

November 15, 2022

WASHINGTON POLICY STRATEGY

Potomac Perspective

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House Republicans are scheduled to vote today on their leadership for next year. The GOP is likely to nominate Representative Kevin McCarthy (R-California) as the party's nominee for House Speaker, but he will probably fail to gain today the 218 votes that will ultimately be needed to win the Speakership in January. Markets might take this as a sign of looming chaos, but McCarthy is still the favorite to win the Speakership, because at least for now, there is no alternative for Republicans.

The majority in the House for the next Congress has yet to be called, but as of this writing, Republicans have won 217 seats, and Democrats have won 204 seats according to the New York Times. 218 is needed for the majority, and Republicans hold leads in four races that could be called today. They appear likely to win 221 seats.

Today, House Republicans will hold their leadership elections for the next Congress including the party's choice for Speaker. Party leadership contests are intraparty affairs with the winner gaining a majority of their party's vote. Each party decides its leader, its Whip, and other leadership posts. The opposing party has no say in the matter and there is no vote on the House floor.

The vote for Speaker is unique because the Speakership is a constitutional position and the entire House votes for the Speaker. A majority of those present and voting is needed to win. Assuming all 435 House members vote, 218 are needed to elect a Speaker. The House will vote for Speaker in January 2023 when the new House is sworn in.

Representative McCarthy is likely to win the Republican nomination for Speaker, but he is also likely to fail to obtain 218 votes within his own party. Since all Democrats are likely to oppose him, McCarthy has a challenge to win the Speakership. There are likely to be headlines following today's vote that Republicans have selected McCarthy as their choice for Speaker but that he has failed to win enough votes to be elected Speaker in January. This could lead to some concerns among investors about looming chaos in January. However, despite losing some Republican votes today, McCarthy is still positioned to win for the simple reason that there is no realistic alternative for Republicans.

McCarthy's only challenger today is Representative Andy Biggs (R-Arizona). Representative Biggs will attract a handful of conservatives who have opposed McCarthy in the past. Some conservatives who oppose McCarthy today will support him on the floor in January. They will do so because a defeat of McCarthy in January could lead moderate Republicans to work with Democrats on a bipartisan alternative to McCarthy. The Democrats' choice for Speaker, whether Democrats nominate current House Speaker Nancy Pelosi (D-California) or someone else, would be even less palatable to McCarthy's conservative opponents. So while his opponents can block him winning, they lack enough votes to elect a Speaker more to their liking. Some conservatives who oppose McCarthy today might still not vote for him in January, but they might simply skip the vote and lower the threshold that McCarthy needs to clear. They would maintain their opposition to McCarthy without throwing the GOP and all of Congress into chaos.

With six weeks to go before the House votes on a new Speaker, McCarthy needs to be careful. He needs to avoid missteps handling the lame duck session lest he open the door for additional challenges to his leadership. Some investors might be skittish about political stability in the U.S. but despite today's possible headlines, McCarthy is probably positioned to win the House Speakership in January.

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