Podcast Transcript

The Cloakroom with Peter Roskam: Featuring Rep. Darin LaHood (R-IL)

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Guest: Peter Roskam and Rep. Darin LaHood (R-IL), **Host:** Randall Rubenking

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Rubenking: Welcome to The Cloakroom with Peter Roskam.

Peter is a former member of Congress who leads BakerHostetler's Federal Policy team. On this podcast, he uses his experience to take you inside Congress for insightful conversations with leading lawmakers, both Republicans and Democrats, from the House and the Senate.

On today's episode, Peter talks with Congressman Darin LaHood, an Illinois Republican. They cover tax reform, competition with China and more.

Let's listen in to "The Cloakroom with Peter Roskam."

Roskam: We're in the office of Congressman Darin LaHood, longtime member from the state of Illinois, resident of Peoria, Illinois, lawyer, former prosecutor, Ways and Means member, Intelligence Committee member, China Committee member, the man who is in the middle of a lot of things. Darin, thank you for your hospitality today.

LaHood: Peter, great to be with you, and always enjoy your friendship and glad I could be on today.

Roskam: Thank you. So, there is a lot of interest, Darin, in people trying to think about 2025 in particular and ideas of, could be a Republican sweep, could be a

Democrat sweep, could be a divided government. And what is your view on likelihoods of those outcomes?

LaHood: Well, Peter, as you know, it is a little of three-dimensional chess and figuring out what is going to happen in November. But I would just say as we sit here today, I think if the presidential election was held today, I think President Trump is going to win, and the polling shows that. And I think it is partly because of the issues. Immigration is front and center with folks. I think inflation is front and center, kind of the globe being on fire is another issue that is directly affecting people. So, I think if the election was held today, I think President Trump wins. I think we hold our majority in the House. And of course, the Senate map is very strong for us, and so I think we could pick up two to four seats there, and so I feel very good. But as you know, we still have four or five months yet to go here, and a lot can happen between now and then.

Roskam: So, walk through, as you're thinking about approaching 2025 as a member of the Ways and Means Committee, the oldest committee in Congress, the only committee in Congress that has its imprimatur from the Constitution itself. I'm just saying. But how should people be thinking about expiring provisions of the Tax Cuts and Jobs Act? Expiring provisions of the Inflation Reduction Act, the overlay of the debt ceiling debate early 2025 even with extended measures, so that kicks it out a few months. But you're going to be under a lot of deadline pressure, and how are you thinking about this as somebody comes from a manufacturing, ag district in America's heartland?

LaHood: Yeah, a lot packed into that question, Peter. Let me just say, next year will be the Super Bowl of tax. Some people call it the Armageddon of tax. To your point, TCJA, which of course we passed in 2017 with your leadership on that, but all of those provisions expire next year. We're roughly going to have $4.5 trillion, the expiring tax provisions. And I would argue TCJA created the best economy in my lifetime, pre-COVID. You look at what it did. It was monumental in terms of changing our tax code, letting the private sector flourish. And people forget we moved 6 million people out of poverty during TCJA. And so, it affected every level of the economy and every level of our society. So, we have to, our goal going into next year is, how do we make a number of those things permanent? How do we keep the economy on that growth pattern that we had from TCJA? But a lot of that is going to be affected by what happens in the election.

Again, I think if Republicans are still in charge of the House, and we have the Presidency, and we have the Senate. I mean, we ought to be focused on making those provisions permanent to keep the economy going very, very strong. And so, we've created in the Ways and Means Committee ten tax teams that will meet between now and the end of the year. These tax teams are focused on two things, one, educating members of Congress that weren't here when TCJA was debated and passed. Roughly, we have, only a quarter of the current members of Congress were here when TCJA was passed, so we're…

Roskam: That is remarkable.

LaHood: Right?

Roskam: Say that again.

LaHood: Yeah. A quarter of our current members of Congress were here when TCJA was passed. So, we have a lot of work to do on educating members and being really strong advocates for what happened. And just highlighting, again, what it did for the economy.

The second point is reaching out to the private sector that was affected by TCJA, getting their feedback on it. So, the tax team that I'm heading up, we have ten of these, is the workforce tax team. So, we're going to reach out to the private sector over the next six months. Find out how it affected them, the benefits of that, put that together, and be ready to go next January. Right after the January 20, this will be the first thing out of the gate with the new President. Remember, Peter, we also have to do this through budget reconciliation because we're not going to have 60 votes in the Senate. We did that last time around. A lot of members don't know what budget reconciliation is, so there is an education level on budget reconciliation.

The last point that I would, so there is a lot at stake there. But the other thing is, I think one thing that members will be much more focused on is the debt this time around. We're $10 trillion more in debt than we were in 2017. So, how do you pay for these tax provisions will be a big issue there. So, those are, I think, added factors as we look at how we put this together.

