



# The Big Casino

February 25, 2025 | The Smith-Free Group

*"There are decades where nothing happens, and weeks where decades happen."  
--Lenin*

It is Day 37 of the second Trump Administration, and Washington, D.C. is witnessing arguably the most intense flurry of activity since the first 100 days of the Franklin Delano Roosevelt presidency. Some of this effort is largely symbolic and of limited import; the executive order ending the federal procurement of paper straws is a good example. Some of the effort is tangible and has real world implications for federal employees and broader American policy; think about the mass firings ordered by the DOGE, and the Trump Administration's efforts to force an end to the war in Ukraine. For us the central question right now is what will be the lasting, permanent impact of the ambitions of the Trump restoration. Eventually, time will of course tell. But, for now, here is our assessment of the current state of play when it comes to politics and policy in the nation's capital.

## Political Landscape

Like almost any newly elected president, Trump is enjoying a honeymoon of sorts: like any newly elected president, that honeymoon will eventually end. But, for now, it is Trump's world, and we are all living in it.

Looking back over the nearly four months since Election Day, it is clear Trump learned lessons from his first term in office. He and his team have

moved purposefully in a manner that seems even more forceful following the sleepy conclusion of the Biden presidency. Like him or not, it is clear the man has real drive and has surrounded himself with others who are motivated and decisive.

Part of the bewilderment many in Washington feel right now – we admit we have used the word “bonkers” to describe to clients the frenzy of Trump Administration activity – stems from the White House's flood-the-zone approach to media messaging. It is critical to recall Trump came of age in the competitive, unceasing media environment of New York City in the late 20th century, fighting for attention and.....The keeping up with news now can feel like a marathon of daily sprints. The Administration will win some debates simply by attrition, and the multiplicity and velocity of its efforts continues to make it hard for opponents to focus on and rally against any one target.

Because he engenders such fervor both for and against, it is hard to avoid hyperbole when it comes to media coverage and public discussion about Trump. Take for example this recent, breathless read from Axios reporting that Trump supporters and detractors “can agree that the

America Joe Biden left behind at noon on January 20 in no longer recognizable....” There has inarguably been change in DC, but it has made the country “unrecognizable”?! That is just silly and calls to mind a favorite saying from a former U.S. Senator we admired: “everyone needs just needs to take a great big Calm Down pill.”

Like other times when the losing party controls neither the Congress nor the White House, the Democrats find themselves sifting through the Election Day wreckage. They will sort themselves out eventually, especially as House Republicans continue to wrestle with their narrow majority and how to meet the demands of a president who has little regard for parliamentary niceties. But, for now, Democrats’ lack of coherent opposition leaves even more running room for Republicans. If history is any guide, one of the best hopes for Democrats lies in the fact that a party that controls both the White House and Congress typically overreaches and provides counterpunching opportunities to the minority. See Republicans in 2005, as well as Democrats in 2009 and 2021.

But the post-election, intra-party discussion Democrats are having about to how to work with/confront Trump also stems partially from the fact the party has drifted so far to the left. For all the media carping about “radical” Republicans and Biden White House complaints about “extreme MAGA”, it is hard to argue that Dems themselves moved just as far toward their own fringe. When a party’s presidential standard bearer refuses to recant support for radical notions like publicly funded sex-change operations for prisoners and cannot think of “one thing” she would have done differently than a president blamed for the worst inflation in decades, it is clear the party leadership needs to soul search.

## Legislative Agenda

Thus far, the legislative agenda on Capitol Hill has been dominated by work on tax cuts and budget reconciliation. Assembling a reconciliation bill is of course a formidable task requiring time and focus, but it has also clearly taken away attention from FY25 spending and the upcoming March 14th deadline. By every account we have heard, the appropriations bills will be delayed again until as late as April 30th when potential budget sequesters loom.

For the near term, the Senate will continue to grind away on Trump Administration nominations, soon turning to sub-cabinet positions and by the spring judicial nominations. In the House, the Majority Leader recently released a list of Biden regulations that could be subject to review under the Congressional Review Act, a time-sensitive effort that needs to be completed this spring. In the meantime, House and Senate committees will intensify work on non-fiscal and budgetary items. To us the question becomes to what extent can Republicans, dominated by the freewheeling Trump, multitask and drive other legislative items to conclusion.

