

Flossbach von Storch
RESEARCH INSTITUTE

ECONOMICS & POLITICS 4 NOVEMBER 2026

The political situation in the USA following the midterm elections

by NORBERT F. TOFALL

Summary

The Democrats have a majority in both chambers of Congress. Trump will have to make compromises and strike deals. But even the Democrats cannot pass new laws without the US President's approval

On 3 November 2026, midterm elections were held for 35 of the 100 seats in the US Senate and all 435 seats in the House of Representatives. According to the latest projections and vote counts (4 November 2026, 06:00 CET), the Democratic Party has won a majority in both the House of Representatives and the Senate. Persistently high inflation in the USA was the decisive issue in the election. Having lost the Republican majorities in both chambers of Congress, US President Donald Trump will have to make far-reaching compromises with the Democratic Party during the second half of his second term in office. Yet despite winning majorities in both houses of Congress, the Democratic Party will not be able to enact any new laws without the approval of US President Donald Trump. The President can also veto any AI regulation that the Democratic Party might now pass in both houses of Congress.

I.

In the USA, all legislation must be approved by a simple majority in both the Senate and the House of Representatives (Hübner 2013). As a result, changes in the balance of power following the midterm elections can shift the distribution of power between the Senate, the House of Representatives and the President. The US President cannot formally introduce legislative proposals directly to Congress. However, the President can veto legislation passed by Congress. A presidential veto can only be overridden by a two-thirds majority in both chambers of Congress. The President and Congress can therefore effectively block each other's actions.

Congress cannot remove the President from office on the grounds of political disagreements or changes in the balance of power. Removal is possible only through a quasi-judicial process known as impeachment, in which the President must be found guilty of impeachable offences. The two impeachment proceedings initiated by the Democratic Party against Trump during his first term in office were unsuccessful. The President, for his part, cannot dissolve Congress.

The US President is less constrained in foreign policy. As Commander-in-Chief of the armed forces, the President can deploy troops at any time but must withdraw them if Congress does not authorise continuation of the military action within 60 days.

A further distinction must be made between international treaties, which require the approval of a two-thirds majority in the Senate, and so-called executive agreements, which do not require Senate approval. Even after Senate approval, an international treaty only enters into force once the President ratifies it – and the President is under no obligation to do so. The President can even terminate a treaty unilaterally.

Given this division of powers between the President, the House of Representatives and the Senate, the outcome of the midterm elections on 3 November 2026 is likely



to prompt US President Donald Trump to focus even more heavily than before on foreign and security policy in the remaining two years of his second term. This is where Congress constrains him least. However, foreign and security policy also require funding. The Democratic majorities in both chambers of Congress will therefore be able to exert influence over foreign and security policy through their control of the budgetary process and the allocation of financial resources.

At the same time, the Democratic Party will be far from being able to govern unilaterally, given the President's veto power. Instead, it will have to reach compromises with President Trump or make concessions to him in other areas in return for support for its own legislative priorities.

Furthermore, President Trump is likely to step up his use of executive orders in an attempt to implement policy initiatives without going through Congress. The success of this approach will depend on the circumstances of each individual case and on rulings by the courts, particularly the Supreme Court. The courts will have to determine whether the executive orders remain within the limits of existing legislation or exceed their legal authority and must therefore be declared unlawful and invalid.

II.

But what policy initiatives has US President Donald Trump managed to implement during the first half of his second term in office? And which of his policy objectives will he now find more difficult to pursue as a result of the changed balance of power in Congress?

1. Tax reform

On 4 July 2025, President Trump signed the budget and tax legislation H.R. 1, also known as the *One Big Beautiful Bill Act*. Among other measures, the Act permanently extended the income tax cuts introduced during Donald Trump's first term in office. It also made it easier for businesses to claim tax deductions for capital investments and expanded tax relief for families and older people. At the same time, the legislation introduced cuts to and restrictions on Medicaid and the Supplemental Nutrition Assistance Programme (SNAP), which provides food assistance to low-income households. It also allocated additional funding for border security and defence, while scaling back tax incentives for renewable energy. The House of Representatives passed the final version of the One Big Beautiful Bill Act on 3 July 2025 by 218 votes to 214. Two Republicans joined the Democrats in voting against it. The Senate vote on 1 July 2025 ended in a 50–50 tie, with Vice-President J. D. Vance casting the decisive vote in favour of the legislation. Three Republican senators had voted against it. This narrow majority was made possible by the budget reconciliation procedure, which does not require the usual 60-vote majority for certain budget-related legislation (United States Congress 2025a, Ballotpedia 2026).