Roskam: It is really good insight. I want to go back to that idea about how few people were around and even fewer on the committee at the time. I was talking to some clients recently and said, I would not approach Capitol Hill saying, this is how it was done, and just do it again the same way. Because it's got that glory days feel to it, and I think it is a very bad vibe and a very bad approach. And instead, I would say, try and communicate the buoyancy of these tax provisions and why they matter. But don't ask current members just to do a retread or hit repeat of something that a previous Congress did. I don't think that ends well, and I don't think that is a good way to advocate, particularly with members who weren't even in Congress at the time.

LaHood: Exactly. People don't even know what TCJA stands for, right? And so, we use a lot of acronyms around here. So, I agree with you. It is starting from ground zero and letting them know. And a lot of this is, all politics is local. I mean, working with companies and businesses, small, medium, and large in their district, how it affected. People also remember, I mean, people don't remember this. We repatriated roughly $3.5 trillion dollars back to the United States, companies that had their money parked overseas. We brought all of that back.

But I agree with you. It is starting at the ground level, at the grassroots level with our members of Congress, and educating them on what this is going to do for the economy to continue to let it grow is going to be vitally important on how we do this. The other thing is, Peter, you were very involved with this, our ramp-up to do TCJA in 2017. It took five years. It started under Chairman Camp.

Roskam: Right.

LaHood: Chairman Paul Ryan and then, of course, Kevin Brady. And you played a big role in that. I mean, so that was five years. And we're trying to really, between now and the end of the year, we have six, seven months to kind of pack this in. So, we have a lot of work ahead of us on what we need to do.

Roskam: So the tax team, Darin, that you're heading up, how are you approaching that? And what is it that you're looking for? You mentioned you're looking for private sector feedback. Are you going to be hosting roundtables? Are these D.C. meetings? Are you going out to the field or a combination of all that?

LaHood: Yeah, we're doing both. Actually, today we have a roundtable with a number of private sector folks that we're bringing in. Under our portfolio of American workforce, we're dealing with everything from ESOPs to child tax credit, to 529 plans, to EITC, a number of provisions. So, we've kind of broken it down, industry by industry, sector by sector.

And so, for instance, this afternoon we'll have our five members of our tax team there from the Ways and Means Committee. We'll have industry folks coming in, to again, give us the lay of the land on how they were affected in a positive way, maybe a negative way, what we can do different. Taking that feedback, compiling that, and having that ready to go into the fall, that is part of it.

Second part of it is, bringing in all these members that weren't here to talk about those provisions. What it did for 529, what it did for child tax credit, these things, and just educating them and being the strongest advocates possible. We're going to do that over the next several months.

Roskam: Ways and Means Chairman Jason Smith was at our legislative seminar not long ago. And he said that when he was whipping votes, that is, getting votes for the Smith-Wyden bill, he had House Republicans asking him how come he wasn't raising the corporate tax? And that was such a dramatic revelation to me. I mean, you and I look at each other and scratch our heads saying, come on. This is not what House Republicans are supposed to do.

Can you speak to that, this populist dynamic that is emerging out there? I'm sure you see as someone on the campaign trail. I'm sure you see it somewhat at home, occasionally. What is happening there? And what do you think, how are pro-growth-oriented people, what is the best way to turn the corner on this?

LaHood: Yeah, great question, Peter. Let's go back. Remember, the corporate rate was at 35%. We brought it down to 21%. But the immense benefits to the private sector to companies on hiring people, raising wages, again, reinvestment into companies. I mean, the stories are endless, from again, small, medium, and large companies throughout America and what that did.

So I mean, what we have ahead of us is reminding people of what that did. Not just the numbers of bringing it down from 35 to 21 but the real-life stories of the jobs we created. Again, I go back to people's wealth increased significantly. That is a big part of it.

But I will say this, as people talk about where the corporate rate goes, everything we do is predicated on keeping it 21%. But what I will tell you is, with the debt the way that it is, we're going to have to make sure this is paid for. And how do you pay for all of these provisions within TCJA and those expiring provisions? I think that will be much more front and center this time around than it was last time.

Roskam: Let's shift gears a little bit, because you really do have a unique position here in terms of three key committees that are at the center of the world right now. So, we just talked about your Ways and Means assignment. Can you give us a view how the Select Committee on competition with the Chinese Communist Party is viewing its work moving forward? Former Congressman Mike Gallagher has left Congress, and now there is new leadership there. And where do you think the committee is going for the duration of this Congress? Do you think that this will be a repeating action in the next Congress? And you represent a district that sells a lot of things around the world. You sell a lot of agriculture. You sell a lot of Caterpillar equipment. So, you've got a unique view on trade and that whole debate. So, what is cooking?

