2026 U.S. Midterm Elections: What the Results Mean for Business

NOVEMBER 4, 2026

Executive Summary

US voters went to the polls yesterday amid widespread economic anxiety, frustration over rising costs of fuel, groceries, housing and health care, and an increasingly unpopular war in Iran. These key issues and the dynamics surrounding them drove decisive Democratic gains nationwide, giving Dems a comfortable majority in the House and the party's largest margin in the Senate since 2009.

When the 120th Congress begins in January 2027, the shift in control of both houses will reshape Washington, significantly constraining the Trump administration's legislative agenda during its final two years. With potential legislative gridlock on the horizon, the administration is anticipated to lean heavily on agency rulemaking and executive orders (EO's) to bypass the Democratic controlled House and Senate and achieve its policy goals without congressional approval.

For businesses, legislative gridlock will not mean policy paralysis or diminished political risk. Competing priorities between the Trump administration and a Democratic Congress will bring heightened scrutiny of corporate practices and relationships with Washington, particularly for companies perceived as closely aligned with the administration. That scrutiny could quickly become a reputational issue, while continued executive action and contentious funding negotiations add to regulatory uncertainty.

This report examines the election results and five key implications for business: increased congressional scrutiny and reputational risk, policy pressures around affordability, regulatory uncertainty, government funding challenges, and potential opportunities for bipartisan cooperation.

It also provides sector-specific analysis of the political and policy developments shaping eight industries:

- Technology & AI
- Health Care
- Energy
- Financial Services
- Food & Beverage
- Retail
- Manufacturing & Industrials
- Defense & Aerospace

Finally, the report identifies critical developments to watch through 2028 and outlines actionable priorities for C-suite executives and communications leaders, including around preparing for congressional investigations, recalibrating stakeholder engagement, navigating political polarization, and strengthening corporate reputation and trust.

Election Results: What Changed

Democrats achieved a sweeping victory, flipping both the Senate and the House. As of 2PM ET on November 4, Democrats have secured a Senate majority with at least 54 seats (this count includes the two independents who caucus with Democrats). They also won back the House with at least 234 seats, giving them control of both chambers of Congress.

The results reflect widespread voter frustration with the status quo and a desire for a more hopeful future. Affordability concerns and calls for greater checks on presidential power fueled Democratic gains across the country, including in Republican strongholds such as Texas, Kansas, Iowa, and South Carolina. That desire for change comes amid deep pessimism about the future: according to the 2026 Edelman Trust Barometer, only one in three people believes the next generation will be better off.

Democratic control of Congress will expand oversight and investigations. With subpoena power in both chambers, new committee chairs—such as Sheldon Whitehouse (Senate Judiciary), Elizabeth Warren (Senate Banking), and Robert Garcia (House Oversight)—will have the authority to investigate federal agencies and businesses, compel testimony, and demand documents. Democrats will also gain significant leverage over judicial and executive nominations.

The Trump administration will rely on executive orders, rule making, and regulatory actions to advance its priorities. A divided government will significantly constrain the president's legislative agenda during his final two years in office, raising the prospect of political gridlock, contentious budget negotiations, and potential government shutdowns. President Trump has stated that while he wants to work with the new Democratic majority, he plans to exercise his veto powers against Democratic bills not aligned with his agenda.

What The Results Mean for Business

1. Congressional oversight is now a frontline business risk.

Businesses across several major industries should prepare for heightened congressional scrutiny, particularly health care (pricing, consolidation, and Medicare Advantage), financial services (banking, private equity, and cryptocurrency), technology (AI and data centers), energy, critical minerals, and defense contracting. Beyond traditional industry oversight, Democrats could investigate companies that benefited from Trump administration policies, government contracts and grants, or Department of Government Efficiency (DOGE) cuts, as well as potential conflicts of interest involving the Trump family and its allies.

Even without evidence of wrongdoing, Congressional hearings and executive testimony can quickly escalate into reputational crises. Businesses should assess their political exposure and prepare to navigate a mix of substantive investigations and political theater.

2. Affordability will become the defining lens for business policy and political scrutiny.

With economic frustration driving voter sentiment, both parties will face pressure to demonstrate progress on lowering costs. Health-care prices, housing, credit-card fees, energy costs, and the consumer impact of AI infrastructure are among the issues likely to command attention and potentially force bipartisan cooperation.