2. Immigration policy

Combating illegal immigration is one of President Donald Trump's main objectives. On 20 January 2025, Trump declared a national emergency at the USA's southern border, tightened border surveillance, ordered additional military support and initiated measures to expand arrests and deportations (The White House 2025b). Much of this policy rests on executive orders, proclamations and existing statutory powers. The orders themselves did not require congressional approval. Funding and new statutory powers are a different matter. The One Big Beautiful Bill Act of July 2025 allocated substantial additional funding for border protection, detention facilities and immigration enforcement. Congress thus provided the financial resources needed to implement President Trump's immigration policy, even though many enforcement decisions are taken exclusively by the executive branch.

The planned restriction of birthright citizenship was not implemented. With Executive Order 14160 of 20 January 2025, Trump sought to end citizenship for children born in the USA to foreign parents. In June 2026, the Supreme Court ruled the order unlawful by six votes to three. Five judges explicitly based their decision on the 14th Amendment to the Constitution, while another cited federal law. Congress had not passed any legislation restricting birthright citizenship.

3. Tariff policy

Since 2025, President Trump has introduced extensive additional tariffs on imports, particularly on certain industrial products and on goods from major trading partners. Unlike the tax reform, this was done without congressional approval. The President relied on existing trade legislation and, initially making particular use of the International Emergency Economic Powers Act (IEEPA) The White House 2025c).

However, the legal basis for this policy was significantly restricted. On 20 February 2026, the Supreme Court of the United States ruled that President Donald Trump did not have the authority to impose broad-based import tariffs under the IEEPA. Tariffs based exclusively on these emergency powers ceased to be legally effective as of 24 February 2026 (Supreme Court of the United States 2026).

The administration subsequently turned to alternative legal provisions, particularly Section 122. Section 122 allows the US President to impose temporary across-the-board import surcharges of up to 15 per cent for a maximum of 150 days in the event of "fundamental international payments problems". Section 122 therefore provides limited authority to impose tariffs, both in terms of its scope (fundamental international payments problems), the level of tariffs (up to 15 per cent) and their duration (a maximum of 150 days). The import surcharges imposed under Section 122 expired in July 2026, following the expiry of the statutory maximum period. Trump subsequently relied increasingly on Section 232 of the Trade Expansion Act



of 1962 and Section 301 of the Trade Act of 1974 for the product categories concerned.

On 23 July 2026, additional tariffs of 10 per cent and 12.5 per cent on imports from 60 economies were announced, based on an investigation into imports involving forced labour. On 8 October 2026, the Congressional Research Service documented the measures still in force and the investigations under way (Congressional Research Service 2026).

President Donald Trump's tariff policy has therefore only been partially implemented. No permanent, legally robust and uniform system of general import tariffs has been established. Congress has not passed any comprehensive new legislation on tariffs.

4. Energy and climate protection

On 20 January 2025, President Donald Trump signed Executive Order 14154, *Unleashing American Energy* (The White House 2025d). It ordered a review and reversal of numerous environmental and climate policy measures introduced by the Biden administration, promoted fossil fuels and sought to accelerate regulatory approval procedures.

On his first day in office, Trump also ordered the United States to withdraw from the Paris Climate Agreement once again. No new decision by Congress was required for this. The withdrawal took effect in January 2026, following the expiry of the treaty's notice period. In parallel, the budget act of July 2025 weakened several tax incentives for climate-friendly technologies. In this case, Congress was directly involved.

Support for the oil and gas industry, the easing of regulatory requirements and the rollback of climate programmes have thus largely been set in motion. However, this should not be confused with the full implementation of all the energy projects announced by the administration. New pipelines, extraction projects, power stations and infrastructure developments still require investment, regulatory approval and time to construct. Trump's promise to reduce energy prices substantially has also not been fulfilled so far, partly due to the war with Iran. In autumn 2026, fuel prices in particular were significantly higher than when he took office.

5. Federal agencies and education

Another key policy objective of President Donald Trump is to reduce the size of the federal administration. Trump initiated staff reductions and a comprehensive review of government programmes. The DOGE project (Department of Government Efficiency), led for a time by Elon Musk, was intended not only to cut public expenditure but also to restructure government agencies and make public administration more efficient. These measures were largely based on presidential

directives. However, Congress did not undertake any comprehensive legislative reorganisation of the federal administration.

