

POLITICAL PULSE

Our Hot Take on Biden's Stephanopoulos Interview

Saturday, July 6, 2024

Donald Luskin

If he can't run for president how can he continue to be president? Markets will want to know.

TRIGGER WARNING: We are going to be candid with our observations of political events. Be assured our purpose is not to advocate for or against any candidate or party. Our goal is to understand the landscape of policy and sentiment influencing the economy and the markets.

Update to
strategic view

US POLITICS, US

STOCKS: Biden's poor performance with Stephanopoulos confirmed the impression of infirmity evident at the debate, and the anchor's frankness gives voters social permission to admit they see it. Biden's explanations came off as confessions of inability, raising the new question that if he is too infirm to run for president, why is he not too infirm to continue to be president? Markets, facing valuation issues already, may be discomfited both by the prospect of Biden remaining in office and by chaotic processes to remove him. Biden would have to agree to leave the ticket, with his delegates pledged under the rules except for a narrow loophole. Such agreement is likely, but it will take time for Biden to work through the five stages of grief. The 25th Amendment could be invoked to threaten him with removal to obtain his withdrawal. This requires Harris's participation, which puts her in a powerful position to gain the party's and Biden's endorsement as the replacement. Our quantitative model shows Biden's once-commanding lead sharply reduced.



President Joseph R. Biden, Jr. seems to have made a grave mistake when he allowed himself to be goaded by Donald J. Trump into a debate in which he had previously refused to participate. Maybe he truly thought he could pull it off – which in hindsight seems like nothing less than hubris (see [“Our Hot Take on Last Night’s Presidential Debate”](#) June 28,

2024). Maybe he thought even if he failed the media would cover for him – but in hindsight, this was foolish, because the media can only cover for him by curating him to the public and remaining silent about the lapses it sees in private but does not show. In the debate, *Biden appeared directly before the public with no curation for 90 minutes, all weaknesses on display* – and to preserve its own credibility, the media had no choice but to instantly and aggressively shed *its longstanding participation in knowledge falsification and preference falsification*.

- Then last night, in *an interview on ABC with George Stephanopoulos, Biden tried – and we think failed – to recoup the situation*, showing that he could perform no better in a 22-minute jog than he had done in a 90-minute marathon. We believe that Stephanopoulos's performance was as decisive in shaping opinion as Biden's: *the frankly liberal anchor was coolly relentless in holding Biden to account for his apparently diminished capacities, giving America's everyman social permission to do the same*.
- The most damning thing, in our view, was Biden's repeated attempts to explain away his poor debate performance as a consequence of the exhausting demands of his office. Such arguments are not alibis, but confessions – and they raise a new

question: if Biden isn't qualified to run for the presidency, why is he qualified to continue to be president at all?

- This takes matters to a new level. Markets so far seem to be fairly happy in the aftermath of the debate, welcoming on balance the prospect of a return to Trumponomics (see ["Video: What you're not hearing about the Biden/Trump debate \(just the facts\)"](#) July 1, 2024). But now there may emerge serious risk considerations about the here-and-now helmsmanship of the nation, and the consequences of a potentially messy process to remove Biden from the ticket, and perhaps from the office of the presidency as well. With markets coming into this not exactly undervalued, we are now on alert for some downside volatility.

Contact
TrendMacro

On the web at
trendmacro.com

Follow us on Twitter at
twitter.com/TweetMacro

Donald Luskin
Dallas TX
214 550 2020
don@trendmacro.com

Thomas Demas
Charlotte NC
704 552 3625
tdemas@trendmacro.com

Michael Warren
Houston TX
713 893 1377
mike@trendmacro.energy

[\[About us\]](#)

SPOT THE DIFFERENCE

“(Biden is) very lucid . . . well-informed.”
— NY Times columnist Paul Krugman, pre-debate

VS.

“(Biden) needs to withdraw.”
— Krugman post-debate

WHAT WOULD IT TAKE TO REMOVE BIDEN FROM THE TICKET? The most straightforward way to remove Biden from the ticket would be for him to choose to remove himself. He earned the vast majority of delegates (3,894 out of a total of 3,937) in primaries and caucuses. Unless he voluntarily drops out and releases them, they are pretty much bound to vote for him.

- Under the [rules for the Democratic National Convention](#), Biden's delegates are “pledged to...in all good conscience reflect the sentiments of those who elected them.” To be sure, “in all good conscience” is a loophole through which, in principle, Biden could be ejected from the ticket without his cooperation.

