

President Warren: Stimulus, Tariffs & Executive Orders

October 4, 2019

Senator Elizabeth Warren (D-MA) is an increasingly popular Presidential candidate and investors are beginning to take note. In the report below we'll answer the chorus of questions we've been getting on her policies, walk through her path to the nomination, major election-related factors and most importantly, her priorities for legislation and executive orders in 2021.

While Warren has a plan for nearly everything (except healthcare as our healthcare team will discuss in detail in subsequent reports), we posit that there are three major categories her administration and Congress will prioritize in 2021:

1. **Stimulus.** Deficit spending and, depending on the Senate, high-income financed stimulus for low- and middle-income Americans would be her first market-focused priority in 2021. This stimulus would come via broadly defined "infrastructure projects" designed to reduce income inequality (e.g housing affordability, student debt relief, and climate change conscious infrastructure buildouts) and regulate corporations and financial institutions.
2. **Tariffs.** Climate change, human rights, labor standards and other social and environment-focused tariffs should be expected on nations around the globe as Warren seeks to reform existing trade agreements and promote her agenda internationally. Global institutions like the WTO and multilateral consensus building would be a priority which, once bolstered, would be used to pressure countries to raise their standards and market practices. Instead of unilaterally attempting to bend China to US will as the Trump administration has done for the last two years, the Warren administration would likely seek to build a global coalition to bring about reform in China which could reduce the pain felt domestically by retaliatory tariffs from China (and others still in place/escalating from the European Union).
3. **Executive Orders.** This is a limited tool, but executive orders and federal agency actions should be expected, most notably around the financial services, energy, technology and agriculture sectors. While we're here: no, President Warren is not permitted to ban fracking on private land via executive order though restrictions on federal land leases in New Mexico, Colorado and drilling in the Gulf of Mexico are at risk. The President also has no authority to alter individual or corporate tax rates – that power lies squarely with the House Ways and Means and Senate Finance Committees so tax increases or decreases cannot be delivered by Warren without Congressional support.

There *is* a path to a Warren administration in 2021, and those prospects likely rose earlier this week when Senator Bernie Sanders (I-VT) announced that he would be cancelling his campaign appearances for the foreseeable future due to health complications. Warren is the

second choice candidate for 28% of Sanders voters (30% would support Biden and probably another 20% or more would likely flip to President Trump) so her standing in the polls could rise in the very near term if he were to drop out of the race from here, which, given his dismal polling in early primary states, would be a wise move for his legacy in our view.

Few investors have actively considered Warren's bid for the White House to be viable thus far in the campaign but there has been a material uptick in recognition that such an outcome is possible in the last week, particularly as the Trump/Biden/Ukraine story unwinds. Should Sanders bow out of the race soon, we would expect the prospect of a Warren administration to become more widely considered amongst the investment community.

