

MNI POLITICAL RISK ANALYSIS - What To Expect In “Lame Duck” Session Of Congress

Lawmakers will return to Washington next week to conclude the “lame-duck” session of Congress - That is the session of Congress after the midterm elections and before new Congress gavel-in on January 3.

Government Funding

The continuing resolution to keep the government funded expires on December 16. To avoid a government shutdown, lawmakers must either pass another stopgap measure or pass an omnibus spending package to fund government agencies for Fiscal Year 23.

- Punchbowl News reported yesterday that House and Senate Appropriations committees have begun the process of drafting FY23 spending bills despite a lack of agreement on a topline spending figure.
- Another continuing resolution to bump the omnibus into the next Congress appears the most likely outcome, especially with the GOP poised to take control of the House, but it's worth bearing in mind that Senate Appropriations Chair Patrick Leahy (D-VT) and Ranking Member Richard Shelby (R-AL) have both expressed a will to wrap up a final FY23 bill before they retire at the end of the year.
- There is also a strong financial incentive to finalising a FY23 omnibus as soon as possible. According to the Hill, “the Department of Defence is losing out on [USD]\$207 million in buying power each day” while operating under a continuing resolution.

National Defense Authorization Act (NDAA)

The NDAA is a must-pass piece of legislation which steers policy and authorises funding for the Department of Defence.

- House Minority Leader Kevin McCarthy (R-CA), the man most likely to become the next House Speaker, said the NDAA should be delayed until the new year.
- McCarthy said: “I’ve watched what the Democrats have done in many of these, especially in the NDAA and the wokeism that they want to bring in there. I actually believe the NDAA should hold up until the first of the year, and let’s get it right.”
- House Armed Services Chair Adam Smith responded by saying, “we’re going to get it done this year because that’s the right thing to do.”
- Smith: “If you kick it off four, five, six months, you are really damaging the United States military. So, I hope Kevin McCarthy understands that. You are damaging the United States military every day past October 1st that you don’t get it done, and certainly more so every day past January [1st].”
- Senator Joe Manchin (D-WV) has stated a desire to attach his energy permitting bill to the NDAA. The permitting bill, which would relax regulation on energy infrastructure projects, has reasonably broad bipartisan support but was blocked from the previous government funding continuing resolution by Progressive Democrats

and Republicans during an acrimonious conclusion to the previous session of Congress.

- Rep. Mike Rogers (R-AL), the ranking member on the House Armed Services Committee, and Senator James Inhofe (R-OK), the ranking member on the Senate Armed Services Committee, have both opposed attaching Manchin's bill to the NDAA.
- Rogers said it's "not an option. We haven't even talked about it because it's not an option."
- The NDAA is likely to include another huge aid package for Ukraine. Democrats and moderate Republicans will be keen to authorise as much aid as possible before a GOP with a small majority dependent on the Ukraine-sceptic Freedom Caucus takes control of the House in January.
- Russia hawks in the GOP have indicated that Congress will likely authorise more than the USD\$38 billion requested by the White House.

Debt Ceiling

Congress is facing the prospect of crashing into the debt ceiling around Q3 2023. Lawmakers must decide whether to tackle raising the debt ceiling during the lame duck session or wait until the new Congress next year.

- The risk of a standoff may have decreased slightly following the poor Republican performance at the midterm elections. Minority Leader Kevin McCarthy (R-CA) is facing an unruly majority in the House, if he becomes Speaker, and it is unclear if he will find enough support amongst moderate Republican reps to obfuscate debt ceiling negotiations.
- White House Press Secretary Karine Jean-Pierre indicated this week that the White House is open to the debt ceiling being addressed during the lame duck but refused to be drawn on whether the White House believes that the debt ceiling should be permanently raised.
- Jean-Pierre previously described Republican threats to use the debt ceiling negotiations to apply pressure on Congress to cut spending as "reckless."
- Jean-Pierre: "It is reckless. It is playing a reckless game with our economy."
- President Biden further raised the risk of a standoff by vowing that he "will not yield" to GOP demands on Medicare and Social Security in exchange for avoiding a standoff over the debt ceiling.
- Biden: "Let me be really clear: I will not yield. I will not cut Social Security. I will not cut Medicare, no matter how hard they work at it."

American Innovation and Choice Online Act (AICO)

The AICO is an anti-trust bill co-sponsored by Senator Amy Klobuchar (D-MN) and Senator Chuck Grassley (R-IA) which seeks to prevent tech giants preferencing their own products on their platforms.

- The bill has been subject to intense lobbying from big tech and is expected to be shut down by Republicans if it isn't legislated before the GOP takes the House.
- Klobuchar and Grassley both believe they have the 60 votes required to overcome a filibuster and push the bill through the Senate. Senate Majority Leader Chuck

Schumer (D-NY) isn't so sure. Schumer's spokesperson said over the summer that he "is working with Senator Klobuchar and other supporters to gather the needed votes and plans to bring it up for a vote."

- White House Press Secretary Karine Jean-Pierre said: "We are very committed to moving ambitious tech antitrust legislation and we're stepping up engagement during the lame duck on the President's agenda across the board, including antitrust. There's a bipartisan support for these antitrust bills and no reason why Congress can't act before the end of the year."
- The question is whether or not there is enough time on the Senate floor to pursue AICO with so many other priorities pending.

IMPORTANT: This email contains information protected by copyright which can only be used in accordance with the terms of your Market News subscription agreement. UNAUTHORIZED DISCLOSURE, PUBLICATION, REDISTRIBUTION OR FURTHER DISSEMINATION OF THIS INFORMATION MAY RESULT IN CRIMINAL PROSECUTION OR OTHER SEVERE PENALTIES. Any such authorization requires the prior written consent of Market News. Redistribution of this information, even at the instruction of your employer, may result in personal liability or criminal action unless such redistribution is expressly authorized in writing by Market News. Market News takes any such violation seriously and will pursue available legal remedies.

This document may contain forward-looking statements. Forward-looking statements may be identified by the use of such words as: "may," "might," "will," "would," "should," "could," "expect," "plan," "planned," "intend," "anticipate," "believe," "estimate," "estimated," "outlook," "predict," "project," "probable," "potential," "possible," "target," "continue," "look forward," or "assume" and other similar terms. Forward-looking statements are not historical facts or guarantees of future performance but instead express only beliefs regarding future results or events, many of which, by their nature, are inherently uncertain and outside the control of Market News. It is possible that actual results and events may differ, possibly materially, from the anticipated results or events indicated in these forward-looking statements. Subscribers are cautioned not to place undue reliance on any forward-looking statements or examples. None of Market News or any of its affiliates or principals nor any other individual or entity assumes any obligation to update any forward-looking statements as a result of new information, subsequent events or any other circumstances. All statements made herein speak only as of the date that they were made.

This information has been obtained or derived from sources believed to be reliable, but we make no representation or warranty as to its accuracy or completeness. This is not an offer or solicitation of an offer to buy/sell. Copyright @ 2021 Market News Ltd & Hawking LLC d/b/a Market News. All rights reserved.