- Whether Biden voluntarily releases his delegates, or whether a coup against him is carried out by the “good conscience” loophole, Biden has no power under the rules to direct his delegates to vote for any particular candidate instead.

WHAT WOULD IT TAKE TO REMOVE BIDEN FROM OFFICE? Again, the most straightforward way would be for Biden to remove himself by resigning. *The only way to force it on him would be the first time ever activation of [the 25th Amendment to the US Constitution](#), enacted in 1965, providing for the removal of the president for inability to perform his duties. [Section 4](#) is the relevant part. We reproduce its entire text below if you wish to see the whole thing; we highlight and color-code the operative elements that we intend to discuss.*

*“Whenever **the Vice President and a majority of either the principal officers of the executive departments or of such other body as Congress may by law provide**, transmit to the President pro tempore of the Senate and the Speaker of the House of Representatives their written declaration that the President is unable to discharge the powers and duties of his office, **the Vice President shall immediately assume the powers and duties of the office as Acting President.**”*

*“Thereafter, when the President transmits to the President pro tempore of the Senate and the Speaker of the House of Representatives his written declaration that no inability exists, he shall resume the powers and duties of his office unless the Vice President and a majority of either the principal officers of the executive department or of such other body as Congress may by law provide, transmit within four days to the President pro tempore of the Senate and the Speaker of the House of Representatives their written declaration that the President is unable to discharge the powers and duties of his office. **Thereupon Congress shall decide the issue**, assembling within forty-eight hours for that purpose if not in session. If the Congress, within twenty-one days after receipt of the latter written declaration, or, **if Congress is not in session, within twenty-one days after Congress is required to assemble**, determines **by two-thirds vote of both Houses** that the President is unable to discharge the powers and duties of his office, the Vice President shall continue to discharge the same as Acting President; otherwise, the President shall resume the powers and duties of his office.”*

- The vice-president, *Kamala Harris, is the uniquely indispensable actor here.* The finding of inability requires a majority of the cabinet **and** the vice president; that is, *without the vice president's vote, no matter who gets the process rolling initially or how big the cabinet majority is, there can be no finding.*
- The voting body would appear to be cabinet secretaries. The amendment gives **Congress the opportunity to define the voting body**, but it has never done so. Would the Federal Reserve chair count? The [US Special Presidential Envoy for Climate](#)? Not clear – and if Biden wanted to fight a finding, this would be a point of attack.
- If the finding is made by a cabinet majority and the vice president, **the vice president becomes “Acting President,”** not president.

- Biden could resume his powers simply by submitting a letter to Congress claiming no inability exists.
- The vice president and the cabinet could then vote again, and if they make a finding of inability a second time, then the matter is decided by Congress with a 21-day shot-clock.
- It's [a higher bar than impeachment](#). Presidential impeachment requires only a majority in the House (to bring the charges) and a two-thirds supermajority in the Senate (to convict). [A finding of inability requires a two-thirds supermajority in both houses](#).
- It's a messy process that requires the Democratic party to turn against itself on multiple levels. So it's a nuclear weapon, the true purpose of which is always threat, never use. But nuclear game theory is full of risky paradoxes: for the threat to work, the players must never say never.

NOW, WHAT'S THE OBJECTIVE-FUNCTION, AND WHAT'S THE PLAY? In game theory terms, the obviously optimal objective for the Democratic party is to get Biden off the ticket. *It can't win with him on the ticket, and it might win with him off it.* Open and shut. But how to do it?

