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Brian Gardner
Chief Washington Policy Strategist
bgardner@stifel.com

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In the days before Thanksgiving, President-elect Trump continued to fill out his economic policy team. The picks are mostly in line with expectations and include a mix of traditional Republicans who will push for low taxes and deregulation, a protectionist who will push Mr. Trump's tariff agenda, and a budget hawk who espouses typical Republican views on spending but could run into resistance on Capitol Hill. Whereas a president has some latitude on regulatory and tariff policy, Mr. Trump will need Congress's cooperation on the budget. A closely split Congress means the spending fights will be hard fought.

President-elect Donald Trump has continued to build out his economic policy team. Following the announcements of nominees to be Secretaries of the Treasury, Energy, and Interior Departments, Mr. Trump last week announced his selections for the National Economic Council, the Office of Management and Budget, and the United States Trade Representative. His picks are consistent with our expectations that the incoming administration will pursue mostly typical Republican economic policies while pushing aggressive trade policies which deviate from Republican orthodoxy.

<u>Key Economic/Regulatory Policy Appointments</u> – Kevin Hassett was named as the next Director of the National Economic Council (NEC). The NEC is a key office within the White House. From that spot, Mr. Hassett can influence economic policy decisions throughout the administration. We view him as a traditional Republican who will advocate for free market policies, as he did in the previous Trump administration when he served as the Chairman of the Council of Economic Advisers. The Hassett appointment, coupled with the nomination of Scott Bessent to be Secretary of the Treasury, solidifies the influence of free market advocates within the administration. It also increases our confidence that Mr. Trump will appoint typical Republicans who will pursue a deregulatory agenda at the financial regulatory agencies, rather than populists who might push for more heavy-handed regulation. There is no timeline for these announcements, but we believe Mr. Trump will announce his selections to run these agencies later this month or in early January 2025.

<u>Trade Representative</u> – Jamieson Greer has been nominated by President-elect Trump to be the next U.S. Trade Representative (USTR). The USTR is the lead agency for most of the tariffs Mr. Trump wants to impose. Mr. Greer was the Chief of Staff at the USTR in the first Trump administration. We expect he will push aggressively for higher tariffs on Chinese imports, as well as new tariffs on other countries. He will also be a key player when the Unites States-Mexico-Canada Agreement comes up for review in 2026. Over the weekend, *Axios* reported that Mr. Trump passed over his previous USTR, Robert Lighthizer, because Trump thought Mr. Lighthizer was not aggressive enough in pursuing tariffs. In our opinion, Mr. Lighthizer is a committed protectionist and supporter of tariffs. If the *Axios* report is true, this would suggest that Trump expects Mr. Greer will be even more aggressive on trade policy than was his predecessor. President-elect Trump has posted on social media that, among other things, he will propose tariffs on Chinese, Mexican, and Canadian imports and potentially from the BRIC (Brazil, Russia, India, and China) countries as well. Detailed proposals on these matters could be issued shortly after he takes office in January.

<u>Budget</u> – Russell Vought has been nominated to lead of the Office of Management and Budget, a job he held in the previous Trump administration. During the Biden administration, Mr. Vaught urged congressional Republicans to drastically cut government spending and opposed the debt ceiling deal reached in 2023. He is among a group of Trump officials promoting deep spending cuts and impounding funds. Spending bills need to pass Congress and with it being closely divided, it seems doubtful there is

enough political will on Capitol Hill to make major spending cuts. A more realistic approach will be to limit the rate of growth below inflation. With entitlement programs on autopilot, and with Mr. Trump pushing for a significant increase in defense spending, keeping the overall growth rate of federal spending below inflation will be challenging.

Mr. Vought has supported a president's ability to impound funds. If the incoming administration attempts this tactic, they will likely face legal challenges. While the Supreme Court has issued decisions that limit the administrative state, it has generally ruled that agencies have been exceeding their congressional mandates. This line of reasoning might be used to oppose a president who refuses to spend funds Congress has explicitly approved.

Clearly, big fights over spending are ahead as Mr. Trump seems to regret the spending levels of his first administration (even before COVID-19), but he is going to meet resistance in Congress from Democrats and some Republicans. Investors will find out early on in 2025 how the spending fight will play out when the new administration needs to raise the debt ceiling and might also have to finish the current year's spending bill.

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