

## Trump's Election Trifecta

Following an election triumph, Trump's second term aims for swift action on key policy areas.

Election 2024 was a remarkable win for President-elect Donald Trump and his Republican allies on Capitol Hill. Throughout his campaign, he made his priorities unmistakably clear: thwarting illegal immigration, combating inflation, reevaluating foreign conflicts and aid, renewing his 2017 tax cuts, and implementing new tariffs. Many of his proposals aim to build on the progress of his first term. With a mandate from voters, Trump will rely on congressional support to execute much of his agenda, and, with a Republican-controlled Senate and House of Representatives, Trump is in a strong position to advance many of his key initiatives.

### Personnel Is Policy

Trump has wasted no time in making Cabinet and key agency appointments, filling out his inner circle at breakneck speed. In fact, we expect the incoming administration to hit the ground sprinting with the freshly inaugurated Senate aiming to confirm many of the appointees in the first weeks of Trump 2.0. Additionally, many players in the new Trump regime will have some experience in government, paving the way for a smoother transition and execution of his policies.

Trump's selections for nominations clearly indicate that he's fully embracing his "MAGA mandate" from the very start. He's not concerned about the opinions of the so-called "Republican establishment" anymore—Trump is now the establishment. Furthermore, he's hinted at the possibility of bypassing the usual Senate confirmation process through recess appointments if his nominees face delays. As for House Speaker Mike Johnson (R-LA), he can't achieve a speaker vote without Trump's backing. Ultimately, both incoming Sen. Majority Leader John Thune (R-SD) and Johnson seem to be more like conduits for Trump's agenda than traditional party leaders—and their best chance at success lies in their ability to maintain unity across the dome. Keeping that unity intact, however, may prove challenging as the dynamics of the House are quite different from those of the Senate, as we witnessed throughout much of 2023 and 2024. While the Senate may have a few independent thinkers, House Republicans are likely to fall in line with Trump when it counts—even with a very slim majority.

Expect Trump and congressional allies to vigorously pursue one of the most deregulatory agendas in modern history, building on the successes of his first term as they look to achieve durable or lasting deregulation/results. This time around, they have the backing of the Supreme Court Chevron Doctrine ruling to abet their agenda across the federal government. We'll see this play out in multiple sectors in the coming years but expect early action once Congress and the new president are installed.

In the meantime, there's still some unfinished business in the lame-duck session of Congress that's currently underway (the budget, the National Defense Authorization Act, and the Farm bill) and President Joe Biden (remember him?) will look to ensure a number of his policies, including elements of the Inflation Reduction Act, are cemented before he turns over the keys to 1600 Pennsylvania Avenue on January 20, 2025.



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### Key Points

- Trump is quickly appointing loyalists and plans an aggressive deregulatory agenda.
- Tax cuts, the reduction of corporate tax rates, and the implementation of new tariffs will be top-of-mind in 2025 and throughout Trump's second term.
- The administration will also prioritize increasing fossil-fuel production and enforcing antitrust laws, especially against big tech.

## Tax Balancing Act

Trump has been laying the groundwork for an ambitious tax agenda during his campaign and we believe that he and his Republican allies on Capitol Hill will try to implement much of that agenda by the spring.

At the heart of Trump's tax plan is the extension of the Tax Cuts and Jobs Act (TCJA), much of which is on track to expire at the end of 2025. Many business-tax provisions have already lapsed or will soon, and the individual provisions set to vanish by the end of next year could usher in the largest tax increase in US history.

There are skeptics in Washington who believe that timeline may be too optimistic when considering the procedural hurdles and constraints of budget reconciliation—but, given that Republicans in the House and Senate have been preparing for the tax debate since early 2024, our view is that they'll find a compromise and pass a measure by the summer of 2025. (For perspective, the TCJA wasn't formally introduced until November 2017 and was only enacted by late December, at a time when the Republicans held a significant 239-193 majority in the House.)

Get used to the word reconciliation. Republicans don't have enough votes to avoid a filibuster (60) in the Senate and the procedural loophole would be used to pass legislation with just a simple majority. However, reconciliation can only be used on budgetary policies. It's up to the Senate parliamentarian to determine whether it qualifies. House rules are different and only require a simple majority.

While the TCJA permanently lowered the corporate tax rate to 21%, Trump has recently suggested a further reduction to as low as 15%, and we predict a rate of between 18-20% when the ink dries. During his campaign, he made several other tax-related promises. However, in practice, he'll need to weigh the costs and political feasibility of these proposals, factoring in the limits of reconciliation and the necessity for near unanimity on the Republican side of the aisle or look for marginal support from Democrats to pass the final package on a bipartisan basis.

As was the case during TCJA negotiations, some policy goals may be jettisoned to achieve higher priorities. In 2017, the priorities were lowering marginal income-tax rates, doubling the standard deduction, and achieving the permanent 21% corporate tax rate.