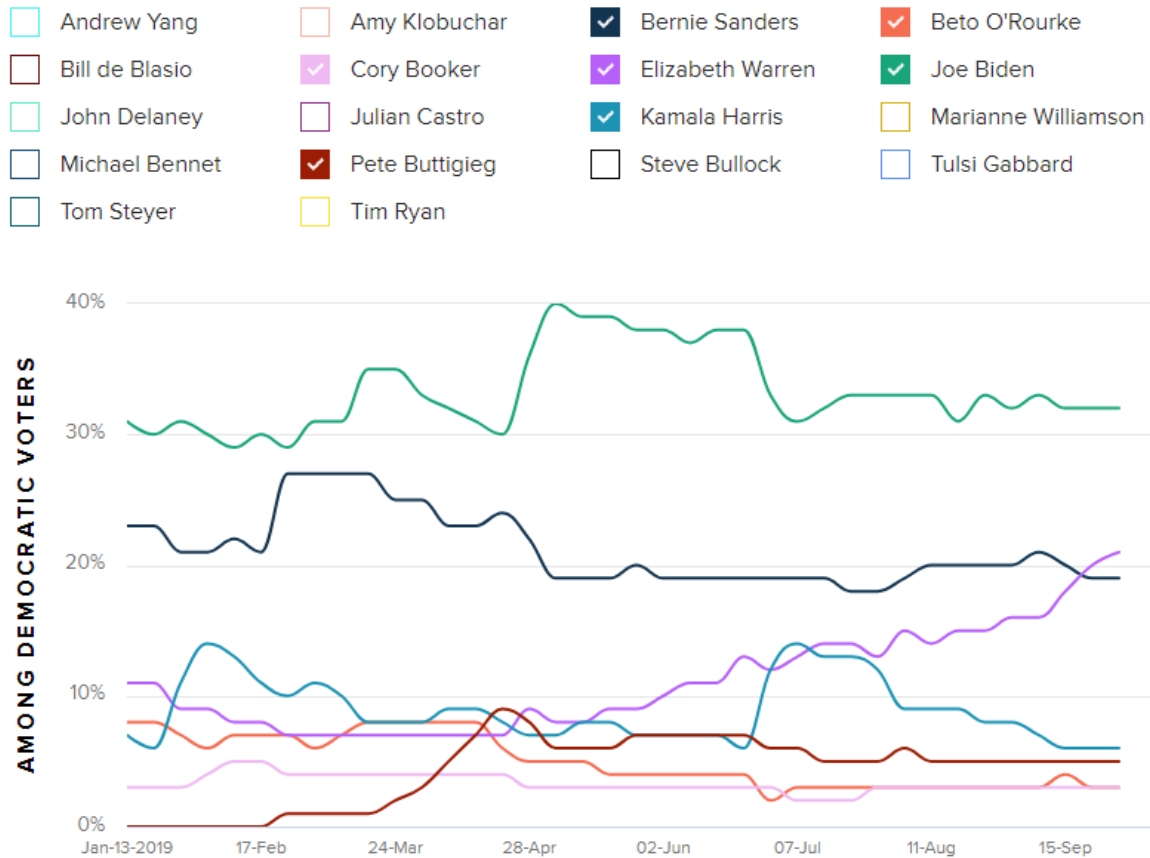
The next debate is October 15 and poor showings in the weeks thereafter or failure to generate momentum from the debate should reduce the Democratic field by the end of the month. There are about 10 candidates who have failed to build enthusiasm (e.g. Sestak, Ryan, Delaney) and could drop off in the next few weeks after not making the cut for the October 15 debate, and another few, including Castro, Bullock, and Gabbard who may miss the polling threshold for the next debate if their support doesn't grow. Some of those voters will shift to the Warren camp and put more fuel on her fire.

Warren's Trajectory & Path to the White House

Senator Warren is the only major candidate in the field today who has steadily gained traction with the American voter as the chart below illustrates. Vice President Biden started with the highest name recognition and favorability ratings in the race (73% favorable versus 19% unfavorable) but neither he nor any of the single-digit candidates like Senator Kamala Harris (D-CA), Mayor Pete Buttigieg (D-IN), or Senator Cory Booker (D-NJ) have been able to *sustain* or *build* on their intermittent bouts of momentum the way that Warren has.

If we had to hazard a guess, Pete Buttigieg is one of the only candidates to meaningfully build his appeal and support base since his launch and the next dropouts could well be more establishment-friendly Senators like Klobuchar and Booker.

Figure 1. Democratic Presidential Candidates Trend Over Time



Source: Morning Consult

The race is far from over and we do not have a crystal ball but it is not hard to deduce from the chart above and the polling data below that Senator Warren still has substantial room to grow as lower-tier candidates drop out of the race, default Biden supporters learn about Warren’s positions/digest the impeachment headlines, Sanders leaves the race, President Trump’s impeachment investigation heats up and voters tune into the campaign. **20 percent of the Democratic voting population either has no opinion of Warren or has never heard of her**, something that will undoubtedly change in the coming months and if history is guide, fuel her continued growth regardless of external events in our expectation.

