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**ROMAINE BOSTICK, BLOOMBERG:**

As we speak, we're learning based on Bloomberg reporting that moderate Republicans right now are actually working with Democrats to try to come up with some compromise here, but of course, the big news is really what we're seeing on the far right of the Republican Party right now and whether they remain obstructionists here to a new funding bill. Libby Cantrill is joining us right now, Head of U.S. Public Policy and Managing Director over at PIMCO. And Libby, let's start off here with the idea of exactly what the compromise, if at all, for that matter, would be should they be able to find some common ground between these two sides.

**LIBBY CANTRILL, PIMCO:**

I guess hope springs eternal, but compromise does not seem likely at this point. Everything is impossible until it's inevitable in Washington DC, so we should not necessarily count it out, but it doesn't look like the stars are aligned for a compromise, and that's really just because Speaker McCarthy in many ways has a Sophie's Choice in front of him. If he funds the government, it means by definition he's working on a bipartisan basis, working with Democrats, passing a bill that could pass the House and the Senate and be signed into law. However he probably would lose his speakership if he were to do that. Or he passes a bill that can only get Republican support, has no chance of passing in the Senate, won't be signed into law, shuts down the government, but I think hopefully from his standpoint keeps his speakership. So again, the venn diagram, if you will, of possible compromise in terms of both of his incentives, funding the government and keeping his speakership, at this point they do seem more mutually exclusive. So again, that area of potential compromise seems quite remote at this point.

**BOSTICK:**

On the off chance that maybe we get a continuing resolution or some other sort of short term stopgap measure, would that actually change that venn diagram at all, if they just kicked the can down the road? Does buying time actually improve any of those scenarios that you just laid out?

**CANTRILL:**

It may placate the farther right in the House Freedom Caucus. We're really just talking about five to ten to fifteen members, so clearly not a majority of his caucus. And of course the irony here is that if he did put a CR (continuing resolution) or even the bills that the Senate is passing at the agreed upon levels that were outlined in the debt ceiling agreement back in June, those would have the votes to pass. So this really is about Speaker McCarthy retaining his speakership and trying to placate that group of minority but very vocal minority members. To your point though, if they were somehow able to pass a continuing resolution for 30 days or 60 days, it doesn't really change the calculus here. I would say the one caveat though is if Speaker McCarthy can placate the House Freedom Caucus members by putting some of those single funding bills on the House floor, but even those may not be able to pass. So this is quite a quagmire for the Speaker.

**KATIE GREIFELD, BLOOMBERG:**

And Libby, when you look at the different characters involved, the different sides of the aisles and some of the issues that we're talking about, say that we don't get something signed by Saturday. What length of shutdown could we be looking at here?

**CANTRILL:**

So I think this is the real key question for both the economy and for markets: the duration of the shutdown. As you alluded to, there have been previous shutdowns in recent history. However, one nuance here. Everyone keeps referring to the 2018-2019 shutdown as the longest shutdown. That is true, but keep in mind that was only a partial shutdown. Congress had already passed about half of the appropriations bills that they needed. So only part of the government was shut down. The actual longest full shutdown that we've seen was back in 2013, and that was for 16 days. So that's really I think the benchmark that we should be using here. I think our concern at PIMCO is if the government shuts down, there may not be a catalyst, or at least an imminent catalyst, to reopen the government, and we have a pretty good idea of what happens to the economy if the full government is shut down for 16 days. But what happens if it's shut down for longer than that? For weeks, not days. I think that is our concern. And of course as you all been talking about, this is coming in a time where there's some other headwinds for the consumer: resumption of student loan payments, increased gas prices, the UAW strike, the resumption of tax payments for a lot of Californians who haven't had to pay their tax bill for this year. So this comes at a fragile time for the economy. And we're just worried that this could have more of a deleterious impact should it go longer.

**GREIFELD:**

Alright Libby, really great to catch up with you. We appreciate your time today. That is Libby Cantrill. She is Head of U.S. Public Policy and Managing Director over at PIMCO.