

## Executive Power in an Era of Gridlock

From tariffs to housing to AI, presidential authority is reshaping policy across Washington.

As his second year back in office begins, President Donald Trump has continued to make expansive use of executive authority, shaping both domestic and foreign policy through a highly centralized approach to governance. The administration has relied heavily on executive actions and other presidential tools, reflecting a governing style that places a strong emphasis on the powers of the executive branch.

Internationally, this approach has been particularly visible. Trump's second term has featured sustained engagement in the Middle East, renewed diplomatic initiatives, and a readiness to use US economic and military leverage to advance strategic objectives. These efforts have often proceeded alongside ongoing debates in Congress over oversight and the appropriate balance of institutional authority in foreign affairs.

At the same time, the White House has increasingly emphasized domestic economic priorities, including affordability, energy development, and industrial investment, as part of its broader political and policy strategy ahead of the midterms. Combined with an active foreign-policy agenda, this has produced a policy environment that is moving across multiple fronts at once and is likely to remain fluid in the months ahead.

### Tariffs After the Court Ruling

The trade conflict is entering a new phase following the Supreme Court's decision to strike down the Trump administration's tariffs imposed under the International Emergency Economic Powers Act (IEEPA). In a 6–3 ruling, the Court applied the major questions doctrine, finding that the statute doesn't clearly authorize tariffs of broad economic significance and emphasizing that such power would require explicit congressional delegation.

The decision leaves unresolved whether more than \$130 billion in previously collected tariffs will be refunded, an issue now likely to be litigated in lower courts. The administration may argue that older trade laws provide alternative authority, a strategy that could extend legal uncertainty even if those claims ultimately fail.

With IEEPA no longer available, the administration is expected to rely on narrower tools such as Section 232 national-security tariffs and other provisions that require investigations or formal findings, slowing the deployment of new measures. These limits also complicate the administration's negotiating leverage, as future tariff-related commitments are more likely to require congressional buy-in ahead of the midterm elections.

Economic data has further weakened the administration's case, with recent job losses giving Democrats fresh ammunition to argue that the tariffs are weighing on growth and consumer costs, raising questions about the durability of the White House's manufacturing narrative.

Within hours of the ruling, Trump moved to impose a 10% global tariff and later raised the rate to 15%, relying on a rarely invoked balance-of-payments authority that allows temporary import surcharges for up to 150 days. The measure takes



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### Key Points

- The Supreme Court's tariff decision has sharpened scrutiny of how the administration uses executive authority when congressional action is limited.
- That governing approach has enabled policy movement amid gridlock while intensifying legal and institutional friction across Washington.
- With Congress divided, DHS funding unresolved, and AI and housing policy advancing unevenly, attention is turning to how durable this approach proves ahead of the midterms.

effect almost immediately, applies on a nondiscriminatory basis, and will expire unless extended by Congress, creating a near-term policy cliff for global supply chains. The administration also signaled plans to pursue additional trade investigations targeting what it views as unfair practices.

Overall, the shift underscores the administration's determination to sustain tariff pressure even as judicial constraints narrow its options. But the temporary nature of the new authority ensures that trade policy will remain unsettled and politically sensitive.

## Housing Affordability Meets Market Reality

The Trump administration is working to narrow the gap between campaign messaging and the realities of a \$55 trillion housing market that moves slowly and resists quick fixes. A series of executive actions, ranging from pressure on mortgage agencies to lower rates to efforts aimed at limiting institutional investors, are designed to signal responsiveness to voter frustration over persistently high housing costs. While even supporters acknowledge these steps are unlikely to deliver immediate relief, the broader goal appears to be demonstrating that the White House is actively engaged with the issue.

The administration's recent push to curb institutional participation in the single-family housing market has complicated ongoing bipartisan negotiations focused on expanding housing supply. Treasury Secretary Scott Bessent recently outlined an approach that would tie investor restrictions to broader housing legislation currently being reconciled between the House and Senate. The strategy reflects a more direct intervention in market dynamics, prioritizing individual homebuyers over large investment firms that have gained a growing share of the single-family market over the past decade.

That strategy has introduced new friction within the Republican Party and added complexity to an already fragile legislative process. While some lawmakers have embraced the administration's populist framing, others remain wary of government-imposed limits on private investment, particularly as House and Senate proposals already diverge on bank regulation and housing-grant programs. As negotiations continue, the path forward may hinge on whether investor restrictions are viewed as a necessary trade-off for near-term affordability gains.

## Uncertainty Around Federal Reserve Leadership

The nomination of Kevin Warsh to lead the Federal Reserve (Fed) has set off a contentious Senate standoff that could leave the central bank without confirmed leadership by mid-May. Trump has tapped the former Fed governor to advance a more growth-oriented approach to monetary policy, but progress has stalled as retiring Sen. Thom Tillis (R-NC) has declined to move forward on any nominations while a Department of Justice investigation into Chair Jerome Powell remains unresolved.

