

The Pace of Trump's Policy Agenda: Three Big 'Ifs'

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It's hard to believe that U.S. President Donald Trump has only been in office for a month, given the dizzying activity in Washington. Yet our observations from before the inauguration seem to be holding true, at least so far: Governing is indeed harder than campaigning.

This is especially the case when it comes to the ambitious legislative agenda of President Trump and congressional Republicans, which includes overhauling the healthcare system, reforming the tax code, rolling back financial regulation and boosting infrastructure spending. Addressing even *one* of these complex issues in one year would be tough under the best of circumstances; moving all of them would be downright Herculean.

Reality check

Why do we expect a slower pace for President Trump's legislative agenda? For one thing, it was the Founding Fathers' intent for Congress, particularly the Senate, to take a deliberative (read: slow) approach to lawmaking to provide the checks and balances to the executive branch. This is especially relevant for issues as complex as an overhaul of the healthcare system or tax reform. Further complicating matters is the lack of a unified vision among Republicans and President Trump on how to proceed; debate continues about how to roll back and replace Obamacare, and the controversial border adjustment tax is snarling tax reform discussions.

Additionally, while Republicans have a significant majority in the House and can pass legislation readily, it is a different story in the Senate: With 52 seats, Republicans lack the all-important 60-vote filibuster-proof majority. This means that to pass legislation, Republicans must either secure at least eight Democratic votes (which seems unlikely in an increasingly partisan Washington), or use an arcane process known as budget reconciliation, which allows the Senate to pass legislation with only 50 votes – but comes with strings attached.

Because of the way the reconciliation process will work in this Congress, Republicans would have to address Obamacare *before* they can bring up tax reform, should they want to use reconciliation to pass both bills (which is the plan). This is a key point, given that a healthcare overhaul could take all year (it took President Obama 14 months, even with the benefit of higher approval ratings, healthier majorities in both chambers and a shared vision for healthcare overhaul within his party). Tax reform could easily slip into 2018 (pushing back financial reform and infrastructure). And if it gets too close to the midterm elections in November of that year, tax reform may prove elusive.

Three 'Ifs'

That said, it is still early days in the new Congress and administration, and if we know anything about Washington, it's that things can change quickly and headwinds can rapidly turn into tailwinds.

What could change our outlook? It comes down to three (big) "ifs":

1. If Republicans can quickly unite on a vision to repair or replace Obamacare
2. If policymakers can resolve the direction of tax reform, especially related to the border adjustment tax
3. If President Trump, who has sent somewhat mixed messages on tax reform and Obamacare, uses his bully pulpit to expedite the legislative process. (The president's joint address to Congress on 28 February may give some indication of his approach.)

But all told, we think the prospects that President Trump will push through his policy agenda in the first year look tenuous at best.

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