For businesses, affordability will increasingly become a political and reputational consideration. Expect greater scrutiny of corporate pricing, investment decisions, and business practices if perceived as contributing to consumers' financial pressures.

3. Regulatory uncertainty will complicate business planning and investment.

Legislative gridlock will not mean a pause in policy activity. While major legislation will face obstacles, the Trump administration will continue advancing its priorities through executive and regulatory actions, even as Congress seeks to challenge them, potentially creating competing signals for businesses on issues such as tariffs, immigration, labor, energy, and financial regulation.

For companies, the challenge will be navigating an increasingly complex policy environment where executive actions, regulatory decisions, and congressional negotiations may pull in different directions. Companies will need to distinguish between political positioning and consequential policy changes, while navigating potentially conflicting federal and state requirements. This will be particularly challenging for companies dependent on federal contracts, permitting, tax incentives, or government funding as well as for energy and infrastructure developers, financial institutions, and technology companies, where regulatory uncertainty can significantly affect long-term investments, operational costs, and growth strategies.

4. Government funding battles will create new risks for businesses.

Government funding and appropriations will become key points of leverage between Congress and the White House, increasing the risk of funding disruptions and potential shutdowns. Federal contractors, defense companies, infrastructure developers, and organizations dependent on government grants or programs could face delayed funding, procurement decisions, and project timelines.

Beyond the risk of shutdowns, negotiations over must-pass legislation could give both parties opportunities to advance or block policy priorities. Businesses will need to pay close attention to budget negotiations and spending provisions that could directly affect their industries.

5. Bipartisan cooperation will remain possible on select business priorities.

Despite heightened political confrontation, areas of shared economic interest could provide opportunities for bipartisan progress. Infrastructure investment, permitting reform, housing affordability, and measures supporting domestic manufacturing and economic competitiveness remain key opportunities where cooperation may be possible.

For businesses, this creates opportunities to advance policy priorities that align with broader economic goals, even in a politically divided Washington. Proposals that demonstrate tangible benefits for consumers, workers, and communities may find greater bipartisan traction than those closely associated with either party's agenda.

What Corporate Leaders and Communicators Should Do Now

The election has reshaped Washington's political landscape, but its implications for business will extend far beyond Capitol Hill. For C-suite executives and communications leaders, navigating the next two years will require greater coordination across corporate affairs, government relations, legal, and business leadership.

Six priorities should guide preparations:

1. Reassess the political and regulatory risk landscape. Competing priorities between Congress and the White House will create a more unpredictable policy environment, requiring companies to anticipate risks and opportunities across multiple scenarios.

- Assess how the new balance of power could affect your company's policy priorities and business interests.
- Update stakeholder maps and engagement strategies to reflect shifts in congressional influence.
- Review regulatory, legislative, and reputational risks across trade, labor, taxes, government funding, and investment.
- Identify potential conflicts between congressional and administration priorities and their implications for your business.
- Develop scenarios to anticipate policy changes that could affect operations, costs, and growth.
- Assign clear responsibilities across government affairs, legal, communications, and business leadership to monitor developments and coordinate responses.

2. Prepare for heightened congressional and political scrutiny. With Democrats gaining investigative and subpoena powers in both chambers, congressional oversight will become an enterprise-wide risk with potentially significant legal, operational, and reputational consequences.

- Assess congressional oversight risks across the enterprise.
- Review vulnerabilities in corporate practices, contracts, political contributions, and lobbying.
- Identify issues that could trigger congressional scrutiny or public controversy.
- Coordinate response protocols across legal, government affairs, and communications teams.
- Prepare for document requests, executive testimony, and media scrutiny.
- Develop clear messaging to defend business practices and government relationships.

3. Prepare for heightened activism and reputational pressure on corporations and brands. A changing political environment could embolden advocacy groups to challenge corporate practices and public commitments, raising the reputational stakes for companies perceived as falling short of their promises.

- Anticipate increased pressure from NGOs and advocacy groups on corporate commitments.