Democratic Campaign Schedule

American voters are beginning to seriously tune into the Presidential election which is still 13 months away. Below, we breakdown how that will change in the coming months of the campaign and major headline risk and inflection points investors should prepare for as the race plays out:

October 15: 12 candidates have [qualified](#) for the October debate and as of this writing, Bernie Sanders intends to be on the stage in Ohio. This is also the date on which tariffs will

rise to 30% from 25% on \$250B worth of Chinese exports. Our odds of a “pause” to delay these tariffs for 30-60 days are 40% and ultimately, we do expect these tariffs will be increased, though October 15 is not a guarantee.

Vice President Biden is still the front runner in the campaign and according to a poll released post the Trump/Ukraine explosion, a plurality of [40% of Democrats still believe Biden](#) has the best chance of beating incumbent President Donald Trump.

Warren is the second highest ranking candidate on this list but only **18%** of nationally polled responders think she has the “best chance” of beating Trump in 2020. This is an important data point to monitor as enthusiasm and voter turnout is likely to be record breaking in this polarized climate. Those hoping to [unseat Trump no matter what](#), will prioritize that outcome over policy purity at the end of the day.

Support for President Trump’s impeachment is now higher than it has ever been in his administration and for the first time, [more Americans believe Trump should be impeached](#) than not (46.7% support versus 45.1% who do not). This is due to a combination of the allegations of abuse of power by Trump with the Ukrainian President and [elsewhere](#) and Speaker Pelosi’s (D-CA) deliberate shift towards supporting impeachment given these developments.

As our clients are no doubt aware, the charges of abuse of power between Trump and his phone call to Ukrainian President Zelensky revolve around Trump attempting to coerce Zelensky into investigating a [dubious at best](#) allegation that involves Vice President Biden and his son Hunter Biden, which has been [refuted directly](#) by the Ukrainian prosecutor in [question](#). Reality being what it is these days, 42% of voters believe Trump’s claim that Biden ‘probably acted inappropriately’ while 37% believe he ‘probably did not’ and 20% don’t know one way or the other. One in five US voters don’t know much about the Trump/Ukraine news story yet and this could end up damaging Biden’s presidential bid amongst liberal Democrats and potentially independents, though that is not yet borne out by the polls. 25% of Biden supporters have Sanders as their second choice – if Sanders is out of the race and Biden becomes tainted by this allegation, Warren will have the opportunity to nab at least some of those voters.

November-January: There will be additional debates in the next four months and the Democratic field will winnow further. Without jumping to conclusions on either Biden or Sanders, it’s worth spending some time understanding where Democratic voters may shift if either of those candidates (or others) leaves the race or their supporters start to get shaky. The [second-choice candidates](#) for both Kamala Harris and Pete Buttigieg are Warren at 28% and 30% rates respectively. The second-choice candidate for Biden voters is Warren (29%) while the second-choice candidate for Sanders is nearly evenly split, 30% for Biden and 28% for Warren.

Thus far in the race the Republicans and President Trump have largely focused on bringing down “sleepy Joe Biden” and haven’t put the spotlight nationally on Senator Warren. That

will change and ultimately, whether Warren, Biden or someone else takes the lead in the Democratic field, there will be an extensive opposition campaign to that candidate which will take root in public opinion throughout the year. Warren has one of the lowest unfavorable numbers in the game right now but those will invariably rise as the campaigns turn negative.

Momentum is the name of the game in politics and presidential contests, particularly primaries. As mentioned above, there will be debates in November and December and more predicted for January-April, but the real meat and potatoes of the race will come on:

February 3: The Iowa caucus. Elizabeth Warren just took the lead in an historically accurate [poll](#) in the state (from Selzer & Co who is a [legend](#) in the polling world) and she is on track to narrowly win the nomination there. Winning the first in the nation primary has an impact on all future voting for many reasons, but some of it is that people like to vote for a winner and if she's able to win in Iowa, that could be a potential death blow to Biden. During the 2008 campaign, Biden won less than 1% of the Iowa vote (President Obama, John Edwards, Hillary Clinton and Bill Richardson all surpassed him in that election) and so Biden arguably **must** show that he can take the lead in Iowa this time around.

