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MORNING COLOR

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Today's Driving Events

- **Trickle-Down Attacks Trickle Down:** Joe Biden is in his fourth decade attacking trickle-down economics. This time around, he has a Bidenomics neologism to pave the way to a second term or the return of Trumpism.
- **De Minimis Discussion Returns to the Fore:** While the legislation still has a number of hurdles to clear, there is growing momentum among lawmakers to reform the de minimis exemption and limit the ability of Chinese imports to qualify for it.
- **Medicare Sits Out Weight-Loss Drug Bonanza:** While there has been increasing hype regarding the proliferation of weight-loss drugs that are Food and Drug Administration approved or used off-label, Medicare remains statutorily prohibited from paying for any drug specifically for weight loss.

Bidenomics vs. Trumpism vs. Reaganomics: Joe Biden has been running for president against President Reagan and his policies for 36 years now. "In its advocacy of the Reagan Doctrine, the present Administration substitutes ideology for strategy," then-Senator Joe Biden (D-DE) [said](#) in a 1987 speech before the official launch of his first run for president. "Reversing 40 years of Republican trickle-down economics that helped few but hurt the middle class, it's going to take some time. But we're ... moving in the direction where we can get some more done and people will see it," now-President Biden [said](#) in a Chicago speech at the onset of his last run for president. Reaganomics, supply-side economics, trickle-down economics, whatever you call it, Biden has been attacking it. This time around, Biden is applying his own trickle-down panacea: Bidenomics. What is it? "Bidenomics is about building an economy from the middle out and the bottom up, not the top down," Biden said yesterday in a much-hyped speech, also delivered in Chicago. "And there are three fundamental changes that we decided to make with

the help of Congress and been able to do it. First, making smart investments in America; second, educating and empowering American workers to grow the middle class; and third, promoting competition to lower costs to help small businesses. **"Bidenomics" is a marketing term, like "10,000 steps a day." It's meant to provide a framework to explain the economy today and tomorrow.** In reality, Bidenomics, which encompasses the Infrastructure Investment and Jobs Act, CHIPS and Science Act, Inflation Reduction Act, and several regulatory actions, is not what's lowering inflation or keeping unemployment levels at record lows (the American Rescue Plan arguably contributed to inflation but also a stronger economy and labor market than other countries). Many of these investments will take years – beyond the 2024 election – to come to fruition. **But Bidenomics provides a vision, something that has been sorely lacking for an 80-year-old incumbent asking Americans to give him four more years.** Whether that vision is a winner or a connection with voters remains to be seen. **The Bidenomics campaign tries to contrast with not just Reaganomics but the GOP agenda today. But in the GOP primary, Reaganomics is far from the predominant eponym. It's all about Trumpism.** "We are never going back to the party of Paul Ryan, Karl Rove, and Jeb Bush," former President Trump declared at a Conservative Political Action Coalition speech this year. The Trump campaign has attacked Governor Ron DeSantis (R-FL) by going after his Reagan roots. "There's a pre-Trump Ron and there's a post-Trump Ron," a Trump campaign operative told Axios. "He used to be a Reagan Republican. That's where he comes from. He's now awkwardly trying to square his views up with the populist nationalist feeling of that party." The DeSantis campaign is trying to shed any resemblance to the Gipper. "The fight for the soul of the party isn't about tax cuts or trade deals. It is this cultural combat that we have as a country," Jeff Roe, the top advisor to the DeSantis super PAC, told Axios. Those defenders of Reagan, like Vice President Pence who [published](#) an op-ed in favor of Reaganomics and free-market principles, are polling in the low single digits. In many ways, Bidenism is a continuation of Trumpism, in that both are a repudiation of Reaganomics and the neoliberal economic and geopolitical framework that was the bedrock of both Republican and Democratic administrations. If the 2024 winner is Biden, Trump, or DeSantis, we expect that trend to continue. **But selling Bidenomics, or its Republican iteration, doesn't just mean selling it to voters, it also means selling it to consumers, businesses, investors, and global allies.** A poor implementation job by Biden and his administration opens the door to more volatility from a future Republican administration or Congress, as well as challenges from the courts or other countries. We will publish a Spotlight Report later today with a more in-depth analysis of the 2024 politics and economics of Bidenomics and Trumpism.

