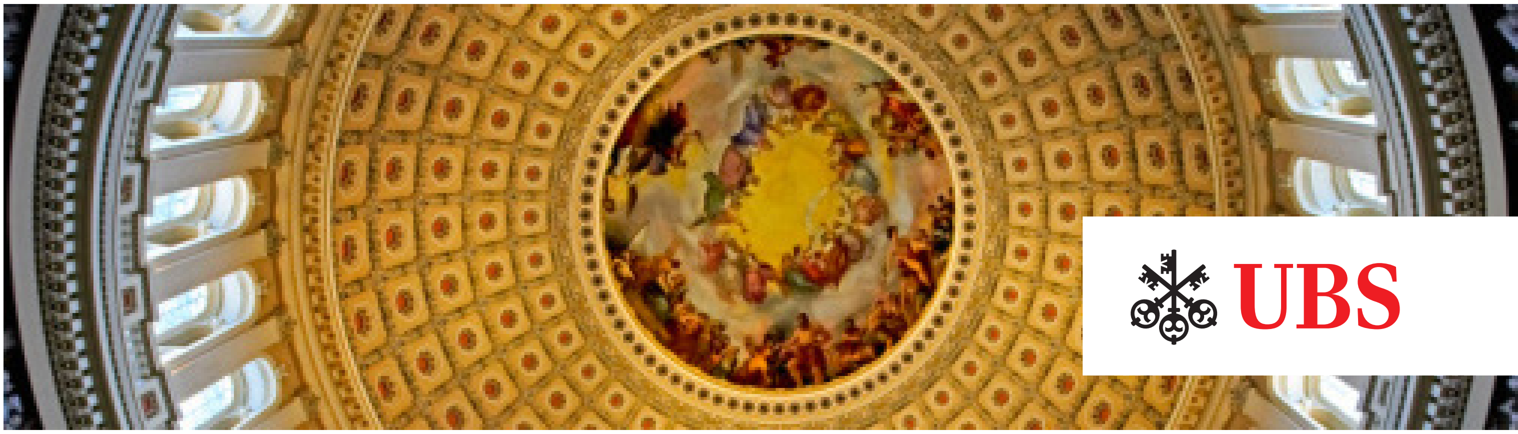
Washington Weekly

Under the Dome: The Week in Review

24 July 2026



This Week: The **Senate** confirmed Trump administration nominees. The **House** passed a national defense authorization bill, a continuing resolution to extend government funding to December, and a budget resolution in hopes to pave the path for another reconciliation bill (see below). It also passed a congressional stock trading ban bill (see below), a bill to change certain federal banking regulations for smaller banks, and a non-binding war powers resolution seeking to block military action in Iran (see below).

Next Week: The **Senate** will continue to confirm Trump administration nominees. The **House** will be out of session until at least the week of August 31.

The Lead

Reconciliation in Limbo. The House passed four major bills this week, including an annual defense policy bill, a bill to restrict lawmakers from trading stocks (see below), a bill to fund government agencies at the same level through December 4, and a fiscal year 2027 budget resolution to lay the groundwork for a roughly $95 billion reconciliation package. The budget resolution instructs four House committees to draft a reconciliation bill to provide $73 billion in defense funding (mostly for the cost of the war in Iran), $12 billion in farm aid, and $10 billion for election security measures (parts of the SAVE Act). However, Senate Majority Leader John Thune (R-SD) has said that he does not plan to vote on the resolution until the Senate finds a bipartisan agreement for government spending before current funding expires on September 30. While the House passed a funding extension to December 4, this also is unlikely to fly in the Senate at this point. Thune is not keen on bringing up a reconciliation bill before the election because it would subject vulnerable Republicans to tough votes posed by Democrats on various amendments. *Despite passage of a budget resolution by the House this week, the reconciliation effort seems poised to be put on the backburner until after the elections.*

Iran Costs. The resumption of attacks between the US and Iran risks a broader theater of conflict in the Middle East that not only could imperil trade in the Strait of Hormuz, but also the Strait of Bab el-Mandeb, another key chokepoint in global trade. In the US, there are growing concerns about both the loss of US service members and the economic impact and costs of the war. This week, the House and Senate each held votes on war authorization. While Republicans mostly continue to support publicly the administration's war effort, four Republican House members joined Democrats in voting to oppose the war. Another question is the fiscal cost of the war and how Congress will pay for it. The Pentagon's official estimate is $37 billion, but outside analysts have had significantly higher estimates. The partisan budget proposal that the House passed this week includes $73 billion for the war and other national security needs, but it remains to be seen whether the reconciliation effort will be viable in the Senate. If it isn't, there will need to be an effort to build bipartisan support for a supplemental bill for war funding after the elections. *While the costs of the war are coming more into focus, a durable settlement and exit strategy has not.*