February 11: New Hampshire primary. Warren has leap-frogged Biden in New Hampshire in the last month of [polls](#) and importantly, she has more than double the support of voters than Sanders. As we'll recall from 2016, the reason Sanders was able to surge and eat into Hillary Clinton's national standing was because he stopped her momentum in New Hampshire. Now Warren is leading both Biden and Sanders here which will give her even more of [The Big Mo](#) going into the Nevada Caucus. We'd note here that there have been 12 Democratic presidential contests since 1972, including nine in which there was not an incumbent Democratic President. In only two of those instances did someone who did not win either Iowa or New Hampshire go on to win the Democratic nomination: George McGovern in 1972 and Bill Clinton in 1992. Bill Clinton's 1992 experience is not a good proxy because the Iowa Caucuses were not contested on the Democratic side in 1992 since Iowa Sen. Tom Harkin was running for President and had homefield advantage. Thus, the only Democrat in modern history to compete in and lose both Iowa and New Hampshire and go on to win the nomination was George McGovern, and he did it 48-years ago using a grassroots insurgency against the early front-runner, Maine Senator Edmund Muskie.

Democratic presidential candidates who compete in and lose both Iowa and New Hampshire tend to fade away quickly. That's not to say that Vice President Biden could not overcome loses in Iowa and New Hampshire by winning big in South Carolina, but if Warren wins Iowa and New Hampshire, Biden would have a massive, nearly unprecedented hill to climb.

February 22: The Nevada caucus. This is Biden's strongest foothold yet against Warren in the primaries, but Sanders is pretty high up there with him too at 24% and 22% respectively. Warren has a lot of work to do with these voters, but she has gained almost 9 points there since March 2019 and if the national trend is a guide, will continue to. Biden must keep his lead here, probably by this same margin, to have a chance going into Super Tuesday. The next state though should very much remain in Biden's favor and he could stage a comeback here:

February 29: The South Carolina Primary. This is the first state in the race with a significant black voter population and is Biden's strongest safety zone. Biden is polling at [37% or higher](#) now versus Warren in the 17% range and Sanders in the single digits. Sanders has never been able to make strong inroads with minority voters and that's a big reason Clinton never feared losing out to him in the long run. The minority vote is what separates a Democratic President from a Republican President winning the White House in 2020 so if Warren wants to convince the Democratic establishment that she can really win this thing, she needs to illustrate now that she can win the minority vote. If she does, which some [polls](#) are starting to indicate, then she should be able to take away single digit candidates like Buttigieg, Harris and Booker as they drop out (if they do – there's still time for them to get back in this thing).

March 3: SUPER TUESDAY. This is it; this is the race. Super Tuesday is when most of the big states come in: California, Colorado, Massachusetts, North Carolina, Texas, Virginia – many of the important Electoral College votes and the one's all the candidates will need for the General election. That California Senator Kamala Harris is [capturing less than 9%](#) of the state's primary voters is a very bad sign for her indeed, and Biden, Sanders and Warren are in a third way tie. Here too Warren is on the ascent, having grown her ratings here from 7% in April to 29% in the most recent LA Times [poll](#).

Legislative Prospects Under Warren

If Warren's growth trajectory continues and she is elected President, the next question is whether she'd be able to have a functioning majority in the Senate to turn her ideas into law. In order to pass legislation, President Warren would need Democrats to control both the House and the Senate. Right now, it is highly likely that Democrats will control the House of Representatives and the Speaker will be Nancy Pelosi. Democrats have moved to the left over the last few elections (but not as left as Warren) and Speaker Pelosi will push through slightly moderated versions of whatever President Warren prioritizes. We should expect the Democratic leadership to work with the White House closely to decide how to prioritize Warren's policy agenda based on what can pass in the more moderate House and substantially more moderate Senate.