## FY Appropriations and Spending

Following the upcoming stopgap spending bill, it seems inevitable the Republicans will eventually have to make some sort of deal with Democrats. A devout cadre of House Republicans will not support any spending bill without steep cuts that are opposed by many GOP and all Democrats. So, we will see how long the internal Republican debate plays out before the GOP approaches Democrats. Theoretically, a full-year CR remains an option, although it is violently opposed by a strong cohort of Republicans and Democrats. The ultimate end game could even turn out to be a game of chicken between the conservative House members supporting cuts versus the pro-defense faction.

But assuming Democrats join the discussions, what will be their ask? Reining in DOGE? Restoring parity between defense and domestic discretionary spending? It will be hard to reconcile the Trump Administration's newfound zest for hacking at programs and spending with Democratic support for a robust federal government infrastructure. To quote the old movie title, at some point soon "something's gotta give".

## Budget Reconciliation and Tax

When thinking about the centerpiece of Trump's domestic agenda, it is hard to keep straight all the disparate strands of issues and arguments. It must be bewildering for lawmakers and staff, too. Consider that over 60% of House Republicans Members (134, in all) were not serving in Congress when the first Trump tax bill passed in 2017. Give Speaker Johnson credit for trying to solve what could be an unsolvable Rubik's Cube. Years ago, former Rep. Mike Synar said admiringly of Democratic Leader Gephardt that he, Gephardt, had an "iron butt", he sat through so many meetings and debate. We are starting to think the same about the speaker.

The Senate passed a resolution last week that could either be the first of two resolutions this year or could also be amended in a conference setting and serve as the shell of a broader effort that addresses taxes. The Senate effort also keeps pressure on House Republicans. The Senate was going to have to act on a resolution at some point, and Leader Thune followed former Leader Lott's adage that "when you have the votes, you take the vote".

Perhaps the critical decision for any ultimate reconciliation bill is will Republicans ignore the scorekeepers (CBO, Joint Committee on Taxation) when it comes to revenue and spending estimates? We just compared the problem to an unsolvable Rubik's Cube because it is simply not possible under current scoring rules to extend the 2017 tax cuts, let alone all the other Trump aspirations (e.g., no tax on tips or Social Security benefits, Made in America manufacturing incentive, etc) without profound reductions in spending for Medicaid and other entitlement spending, cuts that Trump professes to oppose. Rolling back some Inflation Reduction Act incentives and reducing isolated discretionary spending programs can account for some savings, but nothing like the dollar amounts required for a 2025 tax bill. Sen. Crapo makes an interesting intellectual case for not scoring the extension of TCJA tax cuts, and Ways and Means Republicans have flooded the zone with analyses of CBO and JCT errors in analyzing the revenue impact of the TCJA. But, if Republicans decide to ignore the scorekeepers, it would be precedent-setting and upend decades of budgetary practice. It could also simply be viewed as just another policy and political norm upended in the Trump Era.

## CRA Efforts

We are mildly surprised at the lack of CRA activity on the Hill to date. In part this should be attributed to the organized and effective effort last year by the Biden Administration to finalize regulations and to protect them from congressional scrutiny. After Trump overturned 16 Obama rules in the first months of 2017, both Democrats and Republicans learned the lesson of timely administrative efforts. For instance, Democrats were only able to roll back three Trump Administration regulations at the outset of Biden's term in office.

The DOGE effort and broader anti-regulatory work of Trump officials lessens the urgency to use the CRA, but in the coming weeks watch for Republicans to accelerate CRA efforts. Earlier we referenced the recent target list from Leader Scalise, and in the Senate several Chairmen, especially Sen. Cruz, are aggressively agitating for action. This work will fill floor time – importantly, time-limited in the Senate –and provide at least a partial answer to the inevitable criticism from Democrats of a chaotic, "Do Nothing" Republican majority.

