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**JOE KERNAN, CNBC:**

Congress passed a $1.2 trillion funding bill, averting a government shutdown. For possible market implications, let's bring in Libby Cantrill Head of U.S. Public Policy at PIMCO. I don't know what the prospect for governing is at this point. It's almost like no House- no party controls the House at this point.

**LIBBY CANTRILL, PIMCO:**

I mean, I think it's fair to say that. So just in terms of the government funding bill, this finally took the tail risk off the table. The market hadn't really been focused on a possible government shutdown, but this officially closes the door to that possibility. So if you're looking for potential disruptions, that at least has been taken off, you know, off the table for the next six months or so before they actually have to start thinking about 2025 again. But Joe, to your point, this took 10 months basically. The spending levels were negotiated as part of the debt ceiling agreement back in, back last June. So basically it took 10 months just to codify this. So this House and this Congress just in general has been really unproductive, you know, compared to historical precedent. Of course, both the House and the Senate have incredibly narrow majorities. But in terms of the prospect for legislation before the election, maybe we see some Ukraine funding. I think there was some hope that we would see this bipartisan tax bill that was passed on a huge basis in the House, pass the Senate. That looks like it's withering on the vine. So I think the upshot here for markets is tail risk has been taken off the table in terms of government shutdown, but we're probably not going to see much else

**KERNAN:**

Ok, so we do Ukraine. Mike Johnson can't do that without Democrats.

**CANTRILL:**

Yeah.

**KERNAN:**

He's already on, I don't know whether you'd say thin ice, but you're starting to hear some of the grousing from- what we call that faction? It's not really the “Crazy Eights”, “Matt Gaetz and The Crazy Eights”? That’s what McCarthy called them.

**CANTRILL:**

There are a lot of names for those folks, yes.

**KERNAN:**

But is that why- Mike Gallagher, so big future, right? We had him on. We liked him. He's even leaving–

**CANTRILL:**

Earlier.

**KERNAN:**

…earlier. My son said something- I didn't realize. So that leaving earlier makes it impossible for Republicans to replace him- or more difficult?

**CANTRILL:**

Because of the, because of this, the special election rules in Wisconsin, basically the time–

**KERNAN:**

I mean that’s just vindictive for him to do that. Isn't it?

**CANTRILL:**

I'm not going to assume any sort of intentions.

**KERNAN:**

Well why would you do that?

**CANTRILL:**

Well, I mean, and Ken Buck, the same thing, right?

**KERNAN:**

Ken Buck.

**CANTRILL:**

Ken Buck from Colorado also left. And because of the state rules in Colorado, his vacancy will not also be filled until the election. That just practically means- the upshot of this means, kind of for the markets, is that there's only a one seat majority of Republicans right now come April 19th when Mike Gallagher leaves. That means that to pass any legislation, you basically have- Johnson basically has to work with Democrats, and that could imperil his speakership even more.

**KERNAN:**

He’s digging his own, Demise. So why try to win the House then if you're Republicans?

**CANTRILL:**

Well, this is, well, this is–

**KERNAN:**

I think they'd rather, would they rather just be in a minority and just prevent it?

**CANTRILL:**

I mean I doubt it. There's a lot of privileges that go along with being the majority, you have to set the agenda, you set the floor agenda, you control the chairmanship. So, I mean, I think it's probably a bridge too far to say that they don't want the majority. But this, you know, I think this also just underscores, a) the polarization within the Republican Party. And we can say the same thing within the Democratic Party.

**KERNAN:**

Not really.

**CANTRILL:**

But also it's really difficult, it's really difficult to lead with, you know, one, two, three vote majority. And that's what we're seeing.

**KERNAN:**

The board collective always comes together when it needs to, the Democrats.

**BECKY QUICK, CNBC:**

Have we, have we reached the point, I mean, we always said it's been conventional wisdom that “Gridlock is Good”, because you don't want major things taking place. You don't want one party taking over and running too far away from the center. Have we reached the point where the gridlock is so extensive and so damning that it's no longer the case?

**CANTRILL:**

Yeah, Becky, it's such a good point. I mean, if you look at market returns over the last 70 years or so, usually the market does do better during periods of a split Congress or split government, meaning that kind of this idea that markets like kind of gridlock seems to be corroborated by the data. However, we've gotten to a point, to your point, where there's so much polarization and so much, maybe apathy even–.

**QUICK:**

I mean if you can't pass a budget, that's a problem.

**CANTRILL:**

Yeah, that if you can't do the harder things, it likely, you know, at some point–

**QUICK:**

Immigration, I mean I could go on through the list..

**CANTRILL:**

…may impact them or not. And I think we have some big fiscal inflection points going into 2025. You know, it might feel like it's too early to talk about 2025, but given that it just took 10 months for them to actually codify a government funding bill, probably not too early. The debt ceiling needs to be raised in spring of 2025. And then of course, we're going to have a $4 trillion basically fiscal cliff if Congress doesn't act on the expiring Trump tax cuts on both the personal and the business side.

**KERNAN:**

We got, I mean, we still have a lot to digest in terms of, we did get a lot– supposedly the Biden administration brags that they got a lot done. They did get a lot done. We're going to be doing, we're going to be, in fact, the “doing of the done”, we're going to be looking at for many years to come right now. You think that not doing anything additional is it- I think that type of gridlock would be good at this point. Don't you think?

**CANTRILL:**

Yeah, so I think there's obviously two areas where policymakers can affect change. One is in Congress in terms of passing legislation from a fiscal perspective. And we didn't see the Biden administration work with the previous Congress and pass the Infrastructure Bill, the CHIPS Bill, and then also the Inflation Reduction Act. So by, again, objective measures, it was a pretty productive session of Congress over the last two years. But also one other lever, of course, is for the Biden administration to act unilaterally. And they have done quite a bit as it relates to mergers to regulation from a financial sector perspective, from energies perspective. So if there were to be a change, say, in 2025 from a White House perspective, I think there will be a relief in some of those sectors that you will see more of an absence of additional regulation to your point, Joe.

**KERNAN:**

Got to find some more people to forgive the student loans of, in the meantime. Maybe we can do that. Thank you.

**CANTRILL:**

Yeah that’s so much, appreciate it.