

**SPOTLIGHT REPORT**

September 24, 2019

## Who is Elizabeth Warren?

**What's Happening:** With Senator Elizabeth Warren's (D-MA) rise in the national and early state primary polls, the scenario of a President Warren is beginning to cause angst and consternation among investors as her vision and history of calling for structural change in both the US economy and government is being taken more seriously.

**Why It Matters:** To be sure, angst and consternation among investors over Warren is warranted. If the top three candidates for winning the 2020 election are President Trump, former Vice President Joe Biden, and Warren, it's a Warren victory that would likely prove the most disruptive for different industries. And while the efficacy of a Warren presidency is dependent on the makeup of the House and Senate, Warren's real impact will be through how she operates in the White House and the personnel she brings on board. Despite Warren's bonhomie with the Democratic Party during the campaign so far, she will be resolute — even ruthless — in achieving a new way in how Washington is run and operated. This is not just a departure from the Trump administration but the Obama administration too. **But similar to Obama and Trump, Warren would relish the opportunity to bypass an inactive Congress and push (and overstep) the limits of executive action in achieving her policy goals.**

**What's Next:** Declaring Warren to be the 46th president is putting the cart before the horse, to put it mildly. But while we continue to monitor the campaign, it will be crucial to watch the names that enter the Warren orbit as her campaign continues to rise. These people will form the basis of a Warren administration and how they view policy and executive power will give clues into the direction a Warren presidency would head. At the same time, Warren will continue to release numerous policy proposals. Not all of the policies will see the light of day in a Warren presidency, but it will be important to see which policies Warren is emphasizing the most and which are doable by just executive action.

### A Wolf in Sheep's Clothing?

You'd hardly recognize the Warren on the campaign trail as the one who came before her.

On the campaign, she has fashioned herself in a folksy and accessible way, taking thousands of selfies and positioning herself as a team player within the Democratic Party. As the [New York Times reported in August](#), "while her liberal agenda may be further left than some in the Democratic establishment would prefer, she is a team player who is seeking to lead the party — not stage a hostile takeover of it. ... she is signaling to party leaders that, far from wanting to stage a "political revolution" in the fashion of Mr. Sanders, she wants to revive the beleaguered Democratic National Committee and help recapture the Senate while retaining the House in 2020."

While Warren continues to [lag behind in endorsements](#) from establishment Democrats, she has made an impact among the grassroots and the Democratic electorate. She has one of the best net favorability ratings out of all of the Democratic candidates and in a place like Iowa, where she is [currently leading Biden](#), more voters are considering voting for her than anyone else.

Outside of a skirmish with former Rep. John Delaney (D-MD), Warren has stayed above the fray in the debates, resolved to talk about herself and her vision for the country in a way that is broadly appealing to the Democratic base but could also be fine-tuned for the general election. She calls herself "a capitalist to my bones" and a supporter of free markets. Over the summer, [Politico reported](#) that Wall Street views Warren "as the safer presidential choice if the progressive wing wins out in the Democrats' internal war. If it comes down to Warren or Sen. Bernie Sanders (I-Vt.), an avowed democratic socialist who continues to make personal feuds with bankers a centerpiece of his campaign, many of them would swallow hard and take Warren." As one Wall Street executive said, "Wall Street is very good at accommodating itself to reality and if the reality is the party is going to be super-progressive, they may not like Warren but she's a better form of poison than Bernie."

However, with Warren rising in the polls, overtaking Sanders and showing herself to be a real contender against Biden, it's no longer about being the safer alternative to Sanders, it's about what would Warren really represent as compared to Biden.

And make no mistake, Warren is ruthless. As [Vox reported this month](#), "Her supporters and detractors describe her as ruthlessly committed to her ideals — and ruthlessly effective at making them real." As Vox goes on to note, "Warren's ruthlessness in her dealings with those she believes have done wrong — and her refusal to back down — has propelled her political career. It turned her into a populist icon in the wake of the financial crisis. It ignited a movement to push her to run for president in 2016. It made, 'Nevertheless, she persisted,' a rallying cry. Consumer protection was, in a lot of ways, her first political campaign in selling an idea to the public. The outreach to Democratic insiders she's reportedly doing at the moment, she's done that before, but with banks." Warren understands the political landscape and the necessary strategy to win the nomination as well as any candidate running, but that strategy is a means to an end of returning to her mission of wholesale structural change in how government and the economy works.

## Warren's Army Will Seek to Upend Washington

"Personnel is Policy." A phrase popularized by President Reagan, Warren has used the term often. There are certainly some policy disagreements among Democrats, but perhaps the biggest difference between a Warren and Biden presidency is the personnel. Biden is seeking a return to the Obama era, holding his time as the number two in the Obama administration as one of his greatest achievements. Being a Washington insider for decades, Biden is not looking to reinvent the wheel of how a White House and administration is staffed and operated. Warren is. As the *Vox* piece noted about Warren, "It all boils down to one central scheme: Get in there, bring a bunch of true believers with her, and overhaul from within the corrupt system she loathes. Obama acolytes need not apply."

Warren's contempt for how Washington operates is evident from her signature platform: [End Washington Corruption](#). Calling it the "most sweeping set of anti-corruption reforms since Watergate." Warren's campaign page says, "The goal of these measures is straightforward: to take power away from the wealthy and the well-connected in Washington and put it back where it belongs – in the hands of the people."