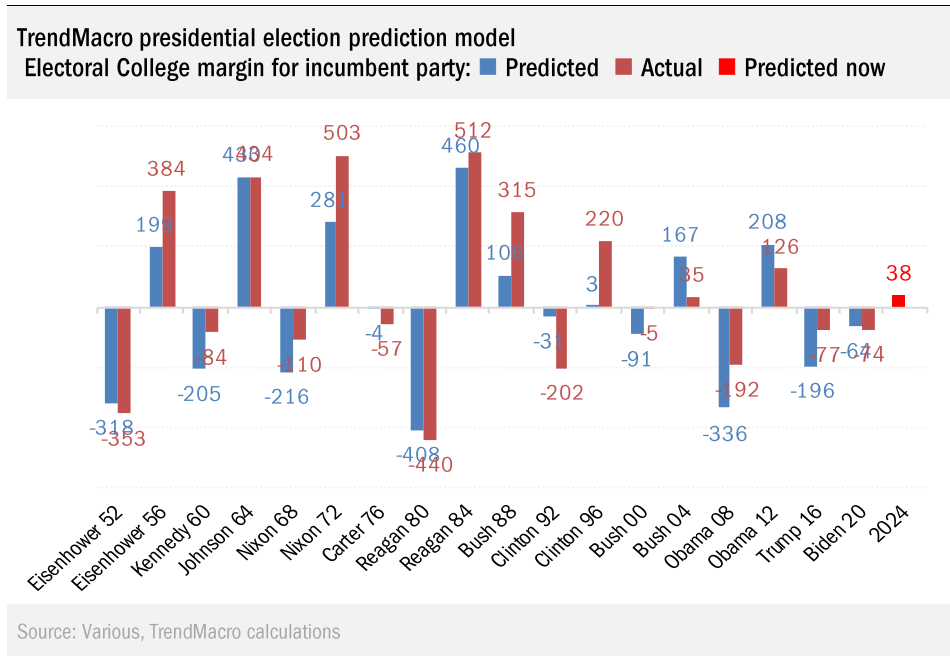
- *Surely persuasion and diplomacy aimed at getting Biden to stand down voluntarily is the first move.* We said in the immediate aftermath of the debate (see ["Our Hot Take on Last Night's Presidential Debate"](#)) that this would happen, and that it would necessarily take time as Biden moves himself through [the five stages of grief](#). Of course denial came first – that's what led to agreeing to do the debate in the first place. Next anger, and [Biden is indeed angry](#) at the [Democrats urging him to withdraw](#). The appearance with Stephanopoulos was stage three, the bargaining stage. Next depression, then acceptance.
- Threats may be required, too, and the 25th Amendment is a big one. The sheer embarrassment of being the first president to be subjected to a finding of inability is plenty of reason for Biden to withdraw at the threat of it. *It strikes us that a feasible settling point for this negotiation would be Biden's agreeing to withdraw in exchange for being allowed to last out his term till January.*
- *We think if the 25th Amendment is activated, it would discomfit markets. At this point, though, knowing what we know now (indeed, knew all along but now admit), it could be discomfiting to markets if it were not activated, allowing a visibly incapacitated president to remain in office.*
- *We think Harris's key role in a 25th Amendment threat improves her chances of replacing Biden on the ticket.* To get her indispensable participation in the process, the Democrats may have to give her that, and to avoid the threat, Biden may have to agree to use best efforts to swing his delegates for her. We have no idea, and make no prediction, as to whether she has the skills and the alliances required to pull off these plays.
- *At this point we are not expressing a view as to her viability as a candidate versus Trump* – we're just saying that whatever her shortcomings, she is in a more uniquely powerful position than

most appreciate, for good or for ill, from the perspective of the Democratic party.

FINALLY, WHAT’S OUR QUANTITATIVE ELECTION MODEL SAYING NOW?

Our model takes no regard at all of subjective political elements such as we have been discussing here – not even polling data. It is driven strictly by economic variables. It used to include a dummy variable giving an edge to incumbent individuals running for re-election, but with Trump’s failure to be re-elected as an incumbent (on top of the Ford’s, Carter’s and the first Bush’s), the explanatory power of the model is now maximized by setting that variable at zero. So it won’t matter to the model whether or not Biden is the Democratic candidate.

When we introduced the model for the first time this cycle, last December, it was favoring Biden by a winning margin of 288 Electoral College votes, a landslide not seen since Barack Obama’s win in 2008 (see [“For What It’s Worth... TrendMacro’s 2024 Presidential Election Model”](#) December 11, 2023). But the economy was growing at a scorching pace then, and it has since settled down. Inflation was sharply improving then, and it has since settled into a near-target pace. So the model today still shows Biden winning – or, to be precise, the Democratic candidate winning – by a mere 38 Electoral College votes, the closest election since the 2000 “hanging chad” fiasco (please see the chart below).



It’s still a long time till November, people...

Bottom line

Biden’s poor performance with Stephanopoulos confirmed the impression of infirmity evident at the debate, and the anchor’s frankness gives voters social permission to admit they see it. Biden’s explanations came off as confessions of inability, raising the new question that if he is too infirm to

run for president, why is he not too infirm to continue to be president? Markets, facing valuation issues already, may be discomfited both by the prospect of Biden remaining in office and by chaotic processes to remove him. Biden would have to agree to leave the ticket, with his delegates pledged under the rules except for a narrow loophole. Such agreement is likely, but it will take time for Biden to work through the five stages of grief. The 25th Amendment could be invoked to threaten him with removal to obtain his withdrawal. This requires Harris's participation, which puts her in a powerful position to gain the party's and Biden's endorsement as the replacement. Our quantitative model shows Biden's once-commanding lead sharply reduced. ▶