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Politics, to state the obvious, have a huge bearing on the country's economic climate and business environment. With Washington upended last year by the election of real estate mogul and TV personality Donald Trump to the presidency, the Stable Value Investment Association invited two of the country's most astute political analysts to weigh in on the impact of the election so far, and what we might expect to happen in next year's midterm elections. Bill Kristol, founder and editor-at-large of the conservative Weekly Standard, and Charlie Cook, editor and publisher of The Cook Political Report, shared their views during the SVIA's 2017 Fall Forum in Washington, D.C., in early October.

Both Kristol and Cook were highly skeptical Republicans will be able to deliver the major tax reform they've promised, although Cook noted that because Republicans believe it's imperative that they do something, he believes they will likely pass some sort of tax package. Here, edited for brevity, are highlights from their talks.

BILL KRISTOL



There are many slightly unusual things about the Trump presidency, the tweeting, the lack of normal presidential decorum. But it could be the case that at the end of the day, life goes on, the system works. You have a slightly unusual presidency for four or eight years, and historians look back on it slightly quizzically. Some good things happen, some bad things happen, it's not a fundamental moment. What I just said is plausible, but I think not true.

This has been an interesting test of our institutions. President Trump doesn't have much respect for the normal boundaries, how presidents should behave. But the institutions have held up pretty well—there's an independent judiciary, an independent media, state and local governments, a huge private sector, the markets. I'm anti-Trump, so I get worried about what Trump could do to the country. But we're not a third-world country. One bad president doesn't destroy the system, and one guy with authoritarian tendencies, or demagogic tendencies, doesn't overturn the entire political order.

CHARLIE COOK

Real tax reform is dead. It's cold. It's six feet under. What we're left with is, will there be a tax cut, and if so, how big will it be? If you talk to any Republican member, they'll tell you "We have to pass a tax cut. We have to deliver something to show voters we're worth sending back." I think a tax package will pass. The challenge, for Republicans, will be to convince people that it's a consequential package, that it's something big. My guess is it won't be."

Eleven months after the election, nerves are just as raw now as they were then. A lot of people can't even talk about the election. It's the animosity that's flowing from it; I've never seen it go this deep into an odd-numbered year after an election.

Each of our political parties is getting more monolithic. The center of gravity in each party has moved out toward the wings.

For Donald Trump, there was no benefit of the doubt, no honeymoon period. Trump was the fifth president to win the election but lose the popular vote.



BILL KRISTOL

So far Trump has not gotten anything important through Congress, except his judicial nominations. To not get something through that your party campaigned on, where there had been a lot of work done, that's a political failure, obviously. Trump's annoyed about it, as he should be, but he's partly responsible for it because he didn't exactly go around the country making the case for the Republican bill, and the Republican bill changed about every two weeks, and nobody quite knew what they were voting for. They made it pretty easy for critics to make the case against it.

It's not clear what problem tax reform is addressing. Everyone would like lower taxes, I stipulate that. But the reason President Reagan could make the case for tax reform in 1981 was that we were in a terrible economic environment. Weirdly, the fact that the economy has been good during the first nine months of the Trump administration has taken a lot of steam out of the case for tax reform. Most Washington observers think there will be a tax bill. I'm not so sure.

Trump's good at mobilizing his supporters against various enemies in the media, the NFL, and God knows what. I sort of can't believe that can go on for four years, but maybe I'm wrong.

I think we're in for very rocky times. I don't think the most likely outcome of the next three, four years is business as usual. It could be, and I said earlier you can say the institutions are strong. Maybe Trump just kind of bobs along the ocean, and underneath the waves keep going the way they always have. But I am sort of doubtful of that.

CHARLIE COOK

Normally, when a new president comes in, no matter the circumstances, they have this honeymoon period; there's an initial feeling of good will. Think about George W. Bush. He lost the popular vote, but only by half a percentage point, not 2.1 percentage points, like Trump did. Still, you don't become president under much worse circumstances than George W. Bush. Florida was contested and it went all the way to the Supreme Court. But toward the end of his first week in office, in his first Gallup poll, he had a 57 percent approval rating and only a 25 percent disapproval rating. That's not what the election results were, but people wanted him to do well. The Obama race was relatively close over McCain in 2008, but Obama's first job approval rating was 68 percent approve versus 12 disapprove. Bill Clinton was 58/20. But for Donald Trump, his initial job approval rating was 45 approve/45 disapprove—and it only went down from there.