- Review climate, sustainability, DEI, and social commitments for potential vulnerabilities.
- Assess reputational risks from scaled-back or unmet public commitments.
- Monitor activist campaigns and stakeholder demands for greater accountability.
- Demonstrate measurable progress against public commitments.
- Balance competing stakeholder expectations while maintaining consistency and credibility.

4. Recalibrate stakeholder engagement strategies. Shifting political influence in Washington will require companies to reassess their relationships and identify opportunities to advance business priorities across party lines.

- Adapt engagement strategies to new congressional leadership and policy priorities.
- Reassess relationships with lawmakers, committee staff, and federal and state policymakers.
- Strengthen bipartisan relationships around shared economic and community priorities.
- Identify opportunities to advance affordability, jobs, and economic competitiveness.
- Evaluate how political positions and relationships may be perceived by key stakeholders.
- Align messaging and advocacy with business priorities and evolving political expectations.

5. Establish greater discipline in corporate communications. As political and social issues become increasingly intertwined with business and reputation, companies will need a more research-driven, deliberate approach to deciding when and how to engage.

- Research is king; use qualitative and quantitative approaches with AI synthetic audiences to test messaging and ensure resonance but also assess risk.
- Establish clear guidelines for engaging in political and social debates.
- Assess when speaking out or remaining silent could create risks.
- Align responses with company values, business interests, and stakeholder expectations.
- Define when to speak, who should respond, and what actions to take.
- Prepare for political flashpoints through scenario planning and coordinated messaging.
- Ensure public statements are consistent, credible, and grounded in legitimate business interests.

6. Strengthen trust and cohesion within the workplace. Political polarization is increasingly spilling into the workplace, creating challenges for employee relationships, organizational culture, and trust in leadership.

- Assess how political polarization affects employee relationships and workplace culture.
- Monitor employee sentiment on sensitive political and social issues.
- Reinforce policies promoting respectful workplace conduct and engagement.

- Equip managers to navigate sensitive conversations and workplace tensions.
- Foster collaboration among employees with differing political perspectives.
- Promote consistent leadership, clear expectations, and constructive dialogue to maintain trust.

Industry Outlooks

Technology & AI

The tech industry will find itself under the microscope, put on the defense over Trump administration ties, AI's potential to upend the economy, and the community impact of data centers. The new Democratic majority will scrutinize major technology companies, particularly those with close ties to the White House. Broader concerns about AI safety, market concentration and infrastructure development will create new regulatory and reputational challenges, even as the Trump administration retains substantial authority over technology and trade policy.

Key developments to watch include:

- **Congressional oversight and White House relationships:** Democrats are expected to investigate technology companies' relationships with the Trump administration, particularly executives who have served as informal advisers or committed resources to presidential priorities. Congressional hearings, subpoenas, and document requests could expose companies to significant political and reputational scrutiny, with the greatest pressure falling on firms most closely aligned with the White House.
- **AI regulation and safety:** Growing concerns about AI's impact on employment, intellectual property, privacy, and public safety could accelerate efforts to establish a comprehensive federal regulatory framework. Democrats may pursue stronger accountability requirements for AI developers and deployers, particularly if economic disruption or major safety incidents heighten pressure for government intervention.
- **Competition and market concentration:** Congressional antitrust committees could renew scrutiny of dominant technology companies, including market concentration, strategic partnerships, and circular investments across the AI value chain. Investigations could challenge existing business arrangements and increase pressure for stronger competition safeguards, even if significant legislative reforms remain unlikely.
- **Data centers and community opposition:** Widespread voter opposition to data-center development, reflected in successful ballot measures, will intensify pressure on companies to address electricity costs, grid reliability, water consumption, and land use. State and local officials could pursue more durable restrictions or moratoria on development. Industry efforts to establish common standards for responsible data-center development may provide opportunities to engage policymakers and communities before opposition hardens.
- **Trade and export controls:** Democrats could seek to reassert congressional authority over trade policy, challenging the administration's tariff agenda and its approach to technology export controls. Greater scrutiny of semiconductor exports, particularly advanced AI chips destined for China, could complicate commercial relationships, supply chains, and long-term investment decisions.

