

**WEEKLY HORIZON**

September 5-8, 2017

**This Week's Driving Events**

**CONGRESS HAS MUCH TO DO AND LITTLE TIME:** Congress returns from its August recess today and faces a daunting list of "must pass" items to address before the end of the month, with avoiding a federal debt default as well as a government shutdown chief among them. **Despite some of the usual grumbling from House conservatives, bipartisan congressional leadership and the White House have made clear that they will raise the debt limit before September 29th, which is the current so-called "X-Date."**

**The process for doing so, however, is likely to follow a typical non-linear path for Washington.** We expect the House to initially pass an emergency appropriations bill to provide assistance in the wake of Hurricane Harvey this week. Once that measure advances to the Senate, the upper chamber will likely attach a debt ceiling increase as well as an almost three-month extension of government funding at current spending levels. Finally, this legislative package will return to the House for final passage before the end of the month.

House Speaker Paul Ryan (R-WI) will be forced to rely on Democratic votes to pass the combined package and could even fail to garner the support of at least half of his majority, breaking the informal "Hastert Rule," which will force him to expend some of his political capital. Former House Speaker John Boehner (R-OH) eventually lost his gavel because conservatives grew angry over his repeated violations of the Hastert Rule. Ryan is also going to face attacks led by *Breitbart News*, once again under the leadership of former White House Chief Strategist Stephen Bannon, who has explicitly declared war on the GOP establishment.

**While President Trump threatened last month to force a government shutdown over his demand for \$1.6 billion in funding for his signature wall on the US-Mexico border, administration officials have made clear in recent days, particularly in the wake of Hurricane Harvey, that they intend to leave that fight for December.**

Besides the fiscal issues that need to be addressed, Congress has a series of other matters to attend to this month and only a short time to do it in. Between the Jewish holidays and the House's currently scheduled recess during the week of September

18th so that members can spend time in their districts, the House and the Senate are scheduled to be in session at the same time for only twelve days over the course of the entire month. Among the other items on their legislative to do list are reauthorizing the Federal Aviation Administration, the Children's Health Insurance Program (CHIP), and the National Flood Insurance Program, all of which expire on September 30th. **Given everything that Congress *must* tackle this month, that leaves virtually no time for what Republicans really *want* to focus on, namely tax reform.**

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**TRUMP MEETS WITH BIG SIX ON TAX REFORM:** President Trump will meet at the White House today with the members of the so-called "Big Six," the group that is tasked with hammering out a unified GOP tax reform plan. The group is comprised of House Speaker Paul Ryan (R-WI), House Ways and Means Committee Chairman Kevin Brady (R-TX), Senate Majority Leader Mitch McConnell (R-KY), Senate Finance Committee Chairman Orrin Hatch (R-UT), Treasury Secretary Steven Mnuchin, and National Economic Council Director Gary Cohn. **While tax reform is the shared top priority for the White House and congressional Republicans for the rest of 2017, we remain quite skeptical that this initiative will be any more successful than their attempt at healthcare reform was.**

**The Big Six continued their discussions throughout August and reportedly have made meaningful progress, although Mnuchin and Cohn sent mixed signals last week on the extent of that progress when Mnuchin claimed that they had a "detailed plan" ready to go while Cohn referred to it as only a "skeleton."** Also unclear is whether the Big Six will formally unveil their proposal at some point or, more likely, simply hand it off to the relevant congressional committees to serve as a starting point for their own work. Congressional GOP leaders are sensitive to making sure that their rank-and-file members feel that their views are incorporated into the drafting process after that being one of the reasons attributed to the failure of healthcare reform.

