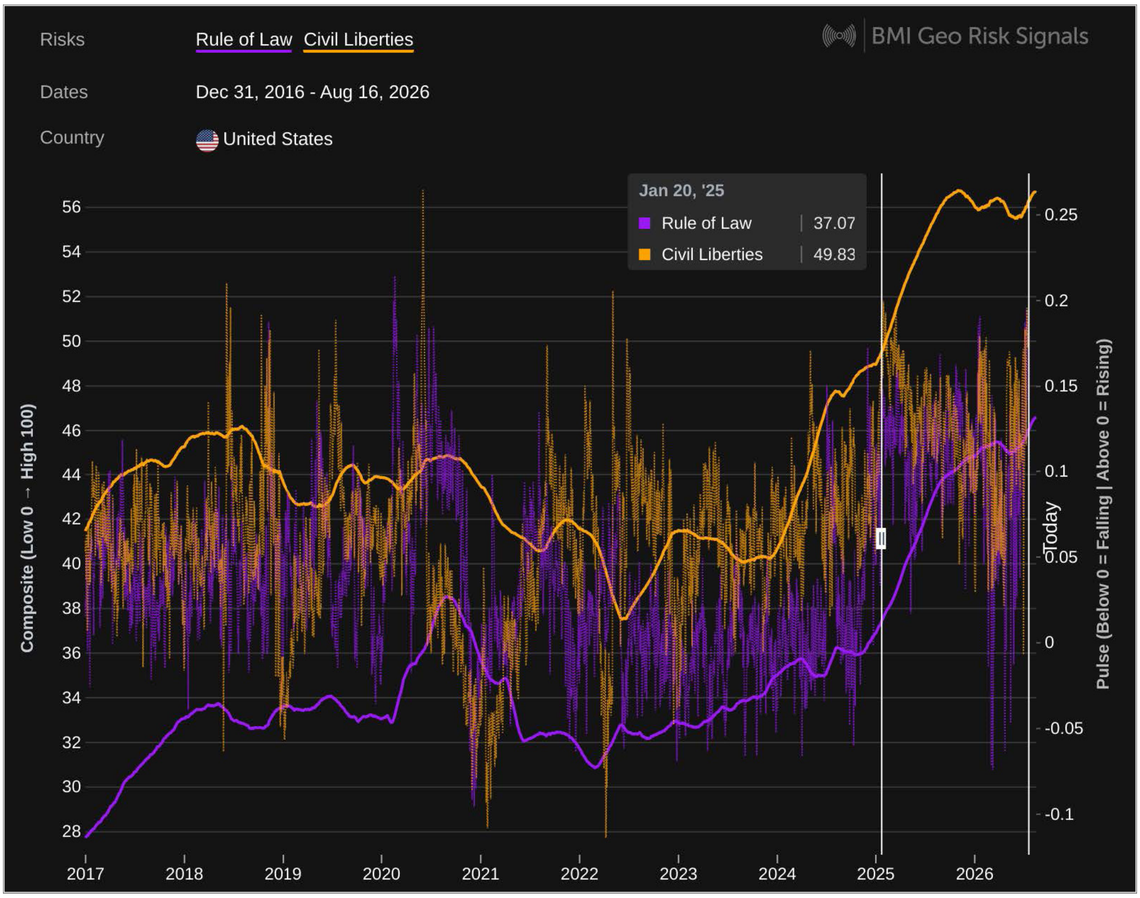
In sum, the election outlook signals divided government; the key issue is whether that outcome will produce policy gridlock between the White House and Congress. Much depends on whether Trump continues to sidestep the legislature and govern by executive order, with courts only slowly and sporadically constraining him, or instead changes course with Trump scaling back his expansive claims of executive authority.

Outcomes under divided government

The implications of divided government for policymaking are substantial. Divided government typically leads to greater legislative gridlock and, in turn, higher budget deficits, because the coalition required to pass legislation becomes larger and more ideologically diverse (requiring broader logrolls). But with the Republican Congress already engaging in minimal legislative activity and accepting Trump's governance by executive order, divided government will likely result less in negotiated policymaking than in presidential vetoes of Democratic legislation unless Trump proves willing to work with Democrats on fiscal policy while disregarding oversight investigations.

Oversight

Democrats will use legislative powers to investigate administration's actions over the past two years, from the early days of DOGE to the ongoing war with Iran. Trump will stonewall such investigations even as congressional committee investigations allow the Democrats to pressure the administration by holding hearings, issuing subpoenas, making findings public, and even providing cover to judicial pushback. With so many committees in Congress, expect much activity focused on how Trump administrative actions have pushed Rule of Law and Civil Liberties Risks to new highs. Committee hearings will likely focus on Department of Justice independence, DHS/ICE deportation efforts, improper use of congressional appropriations, and Trump family business activities. If the Democrats secure a Senate majority, then confirmation battles and even a hold on further judicial appointments are possible.