For technology companies, the challenge will extend beyond navigating regulatory uncertainty to defending the industry's broader value to the American economy. Congressional investigations, public skepticism, and local opposition could create significant business and reputational risks, even without major legislative changes. Companies that demonstrate responsible AI development, transparent government relationships, and tangible benefits for workers, consumers, and communities will be better positioned to maintain trust and protect their ability to grow.

Health

For the health care industry, the new Congress will bring closer examination of prescription drug prices, federal health policy, and the cost of care. Pharmaceutical manufacturers face particularly direct exposure through their drug pricing agreements with the Trump administration, while hospitals and health systems will navigate continued funding pressures alongside renewed efforts to protect coverage. Legislative gridlock will limit sweeping reforms, but oversight and targeted bipartisan measures could still reshape the industry.

Key areas of focus are likely to include:

- **Drug pricing and MFN agreements:** Pharmaceutical manufacturers should prepare for investigations into their Most Favored Nation (MFN) agreements with the Trump administration. Expect lawmakers to demand details on what companies agreed to, what they received in return, and whether patients are seeing meaningful savings. Manufacturers should prepare for potential subpoenas, document requests, and executive testimony, bringing pricing practices, government relationships, and corporate credibility into the spotlight.
- **PBM reform and drug affordability:** Pharmacy benefit managers will remain a bipartisan target, with scrutiny of rebate arrangements, compensation practices, and their role in prescription drug costs. Recent reforms have introduced new transparency requirements, and the next Congress could pursue further changes. For manufacturers, additional reforms could affect contracting strategies, formulary access, and pricing negotiations.
- **MAHA and federal health agencies:** The defeat of several Make America Healthy Again (MAHA)-backed candidates marks a political setback for Health Secretary Robert F. Kennedy Jr. Democrats could intensify investigations into vaccine policy, FDA operations, and federal research funding. Senate Democrats will also have greater leverage over administration nominees, potentially complicating agency leadership and regulatory decision-making.
- **Medicaid and health coverage:** Democrats are expected to push for reversing Medicaid cuts and restoring enhanced Affordable Care Act subsidies, although significant legislative barriers remain. In the meantime, coverage losses, reimbursement pressures, and uncompensated care could further strain hospital finances, particularly for rural and safety-net providers.
- **Health care costs and industry accountability:** Congressional attention on the cost of care will also focus on hospital pricing, consolidation, Medicare Advantage practices, and private equity ownership. Hearings could force executives to defend business models, financial practices, and their impact on patients, creating reputational risks beyond potential regulatory consequences.

For health care companies, the challenge will be preparing for congressional scrutiny while managing continued uncertainty around pricing, coverage, and regulation. Investigations will heighten public scrutiny of industry practices, even without new legislation or findings of wrongdoing. Companies that can substantiate their commitments to affordability and patient access, explain their government relationships, and defend their business decisions will be better positioned to maintain trust.

Energy

Democratic control of Congress will bring renewed scrutiny to America's energy sector. Affordability will drive much of the political debate, but the implications for business will extend well beyond gasoline, diesel fuel, and electricity prices. The war in Iran, US involvement in Venezuela, and growing energy demands from AI will create new challenges for an industry already navigating political and regulatory uncertainty.

Energy companies should expect a renewed slate of congressional hearings and investigations, particularly in the House. Democratic priorities starting in January are likely to include:

- **Energy prices and profits:** House Energy and Commerce and Oversight committees will likely examine gasoline prices, oil company profits, and industry relationships with the Trump administration. Expect renewed calls for executive testimony as lawmakers question corporate earnings and pricing practices amid higher consumer costs.
- **Venezuela and Iran:** Congressional investigations could examine US-backed oil investments in Venezuela, including who benefited and whether political relationships influenced decisions. The war in Iran will bring additional scrutiny of global energy supplies, oil prices, and the economic consequences of US military operations.
- **Climate activism and accountability:** Democratic control will give environmental organizations and other special interest groups new opportunities to advance climate priorities. Expect renewed attention to emissions, greenwashing, environmental justice, and corporate climate commitments. Congressional investigations will amplify activist campaigns and reputational pressure.
- **AI and energy infrastructure:** America's push for AI competitiveness will create tensions over energy costs and environmental impact. Expect scrutiny of data center electricity demand, grid reliability, water consumption, and who pays for the infrastructure needed to power them.
- **Federal investments and permitting:** Democrats could examine offshore wind agreements, federal leasing, critical-mineral investments, and energy incentives. Competing congressional and administration priorities could complicate permitting, financing, and long-term investment decisions.
- **Trust and reputation:** Edelman's Future of Corporate Affairs research found that 52% of surveyed corporate affairs leaders identify government, regulation, trade, and national security as significant near-term risks.