Focus on the Senate

The Senate is a different animal and most worth our time to analyze. In the chart below we have provided forecast for the Senate in 2021. Right now, it takes 60 votes in the Senate to move partisan legislation. There is no scenario whatsoever in which Democrats control 60 seats in the Senate.

Senate Forecast for 2020: It is our base case expectation that Democrats will control **49** seats in 2021, up from the 47 they control today. **49 seats means almost no legislation will pass in President Warren's administration as Republicans would still control the chamber.** At best, a deficit-increasing infrastructure package could get bipartisan support,

particularly if there is a recession at hand, but none of her more controversial plans would move wholesale and **none of her tax policies**.

In our base case outcome where Democrats hold the majority in the House and the minority in the Senate, the Warren administration would be forced to act via executive orders and regulations rolled out by the federal agencies which we'll provide examples of below.

Figure 2. Veda 2020 Senate Election Forecast

2020 US Senate Elections Forecast						
Veda Partners, LLC						
Democrats			Republicans			
State	Member	Win/Loss	State	Member	Win/Loss	Blue Wave Scenario
AL	Jones	0	AL	Shelby	1	1
AZ	Sinema	1	AK	Murkowski	1	1
CA	Feinstein	1	AK	Sullivan	1	1
CA	Harris	1	AZ	McSally	0	0
CO	Bennet	1	AR	Boozman	1	1
CT	Blumenthal	1	AR	Cotton	1	1
CT	Murphy	1	CO	Gardner	0	0
DE	Carper	1	FL	Rubio	1	1
DE	Coons	1	FL	Scott	1	1
HI	Schatz	1	GA	Isakson	1	0
HI	Hirono	1	GA	Perdue	1	0
IL	Durbin	1	ID	Crapo	1	1
IL	Duckworth	1	ID	Risch	1	1
ME	King	1	IN	Young	1	1
MD	Cardin	1	IN	Braun	1	1
MD	Van Hollen	1	IA	Grassley	1	1
MA	Warren	1	IA	Ernst	1	0
MA	Markey	1	KS	Roberts	1	1
MI	Stabenow	1	KS	Moran	1	1
MI	Peters	1	KY	McConnell	1	1
MN	Klobuchar	1	KY	Paul	1	1
MN	Smith	1	LA	Cassidy	1	1
MT	Tester	1	LA	Kennedy	1	1
NV	Cortez Masto	1	ME	Collins	0	0
NV	Rosen	1	MS	Wicker	1	1
NH	Shaheen	1	MS	Hyde-Smith	1	1
NH	Hassan	1	MO	Blunt	1	1
NJ	Menendez	1	MO	Hawley	1	1
NJ	Booker	1	MT	Daines	1	1
NM	Udall	1	NE	Fischer	1	1
NM	Heinrich	1	NE	Sasse	1	1
NY	Schumer	1	NC	Burr	1	1
NY	Gillibrand	1	NC	Tillis	1	0
OH	Brown	1	ND	Hoeven	1	1
OR	Wyden	1	ND	Cramer	1	1
OR	Merkey	1	OH	Portman	1	1
PA	Casey	1	OK	Inhofe	1	1
RI	Reed	1	OK	Lankford	1	1
RI	Whitehouse	1	PA	Toomey	1	1
VT	Leahy	1	SC	Graham	1	1
VT	Sanders	1	SC	Scott	1	1
VA	Warner	1	SD	Thune	1	1
VA	Kaine	1	SD	Rounds	1	1
WA	Murray	1	TN	Alexander	1	1
WA	Cantwell	1	TN	Blackburn	1	1
W VA	Manchin	1	TX	Cornyn	1	1
WI	Baldwin	1	TX	Cruz	1	1
			UT	Lee	1	1
			UT	Romney	1	1
			W VA	Moore Capito	1	1
			WI	Johnson	1	1
			WY	Enzi	1	1
			WY	Barasso	1	1
Incumbents	47				53	
Loss	1				3	
Pickups	3				1	
Likely Total	49				51	
Blue Wave Scenario	54				46	

