



What You Need to Know About the Deal Trump Made with Democrats

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On Friday, the House passed a bill, already passed through the Senate, that appropriates over \$15 billion for hurricane relief and stops the country from defaulting on its debts and keeps the government running at current funding levels until December. Based on a deal struck earlier this week between Donald Trump and Democratic leaders—a move that surprised Republicans—the bill will likely become law soon.

It is hard to understate the importance of this legislation. Not only does it provide vital assistance to hard-hit communities, it also delays the major political battles long expected to define a busy September in Congress. On top of that, it rewrites the political calculus for a number of significant pending policy fights.

Obviously, helping those hurt by Hurricane Harvey and keeping the government open are good and clear things. But the bit about extending the government's ability to pay down America's debts—a.k.a. raising the "debt ceiling"—is more complicated, and was a key point of contention before Trump made his deal. So it bears some explaining:

The debt ceiling, adopted in 1917 as a way for Congress to limit how much the president can spend, is a cap on how much money the government can borrow. Under modern budgetary procedures, spending and borrowing are unconnected. So Congress decides how much money to spend, often necessitating more borrowing than is allowed, so it then has to vote *again* to raise the debt ceiling to accommodate that spending. If the ceiling doesn't get raised in those contexts, the government can't pay its bills. While some economists theorize the country could manage this by only paying for important things until we got our financial car back on the road, most agree that even a short-term default, and certainly a long-term one, would cause utter economic chaos at home and abroad. We're talking a crisis that would make the recent recession look like a minor hindrance.

After the US nearly defaulted on its debts in 1979, Congress enacted a system whereby it automatically raised the debt ceiling as needed when passing budgets. However, this rule went out the window in 1995, when Republicans decided to leverage the debt ceiling to force the Clinton administration to agree to spending cuts. The ceiling came to the fore again in 2011 and 2013, when conservatives likewise used it as leverage for their agenda; they succeeded in imposing severe cuts and spending limits in 2011, though the confrontation resulted in the US's bond rating being downgraded for the first time in history.

We actually hit the debt ceiling in March, but Treasury was able to keep paying the bills through "extraordinary measures," which impose some costs on taxpayers. Treasury Secretary Steven Mnuchin had long made clear that we'd be out of options on September 29. By late August, says Shai Akabas of the Bipartisan Policy Center, it seemed likely Congress would spend most of September arguing about the debt ceiling and whether it should be coupled with spending cuts before striking deals on it and on keeping the government open past September 30 at the last minute.

Then Harvey hit the Gulf. No one disputed the need to provide aid to affected regions as soon as Congress came back into session. But paying for that would drain Treasury's coffers, Mnuchin argued, pushing up the deadline to extend the debt ceiling. Strategists proposed tying disaster relief to a "clean" debt ceiling vote, stripped of all the contentious conservative demands for spending cuts, to skip the usual wrangling. Not even conservatives, it was hoped, would want to hold up that bill.

Republican leadership wanted to suspend the debt ceiling long enough through this easy vote that they wouldn't have to revisit the sticky issue again until after the 2018 midterms. Democrats, however, see the debt ceiling as an opportunity to extract concessions from Republicans on immigration and other issues in exchange for their votes, and under threat of a filibuster. So they wanted a short-term debt ceiling raise that would let them pressure the Republicans again a few months down the road, when more significant pieces of legislation would likely be coming along.

The Trump administration had reportedly been looking for a way to avoid a debate on the debt ceiling for weeks, if not months, in order to free up time to focus on developing and selling a full-fledged tax reform plan. So as soon as Trump had a shot at a deal, he took it—even though what he ultimately took was the Democrats' first short-term offer. Reportedly, a continuing resolution to keep the government open through December was tacked onto the deal after this was accepted.

As a result, all that's left on the September must-pass list now is reauthorizing a few federal programs, which can be kicked down the road as well.

The debt ceiling will have to get raised again, but discussions on that and on longer-term government funding won't start up in earnest until late November or early December. That means Republicans have the space to pivot to tax reform, which Cato Institute fiscal policy wonk Dan Mitchell told me is their last chance to score a big policy win in 2017.

The big question is why Trump decided to make this deal, even after the White House reportedly recently assured House Majority Leader Paul Ryan that the president opposed a short-term extension. Romina Boccia, a Heritage Foundation fiscal policy expert, speculates Trump could have been making some kind of strategic power play, signaling his willingness to work with Democrats to show Republicans they ought to fall into line with his tax reform agenda if they want to get something they'd like done. But the intense sense of betrayal felt by Republicans ("he fucked us" is how one GOP official phrased it to Axios) could make it harder to cooperate on tax reform legislation. On Thursday, Ryan dismissed Trump's tax preferences as unworkable. That's not a great sign for any eventual bill.

"It's probably optimistic that they'll have a tax reform bill done by December," said Akabas. And then it'll be time to talk debt ceiling and government funding again.

Meanwhile, most Democrats love the situation they're in. A short-term delay means they can theoretically use the debt ceiling and government funding to get Republicans to turn DACA—an Obama-era initiative, just rescinded by Trump, protecting undocumented immigrants who came to the country as children—into law. They could also use these votes to influence other Republican priorities. "They win the politics of DACA and leverage on the debt in the winter," a Republican official fumed to Axios on Wednesday. "The fate is sealed—DACA will be reauthorized without strings, [Senate Minority Leader Chuck] Schumer inserted himself into all negotiations in the winter, including tax, spending, and immigration."

"But that's speculation," said Mitchell. "There's nothing about this agreement that precludes one side or the other from winning, or from just kicking the can down the road again." At this point, no one can predict what will be on the agenda when these measures come up again. Despite the December date in the deal, we don't even know when a debt ceiling vote *would* come up again as for sure. After we hit it in December, Mnuchin can just break out new extraordinary measures. Boccia suspects the actual date for a new vote on this issue could happen as late as next spring. And there's always the chance that, at any time, another disaster relief bill could plop down and make it easier for Republicans to pass debt ceiling or spending deals without making sops to Democratic priorities.

"Think to where we were a few weeks ago," said Akabas. "Nobody foresaw the way this was getting resolved. It really often comes down to the last minute."

Once Republicans recover from the shock of this deal and their sense of betrayal, Boccia predicted, they will devise clever ways to turn this new situation to their advantage. "If one side can bundle and pressure the other," added University of Louisville budget policy and process wonk Jasmine Farrier, "then it can be done in reverse."

So no matter the political rhetoric on either side, this deal isn't really a *win* for anyone. It's just a massive shift to major policy discussions and timelines, essentially Trump looking to score a little time for tax reform work by grabbing the political gameboard and shaking it vigorously.

"I don't know what to say going forward about what's going to happen in December," said Farrier, "except that it's going to be a big mess."