For energy companies, the challenge will be navigating competing political priorities without losing sight of business fundamentals. Affordability, reliable energy, and American competitiveness will remain shared priorities. Companies that demonstrate responsible investment, tangible economic benefits, and credible engagement across political divides will be better positioned to protect trust, reputation, and long-term competitiveness.

Financial Services

With Democrats' victory, Wall Street must now brace for a new wave of congressional investigations. Divided government will likely limit major legislative changes, but Democratic control of Congress will bring renewed investigations into financial institutions, emerging markets, and corporate relationships with the Trump administration. Congressional committees could prove more consequential than regulators, creating new business and reputational risks for banks, investment firms, and other financial services companies.

Key developments to watch include:

- **Congressional oversight and corporate accountability:** Democratic leadership of the House Financial Services and Senate Banking committees will bring greater oversight of Wall Street, with investigations potentially targeting lending practices, consumer fees, market concentration, and financial relationships with the Trump family. Congressional hearings, subpoenas, and executive testimony could create reputational risks and complicate business transactions, even without new legislation.
- **Cryptocurrency and digital assets:** Crypto firms could face renewed investigations into their business models, banking relationships, and consumer protections. Democrats may examine potential conflicts of interest involving the Trump administration and the financial risks associated with digital assets, creating additional uncertainty for firms navigating an evolving regulatory environment.
- **Private equity and affordability:** Congressional investigations could target private equity investments in health care, housing, and insurance, particularly as Democrats focus on the role of financial firms in rising household costs. Executives may face pressure to defend investment strategies, ownership structures, and business practices, with implications for transactions, investor confidence, and corporate reputation.
- **Prediction markets and consumer protection:** Growing concerns about prediction markets could bring investigations into insider trading, market manipulation, and compliance with gambling restrictions. Congressional committees may question whether existing oversight adequately protects consumers and market integrity, creating regulatory and reputational risks for platforms and financial institutions involved in the sector.
- **AI infrastructure and data center financing:** Growing opposition to data-center development will bring increased attention to the financial institutions and investors supporting AI infrastructure. Concerns about electricity costs, grid reliability, and tax incentives could prompt investigations into project financing and investment practices. State and local restrictions could also delay development, complicating transactions and introducing uncertainty into long-term infrastructure investments.

For financial services companies, the greatest risk may come not from new legislation but from the fallout of congressional investigations. Hearings, subpoenas, and public scrutiny can unsettle investors, disrupt transactions, and force executives to defend their business models. Firms that demonstrate responsible financial practices, transparent government relationships, and tangible benefits for consumers and communities will be better positioned to protect trust and navigate a more challenging political environment.

Food & Beverage

Democratic control of Congress will bring renewed scrutiny of food affordability, agricultural policy, and the health and safety of America's food supply. Victories in traditionally Republican agricultural states underscore growing voter frustration with grocery prices and rising production costs. Tariffs, immigration enforcement, and elevated energy costs will continue to pressure producers, manufacturers, and retailers, while shifting congressional priorities and growing concerns about food ingredients create additional regulatory and reputational challenges.

