

Alert

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Cozen Currents: The Fight for the Center

The Cozen Lens

- As undecided voters tune into the presidential race's post-Labor Day sprint, former President Trump and Vice President Harris are rapidly unveiling new populist economic policy proposals in a race to capture the economic center.
- Former President Trump is all in on tariffs as a centerpiece of his foreign policy. While this was already the case during his first term, he is expected to rely more heavily on them during a second term, seeing them not only as a means to an end, but sometimes as the end itself.
- After voters have their say this fall, each party will hold elections to determine their respective leadership in the House and Senate. There are no doubts who will be leading the Democrats in each chamber, but it's an open question for the Republicans, at least in the Senate.

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The Battle for the Economic Center

It's the Economy, Stupid. Surveys continue to find that the top issue this election is the economy and inflation, particularly for moderate and undecided voters, leading both candidates to focus their campaigns on centrist and populist economic policy.

- The challenge is particularly acute for Vice President Harris, whose ties to the Biden administration's unpopular economic agenda are the focus of attacks from the Trump campaign. Gallup polling from before Biden dropped out of the presidential race found only 38 percent of voters believed he would "do the right thing for the US economy," while Ipsos polling from the same time period found that 43 percent of voters said they were worse off now than when Biden became president.
- While some polling since late July has found that voters don't have as many negative perceptions of Harris' economic stewardship as they do Biden's, former President Trump still polls well ahead of Harris on economic matters. A late August national poll from Pew Research found Trump leading Harris 55 percent to 45 percent among registered voters on the question of which candidate would "make good decisions about economic policy?" The issue was one of the best for Trump in Pew's poll.
- More concerning for Harris, September's New York Times/Siena poll found that voters perceive Trump to be closer to the center on issues than Harris. According to New York Times' analyst Nate Cohn, "a near majority of voters say Mr. Trump is 'not too far' to the left or right on the issues," while "nearly half of voters...say Ms. Harris is too far to the left..."



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They're Not So Different After All. In response to voters' concerns, Harris and Trump have taken a populist-approach to economic policy, at times proposing nearly identical policy solutions.

- The movement to eliminate taxes on tips might be the most famous (or infamous among economists) overlap between the two candidates. In June, Trump told supporters at a rally that he would exempt tips from federal taxes if he wins in November, although the former president and his team have shared no additional specifics on the policy proposal. Harris joined Trump in August, announcing she too would eliminate some federal taxes on tipped wages, although her policy team has since indicated the change would only apply to workers below a certain income level and would only exempt tips from federal income, not payroll taxes.
- A focus on the high cost of housing is central to both campaigns as well, with Harris unveiling a multi-step housing plan in August to lower prices and boost supply by 3 million homes. Harris' plan includes tax credits to incentivize homebuilding, down-payment assistance, and permitting reforms. Trump too has weighed in on housing prices, promising to open up federal land to housing construction at a Nevada rally last week. This year's GOP party platform also included promises to "...promote homeownership through Tax Incentives and support for first-time buyers, and cut unnecessary Regulations that raise housing costs."

Pander-monium. With each passing week, the economic policy hits keep coming, and both candidates have incentives to keep on the pandering.

- For Trump, this summer's economic policy proposals have been a hit. August polling from Bloomberg found both candidate's no-tax-on-tips proposals to be popular, but Trump's version edged out Harris' version by six points. The September New York Times/Siena poll similarly found that Trump holds a "five-point lead on the issue that matters most to voters, whatever that may be for them."
- As if on cue, Trump announced plans to eliminate taxes on overtime pay if elected at an Arizona rally late last week. While not fully fleshed out, the policy announcement is quite similar to the plan to waive federal taxes on tips as well as a separate idea to eliminate federal taxes on social security income.
- Harris, too, is incentivized to share additional policy details, as undecided voters suggest in polls that they want to hear more from her on her economic vision. Bloomberg found her Child Tax Credit expansion and housing down payment assistance policies to both be popular. A suite of proposals to lower costs for small businesses Harris announced at a pre-debate rally in New Hampshire may soon factor into voter opinions as well.

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Trump Doubles Down on Tariffs

Tariffs Everywhere. Tariffs were always likely to feature prominently in a second Trump administration's trade policy, but recent remarks from former President Trump underscored how central they will be.

- Trump's most attention-grabbing tariff proposals have been his plans for a universal baseline tariff of 10 to 20 percent and a duty on all goods from China of up to 60 percent. In addition, Trump recently floated the idea of tariffs being imposed on countries that look to avoid using the dollar in international transactions.
- While these sweeping policies have garnered the most attention, Robert Lighthizer, who served as US trade representative during Trump's first term and would likely return in a prominent role in a second Trump administration, said that Trump would focus on "smart tariffs." These duties would impose higher levies on specific goods rather than creating uniform tariffs. Trump touted this idea in his recent speech: "Smart tariffs will not create inflation. They will combat inflation."