One thing pollsters look at is how long did it take a president to reach a 50 percent disapproval rating. For George H.W. Bush it was 1,336 days. For George W. Bush, 1,202 days. Barack Obama, 936 days. Ronald Reagan, 727 days. Bill Clinton, 573 days. For Donald Trump, it was 8 days.

If Republicans lose 24 seats in the House, which out of 435 is not a huge number, the House turns over to Democrats. I'm sure President Trump won't have a lot of tears for some of the Republicans that might lose, particularly moderate Republicans in swing districts. But loss of the House means handing subpoena power over to the House Democrats—the ability to subpoena the Trump White House, cabinet departments, and agencies. How about his business, the Trump Organization? How about the Trump campaign? Campaign officials? That would not be fun.

Right now, I think there's about a 40 percent chance the Republicans will lose the House. I don't think Republicans will lose their majority in the Senate.

For people who say Trump can't get anything done, they're not looking at the regulatory side. The average cost of regulatory compliance in the last four years of George W. Bush's admin-

BILL KRISTOL

How weak are the two parties? Is the Republican party necessarily going to be there, the way it is today, the way it has been, five years from now? I'm not so sure of that.

In the 2018 midterm elections we're going to have primary fights against, I think, every Republican senator, with a well-funded opponent, who could win. We're going to have that in a lot of congressional districts, too. Democrats will have their own disputes. Trump will be on one side of the Republican primary fights and (Senate Majority Leader) Mitch McConnell and (House Speaker) Paul Ryan will be on the other. We've never had that before in American politics. We've had challenges and insurgencies, but usually it's the out party that has the turmoil because the out party is trying to figure out what they did wrong. This is the party that controls the White House and Congress, and it's going to have a civil war next year.

For groups like yours that have legislative issues, you can't take anything for granted. Don't assume that because you were told by the staff director of this committee that two years from now nothing would happen, and therefore you're fine. That's not what politics is like when you get in one of these periods. Things change very quickly. Parties' positions on issues change quickly. You get splits between the White House and Congress even when they're controlled by the same party. It's not a bad thing, necessarily; it can be a good thing. But it's different from what we're used to.

CHARLIE COOK

istration was \$41 billion. During the eight years of Obama, the cost of compliance to the economy was \$109 billion each year. Now, new regulations have slowed to a trickle. We won't know until next year or so what effect that will have on the economy, but obviously, the cost of compliance is going way down. Whether it's the environmental side or labor regulations, this is big stuff. And beyond regulation writing, look at enforcement. There's a new sheriff in town and he's got different rules. Things are going to be a lot more permissive in a lot of areas.

The Neil Gorsuch pick for the Supreme Court is huge. Gorsuch is 50 years old. If he serves on the court until he is the age that Justice Ruth Bader Ginsburg is today, he will be on the court in the year 2051. Then you say, could there be other vacancies? Well, Ginsburg, at 84, is the oldest member of the court. She's a liberal. The second oldest is Anthony Kennedy, he's 81, he's the swing vote. The third oldest is Stephen Breyer, a liberal, he's 79. You have to go 10 years younger, to age 69, to get to Clarence Thomas as the oldest conservative on the court. So, if there is a vacancy or two, the odds, statistically, would argue it would more likely be Ginsberg, Kennedy or Breyer than one of the conservatives. And we still haven't talked about the 13 U.S. courts of appeals and 94 U.S. district courts, with all the vacancies that will occur there. So, President Trump is having an enormous effect on the direction of the judiciary.

A week ago, President Trump filled his first vacancy on the Federal Reserve Board. He's got two more current vacancies. In the next week or so, Stanley Fischer's resignation as vice chair of the Fed will take effect. So President Trump is going to fill four out of seven slots on the Federal Reserve. Plus, while Janet Yellen is still on the Fed board until 2024, her term as chair is up in February next year. So, Trump will be replacing four out of seven Fed board members, plus naming the chair and the vice chair. This is big-time stuff.

Elections have consequences, and Democrats are learning that right now—as are Republicans.

The insights reported represent the views of the analysts, not the Stable Value Investment Association or its membership.