Key
Bold indicates member up for election
Italics indicates member retiring

In a blue wave scenario, where Democrats lead in the generic national polls by 13-16 points or higher, there is a chance that Democrats could hold as many as 54 seats in our forecast. Democrats are polling on average 7.5 points better than Republicans nationwide today, as the chart below illustrates, but voter turnout and forecasting estimates suggest that in order to see a real blue wave that could bring Democrats control of the Senate, the generic data will need to be in Democrats favor by at least 13 points, or about 6 points higher than where they are now. This is very unlikely to occur.

Figure 3. Generic Polling Data in the US: Democrats Versus Republicans

Polling Data					
Poll	Date	Sample	Democrats (D)	Republicans (R)	Spread
RCP Average	9/13 - 9/24	--	45.5	38.0	Democrats +7.5
Economist/YouGov	9/22 - 9/24	1198 RV	47	39	Democrats +8
Politico/Morning Consult	9/13 - 9/16	1994 RV	44	37	Democrats +7
All 2020 Generic Congressional Vote Polling Data					

Source: RealClearPolitics

Eliminating the Filibuster

If a blue wave scenario comes to pass and Democrats hold 54 seats, they would likely have enough support to drive then Majority Leader Schumer (D-NY) to eliminate the filibuster, which means that the threshold for passing legislation would drop from 60 votes to 50 from the Senate and 1 from the Vice President.

The process of eliminating the filibuster is in spiritually complicated but practically quite simple. Practically speaking, Majority Leader Schumer, Speaker Pelosi and President Warren would all confer and decide which legislation they want to prioritize during her first year in the White House. Even a 54-seat majority is slim since it takes 51 to get a bill passed in the Senate, including the Vice President's tie-breaking vote.

While there is not yet a plan in place for this, it is conceivable that Democrats would only lift the filibuster for certain types of legislation – say deficit increasing or reducing legislation. This would allow for tax bills to pass for instance, but not a ban on abortion – much like the Byrd authority that exists in the budget reconciliation process which brought about the 2017 *Tax Cuts and Jobs Act* and the 2009 *Affordable Care Act*.

This limited move has its own tradeoffs: why trigger the true nuclear option by eliminating the filibuster and opening up that can of worms when reconciliation instructions could serve just as well? The answer could be that eliminating the filibuster would in theory allow Warren to pass *more* legislation than just the two authorized from any fiscal year (one deficit increasing, one deficit reducing) but taking *more* votes is harder than taking *less* votes and the Democratic party will need to make that decision when the time comes. This is just a possibility we're offering up - politicians generally exist in a state of self-preservation and eliminating the filibuster is an enormous undertaking politically, so taking a piecemeal

approach towards turning the Senate into the House could attract more support, at least initially for moderate Democrats and institutionalists, than going for the full nuclear option.

Technically speaking, if or when Democrats agree politically that eliminating the filibuster is the right call, Majority Leader Schumer would make a **point of order that the rule requiring the filibuster is unconstitutional or, put another way, that the filibuster is a rule that should not be followed.**

Schumer would have to convince 51 senators that the filibuster is a rule that does not need to be followed and then put the motion up for a vote. If 51 senators vote 'yea', the rules change will be effectuated immediately and the new threshold for passing controversial language in the US Senate will be 51 votes (or 50+1 VP vote), not the current 60. This could happen at any time but as we suggest above, our expectation is that the leaders of the House and Senate along with Warren would need to very closely strategize what they want to enact as they'll likely lose House seats at a minimum in the 2022 elections, and possibly give up their prospects of keeping or picking up a Senate seat in 2022.

