

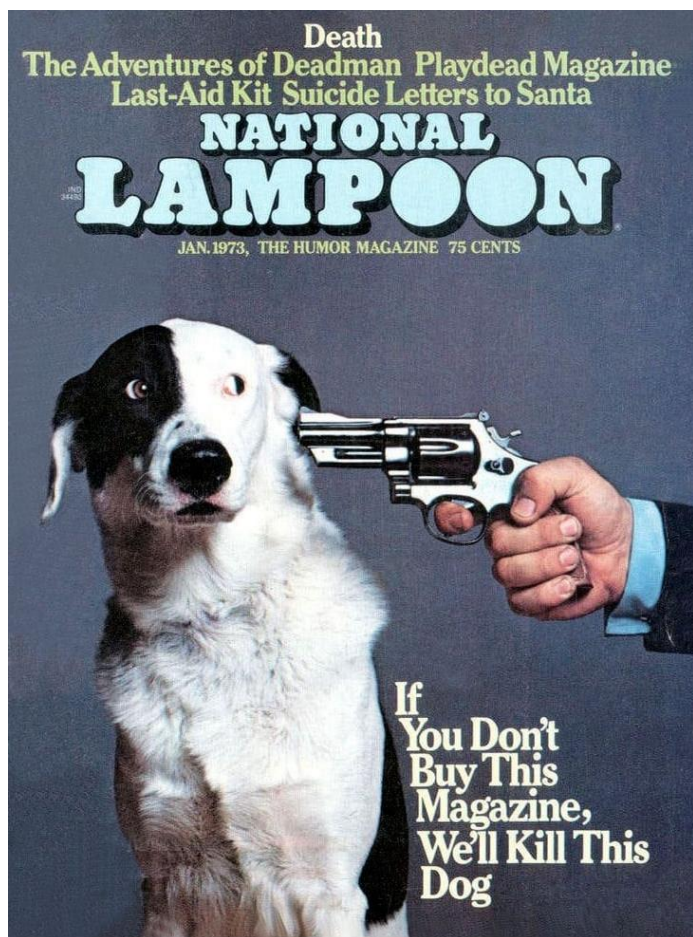
MACROCOSM

## Tax Hikes: The House Has Many Manchins

Wednesday, September 8, 2021

Donald Luskin

A gift of time for moderate House Democrats means chances of tax hikes are fading.



The game theory behind the House Democrat “progressive” wing to force key moderates to vote for a massive budget “reconciliation” bill is real simple. It’s also real stupid. It’s the logic of the famous cover of the *National Lampoon*: the progressives are threatening to shoot their own beloved dog. We continue to believe, as we have from the day they were announced, that the large proposed tax-hikes on corporations and individuals will not happen (see “[On the Coming Corporate Tax Hikes](#)” March 31, 2021).

The Dem progressives have been put into this position by Senate Republicans who cleverly repartitioned president Joseph R. Biden Jr.’s \$2 trillion tax-funded [American Jobs Plan](#) and his

\$2 trillion [American Families Plan](#) into a no-taxes \$500 billion [Bipartisan Infrastructure Act](#) that swing-district voters understand and [like](#), and a \$3.5 trillion tax-funded grab-bag of social spending that swing voters [hate](#) and don’t understand (this maneuver is explained in full in “[Video: What you’re not hearing about the bipartisan infrastructure bill and the budget reconciliation bill](#)” August 16, 2021).

Unlike the progressives, the moderates are not in safe deep-blue districts. So very much want to vote on the popular Infrastructure Act that enjoys bipartisan backing (which means they won’t be attacked about it by Republican opponents next year in the mid-terms). And they don’t want to

### Update to strategic view

**US MACRO:** Chances for tax hikes are fading fast. Manchin’s op-ed in the *Journal Friday* calls for a “pause” in the \$3.5 trillion reconciliation bill, a gift of time and political cover for House Dems who oppose it. Needing to pass a continuing resolution to prevent a government shutdown by month-end, and pass Hurricane Ida relief – and fold in suspension of the debt ceiling – reconciliation can’t be processed on the House floor before the September 27 deadline for considering the Bipartisan Infrastructure Act. Infrastructure and bipartisanship are popular in swing districts and reconciliation on a party-line vote is toxic, so dissident Dems are eager to vote on infrastructure first so that they can vote against reconciliation. Progressives are threatening to vote against infrastructure – but they want the Infrastructure Act too. Even if they vote against it, their votes can be replaced by GOP votes. Dem media allies have broken cover and are now describing reconciliation in the most expansive progressive terms. That’s an advance obituary celebrating a noble lost cause.

vote on a massive unpopular spending bill that will pass on a party-line vote (for which they will be excoriated). So the progressives are threatening to boycott the Infrastructure Act unless the moderates vote for the reconciliation bill.

