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## WASHINGTON POLICY STRATEGY

# Potomac Perspective

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Heading into the Memorial Day weekend, Congress's work on economic policy matters remained in a holding pattern. Talks regarding Build Back Better (BBB) 2.0 continue in the background and will have an impact on the legislative progress regarding competition with China, the Secure Act 2.0, and other matters. On the election front, Republicans' chances of winning back the House continue to improve. In the Senate, the picture is less clear, but Democrats are in a weaker position to flip some key Republican seats following recent primaries.

### CONGRESS'S ECONOMIC POLICY AGENDA

Congress has been in a holding pattern as it considers economic policy and is likely to remain so in the coming weeks. This has been the case for weeks, but recent events have further complicated the upcoming schedule. Both the House and Senate are scheduled to be out of session the week of May 31, so the following is a brief overview of what to expect in June.

The horrific shooting in Texas could have political implications for the economic agenda. In the aftermath of the tragedy, Congress could consider how to respond, and these deliberations are likely to delay consideration of other matters.

Prior to this past week, talks in the Senate on a replacement for BBB had been continuing at a very high level with apparently little progress. As Congress considers possible responses to the shooting in Texas, talks on BBB 2.0 will probably move to a back burner which, in turn, could complicate passing a China competition bill.

The House and Senate have each passed versions of a China competition bill which would, depending on the version of the bill, provide subsidies for American chip manufacturers to build plants in the U.S., vet investments in China by U.S. firms for national security concerns, and reestablish some expired exclusions to the tariffs placed on Chinese imports. The House bill also included the SAFE Banking Act. The Senate bill passed on a bipartisan basis but the future of bipartisan cooperation on the bill is connected to BBB 2.0. If an agreement on a social spending bill can be reached, it would only pass the Senate via reconciliation which, as a consequence, would increase partisanship in Congress, drive away GOP support for the China bill, and possibly sink the bill. As long as talks continue on BBB 2.0, Republicans will be wary of finishing the China bill.

The situation is similar regarding the future of the Secure Act 2.0. The retirement security bill may be marked up in June by the Senate Finance Committee and, while the bill generally has bipartisan support, it will be difficult to keep GOP backing if Democrats decide to proceed on BBB 2.0.

### MIDTERM ELECTION UPDATE

Several states have recently held primaries bringing the picture for the November midterm election into sharper focus.

In the Senate, nine races should determine control of that chamber. Of these nine seats, four are currently held by Democrats (Arizona, Georgia, Nevada, and New Hampshire) and five are held by Republicans (Missouri, North Carolina, Ohio, Pennsylvania, and Wisconsin). In the North Carolina and Pennsylvania primaries, Democrats nominated progressive candidates who might struggle to flip the seats for their party. Although the race for the Pennsylvania nomination is heading for a recount, both candidates (Dr. Mehmet Oz and David McCormick) are well positioned to keep that seat for the GOP. Democrats in Ohio nominated Rep. Tim Ryan, who is an old-style industrial state liberal and who could give venture capitalist and author J.D. Vance

a viable challenge, but the national mood should keep the seat Republican. In Georgia, Republicans nominated former football star Hershel Walker to face incumbent Senator Raphael Warnock. This is Walker's first campaign, and some of his gaffes and inexperience as a candidate could be an advantage for Democrats as they seek to retain the seat.

The outcome of the Senate elections remains unclear, but Republicans have some momentum based on the fact that Democrats may have hurt their chances of flipping North Carolina or Pennsylvania.

In the House, the situation just gets better for Republicans. Congressional district maps in New York State were thrown out, and the replacement maps seem to give Republicans a chance at gaining seats in a state where Democrats previously thought their party would gain seats. The New York situation, combined with a Republican lead in the Real Clear Politics (RCP) generic poll average, President Joe Biden's low job approval numbers (RCP: 41 percent approve of Pres. Biden's performance), and around 69 percent of the voters think the country is on the wrong track according to RCP, signal an environment in which House Republicans could gain more than the average 26-seat gain for the opposition party. Republicans need a net gain of five seats to win back the House.

Why the disparity between the view on the House and Senate elections? Because the entire House runs for reelection, it reflects the national mood. However, only 35 of the 100 Senate seats are up for election, and the national mood might have less impact in some areas as opposed to others. For example, in 2018, Democrats gained 41 House seats, but the party lost two Senate seats.

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