If Warren were elected President and decided she wanted the Senate to eliminate the filibuster and made a major push for it, we have to assume Schumer would put it up for a vote and that the vote would pass, thus lowering the threshold for controversial legislation to 51 votes but it would take a decisive victory in the 2020 election and a significant amount of education and political capital in the months before her swearing in.

Just as a brief aside here we'd like to stress that this is an extraordinarily big deal. **We would likely see advance warning and a national discussion of this strategy months before the 2020 election as Warren would need to shift the minds of the public and moderate Democrats to make such a drastic move palatable. Legislative consistency would no longer be something the investment community could count on from the US after this rule change and any legislation enacted under Warren could just as quickly be eliminated under a new Republican president should they be so inclined. The opposition to eliminating the filibuster is widespread and it is not a guarantee that this will happen under President Warren.*

President Warren's Priorities Assuming a Legislative Majority in the House & Senate

We've laid out a ranking of President Warren's main policy ideas in priority order in the chart below and more detailed explanations follow:

Warren Policy Ideas Veda Partners, LLC			
Priority Rank	Issue	Major Outcome for Investors	Would it Pass
1	Campaign/Lobbying Reform	None immediately	Yes, in moderated form
2	Income inequality (Housing, student loans, universal childcare, down payment on Green New Deal & Medicare for all)	2-3% tax on income over \$50M (\$2.75T revenue generator)	Would require repeal of filibuster & could only partially be done via reconciliation if not - more likely this would be broken apart into smaller pieces, depending heavily on the state of any recession/the economy
	Universal Childcare & Early Learning Plan	Build/expand State and local childcare options; cap cost at 7% of family income - More disposable income amongst lower wage earners (WMT, TGT, etc.)	Paid for by tax on those with more than \$50M in yearly net worth
	Student Loan debt relief	Cancel debt for up to \$50k in student loan debt for those with household income under \$100k (42M individuals); phase out deduction between \$100k-\$250k; no cancellation for those above \$250k; make public college free	Paid for by tax on those with more than \$50M in yearly net worth
	Green New Deal Down payment	10-year plan, mostly raises regulations	It's too disparate now to pass as one plan, would be rolled out in pieces, broken out across issues listed under #2
	Infrastructure Spending as part of Green New Deal	Positive for construction sector/commodities/municipalities	Yes - possibly with raise in gas/carbon tax
	Medicare for All	Prohibition on private managed care, Medicare-level reimbursements for providers, government negotiation for drug and device reimbursement, substantial tax increases, universal coverage	No; \$30 - \$40T/10 year cost; substantial tax increases; hugely disruptive. Requires Democrats to win the Senate and to eliminate the legislative filibuster - even then, likelihood is extremely low.
	Coverage Expansion: Medicare Buy-In / Public Option	Competition for managed care organizations in various markets; potentially lower reimbursement for providers; possible Medicare Advantage growth.	Yes, if Democrats win the Senate and eliminate the legislative filibuster or find a way to implement it through reconciliation, which could prove challenging. Would need to find revenues to pay for the increased government expenditures.
	Drug Pricing: Part D Negotiation / Reference Pricing	Reduced government payments for prescription drugs in Part D and Part B	Yes, if Democrats win the Senate. Unlike other healthcare initiatives, this very likely can be implemented via reconciliation and it is a cost-saver for the government.
	Housing investment to reduce rent by 10%	Fannie/Freddie reforms; mortgage investment reforms	\$500B/10 year cost; Raise estate tax, raise tax rates on high net worth individuals
3	Criminal Justice Reform	Ban on private prisons; marijuana decriminalization	Yes, particularly marijuana legalization which could generate \$86B/10 years in federal revenue
4	Foreign Policy/ Trade Wars	Warren is learning from Trump tariffs and would use them for myriad policy reforms around the globe. Expect tariffs to continue for the duration of Warren's presidency - likely on an expanding list of countries for varying reasons	Authority would not be removed - Expansive tariff authority currently exists, as Trump is illustrating and would likely not be stripped
		Top concerns Warren would address with tariffs - likely Section 301 tariffs: Labor reforms/wage requirements; Labor rights/worker conditions; Environmental protections; Currency manipulation; Drug pricing; Agriculture trade & purchases of US poultry and grains; Anti-corruption reforms; Tax haven enforcement (and otherwise)	
5	Border Carbon Adjustment	Import tax on all foreign goods coming from nations with X amount of carbon emissions - targets would include China and India most immediately	Probably not. Only Congress has the authority to impose new taxes and there were not sufficient votes in either the House or Senate for the Border Adjustment Tax in 2017 and likely would not be enough votes here either.

