

## On the Margin: Bullard Now! Manchin Not!

Tuesday, February 20, 2024

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Developing items of interest and deeper color on themes from our regular reports.

### Bullard calls for a March rate cut – we’ve said all along he’d be the bellwether.

Just as we were letting the idea of a March FOMC rate cut get [pried out of our cold dead hands](#), on Friday along comes former St. Louis Fed President James Bullard – the most strident over-the-top hawk in this whole tightening cycle – advocating just that. [Our friend Nick Timiraos reports in the \*Wall\*](#)

[Street Journal](#) *[our emphasis]*:

**Generative AI token:** “James Bullard comes out in favor of rate cuts at March FOMC”



Source: [DALL-E](#) by ChatGPT

“‘I think they should get going,’ he said after speaking at a conference of the National Association for Business Economics in Washington. ‘*It’s probably wiser to go sooner but slower.*’

“The danger of waiting, he said, is that if inflation moves closer to 2% later this year, the Fed’s benchmark rate – currently in a range between 5.25% and 5.5%, a 23-year high – would likely remain well above a neutral setting that neither spurs nor slows growth. That could ultimately require larger and faster cuts.

“‘*I’m worried that you’re going to get into the third quarter, and the policy rate is going to be too high for that situation, so why not go now,*’ he said.”

#### Update to strategic view

**FEDERAL RESERVE, US POLITICS:** Bullard is calling for the Fed to cut rates at the March FOMC meeting. He was the first and most forceful to call for large and rapid hikes in 2022. This could be a catalyst now, as it was then, for a transformation of the consensus. Manchin says he will not run for president. With Hogan announcing for Maryland senator, this leaves the No Labels Unity Ticket without its two most prominent potential candidates. It changes the Senate landscape, opening the door to an independent candidacy by Manchin in West Virginia that might save the seat for Democrats, but putting Maryland in play for the GOP. The canonical alternative for the top of the Unity Ticket is Romney. A Haley/Phillips ticket would pair the two remaining primary challengers to the major party front-runners. Publicly, No Labels says it is open to Haley, privately they say they are not. Meanwhile, the Unity Ticket continues to work toward ballot registration in all 50 states.

[\[Strategy dashboard\]](#)

This is precisely – in reverse – the argument he made in 2022 before the first of the four brutal 75 bp rate hikes. He wanted even bigger ones. In a nutshell – *you are going to need to do this, so do it now*. We didn't agree with the *need* in 2022, but we agreed with the *logic*. Today, we think “need” is too big a word, but it probably applies to some extent (who can know, but *the policy rate is probably about 1% above neutral now*). But we do agree with the logic again. Indeed, over the entire period we've been predicting the dissipation of inflation and its transformation into deflation, *we've said Bullard would be the bellwether again, the fearless spokesman who would go first and most stridently to widen the [Overton Window](#) and transform the consensus*.

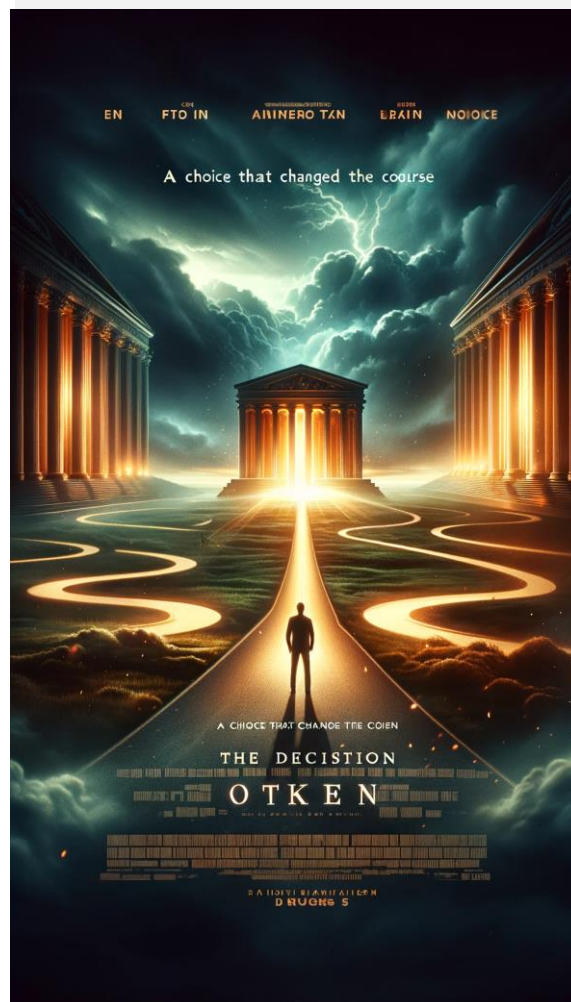
It's a lot at this point to still hope for a cut in March (the curve is giving it only an 11% probability as of this writing). But we do have another CPI report between now and the March FOMC (see [“Today's CPI Miss”](#) February 13, 2024). And now we have Bullard. *Who's next among the über-hawks of 2022? Larry Summers?*

