



Trump does the only thing he could

Ben White

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PROGRAMMING NOTE: Morning Money will not publish on Monday Feb. 18. Our next Morning Money newsletter will publish on Tuesday Feb. 19. Please continue to follow POLITICO Financial issues [here](#).

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No shutdown — In the end, President Trump did exactly as we predicted and really the only thing he could do: Agree to sign the government spending deal while pledging to declare a national emergency to divert funding to build his border wall. The last government shutdown slammed markets and the economy (more on which below) and he couldn't afford another.

He now takes that fight out of the realm of shutdowns and into the courts. The public is mostly not with him on the emergency declaration but he needs to continue to fight for it to appease his base. This way he can do that while not threatening an economy that his best ticket to re-election. It likely also means lest risk of a debt limit impasse this summer.

Economy wobbles — Thursday's horrible retail sales report, showing a decline of 1.2 percent in December (the largest in nine years), appeared to confirm that the shutdown and market declines took a significant toll. Initial jobless claims also rose. Some of the retail report could be statistical noise that will get revised. But consumer delinquencies are also rising as business and consumer confidence fades.

GDP falling — Macroeconomic Advisors dropped its fourth quarter GDP estimate to 2.3 percent and kept the first quarter of 2019 at 1.6 percent. The question, as Deutsche Bank noted Thursday, is how much of this is from temporary factors (shutdowns, trade wars) and how much is late cycle decline, higher rates and fading tax cut stimulus. Whatever the case, more of the temporary Trump-crated stuff will only make it worse.

GOOD FRIDAY MORNING — Congrats on reaching the end of the longest week of the year. Enjoy the long weekend, if you have one. Email me on bwhite@politico.com and follow me on Twitter [@morningmoneyben](https://twitter.com/morningmoneyben).

DRIVING THE DAY

President Trump is supposed to sign the spending deal and possible emergency declaration at 10:00 a.m. and then head to Mar-a-lago ... President Xi Jinping is scheduled to meet on Friday with U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin ... Univ. of Michigan Consumer Sentiment at 10:00 a.m. expected to rebound post-shutdown to 93.5 from 91.2 ...

TAX REFUNDS KEEP DROPPING — Our Aaron Lorenzo: “Tax refunds continued dropping in the second week of the filing season compared to the same period last year ... Average refunds fell 8.7 percent, to \$1,949, down from an average of \$2,135 in the same timeframe in 2018. ...

“Treasury Department officials attributed the downturn to the tax cuts that took effect in 2018, saying the savings to workers were reflected in larger paychecks throughout the year instead of bigger refunds. But Democrats have used the early data to criticize the tax cuts and how they’ve been implemented, particularly new paycheck withholding tables, since many taxpayers are discovering they’re getting back smaller refunds than they’re used to or owing more in tax liabilities.” [Read more.](#)

MM SIDEBAR — Republicans can complain about coverage of the smaller refunds. But it’s the price they pay for ensuring more money would show up in people’s paychecks last year. And most Americans will notice a far smaller refund much more than they will a few extra dollars in their paychecks.

NO AUTO TARIFFS SOON — FT’s James Politi: “Trump is unlikely to act immediately to slap tariffs on automotive imports even if his administration dubs them a threat to national security — and could wait weeks or months before taking action, according to lobbyists and analysts following the issue”

“By Sunday night, the US commerce department is expected to transmit a long-awaited report to Mr Trump about its investigation of the national security risk posed by imported cars and car parts ... The report does not have to be publicly released, so its contents may not be immediately known. But car industry executives fear that it will include a recommendation for sweeping tariffs on imported vehicles and parts” [Read more.](#)

MM SIDEBAR — Pretty much nobody in the U.S. auto industry wants these tariffs. It would be politically insane for Trump to impose them as he is negotiating with the EU and China.

MALPASS DEFENDED — David Bahnsen emails: “Those livid at the idea of accountability and transparency entering the fray of their treasured bureaucracy have understandably chosen to pounce on the most obvious vulnerability in the Malpass résumé — his role as the chief economist at Bear Stearns up until its collapse in 2008.