LaHood: So, the Select Committee on China created this Congress special committee that, at the time, Speaker McCarthy put in place to really work in a bipartisan way. People forget when we created this committee, we had 100 Democrats supported on the House floor. So, it is very bipartisan. We have 11 Republicans, 9 Democrats really focused on two things on the committee: exposing the malign activities of the CCP, the Communist Chinese Party, and what they're doing around the globe, whether that is supporting Putin and Ukraine, whether it is the provocation in the South China Sea, what they've done in Hong Kong and Tibet, and what they want to do in Taiwan. So, that is part of it, exposing that, and I think we've done a decent job.

The second part is how do you win the strategic competition against the CCP for 10, 20, 30 years down the road? I think you do that on the economic front. And so, we've been heavily focused on how do you win the economic competition? By the way, Peter, the thing that the CCP fears the most is bipartisan support against it. We've never had that in the history of this Congress because we've always had these fissures of people that take these different paths to China. We're collectively now working together.

So, at the end of last year, Chairman Mike Gallagher and the committee, we put out a report in December. There was a compilation, kind of a road map of legislative ideas to be implemented. Now remember, because it is a select committee, we don't have legislative jurisdiction. So, the committees of jurisdiction, Ways and Means, Energy and Commerce, Armed Services, are now heavily focused on implementing a number of those things.

I'll just give you a couple examples. One is we're looking at restricting outbound investment to China in key sectors, whether that is chip manufacturing, whether that is quantum, whether that is high technology in the military. So, restricting outbound investment on that. Right now, we have a lot of venture capitalists, a lot of private equity that is feeding China, and so we're going to clamp down on that. So, that is one provision that is going to go out.

We also, prohibiting China from buying farmland in the United States. That's been a huge issue. Of course, we did the TikTok ban that came out of the committee. So, there is a number of things there. To your point, are we going to be able to do all that before the end of the year? Probably not. So, I think, if I had to guess, I think this committee continues on into the next Congress because we still have a lot of work left to do there on this.

The last point that I will make is, if you, when we brought China into the World Trade Organization roughly 21 years ago, the argument at the time was bring China into the World Trade Organization. They're going to democratize, they're going to modernize, they're going to liberalize. They're going to become more like us. None of that happened. They play by a different set of rules and standards than every other industrialized country in the world. And so, how do we change their behavior but also understand that we have an economic relationship? Because people want to, the knee jerk reaction is, go to a cold war mentality, and we're going to decouple, and we're going to de-risk.

Now, it is not necessarily an apples-to-apples analogy, but the Cold War against Russia we won. But we didn't have an economic relation with Russia. We are tied at every level with China, two largest economies in the world. And you mentioned earlier, I have manufacturing in my district. Caterpillar, Fortune 200 company, iconic American company, people are surprised to learn they have 29 manufacturing plants in China, 4 R&D facilities in China. Forty percent of the corn and soybeans grown in my district goes to China. So, it is great to talk about cutting them off or getting into a trade war. But are our farmers willing to pay the price on that? Or our manufacturers or consumers? I think that is easier said than done.

So, it is finding that balance of having an economic relationship, or that market of 500, 600 million people that we sell a lot of stuff to, but also holding them accountable. Threading that needle is what the Committee is heavily focused on, and I think we can get it right. And again, I go back to, I think there is bipartisan support to do that. If you listen to the Select Committee on China, sometimes you don't even know who is a Republican and who is a Democrat on the committee. Because we are both, both parties are focused on how do we win that strategic competition?

Roskam: So, a couple of months ago I was with a delegation. And we went to Taiwan and met with the President-elect, President-elect Lai, and his leadership, the national security teams and so forth, and the current administration. One of the things that struck me was, obviously, the AI vulnerability in terms of chips. And we are at risk, it seems to me, that if China gets control of that production, we are at risk of losing out on an entire generation of AI wealth creation. I mean, I don't mean to sound hyperbolic, but it is almost as if something as big as the Industrial Revolution is at stake. How are we to be thinking about that and understanding the China risk vis-à-vis Taiwan, Taiwan's ability, sort of a porcupine strategy to defend itself and to have others come alongside? And what is your view about how ready we are?

LaHood: Well, you're so right when you look at AI and quantum and the competition that we have with China for the future. You know, just separately from that, hypersonic missile technology. China fired a hypersonic missile two years ago. It went around the circumference of the Earth and landed within 250 feet of its target. They are 15 years ahead of us on that. The technology was created in Berkeley, California, stole by the Chinese in 2003, and now they're way ahead of us. I only say that because when you look at quantum, when you look at chips, when you look at AI, I mean, they are massively investing in it. But that is really the strategic competition.