## The No Labels “Unity Ticket” loses another champion.

On Friday Senator *Joe Manchin (D-WV) announced that he would not run for president in 2024*. He has always been among the *most likely to head a “Unity Ticket”* fielded by the centrist advocacy group [No Labels](#). Another was Larry Hogan, the former GOP governor of Maryland, who [announced ten days ago](#) he would run for Senator in the [Old Line State](#). Both men's plans could change, of course, but that's the state of play.

We have said the Unity Ticket has a much better chance of winning than is generally understood, because it might trigger a [“contingent election”](#) in the House of Representatives even if it carries only a single state (see [“How Biden and Trump Can Both Lose. Easily.”](#) February 8, 2024). But *the loss of the Unity Ticket's top two warriors potentially reduces the probability of this political black swan*.

[Generative AI token](#): “Joe Manchin drops bid for president 2024”



Source: [DALL-E](#) by ChatGPT

When Manchin [announced he would not seek re-election to the Senate](#), his purpose was to embark on a “listening tour” to see if there was an appetite for a centrist candidate for president who would “unite the middle.” Now, according to the [New York Times](#) [*our emphasis*]:

“‘I will not be seeking a third-party run,’ he said in a speech in Morgantown, W.Va. ‘I will not be involved in a presidential run.’”

“Since Mr. Manchin, 76, announced in November that he would not run for re-election, he had been the subject of months of public and private guesswork about whether he would seek the presidency. In particular, he had flirted with becoming the candidate for No Labels, a centrist group aiming to recruit a third option in what is shaping up to look like a general-election race between Mr. Biden and former President Donald J. Trump.

“But on Friday, he pledged, ‘I will not be a deal breaker or a spoiler.’”

Taking that last at face value, it would seem he concluded from his listening tour, rightly or wrongly, that he can’t win – and doesn’t want to inadvertently get Donald J. Trump elected by drawing Democratic votes from Joseph R. Biden, Jr. But that’s why No Labels, we hear from sources, preferred Republican Hogan at the top of the Unity Ticket and Manchin at its bottom – so perhaps he just didn’t want to play second fiddle. Just the day before, Thursday, he was fantasizing about being on top, and getting to pick his own bottom. According to [NBC News](#) [*our emphasis*]:

“‘Hypothetically, if I was picking my running mate, really who I would ask right now is Mitt Romney,’ Manchin said, identifying the Republican senator from Utah.

“Manchin also said he would consider former Sen. Rob Portman, a Republican from Ohio, as a vice presidential pick.

“‘Rob’s a dear friend of mine,’ Manchin said. ‘What a good man.’”

Manchin’s and Hogan’s decisions not to run for president on the Unity Ticket both potentially affect our strong conviction that the Republicans will retake the Senate in 2024 (see [“2024: Deflation, Election, and No Recession”](#) January 3, 2024).

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Manchin's open Senate seat in West Virginia, one of the reddest states in the nation, easily yields a pick-up for the GOP in November. But the [\*New York Times\*](#) reports that *Manchin is being urged to get back in the mix*.

"Since Mr. Manchin said he would not run again, Senator Chuck Schumer of New York, the majority leader, has been pleading with him to formally leave the Democratic Party and run again for Senate as an independent, according to two people familiar with their conversations.

"West Virginia's deadline to file to run in a Senate primary race was in January, but independent candidates have until Aug. 1 to declare their candidacy."

Seems like a long-shot. We have no idea what Manchin might do, but he is 76 years young...so...

That said, while Manchin might put West Virginia back in play for the Democrats, *popular Republican Hogan's run in Maryland puts that bluest of states into play for the GOP*.

But what is the Unity Ticket to do? On Sunday No Labels co-chair Ben Chavis said [on MSNBC](#):

"Well, we're talking with several exceptional leaders. We have our own internal process. We have not made that decision. We are – I can say for the record, on your program this morning, that we are talking to exceptional Republicans, exceptional Democratic and independent leaders, and we will – we'll know in the next couple of weeks."