The probe, which centers on the multibillion-dollar renovation of the Fed's headquarters, has drawn sharp criticism from Powell and his supporters, who argue it risks politicizing the central bank and undermining its independence. Until the investigation concludes, Senate action on the nomination appears unlikely.

Against that backdrop, the administration has continued to press the Fed for lower borrowing costs, even as the central bank recently paused its interest-rate cutting cycle, signaling a continued reliance on economic data rather than political pressure. If the impasse persists, the Fed could face an unusual leadership gap at a time when the economy is still adjusting to a series of significant policy shifts.

## DHS Funding Remains Unresolved

Five months into fiscal year 2026, funding for the Department of Homeland Security (DHS) has yet to be fully finalized, reflecting ongoing tensions between the White House and congressional Democrats over immigration policy and enforcement priorities.



Narrowing legal authority leaves tariff policy unsettled just months before the midterms.

Disagreements over ICE's role within the DHS have complicated the appropriations process, once again highlighting immigration as a persistent fault line in broader budget negotiations.

Until an agreement is reached, funding for several DHS components—including TSA, the Coast Guard, the Secret Service, and FEMA—remains unresolved. Funding for ICE itself isn't immediately at risk, following increased allocations in last year's One Big Beautiful Bill Act. While negotiations remain contentious, the operational pressures facing DHS agencies, particularly FEMA's recent disaster-response demands, are expected to accelerate efforts toward a resolution.

## AI Policy Takes Shape Across Multiple Fronts

As the tech industry increasingly warns about the long-term risks of AI, Washington's response in early 2026 has taken the form of a familiar power struggle—this time between the White House, Congress, and the states.

The Trump administration has adopted a largely deregulatory approach, arguing that state-level AI safety laws could undermine US competitiveness in the global race with China. Earlier this year, the president issued an executive order, calling for a “minimally burdensome” national framework for AI governance. The order authorizes the administration to withhold up to \$21 billion in broadband funding from states that enact AI regulations deemed overly restrictive and directs the Department of Justice to challenge state laws (such as those in California and New York) that it views as limiting innovation or introducing ideological bias.

In the absence of comprehensive federal legislation, states have moved to fill the regulatory gap. California recently enacted the first US law focused on so-called “frontier” AI models, requiring companies to report critical safety incidents and strengthening whistleblower protections for researchers. New York followed with a similar “trust but verify” approach, mandating that developers publish risk frameworks and report severe harms (such as death, serious injury, or major economic damage) to state authorities.

At the federal level, broader AI safety legislation remains stalled, but Congress has shifted toward narrower, targeted oversight:

- **AI Overwatch Act** – A House Republican proposal requiring congressional review of export licenses for advanced AI chips on national-security grounds.
- **DEFIANCE Act** – A bipartisan bill passed by the Senate that creates federal civil remedies for victims of AI-generated deepfakes.
- **Workforce Oversight** – The House Education and Workforce Committee has launched a series of hearings to examine AI-related job displacement, responding to growing concerns that AI adoption may be outpacing the labor market's ability to adjust

## Capitol Hill Sees a Wave of Departures

Driven by a mix of personal considerations and broader frustration with the political environment, members of Congress are retiring at a pace not seen in decades. With the 2026 midterm elections approaching, the recent decision by three additional House Republicans not to seek reelection has pushed total retirements to a historic level.

So far, 61 members of Congress—52 in the House and nine in the Senate—have announced plans to step aside, marking the highest combined retirement figure from both chambers since the early 2000s. While some lawmakers are leaving to pursue higher office, the trend is more pronounced among House Republicans.



A growing number of lawmakers are choosing retirement over another election cycle.

# Taking Stock of Washington

The current numbers closely resemble the party's 2018 "exit surge," a cycle that ultimately proved challenging at the ballot box.

Reasons for departing Capitol Hill vary, but many lawmakers cite the toll of long commutes, time away from family, and the day-to-day strain of a polarized and often unproductive work environment. For others, the prospect of serving in the minority, or navigating ongoing institutional dysfunction, has reduced the appeal of another term. Collectively, these departures point to a meaningful shift in institutional experience and underscore a broader reality: for many veteran legislators, stepping aside has become preferable to enduring another election cycle.

## What Comes Next

Across both foreign and domestic policy, Trump's second term has continued to rely on assertive executive action to advance policy priorities. The administration's approach—marked by expansive use of presidential authority and frequent tension with Congress and the courts—has driven meaningful movement across trade, geopolitics, and key domestic issues.

At the same time, sustained pressure on the political system has contributed to legislative gridlock and growing institutional strain. As Washington moves further into an election year, the central question is less whether this governing style will persist than how durable the surrounding institutions will prove—and how voters ultimately assess its results.

**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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