**MEDIA: Television**

**STATION: CNBC**

**MARKET: National**

**DATE: 2023-10-02**

**TIME: 02:10 PM ET**

**PROGRAM: Power Lunch**

**SUBJECT: Libby Cantrill - US Public Policy**

**PAGE COUNT: 4**

**TYLER MATHISEN, CNBC:**

Alrighty, turning now to Washington to the extent that our preceding conversation wasn't at least tangentially related to Washington. Down there, the government shutdown was averted, at least for now. We could be right back in this position six weeks from now, of course, and the bipartisan deal could lead to the ouster of House Speaker Kevin McCarthy. Here with more on what's next in DC and McCarthy's future is Libby Cantrill, Head of Public Policy at PIMCO. Libby, welcome. Always good to see you. I'm curious. So I want to begin not with the Speaker McCarthy, not with the deal particularly that was struck on Saturday, but on the question of Ukraine. Conspicuously absent from this continuing resolution was any more funding for Ukraine. Does that persist and do we then not continue to fund Ukraine's resistance against Putin and the Kremlin, and isn't this exactly what Putin wants and expected from U.S. politics?

**LIBBY CANTRILL, PIMCO:**

Yeah, well, good afternoon, Tyler. I think that's exactly right in that just sort of highlighting how much of a lightning rod Ukraine funding has become particularly for the House Republican conference. There was a vote last week that indicated that only a little more than half of the Republican conference was opposed to Ukraine funding. This is, of course, after both sides of the aisle have been mostly supportive of funding the continuing effort in Ukraine. It just shows you that there are some cracks. Now, however, the center on Ukraine still holds in both parties and both parties still want to continue to fund the effort, but I think it does show trouble ahead here in terms of Ukraine funding, particularly if there is a regime change in Washington after the next election. For the foreseeable future, I think what is most likely, and Representative Gaetz was referring to this, I believe, on the House floor today, is that there will probably be just one big vote on Ukraine funding that prevents then folks from having to vote over

and over again, taking painful votes over and over again. So I think they're going to try to clear the decks before the election.

**MATHISEN:**

In other words, Ukraine funding will move on a separate track from the rest of the funding of the government.

**CANTRILL:**

It looks like it. Was this part of the secret deal that Representative Gaetz was referring to earlier today? That's an open question, but I do think Speaker McCarthy and Majority Leader Schumer are committed to bringing this up in some sort of standalone vehicle or in some other vehicle outside of the appropriations process just given what a lightning rod that is.

**MATHISEN:**

All right. So what happened on Saturday? I mean, Friday, it was all over and there was going to be a shutdown and everything seemed set that way. And then Speaker McCarthy threw a Hail Mary pass and he relied on a lot of Democratic support and a modicum of Republican support to get this continuing resolution through the House. How did it come about, number one, and number two, what are the consequences for McCarthy going forward?

**CANTRILL:**

We were of the consensus view as of Friday afternoon that a shutdown was very likely. I wrote out a client note saying that it was near 100% odds. Never do that, apparently. That’s just karma. But it did seem like we were barreling towards a shutdown and Speaker McCarthy had a choice to fund the government and potentially lose his speakership or work with the Republicans on a Republican-only bill, not fund the government, but not lose his speakership. I think interestingly, he pivoted to working with Democrats, but his speakership is in jeopardy. I do think, though, from a markets and economic perspective, Tyler, it's just important to remember that this is just a reprieve, not a resolution. We are going to be revisiting this issue in 45 days. I think the big question is, can the House pass these appropriations bills, can the Senate pass their own versions of bills, and can they conference them in time to avoid a shutdown in 45 days? We'll see. I'm not going to make any projections here, but we'll see as that's

an open question. So, in some ways, this didn't really solve any problems. This just simply kicked the can down the road, but it did present a potential issue for the Speaker, as you alluded to. Representative Gaetz, again, is likely to bring a motion to vacate to the House floor, and there are lots of ways that that can go. But likely, Speaker McCarthy will need some Democrats to at least vote present or not show up in order to help him retain his speakership. I think that's an open question. I will just say it's important to note that I don't think Democrats really necessarily want to help the Speaker here, unless there are going to be some explicit concessions. And that may then sacrifice Republican support for Speaker McCarthy. So he is in a bit of a pretzel here, but I think from a markets and economic perspective, the big takeaway here is, yes, we've kicked the can down the road. An economic headwind for now is off the table, but nothing's been really resolved here. We've just really seen a respite, not a resolution, again.

**KELLY EVANS, CNBC:**

Libby, are the rising bond yields getting any attention in Washington?

**CANTRILL:**

For sure, Kelly. I watched Dan (Ives’) segment, and I couldn't agree with him more. And I do think that in some ways, folks are kind of out of their side and looking at these with some weariness. And I think also interestingly, the electorate is starting to worry about deficits again. The sort of politics of austerity that we've seen cycle through Washington, I do believe is coming back. I think this is going to be a big issue going into the election and post election. Of course, the Trump tax cuts are going to expire at the end of 2025. That will be an important inflection point. But the big point here, though, is in terms of government spending, the discretionary part of the budget, which we are all focused on and which we're about to see a shutdown over and what have you, is only a quarter of all spending. So to really tackle things, you really do need to look at that mandatory side, whether it's social security or Medicare or what have you. This is just nibbling around the edges. We're not really getting into the substance of the actual spending problem.

**EVANS:**

No, maybe a Greenspan commission redux, exactly, something of that size. I know we all get excited about commissions, but that may be the way. Libby, thank you very much for joining us. We appreciate it.

**CANTRILL**:

Thanks so much. I appreciate it.

**EVANS:**

Libby Cantrill with PIMCO.