



**T**he Trump White House is coming off what insiders are billing as one of their most successful weeks to date. Aides are promoting last week as "leadership" week, citing the President's meetings with the heads of state of Egypt, Jordan, and China, the confirmation of Neil Gorsuch to the Supreme Court, and the missile strikes in Syria. Although the week was also filled with media reports of staff infighting and turmoil, White House officials say that the President has ordered the competing factions within the White House senior staff to settle their differences. Congress is out of town on recess and the White House is expecting, and hoping for, a relatively quiet week.

## CONGRESS

Congress is in recess for two weeks, on its spring break. It will return to session on April 24, only four days before the House and Senate must pass a government funding bill to keep the government open for the rest of the fiscal year. Congressional leaders on both side of the aisle are confident of passage of the legislation, as long as controversial measures such as funding for the border wall or restrictions on Planned Parenthood are not added to the bill. Congress will also continue to try to reach an agreement on a healthcare reform bill to repeal and replace Obamacare. House Republican factions held a number of meetings before leaving for the break, and many members now acknowledge that the failure to pass a bill was a mistake. Although no agreement has yet been reached, most Republicans are intent on reaching a deal and passing a bill in the upcoming weeks.

## TAX REFORM

White House and Treasury officials are hard at work on putting together a tax reform plan that the administration can present to Congress. The final plan is expected to be similar to the original Trump plan and the House Republican plan, with a few minor wrinkles. As can be expected, rumors are swirling in Washington as to what is in and what is not in the coming plan. According to reports, the administration is searching for ways to replace the House Republican proposal for a border adjustment tax and the \$1 trillion it would raise and is seriously considering either a value added tax or a carbon tax. After a brief uproar from opponents of both taxes, the White House said "as of now, neither is under consideration." Reports are also circulating that the Trump administration is now willing to add an infrastructure plan to the tax reform proposal to attract Democratic support. Under this plan, a portion of the revenue raised by repatriating foreign earnings would be earmarked for infrastructure projects. Administration officials are confident that a tax reform plan can be submitted to Congress next month and that a plan can be enacted into law this year.

## CHINA TRADE

There were no fireworks or major announcements on trade policy coming out of the President's meeting with Chinese President Xi Jinping, as both sides made an effort to ease potential trade tensions and increase good will at this first meeting. The U.S. and China did agree to undertake a 100-day action plan to improve trade relations between the two countries, with a U.S. goal to increase US exports to China and reduce the trade deficit. For its part, China indicated that it was prepared to reduce foreign investment restrictions on banking and insurance. Expanded market access to China has been a long term goal of the financial services industry.

## VOLCKER RULE

Federal Reserve Governor Dan Tarullo, in a speech last week before he retired, admitted that the Volcker Rule was too complicated and should be fixed. Tarullo was one of the key architects of Dodd-Frank, and has been a staunch supporter of the Volcker Rule. His remarks last week should increase momentum to the push to revise the rule. Tarullo admitted there was "merit" to industry arguments that the rule is "too complicated" and that revisions are warranted, including repealing the rule altogether for small banks. He also admitted that the rule may be having a "deleterious effect in liquidity," an argument Wall Street has been making for several years.

## TRUMP ECONOMIST

The White House has announced the appointment of Kevin Hassett as Chairman of the White House Council of Economic Advisers. The CEA is the in-house economic group for the White House and has traditionally provided economic analysis and advice for the President. Hassett is well known and admired in Washington as a traditional conservative mainstream Republican economist. He is a strong proponent of pro-growth tax reform who has argued that cutting the corporate tax rate will increase economic growth and boost wages. He is also a strong supporter of free trade. His appointment should strengthen the free market forces in the White House and help them counter the nationalist, fair trade group. Hassett previously has been an economic adviser to the presidential campaigns of John McCain, George Bush, and Mitt Romney.

-- Bruce Thompson

*DISCLAIMER: Options Group is not claiming any positions or political preferences.*