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**MIKE SANTOLI, CNBC:**

From avoiding a government shutdown to a bipartisan tax deal, it's been a busy week on Capitol Hill, joining us now with the impact on the markets. PIMCO Head of Public Policy, Libby CantrIll. Good to see you, Libby.

**LIBBY CANTRILL, PIMCO:**

Good to see you.

**SANTOLI:**

So short-term budget deal, I don't think the markets were too wound up in anticipation of this, but where does it ultimately lead us in terms of getting something a little more secure, not to even get yet to this idea of a bipartisan tax plan?

**CANTRILL:**

Yeah, so I mean, we've seen this movie before, and I think you're right. The markets have become rather impervious to all of the drama on Capitol Hill. What we just saw, both the Senate and the House pass, is yet another short-term stopgap funding bill. Basically, it just kicks the can down the road. Congress has gotten quite good at that. The new deadlines now are March 1st and March 8th. I think that the concern is, are sort of the fundamental issues that have plagued former Speaker McCarthy, and now Speaker Johnson, have they changed? And they haven't. And so as a result, we could come to early March and be facing yet another government shutdown. Now, does the market care about this? Probably not, unless there's a prolonged shutdown when it actually could feed into economic data, and then also potentially deprive the market and the Fed of getting some key economic data from the Department of Labor and Department of Commerce. But we'll cross that bridge when you come to it. Upshot here is, for another six weeks, the market can ignore what's going on in Capitol Hill.

**SANTOLI:**

But you mentioned the Speaker is in the same spot as McCarthy was. But what's the leverage point right here, or what's the fault from where it's going to matter in March? I mean, it's just still the same issue of “We're not going to agree to this, you know, this immigration proposal because it has Biden backing.” How is it going to work?

**CANTRILL:**

Yeah, so I mean, the House and the Senate have just been trying to buy more time to do two things. One is to pass these underlying 12 appropriations bills, where all of our clients eyes glaze over understandably, something they haven't actually done since 1996, passed all of the appropriations bills, so they usually just package them together and something called an “Omnibus”. The Republicans don't want to see that. So that's one thing. They want to pass all these underlying appropriations bills. Can they do that by early March? Very unlikely. The House has passed seven of them, of the 12. The Senate has only passed three. They need a conference with them and what have you. So a lot of sort of mumbo jumbo, but the upshot is they probably won't have been able to reach that deadline. So again, probably faced with another short-term stop gap. The other issue as you brought up, though, are these issues of border security and then also Ukraine funding. The White House really wants Ukraine funding, lots of folks, both sides of the aisle actually want that as well. But the House Republicans are holding firm that they want some of these border provisions. Now, I think the big question is, do they really have the political incentive to compromise with the Democrats before the election? This is a liability for President Biden for sure, and is it sort of giving President Biden a win before the election? So we'll sort of see how that plays out. But again, we've been sort of saying, glibly to our clients, you know, same menu, different waiter, and that, like the same dynamics in the Congress are facing Speaker Johnson as they were facing Speaker McCarthy.

**MELISSA LEE, CNBC:**

Isn't it a win for President Biden only if he doesn't compromise too much with Republicans on the border? I mean, it could be, it could go either way, really, depending on how they compromise.

**CANTRILL:**

For sure, Melissa. It's a great point. Of course, he needs to also get Democratic votes. So he can't go too far to the right, if you will, now, but again, in terms of the electorate, in terms of how he's polling on this particular issue, this is a real liability going into November. So if he did have a legislative win that could, he could point to secure the border, you know, that could help him. But he does need to get the votes first.

**STEVE LIESMAN, CNBC:**

Libby, so far, this thing, I think the word “works" is overstating it, but they keep funding the government, and they keep not having the shutdown. And we keep having people, I'm not you, but “you've got to take this seriously, they're going to have a shutdown.” Is there a point where the fundamental dysfunctionality of our political system comes up from the surface and erupts into a real government shutdown, or do you think at the end of the day the system is kind of working underneath the surface?

**CANTRILL:**

Yeah, I mean, that's a good point. Now, I mean, just as a reminder, this is like the base responsibility for Congress, right, to kind of keep the lights on, to fund the government. Like this is, in Maslow's hierarchy, this is like right at the bottom of the pyramid here. But you're right. I mean, I think that at the end of the day, neither party really has an incentive to shut down the government. They've sort of, again, they've put, they've toyed with this before, neither party has won politically when they've shut down the government over certain things. So I think at the end of the day, there will be a resolution. I think there is a risk, though, that if Speaker Johnson passes yet another short term funding bill, or what have you, or an omnibus bill, packaging all these things together, that his speakership is in jeopardy. And so, from his perspective, it wouldn't be working, but in terms of the kind of the markets and, however, it is working, I think that the bigger question, however, is is this Congress sort of adept at tackling bigger issues versus the more foundational things? Now, again, maybe the market likes that, maybe the more it doesn't want Congress to be doing too much.

**LIESMAN:**

I mean, the Republican party can look like Italy in terms of turning its prime minister over every week, but the government can't, right? The spending can't. It's okay if they're going to turn over, and the Speaker loses his job because that's something we might get used to, but I think that the thing that people care about is the government shutting down, and it doesn't seem to happen.

**SANTOLI:**

And we did allude to this idea that there are these tax provisions. Some stuff's going to sunset. I mean, is that really in play, we have the outlines of some agreement, right?

**CANTRILL:**

Yeah. And again, I think, like, expectation should be low here in terms of, so this is what you're referring to, is there was a bipartisan tax bill; it's actually going to be marked up in Ways and Means today, that would expand the child tax credit, that's a Democratic priority, and then also reinstate some of these expiring business provisions, like the immediate expensing of R&D and what have you. The business community likes that. Some Republicans like that, Democrats like the expansion of the child tax credit. But that said, there are still issues with how the bill has emerged. We'll sort of see today in terms of when the vote happens in the Ways and Means Committee, are Democrats supporting this? Are Republicans supporting it? Again, just talking to folks in the Hill, their expectations are low, that this will actually pass. But, you know, we don't know. This could actually, Congress could surprise us. They can't pass a government funding bill, but they can pass an ambitious tax bill. So we'll have to see.

**SANTOLI:**

And if not now, I mean, these issues are going to be out there through the election.

**CANTRILL:**

Well, and I think that's actually the broader point, honestly, a lot of Republicans want Republicans to hold their fire in terms of negotiating when we go into the Trump tax cuts, which of course are set to expire at the end of 2025, on the personal side.

**SANTOLI:**

Libby, thanks so much.

**CANTRILL:**

Thanks so much, appreciate it.

**LIESMAN:**

Yeah. And you better hurry up and get home before the snow, just like Congress,.right?