De Minimis Back in the Spotlight: One of the House Select Committee on China's focuses over the last few months since being created is China's oppression of the Uyghurs and other minorities in Xinjiang. This has included a [hearing on the issue](#) earlier this year and [a recent report](#) on the links between the fast fashion industry and the region. Limiting imports from this region has been something to which lawmakers have devoted significant attention in recent years and passed legislation to try to address, such as [the Uyghur Forced Labor Prevention Act](#). In addition to possible use of forced labor, the report also points to the use of the de minimis exemption by Temu and Shein, allegedly, to avoid taxes and minimize customs' inspections. **Reforming the de minimis exemption was an issue that got attention during the discussions around the legislation that ended up being the CHIPS and Science Act when there was consideration for a possible trade section.** The draft that was initially passed in the House included a measure that would have prevented goods from China from qualifying for the exemption, but it was ultimately cut along with the rest of the trade title. **Discussion of reforming the de minimis exemption has not stopped and a closer look shows that the select committee's report is just the latest in a [string of actions](#) related to the issue. Two separate bills to limit goods from China for qualifying have been introduced. [The first](#) is from Senators Bill Cassidy (R-LA), Tammy Baldwin (D-WI), and J.D. Vance (R-OH), which would end the de minimis exemption for imports from China. [The second](#) is a bipartisan, bicameral proposal from Senators Marco Rubio (R-FL) and Sherrod Brown (D-OH) and Reps. Earl Blumenauer (D-OR) and Neal Dunn (R-FL). If passed, this legislation would prevent goods from "nonmarket economies," such as China and Russia, from being able to qualify for the de minimis exemption. **Neither of these bills have received markups at the committee level in either chamber, but there have been [hearings](#) on the issue, including in the House Ways and Means Committee where Blumenauer serves as the ranking member.** The House Ways and Means Committee's GOP leadership, including Chair Jason Smith (R-MO), has expressed some interest in revising the de minimis threshold, though the trade subcommittee chair, Rep. Adrian Smith (R-NE), was more cautious, but did not close the door entirely. This level of interest from members on both sides of the aisle has led some to believe that reform could be a matter of time, despite the uncertainty about its form. **We are more hesitant to feel so certain that something will get done, as not only is there no clear bill, but there is also not an obvious vehicle.** One could be if Senate Majority Leader Chuck Schumer (D-NY) does press on with his legislative package focused on China, but without any text yet released, the odds that this passes seem to be decreasing further. Another option could be this year's National Defense Authorization Act, but in order to do so de minimis legislation would likely have to be**

in a relatively noncontroversial form, which could mean just focusing on increased transparency. **With the interest from Congress, this is an issue that is not going away anytime soon, but it has yet to reach a critical mass of support or attention necessary to feel confident that legislation will get done. Importantly, it will be a question of whether the momentum building now is able to be carried into the fall or other issues rise to become more important and take more attention.**

Medicare Abstains from Weight-Loss Drug Coverage: Since the passage of the Medicare Modernization Act in 2003 which created a prescription drug benefit, Medicare has been statutorily forbidden to pay for any Food and Drug Administration (FDA) approved product that is for weight loss. This means that the single largest payor in the US healthcare system is [not allowed to cover the use of any of the new drugs from Eli Lilly \(LLY\), Pfizer \(PFE\), or Novo Nordisk \(NVO\) that are currently available or hitting the market in the coming months, as well as the use of any other drugs off-label for the sole purpose of losing weight.](#) Physicians could still prescribe products such as Novo Nordisk's Ozempic for off-label use to the estimated 21 percent (in 2019) of clinically obese Medicare beneficiaries, but they would run the risk of a patient's Medicare Advantage or Part D insurance plan investigating such an action and the insurers would also face the risk of the Centers for Medicare and Medicaid Services (CMS) looking closely at prescription data and retroactively auditing this type of practice. Several bipartisan members of Congress, including Senator Bill Cassidy (R-LA) and retiring Senator Tom Carper (D-DE), have supported changing current law to allow such prescriptions and in the House, Reps. Brad Wenstrup (R-OH) and Raul Ruiz (D-CA) also plan to reintroduce companion legislation this summer. **We do not believe that this legislation will receive consideration this Congress, however, and we are also bearish on it being considered next Congress (2025-2026) as well. Our main rationale is that many Republicans preach about personal responsibility and would be loathe to pay billions of dollars for something that they think people should do on their own. Certain Democrats may also be concerned with the cost implications for Medicare's fiscal solvency. On a less ideological level, the Congressional Budget Office is likely to score any bill allowing Medicare reimbursement as costing tens of billions of dollars, even though there are also estimates that several million Medicare beneficiaries losing significant amounts of weight could save Medicare billions of dollars in other obesity-related treatment costs.** There is some chance that the Center for Medicare and Medicaid Innovation could create a demonstration that would see Medicare pay for such drugs for a specific cohort of beneficiaries and that these drugs are paid for at

a lower, negotiated price in the hopes that the demonstration “saves” sufficient money that it becomes permanent. There are several more pressing demonstrations that are in process though, so we would only expect that this would occur if President Biden were to win a second term. For investors in the companies that manufacture anti-obesity drugs, this political reality should be viewed as a mixed blessing. From a positive perspective, they will not have to contend with all of the government red tape associated with Medicare and the chances that its products are put on the negotiation list in the years ahead. There is also the chance that sometime down the road the law is changed, which would create a potential infusion of new revenue, but these products will also have had years of actual market-based payment history. By the time that Congress may come around on such a proposal, it is likely that there will be reams of data from other countries’ health systems regarding the systemic impact of such products and that could help to get a clearer picture of the costs and benefits for Medicare spending that will be key to any change in the law. **In sum, investors should not count on Medicare payments anytime soon and should also include the risk that CMS more rigorously audits both physician prescribing habits and Medicare Advantage and Part D plans paying for these products.** If the products are still of interest after these two policy-driven realities, then any eventual Medicare payment will be a (well-telegraphed) bonus.