As Manchin's own statements suggest (and as we ourselves have said – again, see ["2024: Deflation, Election, and No Recession"](#)), *Mitt Romney (R-UT) is an obvious choice* – but for the top of the ticket, because he is a Republican more likely to parasitize Trump than Biden.

*Another is former South Carolina governor Nikki Haley, but unlike Romney, she has never been associated with No Labels*. Yet [Hogan himself has endorsed her](#) in her race against Trump. And according to the [Associated Press](#) [*our emphasis*]:

"A top No Labels leader said...that Republican presidential contender *Nikki Haley 'would deserve serious consideration' for the*



group's nomination if it decides to run a third-party candidate for president.

“Joe Lieberman, a former Connecticut senator and co-chair of No Labels, said Haley's record as governor of South Carolina and U.N. ambassador would be a good fit for the group's plan to find a candidate in the likely event that the 2024 election becomes a rematch between Democrat Joe Biden and Republican Donald Trump.

“‘I think I'm speaking for a lot of No Labels members. Gov. Haley would deserve serious consideration,’ Lieberman said. ‘But that's a decision for her to make, and it's not an easy one. So we'll have to wait and see.’”

Arguably the Haley brand is ideal for a centrist-oriented Unity Ticket. In the primaries, Trump supporters can't stop calling her a “RINO” – which, for the Unity Ticket (and for “the middle” it is intended to attract), is a feature, not a bug. And it must be true – because, meanwhile, the Left argues that she is in fact a hard-right figure only masquerading as a moderate.

Of course, Haley has to deny any interest in the Unity Ticket in order to appear to be in-it-to-win-it in the primaries against Trump. According to The Hill [*our emphasis*]:

“...Haley could be viewed as a potential third-party contender. In an interview with The Hill earlier this month, the national director of No Labels did not rule out the possibility of Haley running if the group decided to run an independent candidate for president. But Haley's campaign threw cold water on the notion, saying she 'has no interest in No Labels, she's happy with the Republican label.'”

For that matter, a high-level source at No Labels tells us, “Sore loser laws apply to nicki haley she is not a potential for this ticket Can not happen [spelling and grammar errors in the original hurried email]” Fair enough, and we take it seriously, though it contradicts the public statements of co-chair Lieberman. And in this case, when Haley has run as a centrist against Trump – and is the survivor still contesting the GOP primaries – she'd have ideal bona fides to run against Trump as a centrist in November on the Unity Ticket. And the same would apply, for the vice president spot on the Unity Ticket, to Dean Phillips (D-MN03) – who, unlike Haley, is associated with No Labels already – the only one contesting Biden in the Democratic primaries (see “TrendMacro conversation: Representative Dean Phillips, the renegade Democrat who is running against Biden in the primaries” February 5, 2024).

This very ticket is being trial-ballooned already in the media. In a commentary that ran last week in [USA Today](#) [*our emphasis*]:

“No Labels is a bipartisan effort to offer candidates who would appeal to a broader swath of voters, including moderates and independents. Haley has designed her campaign around being that kind of candidate, which has turned off the far right of the GOP – the ones who traditionally show up for primaries.

“It will be a different story in the general election.

“Haley would pair well with Minnesota Rep. Dean Phillips, a businessman who is challenging Biden in the Democratic primary. Much like Haley, he has struck a tone and platform that could appeal to voters on the right and left.

“Another upside? Haley is 52 and Phillips is 55. They have both stressed the need for a new generation of leadership, and they would offer it.”

Meanwhile, the Unity Ticket’s ballot access process grinds forward. As of this writing, they are on the ballot in 16 states. The ticket is on the way to getting to 33 – and in the remaining 17 states ballot access will be in the name of the candidates themselves, not the new party. *Sources at No Labels point out that, in 1992, candidate Ross Perot didn’t even begin his ballot access project until March, and ended up on all 50 states’ ballots.*

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### Bottom line

Bullard is calling for the Fed to cut rates at the March FOMC meeting. He was the first and most forceful to call for large and rapid hikes in 2022. This could be a catalyst now, as it was then, for a transformation of the consensus. Manchin says he will not run for president. With Hogan announcing for Maryland senator, this leaves the No Labels Unity Ticket without its two most prominent potential candidates. It changes the Senate landscape, opening the door to an independent candidacy by Manchin in West Virginia that might save the seat for Democrats, but putting Maryland in play for the GOP. The canonical alternative for the top of the Unity Ticket is Romney. A Haley/Phillips ticket would pair the two remaining primary challengers to the major party front-runners. Publicly, No Labels says it is open to Haley, privately they say they are not. Meanwhile, the Unity Ticket continues to work toward ballot registration in all 50 states. ▶