“It is a fair potshot, but one that provides only optical shade, not substantive criticism. First of all, to dismiss any economist or financial thought leader who failed to perfectly predict the financial crisis in 2008 would be to dismiss everyone, everywhere, with the one possible exception being Christian Bale’s character in *The Big Short*”

FLY AROUND

CALABRIA REASSURES CONGRESS — Our Katy O'Donnell: “Mark Calabria, the White House's nominee to take over the Federal Housing Finance Agency, on Thursday sought to

reassure lawmakers that he would defer to Congress on overhauling the mortgage giants Fannie Mae and Freddie Mac despite expressing strong views in the past on how they should be reformed. ...

“Democrats homed in on the ways Calabria characterized the housing finance system while he was an economist at the libertarian Cato Institute, where he suggested that Fannie and Freddie ‘should eventually be eliminated.’” [Read more.](#)

Also from Katy: “Fannie Mae and Freddie Mac today reported fourth-quarter net income of \$3.2 billion and \$1.1 billion, respectively. The company will pay a combined \$4.7 billion to Treasury by the end of March.” [Read more.](#)

AMAZON DITCHES QUEENS — Our Steven Overly and Dana Rubinstein: “Amazon said Thursday it’s abandoning plans for a second headquarters in New York City, a stunning retreat after state and local leaders strongly opposed providing the company with roughly \$3 billion in tax incentives.

“Amazon chose the New York location after a North America-wide search for a place to put its new headquarters — dubbed HQ2 — with the support of both New York Gov. Andrew Cuomo and New York City Mayor Bill de Blasio. But the deal soon ran into a political buzzsaw as a cacophony of elected officials, including Rep. [Alexandria Ocasio-Cortez](#) (D-N.Y.), opposed the idea of giving steep tax incentives to one of the nation's biggest companies owned by Jeff Bezos, the world’s richest person.” [Read more.](#)

[Good read](#) from Sally Goldenberg and Dan Rubinstein on how it all went wrong.

Speaking of Amazon, Fortune notes that it will again [pay nothing](#) in federal tax

JPM GOES CRYPTO — Our Patrick Temple-West: “JPMorgan... said it has become the first U.S. bank to create and test a digital currency representing the dollar. Called ‘JPM Coin,’ the bank's cryptocurrency will always equal one U.S. dollar and is being developed for business-to-business money flows to ultimately help clients reduce counterpart risks, decrease capital requirements and enable instant value transfers, the bank said.

“JPMorgan said its cryptocurrency is still a prototype has not been unveiled to banking regulators yet. JPM Coin will be tested with a small number of the bank's big clients and with plans to expand the pilot program later this year. The company said it does not have plans to make it available to individuals yet.” [Read more.](#)

GRASSLEY WARNS ON AUTO TARIFFS— Via Sen. [Chuck Grassley](#) (R-Iowa): “I do not agree that we should alienate our allies or jeopardize the health of our own economy to achieve good outcomes. The Tax Foundation has found that a 25 percent tariff on auto imports would amount to a roughly \$73.1 billion tax increase.”

CHINA TRIES TO WOO TRUMP— WSJ’s Lingling Wei: “China is counting on promises of big purchases of U.S. semiconductors and other goods to ease trade tensions and persuade ... Trump to [extend a tariff truce](#) and later resolve the market-rattling dispute directly with ... Xi ...

“During this week’s negotiations in their fourth day Thursday, U.S. and Chinese officials have remained deadlocked on a number of issues underlying the current trade dispute ... These include Washington’s complaints that China pressures American firms to share technology and

uses industrial policies to favor domestic companies at the expense of U.S. competitors.” [Read more.](#)

ALSO FOR YOUR RADAR

SPOTTED — Wednesday night at an off the record Churchill Tommy Gun Society dinner with special guest David Rubenstein at the Ritz Carlton condo of Jamie Weinstein and Michelle Fields: Tim Mak, Annie Linskey, Alice Lloyd, Kayla Tausche and Chris Ullman. [Instapic](#)

TRANSITIONS — Usman Rahim will be an associate for SIFMA on their public policy and advocacy team. He most recently was staff assistant for Sen. [Thom Tillis](#)(R-N.C.).