## Tariff Agenda

During his first term in office, Trump made a bold move by utilizing presidential powers to impose tariffs on a wide range of products imported into the US. He applied Section 252 for steel and aluminum, Section 301 for goods from China, Section 201 concerning solar panels and washing machines, and initiated a dispute with the World Trade Organization (WTO) related to Airbus and Boeing. Although the Biden administration put a hold on tariffs targeting European imports stemming from the WTO issue, it maintained over \$80 billion of Trump's original tariffs. This decision highlights the bipartisan support for such measures and could provide Trump with the political capital to pursue further tariff actions as he promised during his campaign.

Former US Trade Representative Robert Lighthizer, who continues to have a close relationship with Trump, is anticipated to play a significant role in the second term and has cautioned stakeholders that Trump is likely to act quickly on his ambitious tariff agenda. This strategy could provoke retaliatory measures from other nations, potentially exacerbating any adverse effects on the economy.

## Trust Bust

During his first term, Trump carried out about 21 merger enforcement actions annually, which slightly surpasses the numbers recorded during the administrations of former Presidents Barack Obama and George W. Bush. As he forms his new team at the Department of Justice and the Federal Trade Commission (FTC), it's expected that he'll choose individuals committed to enforcing antitrust laws vigorously.

Trump is gearing up to take an even tougher approach to antitrust enforcement in his upcoming term, responding to the rising public demand to rein in the power of big corporations. Vice President-elect JD Vance has been a vocal advocate for antitrust measures, and we expect him to play a major role in this realm. Vance has publicly called for the breakup of major tech companies, with a particular focus on Google. In a social-media post from February, he voiced concerns about Google and the concentration of information power in a company he believes has a progressive bias. Additionally, Vance has shown strong support for Lina Khan during her tenure as FTC chair in the Biden administration.

## Financial Freedoms

Throughout Trump's first term, he and his allies on Capitol Hill mainly championed traditional, conservative policies in the financial-services industry. They implemented capital requirements for government-sponsored enterprises, replaced the Department of Labor's fiduciary rule with the Securities and Exchange Commission's Regulation Best Interest, and rolled back bank regulations from the Federal Reserve (Fed) that were established during the Obama administration. Overall, Trump remained firmly aligned with conservative values.

We expect similar financial-service policies from his second term, with an even more deregulatory approach than the first—especially as he seeks to reverse multiple initiatives introduced by the Biden administration.

One significant change from his first term encompasses digital assets and cryptocurrency policy. Trump has done a complete 180 and allied himself with the crypto community, pledging to advocate for policies that benefit the sector. We predict he will follow through on these pledges and work with a much-friendlier crypto Congress to establish a regulatory framework for digital assets, introduce a stablecoin bill, and promote legislation aimed at preventing the Fed from launching a central-bank digital currency.

## Energy Boost

We can anticipate an energized approach to energy policy aimed at achieving energy dominance through increased fossil-fuel production and streamlined regulations within the energy sector. During his campaign, Trump highlighted his dedication to reducing energy costs for consumers, minimizing reliance on foreign energy, and ensuring grid reliability by investing in current energy infrastructure, including coal and nuclear facilities. The new administration is expected to enhance oil, gas, and coal production; remove barriers to drilling and pipeline development; and expand approvals for liquefied natural-gas exports.

Trump intends to replenish the Strategic Petroleum Reserve and accelerate the permitting process for energy initiatives on federal land. As is typical during a party transition, the Department of Energy (DoE) is likely to start by reviewing current contracts to ensure they align with the new administration's strategic goals.

# Taking Stock of Washington

Recent measures such as the Infrastructure and Jobs Act and the Inflation Reduction Act have directed significant federal funding into clean-energy initiatives. Should these funding mechanisms remain in place, the Trump administration will work to address what it views as an anti-fossil-fuel approach reflected in the DoE's lending practices during the Biden administration. This directive has led federal agencies to assess and, where possible, roll back regulations that could impede fossil-fuel production.

The Trump administration may reassess the role of the US in the Paris Climate Agreement. The proposed energy strategy seeks to align US economic interests with a focus on energy security and enhancing the US global standing, emphasizing American production and innovation instead of adhering to restrictive climate regulations.

As we look back on Trump's first term in office and at some of his recent Cabinet picks, we're reminded to expect the unexpected. But on many policy fronts, Trump and congressional Republicans have been marketing their goals for the US for the past few years and intend to downsize, reshape, and refocus the vast federal bureaucracy. The scale of their electoral success in early November, with Republicans holding onto the House and clinching the Senate, has only fueled their aspirations.

**Talk to your financial professional to help make sure your portfolio is prepared for whatever happens in Washington, D.C.**

## About the Author:

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