Members of the Big Six as well as President Trump have begun to step up their tax reform marketing efforts over the last few weeks, and Trump is going to North Dakota tomorrow to hold an event focused on the tax reform initiative. **However, until Congress adopts an FY18 budget resolution that provides reconciliation instructions for tax reform, the legislative process to pass a partisan tax reform measure cannot procedurally get underway as the House Ways and Means Committee and Senate Finance Committee cannot begin to mark up and draft legislation.** The reconciliation process is ultimately needed to bypass the 60-vote filibuster in the Senate. The House Budget Committee approved a resolution in late July and Ryan would like to bring it to the House floor for a vote this month, but given the long list of must pass items on the docket already, that will be challenging. And there are still several substantive aspects of the budget resolution on which House Republicans have not yet formed a consensus, meaning

that negotiations are likely still needed to ensure its passage. Meanwhile, the Senate is not expected to turn to its own budget resolution until next month.

Beyond the delays posed by the budget resolution process, there are greater challenges to the tax reform effort, many of which have already been the topic of substantial discussion both in Washington and the financial markets. **Of particular concern to us, though, is one that we believe has not received sufficient attention thus far -- the five-year revenue neutrality requirement under the Statutory Pay-As-You-Go Act of 2010 (the PAYGO Act) that, if not met, would trigger mandatory Medicare spending cuts, which we discussed in detail most recently in our August 30th Spotlight Report entitled "[Why Tax Cuts Just Aren't Possible](#)."**

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**BIPARTISAN HEALTHCARE EFFORT FACES MYRIAD CHALLENGES AND LONG ODDS:** The chairman of the Senate Health, Education, Labor, and Pensions Committee (HELP), Senator Lamar Alexander (R-TN), has announced that his committee will hold four hearings over the next two weeks on ways to improve and stabilize the Affordable Care Act's individual markets. After these hearings, he next hopes to pass a legislative stabilization package by the end of the month in order to avoid final costly premium increases from insurers.

The first two hearings are set for Wednesday and Thursday of this week to receive testimony from state insurance commissioners and then from governors. The next two will be held next week on September 12th and 14th and include a variety of stakeholders, insurers, and outside experts. **The proposed legislative package is expected to be streamlined and include one year of funding for the cost-sharing reductions (CSRs) and greater state flexibility for seeking section 1332 waivers from the Department of Health and Human Services.**

As the Senate is only in session for 12 days this month, if Senate Majority Leader Mitch McConnell (R-KY) is to call up Alexander's legislation for a vote, it would only be if it has enough support to avoid a filibuster and also is supported by a majority of the Republican conference. **At this time, we remain skeptical of the scope of Republican support for voting on such a bill immediately after the failure of Republican repeal efforts in July. Besides the litany of must pass legislation that must be addressed this month, there is also less of a sense of urgency now that there are not any bare counties for the individual marketplace,** although part of Alexander's rush for legislation is the fact that insurers can still pull out of the exchanges for plan year 2018 up until September 27th, and he believes that this is less likely to occur with a stabilization law on the books.

Further complicating Alexander's efforts to whip support for any bill is the legislation from Senators Bill Cassidy (R-LA) and Lindsey Graham (R-SC) which would include

the Medicaid reforms that irked moderate Republicans in a prior iteration of reform legislation and redistribute Affordable Care Act (ACA) funding to states in block grants via complicated formulas before instituting a funding cliff in 2026. Also unknown is the official Democratic response to President Trump's decision expected to be formally announced today to end the Obama-era deferred action for childhood arrivals (DACA) program, which could impede any bipartisan healthcare legislation until such time as the program is reauthorized by Congress.

**Even if Democrats remain cooperative and Republicans can muster a majority of their conference's votes, we do not think that the bill will be taken up in the House (especially given its condensed calendar and other more pressing priorities) due to the even more toxic political dynamics for House Republican leaders and a greater reluctance to split their members on yet another healthcare vote.**

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**TRUMP RISKS MULTI-FRONT TRADE WAR:** Today is the final day of the second round of negotiations to revamp the North America Free Trade Agreement. The negotiations, which are taking place in Mexico City, Mexico, have already hit a rough patch, as Canada's largest labor union has suggested that the agreement should be scrapped if Mexico refuses to agree to changes on its labor standards.