Congress

This week, the House and Senate are not in session.

White House

President Biden will receive his daily intelligence briefing at 10:00 a.m. At 12:45 p.m., the president will depart the White House en route to New York City, where he will arrive at 2:00 p.m. At 4:00 p.m., Biden will join Nicolle Wallace of MSNBC for a live interview. At 5:30 p.m. and 7:40 p.m., he will participate in campaign receptions. At 9:05 p.m., the president will depart New York City en route to Washington, DC, where he will arrive back at the White House at 10:50 p.m.

Macroeconomic

At 10:00 a.m., the Carnegie Endowment for International Peace will hold a discussion titled "The Future of International Economic Policy." [More information here](#). Expected participants include:

- Mike Pyle, deputy national security advisor for international economics, National Security Council

Defense

At 10:30 a.m., the Mitchell Institute for Aerospace Studies hosts a virtual discussion titled "Accelerating 5th-Generation Airpower: Bringing Capability and Capacity to the Merge." [More information here](#).

Energy, Environment, and Natural Resources

At 10:00 a.m., the Washington International Trade Association will hold a virtual discussion titled "Critical Minerals: From When They Will Come?" [More information here](#). Expected participants include:

- David Schwietert, chief policy officer, Alliance for Automotive Innovation

At 10:00 a.m., the George Washington University Elliott School of International Affairs will hold a discussion titled "Public-Private Synergy in the Space Sector: Risks and Rewards." [More information here](#). Expected participants include:

- Jim Bridenstine, former administrator, NASA

At 1:00 p.m., the Government Executive Media Group will hold a virtual discussion titled "Building the Future: Exploring Modern Infrastructure Investment." [More information here](#).

At 2:00 p.m., the United States Institute of Peace will hold a discussion titled "China's Critical Mineral Supply Chains in Africa." [More information here](#).

Geopolitical

At 9:30 a.m., the Center for Strategic and International Studies will hold a virtual discussion titled "What is Next for North Korea?" [More information here](#).

At 9:30 a.m., the Federalist Society for Law and Public Policy Studies will hold its National

Security Symposium, titled "the legal, practical, and policy implications of the war between Russia and Ukraine." [More information here](#). Expected participants include:

- Former Senator Kay Bailey Hutchinson (R-TX); former US ambassador to NATO
- Beth Van Schaack, ambassador-at-large for global criminal justice, Department of State

At 10:00 a.m., the Center for Strategic and International Studies will hold a virtual discussion titled "Previewing Vilnius." [More information here](#). Expected participants include:

- David Quarrey, UK Ambassador to NATO

At 10:00 a.m., the National Council on US-Arab Relations will hold a virtual discussion titled "Pivot or Remain in Place? Examining the United States Military Presence in Arabia and the Gulf." [More information here](#).

At 10:00 a.m., the German Marshall Fund of the United States and Freedom House will hold a virtual discussion titled "A Region Torn and Fragmented? Authoritarian and Democratic Dynamics in Central Europe in the Context of the War in Ukraine." [More information here](#).

At 11:00 a.m., the American Enterprise Institute for Public Policy Research will hold a virtual discussion titled "Peace in the Pacific." [More information here](#). Expected participants include:

- Admiral Philip Davidson, US Navy (ret.), former commander, US Indo-Pacific Command
- Admiral Harry Harris Jr., US Navy (ret.), former commander, US Indo-Pacific Command

Healthcare

At 2:00 p.m., New America will hold a virtual discussion titled "The Pregnant Workers Fairness Act and the Future of the Care Movement." [More information here](#). Expected participants include:

- Marc Freedman, vice president of employment policy, US Chamber of Commerce

Judicial

At 4:30 p.m., the American Enterprise Institute for Public Policy Research will hold a discussion titled "Student Loan Forgiveness in the Supreme Court." [More information here.](#)

Political

At 1:30 p.m., the Committee for a Responsible Federal Budget will hold a virtual discussion titled "The Fiscal Outlook After the Debt Limit Deal." [More information here.](#)

Tech-Media-Telecom

At 10:30 a.m., New America will hold its virtual Tech for Humanity Summit titled "questions of ethics, justice and human dignity in a technological world." [More information here.](#)

Expected participants include:

- Shannon Raj Singh, co-chair of the war crimes committee, International Bar Association

At 12:00 p.m., New America will hold a virtual discussion titled "Ensuring Workplace Technologies are a 'Win-Win' for Workers and Employers." [More information here.](#)



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