

Peter Friedmann's View from Washington, DC

December 2014

As this is the last "View" of 2014, it's worth taking a brief look back, before seeing how the table is set for the coming year here in Washington DC.

What we saw in 2014 is pretty much what we have seen for the past six years: very little getting done. Six years ago at the outset of the Obama Presidency, with Democratic Majorities in both House and Senate, allowing passage of any of his agenda, there was much talk of a new health care system, major immigration reform, tax overhaul and robust infrastructure investment. We did have the Stimulus Bill, but as some of the more courageous Members of Congress were willing to say publicly, the Stimulus Bill did not actually invest much in infrastructure. And the much promised immigration reform never took place. Of course, the Affordable Care Act, also known as ObamaCare, was passed, barely. Nothing was done on international trade.

After those first two years, we had four years of a split government with a Republican House of Representatives, and a Democratic Senate and White House. The Majority Leader in the Senate, Harry Reid, focused on maintaining the Democratic Majority. He simply did not allow votes on legislation which could be uncomfortable for Democratic Senators standing for reelection. For example, in his State of the Union address last year, the President talked about the urgency for a robust TransPacific Partnership trade agreement. Not twelve hours later Harry Reid declared – it's not going to happen. And it didn't in 2014. Harry Reid -- the most powerful man in Washington DC for the past four years.

So it is no surprise that in the closing days of the 113th Congress, the House and Senate and President staggered together to pass a budget for the calendar year 2015 and to temporarily extend some expiring tax provisions.

In these closing days of Congress, we saw the impact of on-going radicalization of politics in this country. The budget, necessary to keep the government operational, was the work product of the Democratic and Republican Congressional leadership, compelled to compromise. It was attacked by what in previous eras might have been called the "fringes" of the Democratic and Republican Congress. But in fact, those "fringes" are no longer simply outliers; now they are a force to be reckoned with. On the Democratic side, Massachusetts Sen. Elizabeth Warren blasted the compromise and Pres. Obama for capitulation to Wall Street 'special interests'. On the Republican side, Texas Senator Ted Cruz blasted this compromise for capitulation to the President's unilateral Executive actions. Together, from the right and from the left, they would have prevented compromise, forcing a government shutdown. But what made this more remarkable, and more important as we look forward to 2015 and beyond, is that Cruz and Warren are not out there alone on the "fringes". Each of them has plenty of company (and votes) within their parties. In fact Elizabeth Warren's influence even reached across Capitol Hill to the House of Representatives, where she inspired many Democrats to rebel against this budget deal. She had plenty of Senate Democratic votes with her in opposing the compromise. Senator Cruz had 22 Republicans, just less than half, voting with him against this budget deal. In other words, these are no longer "fringes", but major voting blocs which may determine what legislation Congress is able to pass in coming years.

What is on the table for 2015? First, tax reform. Some tax provisions have already expired and need to be renewed. Some provisions are longstanding, non-controversial, just "housekeeping", such as renewal of tax credits to incent commuters to take transit, or Generalized System of Preferences to support imports from developing countries. There is consensus among just about everybody that our tax structure is hurting investment and growth in this country. But the solutions will vary dramatically – some will propose significant increases individual tax rates in the name of "fairness" and eliminating corporate tax "loopholes", while many propose to reduce corporate tax rates to discourage companies from seeking havens in lower tax-rate countries such as Ireland, Canada, etc. On immigration, the President has taken executive action, and has promised more. Ted Cruz will lead Republicans in efforts to undo those executive actions. But first the Supreme Court will rule in a couple landmark cases concerning the constitutionality of the President's executive action on health care, immigration, environmental regulations, etc. It may be that Congress awaits those decisions, or perhaps not.

International trade presents many opportunities, particularly this year, as negotiators are closing in on a final draft of the massive TransPacific Partnership trade agreement. Will the President invest the essential personal effort needed to get Trade Promotion Authority, essential to pass any trade agreement? He will have to take on many of his own party. We may see the parties split internally.

The question is, will those “fringes” soon constitute the majority in Congress? If they do, tax reform and TransPacific Partnership are doomed. Perhaps they would be able to agree on infrastructure, but they await leadership on the only infrastructure issue in dispute – – how do we pay for it? Do we raise new taxes, new user fees? Will the President step forward with a plan for revenue? If not, Congress will not pass a meaningful transportation infrastructure bill this coming year.

Finally, what will be the impact of the emerging Presidential campaign on legislation in 2015? While primaries don’t happen till 2016, the campaigns will be in full swing in 2015. Does Hillary have it locked up? As each day goes by, it appears that her grip on the Democratic nomination is loosened. And which part of the Republican Party will prevail, the centrist Jeb Bush, John Kasich, Chris Christie, or more conservative elements such as Ted Cruz? And what about the one person who scares the pants off of both the Republican and Democratic establishments – – the hard to pigeonhole Rand Paul.?

While fascinating, the presidential race will be mostly theater in 2015. Members of Congress are always far more interested in their own reelection than in the battle for the White House (except for the 6 or 7 Senators considering a White House run). Otherwise Congress will be operating in its own sphere, and hopefully at least some of the time in conjunction with the White House. It’s not impossible, as we saw in these waning days of December when the federal budget navigated treacherous waters through a Republican House, a Democratic Senate, and a Democratic White House, despite attacks by the energized and growing “fringes”. Is that a blueprint for 2015?

Peter Friedmann
Washington, DC
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