



## September 2011 Outlook

### POLITICAL LANDSCAPE

#### New “Super Committee” Faces Herculean Task, but Offers Glimmer of Hope

The debt ceiling debate gave birth to a new task force, a “super committee” comprising 12 members of Congress, three from each party and from each chamber. The group is charged with identifying \$1.2 trillion (out of a \$1.5 trillion goal) worth of debt reduction over the next ten years, through either or both spending cuts and revenue increases. The group has been given until December 23<sup>rd</sup> to arrive at a consensus, without which a series of mandatory cuts would take effect, on the order of \$1.2 trillion. The members have been selected: Senate republicans Jon Kyl (AZ), Pat Toomey (PA), and Rob Portman (OH); House republicans Jeb Hensarling (TX), Dave Camp (MI), and Fred Upton (MI); Senate democrats Patty Murray (WA), Max Baucus (MT), and John Kerry (MA); and House democrats James Clyburn (SC), Xavier Becerra (CA) and Chris Van Hollen (MD).

The heat was quickly turned up on this new group by Federal Reserve Chairman Ben Bernanke in his highly scrutinized annual Jackson Hole speech on August 26<sup>th</sup>. Bernanke offered no new easing steps as he had a year earlier, going no further than to reaffirm that the Fed is “prepared to employ its tools as appropriate to promote a stronger economic recovery in a context of price stability”. His message in fact was that the Fed had done much already and now it is up to Congress and fiscal policy-makers to hold up their end of the bargain and contribute a growth strategy. He also spoke for an entire nation in the aftermath of the ceiling charade: “The country could be better served by a better process for making fiscal decisions.”

The new super committee obviously is under a great deal of pressure, only intensified by the zero-growth August jobs report, and a likelihood that the September 8<sup>th</sup> Obama jobs address will exhort the group to be jobs-friendly. Both sides want to point to success as opposed to letting the automatic cuts kick in, which would be devoid of tax reform and be roughly split between defense and non-defense cuts. As well summarized by Gerald Seib in *The Wall Street Journal*, there are a few additional points of encouragement. First, the committee members mostly are in leadership positions in Congress, as opposed to the Gang of Six “free-lancers” who had less clout. Second, they include pragmatic negotiators such as Portman, who ably got budgets through Congress previously as White House budget director under Bush. Finally, the committee can pass plans via a simple 7/12 majority, meaning support requires only one member of either party to cross over.

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