

President Biden delivered his first State of the Union address as war descended on Ukraine. The Russian aggression has caused a massive refugee crisis, and Putin's war and insatiable appetite for power make one recall the words of Tacitus: *To ravage, to slaughter, to usurp under false titles, they call empire, and where they make a desert, they call it peace.* It is too early to tell how the conflict will end, but the West has been united (thus far) in its response. Inflation in the U.S. continues to climb, further complicated by the crisis with Russia. President Biden made a historic nomination to replace retiring Supreme Court Justice Stephen Breyer. The January 6 Committee has made a criminal referral to the Department of Justice.

### *State of the Union*

President Biden delivered his first State of the Union address on March 1 at a precarious time for his presidency. Facing a fast-moving foreign policy crisis sparked by Russia's invasion of Ukraine, diminished standing at home, weakening poll numbers, and a stalled domestic agenda, the President addressed the Congress with the first female Speaker of the House and the first female Vice President looking down from the rostrum—a truly historic moment. According to Nielsen Media Research data, approximately 38 million Americans watched the speech.

One of the most pressing challenges facing Biden is inflation, and he said his “top priority is getting prices under control.” The President argued that making more goods in America would help address inflation and sought to link the issue to other elements of his agenda, such as lowering prescription drug prices or cutting the cost of childcare. Notably absent from the speech was ‘Build Back Better’ (BBB), the President's signature legislative priority. While Biden spoke to the priorities contained in BBB, such as energy, housing, and cutting prescription drug costs, it seemed this was now more of a messaging exercise than a push to move the stalled legislative effort. Biden cited other bills he wants passed, including the Bipartisan Innovation Act, the Freedom to Vote Act, the John Lewis Voting Rights Act, and the Disclose Act. Biden also discussed legislation that has already passed, such as the Bipartisan Infrastructure Law and the American Rescue Plan.

The address was relatively light on truly divisive issues, and Biden seemed to be trying to speak to issues that are important to Republicans. Notably, he pushed back against calls from his left flank to “defund the police,” saying, “We should all agree: The answer is not to defund the police; it's to fund the police,” earning applause from GOP leaders in the chamber. The President was cautiously optimistic regarding the pandemic, saying, “I cannot promise a new variant won't come. But I can promise you we'll do everything within our power to be ready if it does.” The White House released a new roadmap for moving forward on the pandemic the day after the State of the Union. Biden also seized the opportunity to rally the parties behind responding to Russia's invasion of Ukraine. He mentioned Putin 19 times and earned widespread and sustained applause calling for inflicting significant pain on Russia and supporting the people of Ukraine. While Russia's invasion has fueled some bipartisanship, there remains some division.

### *War in Ukraine*

On February 24, Russia invaded Ukraine, initiating the largest ground war in Europe since World War II. Russian President Vladimir Putin attempted to justify the act of aggression, what he

termed a “special military operation,” on the grounds that he was seeking the “demilitarization and denazification” of Ukraine. The attack on Ukraine’s territorial integrity and sovereignty represents an unequivocal violation of international law. The International Court of Justice is currently considering two cases filed by Ukraine against Russia. The prosecutor of the International Criminal Court has also announced the commencement of an investigation into possible war crimes and crimes against humanity in Ukraine.

The Russian military has used warplanes and cruise missiles to hit military facilities and government buildings. Ukrainian President Volodymyr Zelensky and other officials have accused the Russian military of indiscriminately shelling residential buildings, schools, and hospitals around the country, resulting in scores of civilian casualties. According to the United Nations, approximately 2 million civilians, mostly women and children, have fled for neighboring countries resulting in the world refugee crisis in Europe since World War II.

The West is pouring military equipment into Ukraine. Thus far, the United States has provided over \$350 million worth of equipment, such as Javelin anti-tank missiles and shoulder-launched Stinger anti-aircraft, to the Ukrainian military. Ukrainian officials said the country’s military have used them to inflict heavy casualties on the Russian forces—estimates on Russian losses range from 2,000 to 10,000. Congress recently passed legislation to send an additional [\\$13.6 billion](#) in humanitarian and military aid to Ukraine. Other NATO members have provided additional military equipment. In all, about 20 countries — most members of NATO and the European Union, but not all — are funneling arms into Ukraine. Significantly, Germany broke its long-standing policy of not sending weapons to conflict zones and [recently transferred](#) some 1,500 rocket launchers, Stinger missiles, and Soviet-era shoulder-fired Strela missiles in their initial arms package.

On March 6, President Zelensky participated in a call with a bipartisan group of more than 280 members of Congress. During the exchange, Zelensky requested additional airplanes, a stoppage of oil purchases from Russia, and a no-fly zone over Ukrainian airspace. Thus far, the Biden administration has resisted calls for a no-fly zone over Ukraine, a move that could result in an overt hot war between major nuclear powers. While the administration and most lawmakers remain opposed, a distinguished group of national security officials from prior administrations recently released a [letter](#) calling for a “limited no-fly zone,” demonstrating that pressure is mounting.

The United States and the West have also imposed crushing sanctions and other economic measures on Russia. Thus far, measures include sanctions targeting Russia’s financial system, the wealth of influential individuals, and Russian fossil fuels. The Russian stock market has been closed since the invasion, and the [value of the ruble](#) has dropped precipitously. Western companies such as McDonald’s, PepsiCo, Starbucks, and Shell have pulled out of Russia. President Biden also announced that the United States and other allies would move to revoke the “most favored nation” trade status for Russia, dealing another crushing blow to their economy. The moves are designed to hobble the Russian economy, but the pain of sanctions will not be limited to Russia.