The limits of presidential power are particularly evident at the Department of Education. In an Executive Order of 20 March 2025, Trump ordered steps towards its dissolution (The White House 2025a). Since then, numerous jobs have been cut and responsibilities transferred to other departments. By 2026, the department's workforce had been reduced by approximately half. Numerous programmes were also transferred to other government agencies. Nevertheless, the Department of Education has not been fully abolished. Since Congress established the department by law in 1979, only new federal legislation can formally dissolve it. No such legislation has been passed to date. The department therefore remains legally in existence, despite having been substantially reduced in operational terms (Associated Press 2026).

6. GENIUS Act

The GENIUS Act signed into law on 18 July 2025, established a federal regulatory framework for stablecoins. The Senate approved the legislation on 17 June 2025 by 68 votes to 30, while the House of Representatives passed it on 17 July 2025 by 308 votes to 122. The legislation therefore received bipartisan support (United States Congress 2025b).

7. Foreign policy and military action

Donald Trump’s promise to bring Russia’s war of aggression against Ukraine to a swift end has yet to be fulfilled. Nor has he achieved his stated objective of keeping the United States out of new military conflicts. In June 2025, US forces launched strikes against Iranian nuclear facilities. On 28 February 2026, a much larger-scale war against Iran began, which is still ongoing.

These military decisions were not based on a formal declaration of war by Congress. Nevertheless, Congress retains responsibility for funding, oversight of the executive branch and the possible introduction of legislative restrictions on military operations.

8. Overall assessment

The following overview, compiled with the assistance of AI and the author’s own analysis, distinguishes between measures formally enacted into law and political objectives actually achieved:



Policy initiative	Status as at October 2026	Role of Congress
Extension of tax cuts	Implemented	Legislation passed 218:214 in the House of Representatives, 50:50 in the Senate with Vice-President Vance casting the decisive vote
Tax relief on tips and overtime	Partially implemented	Included in the same legislation
Additional funding for border security	Implemented	Budget legislation of 2025
Tightening of deportation policy	Largely implemented, but target figures not achieved	Executive orders and budget funding
Restriction of birthright citizenship	Failed	No new legislation; the Supreme Court overturned the executive order
Comprehensive import tariffs	Partially implemented, legal basis subsequently changed	Introduced largely without further congressional approval
Withdrawal from Paris Climate Agreement	Implemented	Presidential order
Reversal of climate-related subsidies	Largely implemented	Executive orders and budget legislation
Abolition of the Department of Education	Not fully implemented	Required legislation missing
Reduction in the size of the federal administration	Partially implemented	Primarily administrative measures
Stablecoin regulation	Legislation passed	68:30 in the Senate, 308:122 in the House of Representatives
Cuts to international aid and public broadcasting funding	Implemented	51:48 in the Senate, 216:213 in the House of Representatives
Swift end to the war in Ukraine	Not achieved	Primarily executive action and diplomacy
Avoidance of new wars	Not achieved	Military decisions taken by the executive branch
Significant reduction in the cost of living	Not achieved	Various legislative and executive measures



Conclusion

As a result of the outcome of the midterm elections on 3 November 2026, US President Donald Trump will only be able to get legislation through Congress by compromising with the Democratic Party – this applies in particular to budget legislation. Further tax cuts are therefore unlikely. The passage of budget bills could also be subject to temporary deadlocks, making prolonged government shutdowns a distinct possibility.

Since the Democratic Party is largely opposed to fiscal austerity programmes, compromises between President Trump and the Democratic majorities in the Senate and the House of Representatives are likely to result in a further increase in government debt.

The Democratic Party is likely to use its control over federal spending as a means of influencing the President's foreign and security policy. This could have implications for both the war in Ukraine and the war in Iran.

Despite its majorities in both chambers of Congress, the Democratic Party will be unable to push through its own legislative initiatives, particularly in areas such as social policy, environmental policy, minority rights and immigration, against the opposition of President Trump. The President can veto any new legislation, and such a veto can only be overridden by a two-thirds majority in both chambers of Congress.

Regardless of the outcome of the midterm elections on 3 November 2026, the growing cycle of political polarisation in the United States is likely to continue. Donald Trump is unlikely to change his established political style. Meanwhile, over the past two years, the Democratic Party has continued to move further to the left, towards what is often described as "democratic socialism". Its success in the midterm elections could encourage the party to pursue this course even further, potentially resulting in it selecting a presidential candidate in two years' time who may struggle to appeal to the broad political centre of the American electorate.

It remains to be seen whether the Republican Party will draw the conclusion from the outcome of the midterm elections on 3 November 2026 that it should distance itself from MAGA ideology and deliberately reposition itself towards the political centre, potentially occupying political ground that the Democratic Party may be vacating.