- An uncertainty about the Trump administration's tariff plans is how they may affect US corporations' imports. Still, when discussing his economic plan, he said companies "will pay a substantial tariff when a product comes in from another country" and did not mention any exemptions for American companies. Trump also mentioned the possibility of a tax break for domestic manufacturers, which could offset some of the higher costs, but has offered few details on what that would look like and who would be eligible.

Turning Plans into Reality. While Trump's plans may feel like extreme campaign talking points that will not be pursued if he is elected, they should be taken seriously if not literally as advisors are exploring potential authorities to turn these plans into reality.

- Implementing the policies that Trump is proposing will likely require relying on executive authority, which is largely unprecedented in recent history but would not need new legislation from Congress. For example, two potential avenues for Trump to establish his universal baseline tariffs could be through the International Emergency Economic Powers Act or Section 338 of the Tariff Act of 1930. The latter has not been used much since 1949, and the former has never been used to create universal tariffs.
- Part of what is enabling Trump to move toward these more extreme proposals is that the policy debates around him and in a future Trump administration will be different from during his first term. Rather than debating the merits of tariffs, the discussions are more likely to focus on which tariffs and how Trump can impose them.

A Rapidly Escalating Trade War? With the changed debate around tariffs in a future Trump administration, imposing new duties could be faster. However, the increased preparedness of other countries may also mean that retaliation is swifter.

- Given the range of potential authorities that Trump could use to impose these new tariffs, there will not be one set timeline for when they may take effect. Still, the fastest would likely be anything done through executive order, including the universal baseline tariffs. Other measures are more likely to take several months, especially if they require an investigation from the Commerce Department.
- Foreign officials still indicate a desire to try first to avoid a trade war, but there will likely be less hesitancy about pursuing retaliatory measures. A common refrain from other countries' leaders has been a desire not to be caught flat-footed by Trump's likely aggressive tariff regimes, which has meant planning potential retaliation targets, but specific threats have been scant.

The Elections After the Elections

The House. Speaker Mike Johnson (R-LA) will mark his first year as speaker next month, but there's no guarantee that he will be leading the House GOP conference in 2025.

- If Republicans win the House, Johnson has a decent shot of remaining speaker. To do so, he has to not only win a majority of the House GOP but also a majority of the entire House. A GOP majority post-2024 could still remain narrow. Johnson needs to retain the backing of former President Trump and the right flank of the party.
- If Republicans lose the House, Johnson is in a more difficult position, at least theoretically. Conventional wisdom is that after losing the majority after only two years in control, the GOP would want new leadership. Yet it's not clear who could replace Johnson in appealing to the different groups within the House GOP conference — and who would want to brave this high-wire act. Two previous contenders, Rep. Jim Jordan (R-OH) and House Majority Whip Tom Emmer (R-MN), could have problems appealing to moderates and the right flank, respectively. Election as House minority leader also has a lower bar: it only requires a simple majority of the party's seats.
- By December, it will be clear whether Johnson is going for speaker in early January or whether he has secured the minority leadership. If the speakership is in his

sights, Johnson has little flexibility to negotiate a FY25 spending deal because he would need to keep fiscal conservatives in his corner. If he has already been elected as the next minority leader, he would have a freer hand.

- On the Democratic side, House Minority Leader Hakeem Jeffries (D-NY) has successfully held his caucus together in the minority but this task would become much more difficult if he presides over a narrow majority, likely in opposition to a Republican-controlled Senate. Compared to Johnson, former Speaker Nancy Pelosi (D-CA) was highly effective in legislating, and it may be challenging for Jeffries to step out of her shadow. Keeping moderates and progressives unified in face of a common enemy (Trump) is easier, but if he exits the political scene, a clash among Democrats may be inevitable.

The Senate. The upper chamber is the only one guaranteed to have turnover in the top ranks.

- Senate Minority Leader Mitch McConnell's (R-KY) retirement from leadership opens the GOP's top leadership role for the first time since 2006. McConnell has been a stalwart of the Reagan-era party establishment but his successor will take over a party remade in the image of Trump, whether or not Trump wins and even as the GOP Senate conference remains more closely aligned with the old guard than the House.

- The most likely successors include Senate Minority Whip John Thune (R-SD) and Senator John Cornyn (R-TX). McConnell last week reportedly *turned down* a bid to push back the leadership election, generally held in November. An earlier date would benefit the established candidates, while a later date would give a larger window for alternatives to emerge. Senator Rick Scott (R-FL) previously challenged McConnell and intends to try again, while National Republican Senatorial Committee Chair Steve Daines (R-MT) could emerge as a dark horse.

- As a lame duck in party leadership, McConnell could seek to negotiate a FY25 spending deal in December as a parting gift to his successor. This would allow the next leader of the Senate Republican conference to enter the role without a divisive spending fight front and center.

Senate Majority Leader Chuck Schumer (D-NY) will likely become minority leader after an expected GOP flip of the Senate majority. He's done it before, when he sought to block former President Trump's agenda in the upper chamber. If Vice President Harris wins the White House, Schumer will have to seek to convince GOP moderate Senators Susan Collins (R-ME) and Lisa Murkowski (R-AK) to support Harris' nominees where possible.