In terms of public service, Warren notes, "If you choose to be a public servant, you should serve the public – not your own financial interests or the financial interests of the rich and powerful. But we face a crisis of confidence in the ethics and public integrity of federal officials in America. The revolving door in and out of the Trump Administration is spinning out of control, and wave after wave of people in Trump's orbit are trying to profit personally from his presidency – including him. But even before Trump entered the White House, our nation's public integrity rules were far too lax. Too many public officials can easily leverage public service for personal gain. ...We need new bright lines and clear rules to eliminate the possibility of public officials serving private interests."

For personnel, this means closing the revolving door between government and industry. Warren cites the experience of Gary Cohn coming from Goldman Sachs to the Trump administration as an egregious example of corporate influence in government. As Warren writes, "When someone serves in government with plans to immediately turn around and work in the industry they've been overseeing, that individual faces obvious incentives to advance the interests of their future employer. And when someone moves immediately from a regulated company to a job regulating that company, the public is right to worry about the risk that such individuals will prioritize the interests of their old bosses."

Provisions of her plan include:

- Not allowing current lobbyists to take a government job for two years after lobbying, except if "hiring is in the national interest."
- Not allowing corporate lobbyists to take a government job for six years after lobbying, no exceptions.
- Not allowing top government appointees to become lobbyists ever.

- Not allowing former federal officials to lobby for two years (or six years if corporate lobbying) after leaving government service.

While Warren may not have the votes to enshrine such an anti-corruption policy into law, she surely will enforce it on a de facto basis in how she staffs her administration. And her staffing will likely be more stringent than just eschewing lobbyists. It will likely have a wary eye for anyone coming from industry. As another [Vox piece explained](#), "Warren would aim to staff an administration that is much more rigorously separate from — and adversarial to — the business community rather than repeating the Obama-era pattern in which many key figures revolved between Washington, Wall Street, and Silicon Valley."

So who will play a starring role in a Warren administration? It will be true believers to the Warren cause who are not part of the traditional DC policy club. A [Politico report earlier this year noted](#), "the thinkers behind her anti-establishment agenda are the sort of people who might fill a Warren administration: Intellectuals inclined to challenge conventional wisdom, and people long on expertise in their subject matters but shorter on experience in the hard-knock political arena." In many ways, Warren is more akin to Trump than Biden in her personnel approach. Loyalty is a critical factor for Warren, and she is uninterested in bringing someone on who is not loyal to her cause (a bit different from Trump who sought loyalty to just him).

## Going Big Against Big Industry

Many of Warren's [45 policy plans on her campaign website](#) require a legislative component, something that should immediately cause skepticism about the ability for passage, particularly in this partisan age. But Warren would rather seek forgiveness than ask for permission in achieving her policy priorities. And like Trump, she won't really be seeking forgiveness at all. In a divided Congress, or at best, a Democratic Congress with a razor-thin majority in the Senate, Warren will not hesitate to use executive action, despite any reticence from Democrats. She will expect her administration to not have any qualms to do the same.

In going through her plans, perhaps one of the most critical positions for Warren to execute on her agenda will be through the Department of Justice (DOJ) and Federal Trade Commission (FTC). It's here, that Warren's plans repeatedly call to "appoint regulators at the Federal Trade Commission and the Department of Justice who are serious about using the tools they have to produce competitive markets" and are "committed to reversing illegal and anti-competitive" mergers. Industries facing a Warren administration's antitrust ire include:

- [Big Tech](#): Warren will appoint regulators, such as current FTC Democratic Commissioner Rohit Chopra, to unwind **Amazon's (AMZN)** acquisitions of Whole Foods and Zappos, **Facebook's (FB)** acquisitions of WhatsApp and Instagram, and **Google's (GOOGL)** acquisitions of Waze, Next, and DoubleClick.

- [Big Agriculture](#): Warren will appoint trustbusters to reverse **Bayer's (OTCMKTS: BAYRY)** merger with Monsanto. Her plan on Big Ag notes "my team will be committed to breaking up big agribusinesses that have become vertically integrated and that control more and more of the market." Warren cites meat processing, chicken, and seed industries as in need of a shakeup.
- [Big Hospitals](#): Warren plans to "direct the FTC to block all future mergers between hospitals unless the merging companies can show that the newly-merged entity will maintain or improve access to care. If a proposed merger helps maintain or improve access to health care, that's fine. But when it is a first step to closing hospitals or slashing basic services, then a Warren administration will block it."

Outside of the antitrust space, there is plenty of other meaningful actions at the executive level that Warren will surely seek out. This includes [banning private prisons and detention centers](#), [restoring net neutrality](#), [strengthening rules](#) on rules on capital, liquidity, leverage, and resolution-planning for big banks and finishing rules on executive compensation incentives of big financial firms, implementing a more labor and progressive-focused strategy around [trade negotiations](#), and taking executive action around [clean energy initiatives](#).

While Warren has not made healthcare a predominant part of her campaign, tagging on to Sanders's Medicare for All, she is likely to take executive action where possible on the healthcare front. This is especially true around prescription drugs. She is supportive of importing drugs as well as reforming the patent and regulatory system, calling for HHS to exercise its "march-in rights" to break patents for high-priced drugs that were developed in part with government funding. She also introduced legislation that would call on the Department of Health and Human Services (HHS) to manufacture generic drugs in certain markets. She also supports Medicare price negotiations.



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