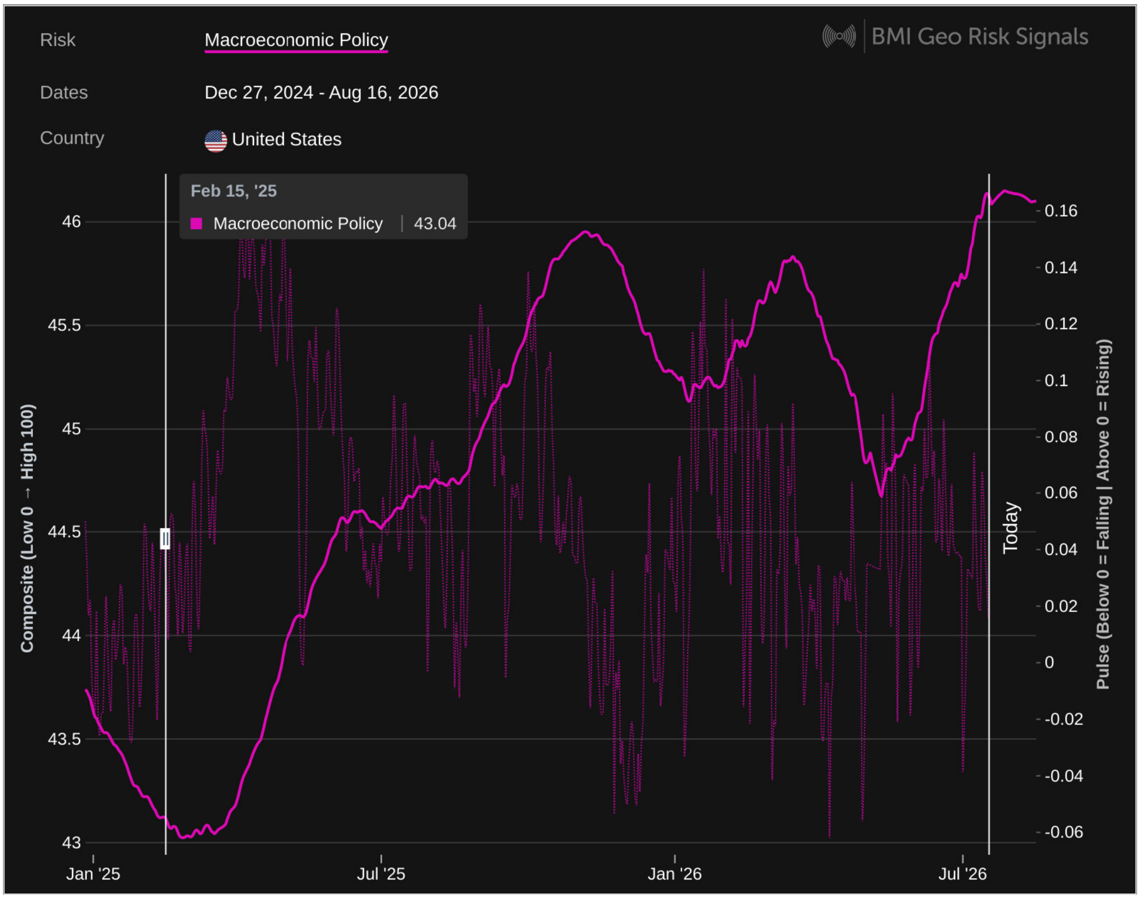


Democrats may also push an impeachment resolution through the House, which requires only a simple majority. Conviction in the Senate, however, requires a two-thirds majority, meaning Democrats would likely need support from more than one-third of Republican senators even if they control the chamber. This option would remain largely symbolic, but a third impeachment could provoke a strong and unpredictable reaction from Trump.

Fiscal implications

Even under policy gridlock, bipartisan spending legislation will still be necessary to keep the government functioning, likely more through continuing resolutions than through any restoration of the formal budget process. This may seem like a recipe for government shutdowns, but Democrats have typically been unwilling to precipitate shutdowns themselves. Trump, meanwhile, is unlikely to constrain his own room for maneuver via a shutdown, though that matters less if he intends to continue violating the Impoundment Control Act, which obligates the president to spend money as directed by law. As a result, government shutdowns become less likely or, at least, Democrats are unlikely to precipitate one.

In addition, with U.S. budget deficits remaining large long after the pandemic subsided, and with Macroeconomic Policy Risk at all-time highs, divided government will likely leave both parties blaming each other while proposing budget fixes the other side rejects. With Democrats favoring tax increases and Republicans favoring spending cuts, cooperation is unlikely. Instead, expect large budget deficits to persist and debt-to-GDP to continue rising. That said, the debt ceiling is expected to be reached later this year or early next year, leaving another six months or so before extraordinary measures are exhausted in 2H/2027, long before Trump's term ends, setting up a signpost for a potential fiscal crisis.



One wildcard scenario would be Democrats allowing a government shutdown precisely to prevent Trump from spending money on activities not authorized by Congress. But that outcome is unlikely, as Democrats will want to avoid appearing responsible for a shutdown. However, if Trump were responsible for a shutdown – for example, by failing to sign a continuing resolution or debt ceiling bill – Democrats may, as in Fall 2025, allow a shutdown to continue as long as Trump owns it. Republican congressional member would almost certainly want to avoid that situation ahead of the vote this November.

Conclusion

U.S. midterm elections frequently end unified partisan control of government as voters express dissatisfaction with incumbents and the opposition party's prospects improve. That pattern is likely to be especially pronounced in 2026 given the Trump administration's record disapproval ratings, reflecting public opposition to his inflationary policies, including tariffs, fiscal deficits, deportations, and war. As a result, divided government is coming.

Given the extreme nature of Trump's challenge to how the U.S. political system has operated, elevated institutional uncertainty will persist through the remainder of his term. Democrats will engage in deep oversight of the administration. Trump will need to decide whether to comply, negotiate, or defect. Compliance seems very unlikely. Negotiation would be Trump's likely gambit, but Democrats will not negotiate on his terms, so that is unlikely to work. That leaves defection, which can be read as continuing deviation from constitutional practice, keeping political uncertainty sky high.

Moreover, if Democrats achieve unified government in the 2028 election cycle, the risk of institutional instability in 2029 would likely rise further, as they would be likely not only to reverse Trump's efforts but also to alter institutions in ways they claim would strengthen democratic resilience.

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