Fair enough, except for four problems. First, the progressives themselves want the Infrastructure Act, too (that's why we say it is their own beloved dog they are holding hostage). Second, the progressives will likely not overcome the minimax game-theoretic strategy many moderates will employ, in which the moderates will forego something that might help a little in order to avoid something else that will hurt a lot. Third, the progressive boycott threat against the Infrastructure Act is hollow in the first place because the Act is, after all, bipartisan – and GOP members can make up for any lost progressive Dem votes. Fourth, there is no margin for error: there are more progressives than moderates by about six to one, but just three "nay" votes from the moderates are enough to defeat reconciliation.

- We know what you might be thinking. Didn't a group of nine dissident Dem moderates cave to the demands of speaker Nancy Pelosi (D CA-12) to vote for the budget resolution enabling reconciliation to go forward – having sent [a letter](#) just days before vowing to vote nay until after the Bipartisan Infrastructure Act is signed into law?
- Well, yes. But mostly no. They did not vote on a budget resolution passed out of the Budget Committee, but rather [a rule passed out of the Rules Committee](#) deeming the budget resolution to have been passed without a vote. Fig-leaves don't get much flimsier than this – but it shows how terrified the moderates are of going back to their districts having overtly supported reconciliation.
- And the moderates [extracted from Pelosi a commitment](#) to begin considering the Bipartisan Infrastructure Act no later than September 27. This is key because the order of consideration is critical to the game theory – by voting for the Infrastructure Act first, the moderates rescue the hostage being threatened by the progressives. After that, they can vote nay on reconciliation with no consequences.
- It is highly unlikely that any detail on reconciliation can be put before the House for consideration on the floor by September 27.
- Strictly limited by a ceiling of \$3.5 trillion already agreed in the reconciliation instructions, Democrats are already at war with themselves about which spending programs to include and how to pay for them with which taxes.
- The tax piece is especially contentious – not only [among the lobbyists who represent the people who will be taxed](#), but among the Dems themselves. Representative Thomas Suozzi (D NY-3) leads a cabal of New York and New Jersey reps who intransigently insist on the restoration of the deductibility of state and local taxes as a precondition for agreeing to any reconciliation bill ([Suozzi jokes](#) that party leaders “want a restraining order against me because no matter what we discuss, I bring up SALT”). The problem here is that, first, restoration of the SALT deduction is a

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tax *cut* – and an expensive one – that forces tax *increases* in the bill to be even larger to cover it; and second, it is strongly disfavored by progressives who see it as a “[a gift to billionaires](#).” At the same time, we’re hearing from Washington sources that Democrats are having a hard time getting the Congressional Budget Office to agree that their tax hikes actually raise as much revenue as they believe they will (which means they need more).

- *Now a Hurricane Ida relief bill is in the mix, too. And the CR process was already destined to be complicated by Dem attempts to include suspension of the debt ceiling* – which Senate minority leader Mitch McConnell (R KY) has [flatly refused to consider](#). *With all this, there’s no way the House floor can consider reconciliation by the September 27 deadline for considering the Bipartisan Infrastructure Act*. To be sure, it’s a soft deadline, but violating it won’t make Pelosi any friends among the moderates, of whom she can only afford to lose three.
- *McConnell’s game-plan now is to play for time*, not only so that the Bipartisan Infrastructure Act will be voted in the House before reconciliation. If we may be so blunt (and we’re not trying to be political here, trust us), Biden is an old man who self-evidently is having a difficult time bearing the lethal pressures of the presidency – especially now, enduring a firestorm of criticism for his handling of the withdrawal from Afghanistan. Such things are unpredictable, but *every day that McConnell can delay reconciliation is one more day closer to Biden potentially having to leave office* – which, if it happens, would be an all-absorbing and contentious process that would bring everything else in Washington to a grinding halt for many months.
- *Senator Joseph Manchin (D WV) has given the GOP the gift of time*. In an [op-ed Friday in the Wall Street Journal](#), he not only repeated his opposition to the sheer size of the reconciliation bill (as [Senator Krysten Simena \(D-AZ\) did also](#)) – *he specifically argued that “Congress should hit a strategic pause” in the process to buy time to learn more about the risks of continuing inflation and a possibly worsening of Covid infections. This is exactly the political cover that the dissidents in the House need – knowing that with Manchin’s partnership they won’t be solely responsible for killing the reconciliation bill. We think we’ll be able to look back on last Friday, with Manchin’s op-ed, as the day that reconciliation died.*
- Why is Manchin doing this? Probably because after saying he wouldn’t run for the Senate again in 2024, [he’s now considering it](#). He knows that the reconciliation bill will be toxic in West Virginia, a state that in 2020 [voted for Trump by a margin of 39%](#).
- For the dissident House members, though, the issue is not how toxic the reconciliation bill will be in red districts – they don’t come from red districts. The issue is how toxic it is in the purple suburban swing districts where soccer-moms voted out Donald Trump in 2020, but never intended to sign up for a sweeping progressive agenda.