References

Associated Press (2026): Education Department loses special ed, civil rights: What we know. AP News. Available at: https://apnews.com/article/trump-education-department-restructuring-civil-rights-sped-043d48432bfd182cdce3743a397ce633 (Accessed: 4 November 2026).

Ballotpedia (2026): One Big Beautiful Bill Act. Ballotpedia. Available at: https://ballotpedia.org/One_Big_Beautiful_Bill_Act (Accessed: 4 November 2026).

Congressional Research Service (2026): Active Presidential Tariff Actions in 2026: Fact Sheet. CRS Report R49481. Available at: https://www.congress.gov/crs-product/R49481 (Accessed: 4 November 2026).

Hübner, Emil / Münch, Ursula (2013): Das politische System der USA. Eine Einführung. 7th revised and updated edition. Munich: C.H.Beck. Available at: https://www.chbeck.de/huebner-muench-politische-system-usa/product/11627955 (Accessed: 4 November 2026).

Supreme Court of the United States (2026): Learning Resources, Inc. v. Trump. Judgment of 20 February 2026, No. 24-1287. Available at: https://www.supremecourt.gov/opinions/25pdf/24-1287_4gcj.pdf (Accessed: 4 November 2026).

The White House (2025a): Improving Education Outcomes by Empowering Parents, States, and Communities. Presidential Action. Available at: https://www.whitehouse.gov/presidential-actions/2025/03/improving-education-outcomes-by-empowering-parents-states-and-communities/ (Accessed: 4 November 2026).

The White House (2025b): Protecting the American People Against Invasion. Presidential Action. Available at: https://www.whitehouse.gov/presidential-actions/2025/01/protecting-the-american-people-against-invasion/ (Accessed: 4 November 2026).

The White House (2025c): Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits. Presidential Action. Available at: https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/ (Accessed: 4 November 2026).

The White House (2025d): Unleashing American Energy. Presidential Action. Available at: https://www.whitehouse.gov/presidential-actions/2025/01/unleashing-american-energy/ (Accessed: 4 November 2026).

United States Congress (2025a): H.R. 1, 119th Congress. An Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14. Available at: https://www.congress.gov/bill/119th-congress/house-bill/1 (Accessed: 4 November 2026).

United States Congress (2025b): S. 1582, 119th Congress. GENIUS Act. Available at: https://www.congress.gov/bill/119th-congress/senate-bill/1582/text (Accessed: 4 November 2026).

LEGAL NOTICE

The information contained and opinions expressed in this document reflect the views of the author at the time of publication and are subject to change without prior notice. Forward-looking statements reflect the judgement and future expectations of the author. The opinions and expectations may differ from estimates presented in other documents of Flossbach von Storch SE. The articles are provided for information purposes only and without any contractual or other obligation. (This document does not constitute an offer to sell, purchase or subscribe to securities or other instruments.) The information and estimates contained herein do not constitute investment advice or any other recommendation. No liability is accepted for the completeness, timeliness and accuracy of the information and estimates provided. **Past performance is not a reliable indicator of future performance.** All authors' rights and other rights, titles and claims (including copyrights, brands, patents, intellectual property rights and other rights) to, for and from all the information in this publication are subject, without restriction, to the applicable provisions and to the property rights of the respective registered owners. You do not acquire any rights to the content. Copyright for published content created by Flossbach von Storch SE itself remains solely with Flossbach von Storch SE. Such content may not be reproduced or used, in whole or in part, without the written consent of Flossbach von Storch SE.

Reprints of this publication and making it publicly available – in particular by including it in third-party websites – as well as reproduction on data storage devices of any kind require the prior written consent of Flossbach von Storch SE

© 2026 Flossbach von Storch. All rights reserved.

IMPRINT

Publisher Flossbach von Storch SE, Research Institute, Ottoplatz 1, 50679 Cologne, Telephone +49. 221. 33 88-291, research@fvsag.com; *Managing Directors* Dr Bert Flossbach, Dr Tobias Hirsch, Dr Tobias Schafföner, Christian Schlosser, Dr Till Schmidt, Marcus Stollenwerk; *Chairman of the Board of Directors* Kurt von Storch*; VAT ID* DE 200 075 205; *Commercial register* HRB 120 796 (Cologne Local Court); *Competent supervisory authority* German Federal Financial Supervisory Authority, Marie-Curie-Straße 24 – 28, 60439 Frankfurt / Graurheindorfer Str. 108, 53117 Bonn, www.bafin.de*; Author* Norbert F. Tofall; *Editorial deadline* 4 November 2026