Key developments to watch include:

- **Food affordability and supply chains:** Democrats are expected to intensify oversight of grocery prices, food industry practices, and the policies contributing to higher costs. Tariffs, trade disputes, immigration enforcement, and energy prices will remain significant pressures on agricultural producers and food manufacturers. Congressional investigations could examine how these factors affect consumer prices, supply-chain resilience, and corporate profitability.
- **Farm Bill and agricultural policy:** Democratic control will reshape negotiations over the long-stalled Farm Bill, with renewed emphasis on restoring Supplemental Nutrition Assistance Program (SNAP) funding, conservation programs, and agricultural competition. Bipartisan negotiations and presidential veto authority will constrain major legislative changes, while funding decisions and implementation could have significant implications for producers, manufacturers, and retailers.
- **Federal oversight and agency leadership:** New congressional leadership could intensify investigations into USDA operations and the Trump administration's broader food and agricultural agenda. Senate Democrats will also gain greater leverage over agency nominations, including a potential new FDA commissioner, creating additional uncertainty around regulatory priorities and implementation.
- **MAHA and food regulation:** Electoral setbacks for several Make America Healthy Again (MAHA)-backed candidates could weaken the movement's political influence, but concerns about ultra-processed foods (UPFs), additives, pesticides, and corporate influence will continue to attract bipartisan attention. A proposed federal definition of UPFs, currently under White House review, could shape future nutrition guidance, regulatory requirements, and litigation. Congressional investigations into Health Secretary Robert F. Kennedy Jr. and federal health agencies could further complicate the administration's food policy agenda.
- **Food safety:** Heightened attention to foodborne illness outbreaks, recalls, and federal inspection capacity could also place greater scrutiny on food safety oversight, with implications for food and beverage supply chains and operational preparedness.
- **State regulation and industry accountability:** An expanding patchwork of state-level food regulations will continue to reshape ingredient standards, labeling requirements, and nutrition claims. Companies could face heightened pressure from policymakers and advocacy organizations over product safety, transparency, and corporate health commitments, creating compliance challenges and reputational risks even without significant federal legislation.

The challenge will be navigating affordability pressures while responding to evolving expectations around food safety, nutrition, and transparency. Congressional oversight and fragmented regulations will complicate business decisions, even as legislative gridlock limits sweeping federal reforms. Companies that demonstrate responsible practices, credible science-based engagement, and tangible

benefits for consumers, farmers, and communities will be better positioned to maintain trust and navigate political uncertainty.

Retail

Affordability will define the post-election environment for retailers and consumer packaged goods companies. Democratic control of Congress will intensify scrutiny of policies and corporate practices that influence household costs, while tariffs, changing consumer demand, and fragmented regulations continue to challenge business operations.

Key developments to watch include:

- **Consumer prices and corporate accountability:** Congressional committees are likely to investigate pricing practices, profit margins, market concentration and corporate relationships with the administration. Executives may face pressure to explain how business decisions affect consumers already struggling with household expenses.
- **Tariffs and trade:** Democrats will challenge aspects of the administration's tariff policies and examine their impact on consumer prices. The ongoing USMCA free trade agreement review introduces additional uncertainty for companies relying on North American sourcing, manufacturing and distribution, even as the White House retains negotiating authority.
- **Packaging and product regulation:** State-level Extended Producer Responsibility laws, PFAS restrictions and evolving product standards will continue reshaping packaging, sourcing and compliance decisions. Congressional oversight could amplify scrutiny of environmental claims, product safety, and corporate sustainability commitments.
- **Consumer trust and reputation:** Renewed attention from policymakers and advocacy organizations could increase pressure on companies to demonstrate responsible business practices, particularly around affordability, environmental performance, and transparency.

For retailers and consumer brands, the challenge extends beyond managing costs and compliance. Companies will need to demonstrate how their decisions deliver consumer value while meeting evolving regulatory and stakeholder expectations. Maintaining trust will increasingly depend on credible actions, transparent practices, and consistent engagement across political divides.

Manufacturing & Industrials

Bipartisan support for American manufacturing and competitiveness will persist, but Democratic control of Congress will intensify scrutiny of Trump administration trade policies, industrial investments, and their impact on workers and businesses. With major trade and energy decisions approaching, manufacturers face a more complicated environment for long-term investment.

Key developments to watch include:

- **Trade and North American supply chains***:* Democrats will examine presidential tariff authority and the ongoing USMCA review, particularly automotive rules of origin, cross-border production and the costs of trade restrictions. Congressional oversight could complicate negotiations, even as the administration retains negotiating authority.

