OFF THE NEWS

Why Warsh Shouldn't Be Underestimated

The conventional wisdom in Washington is that new Federal Reserve Chair Kevin Warsh will face fierce opposition among both members of the Federal Open Market Committee and the Fed staff. A central bank expert extremely close to the situation paints a different picture: "Half of the staff and half of the FOMC—the people who actually worked with Warsh when he was a board member or have known him since—have a deep respect for his intellect and strength of personality. Their inclination will be to try to work closely with him." Bottom line: Warsh as Fed chair will have more allies and staff support than people think, even with the former chair hanging around.

Will Republicans Retain Control of the U.S. Senate?

That is the question of the hour in Washington, D.C., circles. A top GOP strategist who has run two presidential campaigns answered the question this way. Were the election held today (in the spring of 2026), the Republicans would lose their Senate seats in North Carolina and Alaska. That means their majority would drop from fifty-three to fifty-one. They can only lose one more seat and still be effective legislatively (at fifty seats, Vice President JD Vance would break party-line tie votes).

For the GOP, that's the good news. The bad news is that if President Donald Trump's poor poll rating, currently in the low-30 percent range, drops to the 28–29 percent range, Republicans could lose their Senate seats in Ohio, Nebraska, and Iowa. And a politically weakened Trump's last two years in office would likely be dominated by an impeachment fight.

The ECB's Coming Dual Mandate?

Traditionally, the industrialized world's central banks and the International Monetary Fund have operated on separate tracks. Yet ECB insiders note the rising subtle behind-the-scenes influence of the IMF in ECB monetary policymaking. The IMF clearly had a voice in encouraging the central bank to slow its drive to raise short-term interest rates in the spring of 2026.

The key question now is with ECB President Christine Lagarde stepping down before French elections in April 2027 in order to give French President Emmanuel Macron a say in choosing her replacement, will the IMF's influence grow? The European Central Bank has a single mandate—price stability. Will the IMF try to encourage the central bank to move closer to the Federal Reserve's position of a dual mandate—inflation and employment? Lagarde's replacement is unlikely to have her gravitas, insiders say. Anything can happen.

DANIEL NOVAKOVIC/STA

ECB President
Christine Lagarde

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editor@international-economy.com

Accelerating the End of Fossil Fuels

The Persian Gulf's prolonged shutdown has already accelerated many nations' efforts to abandon fossil fuels. Pakistan's success in weathering the loss of LNG supplies has been cited as a victory for energy security. The nation began substituting solar power for LNG in electricity generation following the 2022 energy crisis. It also has advanced the use of solar for powering homes and factories. Other countries have taken note and are following suit.

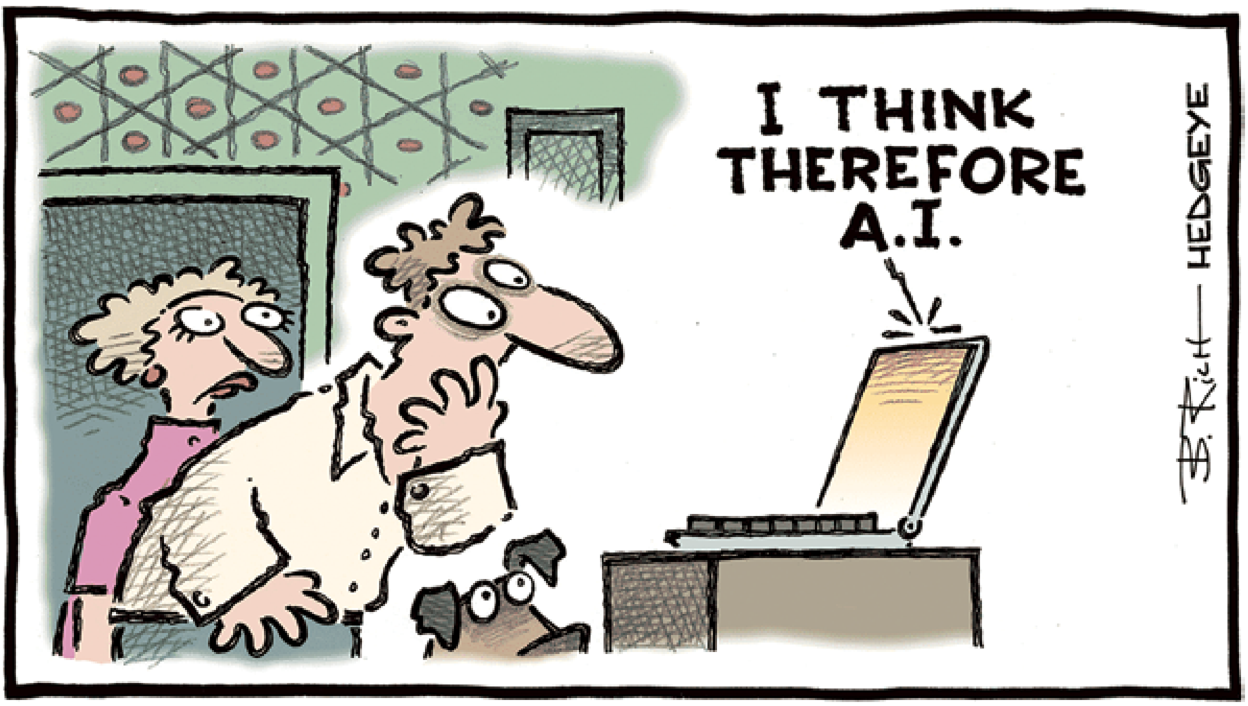
The EU nations have reacted to the higher energy prices by trying to speed up their transition from fossil fuels. Spain has enjoyed an advantage because it moved quickly to renewable energy and diversified the fuels used to generate electricity. Italy and Germany have suffered because they depend on natural gas. At the recent Fossil Exit conference in Colombia, France announced its plan to end its reliance on oil by 2045 and gas by 2050.

The conference will be the first of many efforts by nations to abandon fossil fuels, prompted by the price increases and shortages caused by the U.S.-Israeli war with Iran. A prolonged blockade of the Persian Gulf will hasten this movement.

Some oil- and natural gas-producing nations recognize the risk this trend poses to their future incomes. One, the UAE, has responded by withdrawing from OPEC, the oil producers' cartel. Those who follow Middle East politics offered several explanations for the action, most of which cited the acrimonious relationship between Saudi Arabia and the Emirates.

However, economics rather than politics likely drove the UAE's action. Most oil-exporting nations will hope that high prices last for years after the war as they repair and rebuild damaged facilities. The UAE's market-oriented leaders no doubt realize their economy will be better off if they keep selling oil. They also understand that low oil and LNG prices will slow the incursion of renewables.

— Philip K. Verleger, Jr.



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