**MEDIA: Television**

**STATION: Bloomberg**

**MARKET: National**

**DATE: 2023-11-13**

**TIME: 04:10 PM ET**

**PROGRAM: Balance of Power**

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

**PAGE COUNT: 5**

**JOE MATHIEU, BLOOMBERG:**

So are the odds of her shutdown lower than they were before the weekend? A lot of folks think so, including Libby Cantrell, PIMCO's Managing Director, Head of Public Policy. It's great to see you, Libby. Welcome back, as always. You know, most people just want to hear that everything's going to be alright. Can you tell our viewers today that that's the case?

**LIBBY CANTRILL, PIMCO:**

Everything is going to be alright, Joe. It really- we really expect everything and everything to be alright. No, we're not always saying that. But in this instance, we are. We think that this, what was unveiled over the weekend, effectively a clean stopgap bill that just funds the government until they serve two different dates, January 19th, and then February 2nd, sort of depending on the area of the government it funds. This is, I would say this is a kind of a victory for moderates, for even Democrats, who want to see the government funded, who want to go home, very importantly for both the Thanksgiving and for the holidays in December, and who will want to sort of delay this fight. And this is effectively what it does. I think the real question, however, is can Johnson sort of assuage the sort of understandable and expected resistance among his right flank and keep his gavel if this is what, in fact, happens, which is he, Johnson, puts this up on the floor, it passed with the majority of Democratic votes, passes and then gets signed into law. Again, ironically, just to remind people, this is exactly what Speaker McCarthy did at the end of September that got him ousted. So in some ways, we've been telling our clients the same menu, different waiter. The same dynamics are very much at play here in order to pass something that's going to get signed into law. You sort of have to work with Democrats, particularly because the Senate is controlled by Democrats. So that dynamics still prevail. So I think the big question here is, “Can Johnson do this and keep his speaker gavel?” We think so. So yes, a long way of saying we do think everything will be alright, at least in the short term.

**ANNMARIE HORDERN, BLOOMBERG:**

Well, Libby, we also heard from President Biden earlier today address the shutdown in the Oval Office. I want you to listen to what he said:

***PRESIDENT BIDEN (RECORDED):***

*“I understand that the new Speaker of the House has a proposal that's being negotiated with the minority leader of the House and Senator Schumer and the Republican leader also talking about it. I don't know what the outcome is going to be. I'm not going to make a judgment about what I’d veto, what I sign. But let's wait and see what they come up with.”*

**HORDERN:**

I'm confused, Libby, about the White House's response. Because over the weekend, they were talking about how the Republican Party is reckless with this ladder to approach continuing resolution. But there's no poison pills. There's no cuts. It is a clean stopgap measure. It just has two dates on it. Is the White House making optically a little bit of a mess of this?

**CANTRILL:**

Yeah. It was curious over the weekend just the messaging from the White House as you point out when they poured cold water over this. They called it extreme and irresponsible. At the same time, a majority leader, Schumer and the Senate said that this actually couldn't- was not so bad. It could be a lot worse. Because for the very reason that you point out, it does not include spending cuts. It doesn't include any sort of policy riders that would have been anathema to the majority of the Congress. So I do think there is a little bit of a messaging misfire here. But again, I think the bottom line here is, and I think it's important- instructive, that Biden did not say that he would veto it. And I don't think he would. Again, if you're just thinking about what members are facing here, particularly in the House, folks have been in session for 10 weeks. That may not sound like a lot of time for all those of us who usually work a five-day work week. But for members of Congress to be in DC for that long, without going back to their constituents, is a very long time. They are eager to go back to their districts. And so this is a way to allow them to go back for the entire holiday. So again, I think that Biden will have a lot of pressure on members in both the House and the Senate to sign this thing. And I think as a result, he did not veto. He did not threaten the veto, which is, again, not surprising.

**MATHIEU:**

I need to ask you about Moody's Libby. We're obsessing over whether we could fund the government for a couple of weeks here, basically, through the end of the year is what we're talking about. But of course, that downgraded outlook got some attention at the end of last week. This is Moody's downgrading our outlook to negative here. And they said the key driver was the downside risks to the U.S.'s fiscal strength increasing. That part won't change. And as we enter potentially a protracted debate over real government funding at the beginning of next year to fund our government for the next year, I wonder if what we're about to see leads to a real downgrade. What do you think?

**CANTRILL:**

So this is something that we've been talking to clients- because this in many ways that we're talking about Joe. And we like to obsess over the machinations in Congress understandably, because we're policy nerds, but the real issue for spending is not what Congress is quibbling about. That's what's called discretionary spending. That's just a quarter of the government's budget. The balance—

**MATHIEU:**

We're not going to mess with entitlements in this debate, are we?

**CANTRILL:**

And that is the issue. And so that is what we're telling clients is that for all of this noise coming out of Washington, the big elephant in the room is around Social Security and Medicare. And unless folks come from both sides of the aisle, really do something about those programs, our fiscal position will not be any better. So for all the quibbling around, mostly about non-defense discretionary spending, which is only about 12.5% of the budget, and the real issue is on entitlements. And of course, as you know, both Democrats and most Republicans view that as the third rail. They are not going to politically take that on. The polling is very clear. Which is a long way of saying that, while Moody might be responding to some of the political dysfunction that's been happening on Capitol Hill over the last few weeks and months. The big issue is really around entitlements. And I think they're right to point out that the political dysfunction and the short term means that there is less political willingness to come together to address these longer-term issues. But it's not around discretionary spending, which is what we read about in the headlines again. It's really around entitlements and making some common sensical reforms to those entitlement programs.

**HORDERN:**

Absolutely. Discretionary spending is just a small piece of this pie. Libby, just very quickly, talking about nerds. I mean, it feels like Moody's at the moment, maybe. I'm not sure if you saw this, but it's almost like they're trolling the Capitol, the District of Columbia. They decided now to cut the outlook to negative from the stable of Washington, D.C., the District of Columbia, because it reflects the district's unique exposure as the nation's capital of the federal government. What do you make of this?

**CANTRILL:**

I mean, a little– Now, Mark Zandi, who's their chief economist, has been an implicit advisor to the Biden administration. So they definitely, the White House definitely has some friends over there. But I do think this is, as you all know, Moody's is the last large credit rating agency to have not downgraded the U.S. government. They still have a triple A rating, although their outlook is unfavorable, whereas Fitch and these other credit rating agencies have downgraded. I think, in some ways, Annmarie, this is probably just reflective of their being on their back foot. I do think, though, importantly, I don't expect it- we don't expect them to say downgrade. We'll see. But it doesn't seem like a downgrade is necessarily imminent. It's more of just a warning shot across the bow than anything, then I think leading to necessarily a downgrade at least in the very short term.

**HORDERN:**

All right, Libby, thank you so much for joining us. Libby Cantrill, PIMCO Head of Public Policy.