Hanging over the negotiations is also President Trump's repeated threats to withdraw from the agreement. At a rally the week before this round of talks began, Trump told his supporters, "You will probably have to at least start the termination process before a fair deal can be arrived at." He has also threatened through numerous tweets to end the agreement. **Mexico has begun hedging its bets in response, including starting bilateral trade talks with other countries. President Enrique Pena Nieto is currently in China, where he is attending the BRICS summit, and also meeting with China's President Xi Jinping to discuss trade relations.**

Meanwhile, Trump is facing difficulty with another trade agreement that he is threatening to leave. News leaked late Friday that President Trump was planning to withdraw from the US-Korea Free Trade Agreement (KORUS) after US Trade Representative Robert Lighthizer and top South Korean representatives had failed to make progress in behind the scenes negotiations this summer. But just as the president was threatening one of his allies in the region, North Korea tested a new thermonuclear weapon.

Rather than causing Trump to pull back his threats, this led to him [tweeting](#), "The United States is considering, in addition to other options, stopping all trade with any country doing business with North Korea." **This tweet demonstrated Trump's tendency to intertwine trade and security issues on the international stage, and was perceived widely as an empty threat against China, which is the**

**largest trading partner with both North Korea and the US.** Trump's inability to follow through with this threat here will both weaken his hand with South Korea – whose cooperation he needs to address North Korea – and with China, whose leaders have expressed frustration that they are expected to control the rogue dictatorship. It will also further box Trump in on his negotiations, as any security threats could come attached with trade policy changes that could result in significant harm to US companies.

## House

Today, the House will convene at 2:00 p.m. to consider non-controversial legislation under expedited procedures. Votes are expected at 6:30 p.m.

On Wednesday, the House will convene at 10:00 a.m. to consider a bill to provide supplemental appropriations for disaster relief related to Hurricane Harvey. The chamber will then consider a measure to provide for federal regulation on autonomous vehicles under expedited procedures. The House is also expected to begin consideration of the FY18 Interior-Environment Appropriations Act.

On Thursday, the House will convene at 12:00 p.m. to continue consideration of the FY18 Interior-Environment Appropriations Act.

On Friday, the House will convene at 9:00 a.m. The chamber is expected to vote on the FY18 Interior-Environment Appropriations Act.

## Senate

Today, the Senate will convene at 5:00 p.m. to consider the nomination of Timothy J. Kelly to be a US district judge for the District of Columbia. The Senate is expected to vote on the nomination at 5:30 p.m.

## White House

Today at 10:00 a.m., President Trump will receive a National Security Council briefing. At 11:00 a.m., the president will receive his daily intelligence briefing. Also at 11:00 a.m., Attorney General Jeff Sessions will announce the Trump administration's decision to end the deferred action for childhood arrivals (DACA) program after a six-month delay. At 1:30 p.m., Trump will meet with the National Economic Council. At 4:00 p.m., he will discuss tax reform with the members of the "Big Six," House Speaker Paul Ryan (R-WI), Senate Majority Leader Mitch McConnell (R-KY), House Ways and Means Committee Chairman Kevin Brady (R-TX), Senate Finance Committee Chairman Orrin Hatch (R-UT), Treasury Secretary Steven Mnuchin, and National Economic Council Director Gary Cohn. At 5:45 p.m., the president will speak by phone with Australian Prime Minister Malcolm Turnbull.

On Wednesday, President Trump will meet with bipartisan members of the House and Senate leadership. He will then travel to North Dakota for a tax reform event.

On Thursday, President Trump will host Amir Sabah al-Ahmed al-Jaber al-Sabah of Kuwait.

## **Macroeconomic**

Today at 7:30 a.m., Federal Reserve Governor Lael Brainard will speak at the Economic Club of New York in New York City, NY.

