

POLITICAL PULSE

## The Hanging-Chad Tax-Cut

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**The market doesn't want to wait for Bush's tax-cuts -- but a rush to cut a lousy deal is even worse.**

The unusual arrangement under which the **Senate/House budget conferees** could return a budget resolution reflecting both the House's higher tax-cuts *and* the Senate's lower tax-cuts is now at risk, according to our Senate sources and an AP story earlier this hour.

Such an arrangement requires approval of a parliamentarian, a referee in the legislative process who interprets compliance with Senate rules. Without such approval, the unusual budget resolution would be subject to a "point of order," a procedure under which any single senator could subject the resolution to a vote requiring a 60-vote supermajority (a vote which the **Republicans** would surely lose).

If the parliamentarian does not give his approval, then Senate Republicans will be challenged to strike what may be an unfavorable deal in order to get a budget resolution by the statutory deadline of April 15 -- considering that **Congress** recesses for two weeks after tomorrow. Our Senate sources suggest Republicans are very eager to comply with the deadline, fearing that non-compliance will be seen as failure, and fearing that any delay may erode their extremely marginal consensus in favor of higher tax-cuts.

While we can sympathize with the GOP's desire for closure, our view is that the unusual dual budget resolution is a holding action anyway -- so delays arising from failure to pass a resolution this week don't significantly change the game for the worse. Any resolution is going to be subject to further negotiation as to the details. And as long as tax-cuts follow the guidelines set by a joint resolution -- whenever that resolution is passed -- they will not be subject to rules requiring a 60-vote supermajority to break a potential **Democratic** filibuster.

And if the Republicans will allow a little time to pass, they will have the opportunity to bring more effective weapons to bear in the battle for pro-growth tax-cuts. For one, **President Bush** can be personally brought into the public debate in a way that has been impossible so far, in light of the demands of the war on his time. Further, after several weeks the **Treasury** will have the opportunity to complete its comprehensive study of the true dynamic effects of the proposed tax-cuts on long-term deficits. This study may well give hold-out Republicans like **Olympia Snowe** and **George Voinovich** the opportunity to relax their concerns about deficits.

The market's funk this week may well be disappointment that, in what ought to be President Bush's moment of triumph, it seems as difficult as ever for him to use his political capital. The battle for his tax-cuts is shaping up to be yet another hanging-chad election, to be decided on razor-thin margins and, indeed, perhaps decided by interpretation of rules rather than by mandate. That's the kind of waiting game that markets hate. But better to wait for the good than to have immediate resolution of the mediocre. **TM**