# Nominations

Republicans have been able to confirm Trump cabinet officials at a relatively brisk pace because of their intra-party unity as well as Democratic disorganization. Trump's domination of the Republican establishment (combined with a 53-47 margin in the Senate) means very few nominees will fail, especially as lower-level, lower-profile candidates join the queue. For now, we see no reason to expect the Senate will break the cycle of recent years where floor time will be dominated by nominations and the daily grind of motions to proceed, cloture votes and long periods of debate-less quorum calls. How soon before Democrats start forcing longer debates is a bona fide question.

# DOGE

Like many, we were initially skeptical of any real impact coming from the DOGE effort, wondering if this was going to be another "blue ribbon" committee effort to identify federal waste that would write a report destined to collect dust on a shelf. Well, that was wrong.

Musk's penchant for "shock and awe" as well as an adherence to the Silicon Valley ethos "to move fast and break things" fits perfectly with Trump's inclination toward disruption and desire to upend the Washington establishment. That this effort also inspires small-government conservatives, many long suspicious of Trump, has helped cement Republican support for Trump. The profligate spending during the Biden Administration combined with a sense that an absentee president was not overseeing an unresponsive bureaucracy has imbued many Republicans with a sense of tolerance for DOGE's efforts.

Give the Trump Administration credit for focusing initially on easy political targets like foreign aid. For a change-hungry electorate that voted against an incumbent administration, it is hard to argue with the notion that someone needs to shake up Washington or that employees paid by public funds should not be able to explain what their job encompasses. But, naturally, much of Washington has wondered what happens when DOGE efforts to affect Americans outside of the Beltway in a tangible way? Press reports of angry town hall meetings have begun, although some Republicans argue these are overblown accounts of "astroturf" liberal activism. At the same time, we know congressional back-channeling about specific programs to the White House has begun.

There are also bona fide questions of DOGE overreach and how courts will ultimately respond to some of the challenges. And to make many DOGE changes permanent Congress would have to act. Still, these are all longer-term questions, and for the near-term it appears the Musk effort will continue with abandon.

# Tariffs Talk

Many in the MAGA movement argue that an economic policy centered around tariffs fueled American industrial expansion in the 1800s and would be an effective tool in rebuilding domestic manufacturing. This is arguably correct, but in the short-term a more meaningful effect of the president's many changes of direction on tariffs has been an element of uncertainty that will begin to weigh on markets in tangible, even if hard to quantify, ways. For instance, a 25% tariff on Canadian lumber, threatened or real, weighs heavily on a struggling U.S. housing market. Likewise, the multiple and contradictory actions on de minimis shipping will eventually affect Americans used to getting shipped what they want and when they want it.

More broadly, we remain perplexed at the ignorance surrounding the tariff discussion. Before the 16th Amendment passed, tariffs provided most of the revenue for the federal government.

But no one with any real credibility now postulates tariffs can replace the income tax as was the case before the 16th Amendment. Likewise, a dewy-eyed argument invoking an economic strategy that worked in the 1800s seems naïve in the Internet Age of 2025 when the world has become so much more closely interconnected. The best argument the pro-tariff crowd has is the power tariffs have in terms of presidential negotiating leverage. But, in the meantime, this also conveniently ignores the role of tariffs in the boom-and-bust cycle of the 19th century American economy as well as how tariffs helped lead to the Great Depression.

## Worth a Read

Everyone will have an [opinion](#).

Bear in mind that some on the right see the Speaker as laboring on [borrowed](#) time.

People just are not getting [busy](#) like they used to.

This [CANNOT](#) be right.

Arkansas is [punching](#) above its weight.

For \$1.7 million, that better be one fancy-ass [toilet](#).

## Calendar

March 4	State of the Union.
March 5	Lent Begins.
March 15	President Andrew Jackson's birthday.
April 8	Scheduled start of congressional recess.
April 21	Boston Marathon.
April 30	Potential start of federal budget sequester.
May 3	Berkshire Hathaway annual meeting.

###



Smith-Free Group  
1001 G Street NW | Suite 375 West  
Washington, DC 20001

202-393-4760  
[contactus@smithfree.com](mailto:contactus@smithfree.com)