Tariff Return. The Trump administration was left scrambling earlier this year after the Supreme Court's decision to strike down the lion's share of the tariffs it had imposed using emergency economic powers. In response, it pivoted to imposing temporary 10% tariffs under another authority that had never been used before. Those global tariffs are set to expire today. The Trump administration has used these tariffs as a means of buying time to apply tariffs using other legal authorities on a more longstanding basis. Since then, it has been building cases to apply broad-based tariffs in response to unfair trade practices. The administration today is applying a set of tariffs that would apply to approximately 60 countries on the grounds of forced labor (broadly construed to include the use or trade of products made with forced labor in other countries). It is also considering additional tariffs on certain countries for their application of policies that have created overcapacity in certain industrial and technology sectors. The Trump administration this week also used a tariff authority (never used before) to impose 50% tariffs on certain products from Canada, but these tariffs are seen largely as a means of pressuring Canada as part of a review and renegotiation of the US-Mexico-Canada trade agreement (originally struck by President Trump in his first term). *It remains to be seen how much public concerns about inflation and affordability will restrain the scope and size of new tariffs.*

Other Issues

Crypto Vote. Senate Republicans this week released a draft crypto market structure bill (CLARITY Act) that merges a bill passed by the Senate Banking Committee on a mostly party-line basis in May with text from the Senate Agriculture Committee, which also has jurisdiction. Two Democratic Senators had voted for the bill in committee as an expression of goodwill as lawmakers continued to negotiate on a variety of outstanding issues, the biggest of which concerns ethics provisions aimed at addressing potential conflicts of interest from the Trump family's and administration officials' crypto ventures. The latest version includes an ethics agreement between Republicans and the White House, which is not strong enough to satisfy Democrats since it leaves enforcement to the Department of Justice. While there have been expectations that the Senate would vote on the bill next week, Leader Thune yesterday acknowledged that he did not think the CLARITY Act would be able to pass the Senate before it recesses in August. The bill currently is well short of the bipartisan support needed to overcome a 60-vote procedural hurdle. Given the Senate's short calendar and a lengthy list of competing priorities before the election, this bill is running out of runway. *While negotiations will continue, the CLARITY Act is on its last legs in this session of Congress.*

Stock Trading Ban? The House this week passed a long-stalled proposal to restrict lawmakers' stock trading. The bill would bar members of Congress, spouses and dependent children from buying publicly traded stocks. It also would require seven to 14 days of public notice before selling existing holdings and impose penalties of $2,000 or 10% of the transaction value. While there is broad support for doing something in this area, there is little agreement on the right balance. Some Democrats argue the bill does not go far enough because it lets members keep existing stocks, with competing proposals requiring divestiture and covering a wider range of assets and federal officials (not just Congress). The Senate remains the bigger hurdle as it is not expected to take up the House bill. *Despite the broad support from both the public and Congress to implement a stock trading ban for Congress, there are slim odds that a final bill will be enacted this year.*

Municipal Bonds. The House committee that has jurisdiction over taxes recently held a hearing on sports where some lawmakers expressed frustrations about the relocation of professional sports teams from their previous homes. This led to bipartisan criticism of the tax-exempt status of many of the bonds that finance stadiums (but not the financing for roads, bridges, hospitals, and other public facilities). *The tax exemption for interest on most municipal bonds remains safe, but bonds for sports venues will be under a microscope.*

Buyback Backlash. A provision in the Senate defense authorization bill would restrict Pentagon contracting with companies that conduct stock buybacks or pay dividends. While the proposal is tied to defense contracting performance, it has broader significance as a potential test case for federal intervention in corporate capital allocation. The proposal remains unsettled and may change or fall out of the final defense bill. However, the fact that it is moving through a must-pass vehicle reflects a growing skepticism of buybacks that cuts across party lines. This could migrate to other sectors that depend on federal contracts, subsidies, or other government support. *This is more of a warning signal than settled policy, but companies beyond the defense space should pay attention to how far Washington is willing to go in tying federal business to corporate financial behavior.*

The Final Word

Corruption on the Ballot. Inflation and affordability remain the dominant issues in the midterms, but political corruption is moving up on voters' lists. What makes the issue notable is that the concern is evident across partisan lines and especially among independents, who often view corruption less as an ethics issue and more as evidence that Washington is working in their own interest. Voters appear to be linking corruption to their daily economic frustrations, treating it as a driver for rising costs. Corruption won't overtake inflation as the central issue in November, but it could become an important filter through which voters judge both parties' economic messages and the candidates themselves. For Democrats and Republicans alike, the campaign challenge will be to convince voters they are not defending the system voters distrust but offering a credible break from it. *If corruption continues to merge with cost-of-living anxiety, candidates who can credibly run against the status quo will have an advantage with voters looking for someone to blame and something to change.*