### *Congress Passes Government Funding*

*All statements of fact and expressions of opinion contained herein are the sole responsibility of the author. This newsletter was produced on Monday, March 14. Developments after that date will be covered in the next issue of **The Real Deal**.*

Facing another government funding deadline, Congress passed a spending bill, known as an omnibus, to provide funding through fiscal year 2022, which started in October. The \$1.5 trillion bill includes \$782 billion in defense spending and \$730 billion for nondefense programs. The [2,741-page bill](#) also includes more than 4,000 earmarks. Democrats and Republicans are both able to claim victory over the legislation. Democrats are touting the package for having the biggest increase to nondefense discretionary spending in four years, with significant funding boosts for education, science, research and development, and climate change. Republicans can point to \$780 billion for the Department of Defense and other defense functions, and an 11 percent increase from the previous fiscal year for the Department of Homeland Security. The legislation also provides an additional [\\$13.6 billion](#) in military and non-military assistance for Ukraine.

### *Inflation Continues to Climb*

The Department of Labor Department Bureau of Labor Statistics released the latest Consumer Price Index (CPI) in early March, finding that inflation grew worse in February. The [CPI](#) has increased by 7.9% over the last 12 months, the fastest rate of inflation since January 1982. Energy is driving ballooning prices up 3.5% for February—this is likely to increase further due to the war in Ukraine. Policymakers at the Federal Reserve are closely monitoring developments, and a rate hike is expected at their next meeting. Federal Reserve Chairman Jerome Powell has called the Russian invasion of Ukraine “a game changer” that could have unpredictable consequences, but, for now, the Fed is proceeding as planned. President Biden has publicly blamed Putin for inflation, and observers warn that we could easily top 8% inflation (or worse) in the coming months.

### *Historic Supreme Court Nominee*

On February 25, President Biden nominated federal appellate Judge [Ketanji Brown Jackson](#) to succeed retiring liberal Justice Stephen Breyer on the U.S. Supreme Court, a justice for whom she previously clerked. If confirmed, Jackson will be the first Black woman to serve on America’s highest court; her nomination also fulfills a campaign promise Biden made two years ago to the day to deliver the historic appointment of a black woman. Jackson joining the court would not change the 6-3 conservative majority. If confirmed, she would join the court at the start of its next term in October.

### *Investigating January 6 – Recent Court Filings Suggest Criminal Conspiracy*

The House committee investigating the January 6 insurrection laid out their theory of a potential criminal case against former President Donald Trump in a [March 3<sup>rd</sup> court filing](#). In the filing, the committee argued that the former President may have committed two crimes as it challenged an attempt by Trump’s legal team to block investigators from obtaining thousands of pages of email. Douglas Letter, the general counsel of the U.S. House of Representatives, wrote in the filing that “The select committee...has a good-faith basis for concluding that the President and members of his campaign engaged in a criminal conspiracy to defraud the United States.” The committee also asserted that Trump’s repeated lies that the election was stolen amounted to

common law fraud. The new filing marks the first time the committee has accused Trump of specific criminal activities. While the panel cannot directly charge Trump with a crime, lawmakers on the committee have suggested their investigation could result in a criminal referral to the Justice Department, which could then decide whether to prosecute the former President. Republican lawmakers and strategists warn that any federal prosecution of Trump will be accused of being politically motivated and further boost his standing within the GOP. The likelihood of stirring up a major political tempest with a federal investigation of Trump could serve as a powerful disincentive for the Justice Department moving forward.

### *Personnel Updates*

*Department of Defense* – **Dr. Bill LaPlante Jr.** was nominated for undersecretary for acquisition and sustainment. **Rachel Ellehuus** is the senior civilian representative to the Secretary in Europe.

*Department of Energy* – **Dr. Kathryn Huff** was nominated for assistant secretary for nuclear energy.

*Department of Homeland Security* – **Angie Kelley** is senior counselor for immigration.

*Department of State* – Undersecretary for management **John Bass** will also serve as chief sustainability officer; **Elizabeth Campbell** in now deputy assistant secretary for population, refugees, and migration. **Dr. Richard Duke Jr.** succeeds **Dr. Jonathan Pershing** as deputy climate envoy. **Dilawar Syed** has been appointed special representative for commercial and business affairs. The following ambassadorial nominees have been announced: **William Duncan** to El Salvador; **Philip Goldberg** for South Korea; **Carrin Patman** for Iceland; and **Lesslie Viguerie**, Kyrgyzstan

*Department of Treasury* – **Jay Shambaugh** has been nominated for undersecretary for international affairs. **Dr. Natasha Sarin**, the deputy assistant for microeconomic policy will also serve as counselor for tax policy and implementation.

*Development Finance Corporation* – **Scott Nathan** was confirmed as CEO. **Rebecca Brocato** is chief of staff.

*Export-Import Bank* – **Reta Jo Lewis** was sworn-in as chair and President. **James Burrows** is chief banking officer.

*National Security Council* – **Sahar Hafeez** is director for international economics. **Beth Cameron** has departed the post of senior director for global health security, **Raj Panjabi** is the replacement. **Shanthi Kalathil**, coordinator for democracy and human rights, has left, **Rob Berschinski** is serving in an acting capacity. **Tony Hall** is director for border security.

*National Space Council* – **Tahara Dawkins** is chief of staff.

*Office of the National Cyber Director* – **Hannah Suh** is a senior advisor, **Rob Knake** is deputy director for strategy and budget.

*U.S. Agency for International Development* – **Mark Simakovsky** is deputy assistant administrator for Europe.

*United States Trade Representative* – Interim Chief of Staff is **Ginna Lance**. **Andrea Durkin** was appointed as Assistant U.S. Trade Representative for WTO and Multilateral Affairs.