Today at 1:10 p.m., Minneapolis Federal Reserve Bank President Neel Kashkari will speak at a moderated Q&A at the 1st Tuesday Speaker Series at the Carlson School of Management in Minneapolis, MN.

Today at 7:00 p.m., Dallas Federal Reserve Bank President Robert Kaplan will participate in a moderated Q&A session in Dallas, TX.

On Thursday at 12:15 p.m., Cleveland Federal Reserve Bank President Loretta Mester will speak about the economic outlook and monetary policy at an event held by the Economic Club of Pittsburgh, World Affairs Council of Pittsburgh, CFA Society Pittsburgh, and Pittsburgh Association for Financial Professionals in Pittsburgh, PA with audience and media Q&A.

On Thursday at 7:00 p.m., Atlanta Federal Reserve Bank President Raphael Bostic will participate in a moderated discussion on his views on the economy at "An Evening with Raphael Bostic" in Atlanta, GA.

On Thursday at 8:15 p.m., Kansas City Federal Reserve Bank President Esther George will discuss the US economic outlook at the Omaha Economic Forum in Omaha, NE.

On Friday at 8:45 a.m., Philadelphia Federal Reserve Bank President Patrick Harker will speak on consumer finance issues at the New Perspectives on Consumer Behavior in Credit and Payments Markets Conference in Philadelphia, PA.

## **Defense**

Today at 10:30 a.m., the Heritage Foundation will hold a discussion titled "BRAC: Responsibly Adjusting DoD's Infrastructure to Meet Current and Future Needs." [More information here.](#)

## Energy

On Wednesday at 10:00 a.m., the House Energy and Commerce Committee's Subcommittee on Energy will hold a hearing titled "Powering America: Reevaluating PURPA's (Public Utility Regulatory Policies Act) Objectives and its Effects on Today's Consumers."

On Wednesday at 10:15 a.m., the House Energy and Commerce Committee's Subcommittee on Oversight and Investigations will hold a hearing titled "EPA Oversight: Unimplemented Inspector General and GAO Recommendations."

On Wednesday at 12:00 p.m., the American Council on Renewable Energy and Bloomberg New Energy Finance will hold a "State of the Industry" webinar titled "Merchant Renewable Power," focusing on opportunities for renewable energy in US merchant markets.

On Thursday at 9:00 a.m., the Atlantic Council will hold a discussion titled "NAFTA and North American Energy: What Comes Next?" [More information here](#). Expected participants include:

- Rep. Michael McCaul (R-TX)

## Financial Services

Today at 5:30 p.m., the New York University School of Law will host a roundtable on SEC enforcement and examination priorities. Expected participants include:

- Jay Clayton, chairman, Securities and Exchange Commission

On Thursday and Friday, the FDIC Center for Financial Research will host its 17th Annual Bank Research Conference. [More information here](#). Expected participants include:

- Marty Gruenberg, chairman, Federal Deposit Insurance Corporation

On Thursday at 2:00 p.m., the House Financial Services Committee's Subcommittee on Capital Markets, Securities, and Investments will hold a hearing titled "Oversight of the Financial Industry Regulatory Authority."

On Thursday at 3:30 p.m., the Credit Union Advisory Council will hold a meeting with Consumer Financial Protection Bureau Director Richard Cordray to discuss "Know Before You Owe: Overdraft" and financial empowerment initiatives. [More information here](#).

On Friday at 9:15 a.m., the Securities and Exchange Commission and New York University will hold a dialogue titled "On Securities Markets – Exchange-Traded Products."

## Geopolitical

Today at 11:00 a.m., the Woodrow Wilson Center and the Inter-American Dialogue will hold a discussion on the 2018 Mexico Elections. [More information here.](#)

On Wednesday at 10:30 a.m., the Senate Foreign Relations Committee will hold a hearing titled "Priorities and Challenges in the U.S.-Turkey Relationship."