- **Energy affordability and reliability***:* Rising electricity and fuel costs, data-center demand, and grid constraints threaten industrial competitiveness. Bipartisan opportunities may emerge around permitting reform, transmission infrastructure, and expanding reliable energy supplies; however, time will tell if Democratic leadership and President Trump can work together.
- **Domestic investment and incentives***:* Congress could examine federal tax incentives, grants, and investments supporting manufacturing, critical minerals, and strategic industries, including whether government support delivers promised jobs and economic benefits.
- **Corporate accountability***:* Congressional investigations could target foreign supply chains, investment decisions, government relationships, and commitments to American workers, creating reputational risks beyond regulatory compliance.

The commitment to rebuilding America's industrial base is unlikely to change. What will change is the scrutiny of how that investment occurs and who benefits. Manufacturers that demonstrate competitive operations, reliable domestic production, and tangible benefits for workers and communities will be better positioned to navigate political uncertainty and maintain trust.

Defense & Aerospace

Defense modernization and national security will remain bipartisan priorities, but Democratic control of Congress will sharpen oversight of defense spending and federal contractors. Beginning in January, new leadership of the House and Senate Armed Services Committees (HASC and SASC) will scrutinize funding allocations, contract awards, and whether investment decisions advanced national security priorities or political interests.

Democratic oversight priorities are likely to include:

- **Traditional defense contractors**: Greater scrutiny of major defense integrators, with a focus on procurement efficiencies, cost overruns, program performance, and accountability for taxpayer spending.
- **Emerging defense technologies**: Investigations into federal contracts awarded to newer market entrants in AI, autonomous weapons, and unmanned aerial systems. Companies with direct financial or political ties to the Trump administration could face particular scrutiny.
- **Critical minerals and industrial investments**: Closer examination of federal grants, loans, and investments supporting domestic manufacturing, critical minerals, and strategic metals. Questions around funding decisions, recipients and potential conflicts of interest will be central.
- **Defense funding**: The National Defense Authorization Act (NDAA) and appropriations process will provide opportunities to review existing programs, challenge future funding, and impose new oversight requirements.
- **Trust and reputation**: Congressional investigations could quickly become business and reputational challenges. Edelman's Future of Corporate Affairs research found that 68% of surveyed corporate affairs leaders experienced a reputational issue with immediate business impact in the past year.

The commitment to rebuilding America's defense industrial base is unlikely to change. What will change is the scrutiny of how that investment is made and who benefits. For defense companies, the challenge will extend beyond compliance. Protecting reputation and maintaining trust will require transparent contracting practices, demonstrated national security value, and strong relationships across both parties.

What To Watch Next

Immediate: Election Aftermath (November–December 2026)

- **Congressional leadership:** Democratic leadership elections, committee chair selections, and key appointments will provide early signals of legislative and oversight priorities.
- **Lame-duck legislative activity:** The outgoing Republican-controlled Congress faces potential decisions on government funding, defense authorization, and other unfinished legislative priorities before Democrats take control.
- **White House response:** Watch for efforts to advance remaining legislative priorities, accelerate executive and regulatory actions, and secure outstanding nominations before the new Congress convenes.

Near-Term: New Congress (January–March 2027)

- **Congressional oversight begins:** New Democratic committee chairs will establish investigative priorities, with potential hearings, subpoenas, and document requests targeting federal agencies and private-sector actors.
- **Democratic legislative agenda:** Early proposals on affordability, health care, taxes, and consumer protection will signal the party's priorities, even where presidential opposition limits prospects for enactment.
- **Budget and funding negotiations:** Early spending debates will test the relationship between Congress and the White House, with potential implications for government funding, federal programs, and business priorities.

Medium-Term: Policy & Political Outlook (2027–2028)

- **Sustained congressional investigations:** Oversight of the administration, federal agencies, and corporate practices could intensify as lawmakers position themselves ahead of the 2028 elections.
- **The road to 2028:** The presidential campaign will increasingly shape Washington's political incentives, potentially narrowing opportunities for bipartisan compromise while elevating issues such as affordability, corporate accountability, and economic competitiveness.

Edelman Public & Government Affairs is poised to help clients navigate the evolving political and policy environment, including congressional oversight and investigations that could affect business and reputation. If your clients would benefit from industry-specific and tailored analysis, scenario planning, or strategic counsel, contact us at: ***2026electionsadvisory@edelman.com***