As we look at how do we counteract that, I think it is both a national security issue and it is an economic issue. I would just say on the national security issue, Peter, we have obviously pivoted to the Indo-Pacific region. What do I mean by that? For the last 20-plus years we were focused on the Middle East after 9/11, two wars in the Middle East, we had a lot of focus on counterterrorism. There is now a shift, from a military standpoint and from a national security camp, with the Indo-Pacific region. We are building up relationships in Polynesia and all these countries in the South China Sea. We're building up our Navy reserves there. To your point, we're porcupining out Taiwan. The amount of military weaponry that is going to Taiwan, whether it is harpoons, whether it is stingers, whether it is submarines, I mean, we are porcupining them out.

I would just say, probably one of the best things the Biden Administration has done was AUKUS, the agreement with the Australians to build 10 nuclear submarines. China hates that. And so, we're slowly making progress. But so, I think it has to be a combination of the national security and the intelligence, and what we're doing with our military in the South China Sea, building up like-minded partnerships with the Philippines, with Indonesia, with Singapore, of course Japan and South Korea, continue to build those up.

But then on the economic front, we have to be stronger in the economic front, and that is where I think trade with our like-minded allies over there. Listen, go back to TPP. We're never going to have TPP, the Trans-Pacific Partnership. But we can write the rules of the road when it comes to trade in the region there. Think about this, China is bordered by 17 different countries. They don't have a trade relation with any of them. They don't have a relationship bilaterally with any of them. We ought to focus on that, again, on the economic front, on the diplomatic front, and the military front to be engaged. And that is part of what our committee is focused on.

Roskam: So, as I was telling your staff before you came in, that you're a good texter, you know? So when I texted you, hey, can I, will you come on to our podcast? You said yes. And when you're delayed in responding to me, it is usually because you're on the other side of the globe. You don't have your device with you, and you're on a trip with the Intelligence Committee. And you'll come back to the surface and say, hey, I was gone, and now I'm back. In your mind, based on your unique perspective, Darin, on the Intelligence Committee, I know you can't disclose anything nor am I asking you to. But what are the areas, regionally, beyond Indo-Pacific that are on your mind that smart businesspeople should be thinking about and there should be an awareness about, just the dynamics within those regions?

LaHood: Well, I would just say, it's been an honor for the last three years to be part of the Intelligence Committee. We, obviously, we oversee 17 different intelligence agencies in the federal government. That is our oversight role. But you also, as part of this role, you get to see tremendous men and women that work in our intelligence services across the globe in dark and dangerous places that allow us to live in the greatest country in the world. But we have a role on the Intelligence Committee to make sure that programs are run the right way, that the federal government is not abusing its power in the intelligence. We saw that during Crossfire Hurricane, a number of these other things. Holding them accountable, that is our job as part of the division of power in our federal government. So, holding them accountable.

But to your question, as we look around the globe, I mean, listen. If you look at particularly Africa or the Southern Hemisphere and South America, the influence of the Belt and Road by the Chinese is a big one. As we try to cultivate relationships with third-world countries, second-world countries, I mean, we're in competition for rare earth minerals, for military sites. And China is, again, I go back to they play by a different set of rules and standards. And they've used the Belt and Road Initiative. We're kind of trying to counteract that by building up alliances and relationships. So, that is a huge issue that we're focused on. We're also focused on Russia, to a lesser extent, in Africa. Wagner, their kind of military apparatus they use there, is causing a lot of problems in places like Niger and other places.

So, from a intelligence standpoint, we have to be heavily focused on continuing to build those relationships there. I mean, I always say this, when you go to a lot of these countries, people love America. It is kind of our soft power. There is only one American dream. We use that cliché a lot. There is not a China dream. There is not a European dream. There is an American dream. People want to come to America, but we have to be engaged. We have to be there. That happens in our State Department. That happens diplomatically. It happens culturally, and it happens on the intelligence side of it.

So again, without getting into too much of that, our intelligence apparatus is strong. It is vibrant. It continues. And I'll give credit. I think Director Burns at the CIA has done a very good job of reaching out to Republicans and working with us. I think we're getting back to the business on the committee of doing intelligence work and taking politics out of it. That is ought to, what we ought to be focused on.

Roskam: Well, Congressman Darin LaHood, you've given us an incredible view into what is going on in Congress. You've given us, you've taken us all the way around the world, and we really, really appreciate your time. So, this is The Cloakroom with Peter Roskam, and we hope to have you back someday.

LaHood: Thanks, Peter. Great to be with you.

Roskam: Thanks.

Rubenking: Thank you, Peter and Congressman LaHood. If you have any questions for Peter, his full contact information is in the show notes. As always, thanks for listening to BakerHosts and The Cloakroom with Peter Roskam.