

House votes on defense spending, FOMC action



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Key Takeaways

- House votes military spending priorities
- Despite partisanship NDAA has passed for 63 years
- FOMC holds steady, next meeting July 30/31

In the coming weeks I will be writing about the politics of the budget and the need to pass some, or all of the 12-appropriations bills needed to fund the US government after October 1, 2024 when the new fiscal year begins.

Last week I wrote about House consideration of the Military Construction and Veterans Affairs budget which is usually one of the less controversial and most bipartisan appropriation bills, but this year the House passed the bill on a partisan vote of 209 Yes to 197 No. Democrats opposed the usually non-controversial legislation due to the fact that Republicans added riders, referred to in Congress as “poison pills,” that included issues ranging from abortion to the flying of the Pride Flag.

Last week a similarly bipartisan bill, the National Defense Authorization Act (NDAA), came before the House and got mired in the same controversial poison pill issues.

The bill that came out of the Appropriations Committee to the House floor stuck to the agreement on spending struck by President Biden and former Speaker Kevin McCarthy, and it represented a one-percent increase from FY 2024 and came in at \$883.7B. The bill was approved by the House Armed Services Committee on a vote of 57 to 1. Additionally, the White House sent a message to Congress supporting the bill approved by the Republican controlled Committee. However, when the bill reached the House floor Republicans added many of the same social policy riders ranging from abortion limitations to the flying of the Pride Flag on military bases. As in the Military Construction bill this led to a partisan final vote of 217 YES to 199 No.

Interestingly, early in the week as the House started to debate the NDAA, conservative Member Marjorie Taylor Greene offered an amendment to prohibit any US military money for Ukraine. The motion was defeated on a bipartisan vote of 74 Yes to 343 No. All 74 votes in support came from Republicans but a majority of Republicans, 138, joined all the Democrats in opposing the Ukraine cut.

The next step for the NDAA will be for the House passed bill to be sent to the Democratic controlled Senate where some of the “poison pills” will be dropped. The NDAA is viewed as an important part of the Congressional process to keep the US military strong and prepared. It is for this reason that despite the ebb and flow of partisan politics in DC, the NDAA has been approved by Congress for the past 63 years.

As Congress usually tries to leave by the end of September in election years, they will need to develop a budget strategy in the coming weeks. If Congress can't pass new budgets by the October 1 deadline, the practice is to maintain current spending levels by passing a Continuing Resolution (CR). Failure to pass either budgets or a CR is what leads to a government shutdown. The leaders of both parties will need to make a political call as to whether a shutdown impacts their chances of winning the White House and control of Congress. Stay tuned.

FOMC

Last week the Fed, as expected, kept interest rates unchanged. However, both the official FOMC statement and the Chair's press conference were more hawkish than anticipated. This was prompted by the change in the Committee Members' forecasts from 3 rate cuts to 1. However, I believe that it was also noteworthy that when given the chance to give a view on a potential hike, as at the April/May meeting, Chair Powell threw cold water on support for a hike.

In reviewing the minutes, this is an excerpt from what was posted:



“So that’s always been the thought is that, you know, since we raised rates this far, we’ve always been pointing to cuts at a certain point, not to eliminate the possibility of hikes. But, you know, no one has that as their base case. So – no one on the committee does.” Chair Powell press conference 06.12.2024.

The FOMC meets next July 30/31.

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