- The Dem's media allies seem to have recognized this, always referring to the reconciliation bill as just that – a bland generic descriptor, never mentioning its actual provisions. But now we sense a certain desperation in those quarters, because suddenly,

# Times

## Late Edition

Today, sunshine, low humidity, high 80. Tonight, more humid, increasing clouds, low 69. Tomorrow, more humid and warmer, showers, high 83. Weather map appears on Page B12.

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## Democrats' Vision for Aid: From Cradle to the Grave

**If Party Is to Pass \$3.5 Trillion Bill, It Needs  
Nearly Every Vote It Has in Congress**

By JONATHAN WEISMAN

WASHINGTON — When congressional committees meet this week to begin formally drafting Democrats' ambitious social policy plan, they will be undertaking the most significant expansion of the nation's safety net since the war on poverty in the 1960s, devising legislation that would touch virtually every American's life, from conception to aged infirmity.

Passage of the bill, which could spend as much as \$3.5 trillion over the next decade to

the country has lived through the coronavirus crisis.

"Polls have shown for a very long time that these issues to support American families were important, and were popular, but all of a sudden they became not a 'nice to have' but a 'must have,'" said Heather Boushey, a member of Mr. Biden's Council of Economic Advisers who has been developing such policies for decades.

Democrats say they will finance their expansion with increased tax

Has," confessing that for all its vast sweep it is not only utterly *not* bipartisan, but indeed can't even rely on the support of moderate Dems. We might interpret this story as a desperate Hail Mary pass intended to try to normalize and create enthusiasm for an overly ambitious program with insufficient public support. But we think it's better to see it as a kind of advance obituary, intended as a comforting tribute to the noble aspirations of visionary progressives who just couldn't quite get over the finish line.

- Now Manchin is saying he won't support a bill larger than \$1 trillion – a significant reduction from \$3.5 trillion that starts to move the reconciliation bill toward virtual irrelevance in the grand scheme of things nowadays.
- Even if our bold claim that the chances of tax hikes this year are "zero point zero" (see "[Video: What you're not hearing about the death of Biden's corporate tax hikes](#)" June 21, 2021), it's becoming increasingly clear that history is moving in that direction. If reconciliation is going to happen at all, it will be severely shrunken, so any tax hikes won't have much impact.

in the aftermath of Manchin's op-ed, they've broken cover and are willing to describe the reconciliation bill in the most expansive progressive terms.

- We think it is highly significant that on Monday, the *New York Times*, the pace-setter for the Democratic agenda, devoted the most valuable real estate in global journalism – front page, upper right – [to a remarkable doubling down on everything that makes reconciliation a hard sell](#) in the swing districts that will determine House control in 2022. It is now "an ambitious social policy plan." It is a "Cradle to the Grave" "Aid" bill, "that would touch virtually every American's life, from conception to aged infirmity."

- The story is candid from the beginning that "It Needs Nearly Every Vote It

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**Bottom line**

Chances for tax hikes are fading fast. Manchin's op-ed in the Journal Friday calls for a "pause" in the \$3.5 trillion reconciliation bill, a gift of time and political cover for House Dems who oppose it. Needing to pass a continuing resolution to prevent a government shutdown by month-end, and pass Hurricane Ida relief – and fold in suspension of the debt ceiling – reconciliation can't be processed on the House floor before the September 27 deadline for considering the Bipartisan Infrastructure Act. Infrastructure and bipartisanship are popular in swing districts and reconciliation on a party-line vote is toxic, so dissident Dems are eager to vote on infrastructure first so that they can vote against reconciliation. Progressives are threatening to vote against infrastructure – but they want the Infrastructure Act too. Even if they vote against it, their votes can be replaced by GOP votes. Dem media allies have broken cover and are now describing reconciliation in the most expansive progressive terms. That's an advance obituary celebrating a noble lost cause. 📺