On Wednesday at 11:00 a.m., the Woodrow Wilson Center will hold a conference call briefing titled "Venezuela in Crisis: Policy Options and Prognoses." [More information here.](#)

On Wednesday at 4:00 p.m., George Washington University Law School will hold a discussion titled "Containing the Fallout from the North Korea Crisis: What Role for U.S. and International Law?" [More information here.](#)

On Thursday at 7:45 a.m., the Ripon Society will hold a discussion on the status of the relationship between the United States and Cuba, and the prospect for changes during this Congress and under the Trump administration. Expected participants include:

- Rep. Darin LaHood (R-IL)
- Rep. Tom Emmer (R-MN)
- Rep. Kathy Castor (D-FL)

On Friday at 12:00 p.m., the Atlantic Council will hold a discussion titled "Science Exchanges with Iran: Mutually Beneficial but Uncertain Future."

On Friday at 12:00 p.m., New America will hold a discussion titled "Afghanistan Policy Under Trump."

## Healthcare

On Wednesday at 10:00 a.m., the Senate Health, Education, Labor and Pensions Committee will hold a hearing titled "Stabilizing Premiums and Helping Individuals in the Individual Insurance Market for 2018: State Insurance Commissioners."

Expected participants include:

- Julie Mix McPeak, commissioner, Tennessee Department of Commerce and Insurance
- Mike Kreidler, commissioner, Washington State Office of the Insurance Commissioner
- Theresa Miller, commissioner, Pennsylvania Insurance Department
- Lori Wing-Heier, director, Alaska Division of Insurance
- John Doak, commissioner, Oklahoma Department of Insurance

On Wednesday at 10:00 a.m., the Senate Homeland Security and Governmental Affairs

Committee will hold a hearing titled "The History and Current Reality of the U.S. Health Care System."

On Thursday at 9:00 a.m., the Senate Health, Education, Labor and Pensions Committee will hold a hearing titled "Stabilizing Premiums and Helping Individuals in the Individual Insurance Market for 2018: Governors." Expected participants include:

- Gov. Charlie Baker (R-MA)
- Gov. Steve Bullock (D-MT)
- Gov. Bill Haslam (R-TN)
- Gov. Gary Herbert (R-UT)
- Gov. John Hickenlooper (D-CO)

On Friday at 9:15 a.m., the Center for American Progress and the American Enterprise Institute will hold a discussion titled "Bipartisan Proposal to Stabilize Health Insurance Market." [More information here.](#) Expected participants include:

- Gov. John Kasich (R-OH)
- Gov. John Hickenlooper (D-CO)

On Friday at 12:00 p.m., the Alliance for Health Policy will hold a briefing titled "Stabilizing the Individual Market in Uncertain Times." [More information here.](#)

## Judicial

On Wednesday at 5:00 p.m., the American Constitution Society for Law and Policy will hold a conference call briefing titled "The Judiciary in Jeopardy: A Look at Judicial Nominations in the Trump Administration." [More information here.](#)

## Tax

On Thursday at 8:40 a.m., the Newseum will hold a "TimesTalks D.C." discussion with House Speaker Paul Ryan (R-WI) which will primarily focus on the GOP plan to advance tax reform legislation this fall. [More information here.](#)

On Thursday at 9:00 a.m., the Urban Institute and the Brookings Institution Tax Policy Center will hold a discussion titled "Tax Policy and the Immigrant Experience." [More information here.](#)

## Tech-Media-Telecom

On Thursday at 10:00 a.m., the House Energy and Commerce Committee's Subcommittee on Communications and Technology will hold a hearing titled "The Broadcast Incentive Auction: Update on Repacking Opportunities and Challenges."

On Thursday at 2:00 p.m., Government Executive will hold a discussion titled "Can Legacy Technology Successfully Migrate to the Cloud?" [More information here.](#)

## Trade

Today at 9:30 a.m., the Center for Strategic and International Studies will hold a forum titled "ROK-U.S. Strategic Forum 2017: Now and the Future of the ROK-U.S. Alliance." [More information here.](#)



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