Source: Veda Partners, LLC

- 1. Campaign/Lobbying reform.** There is no major immediate impact to underlying stocks or sectors in this basket, so we won't dwell on it, but this is where she'd seek to change political campaign donation allowances for corporations, lobbying and probably also request that Majority Leader Schumer eliminate the filibuster. One way to make the filibuster change more palatable would be to attach it to a broader government reform bill to "end Washington corruption" etc. Reducing the ability of corporations to lobby would raise the likelihood that adverse sector-specific legislation passes in the future, but we'll cross that bridge when we get to it.
- 2. The Green New Deal.** Warren does not endorse every aspect of the "Green New Deal" presented by more progressive Democrats in recent years, but for ease of presentation,

we'll refer to it here as such. The Green New Deal is a compendium of major policy initiatives designed fundamentally to reduce income inequality, an issue [widely considered by liberal Democrats](#) to be the root of all social and societal ills. Reducing income inequality can be done in myriad ways, from capping executive compensation to providing healthcare for all. Warren will need to work with Pelosi and Schumer to figure out where the votes lie for each of these issues which will, in large part, depend on the needs of the nation when she is elected.

If there is a recession for instance, the prospects of tax hikes could fall and some of her corporate-facing agenda items may be placed on the backburner. If there is an infrastructure disaster (which is distinctly possible given America's eroding bridges, roads and critical infrastructure) they'll likely prioritize what could be even a bipartisan infrastructure spending package, which would have the neat side-effect of stimulating the economy. Whatever income inequality-reducing policy Warren decides to prioritize (more healthcare, lower student loans, more housing etc.) it will all be paid for by an accompanying tax hike bill. The smaller the income inequality-reducing priority, the less tax revenue she will need to raise it and there will be tweaks here and there depending on the state of the US economy and needs of various industries depending on the state of the trade wars, but in general her tax bill is consistent and all worth monitoring.

Warren's Tax Plans

The Ultra-Millionaire Tax

In keeping with the progressive nature of Warren's campaign, her tax policy is targeted at the ultra-wealthy. Her campaign's analysis suggests that overall, the policies listed below could generate \$2.75T/10 years. For reference, the *2017 Tax Cuts and Jobs Act* added \$1.6T to the federal deficit and Republicans have largely abandoned their "reduce the deficit" mantra, though that will surely come back when they're in the minority again. The point here is, if Democrats are eliminating the filibuster and running rough-shod over conventional norms, **it is distinctly possible if not likely that Democrats would continue to deficit spend rather than commit to taking the difficult votes associated with the below tax increases.** Nonetheless, Warren's tax policies are listed below:

- Impose a 2% annual tax on household net worth between \$50M and \$1B. There is no tax bracket for the ultra-wealthy in America. Single filers pay a 37% tax rate on income above \$510,301 (married filing jointly pay 37% on income above \$612,351) and that is the top tax bracket for individuals. Warren would be creating a new tax rate for those earning above \$50M. For reference, proposals to create more individual tax brackets above the \$5M threshold have been popular in recent years and the idea has widespread support in the Democratic caucus. Some level of tax increase on the wealthy should be expected *if* there is a policy idea on the spending side that generates enough support to raise these taxes.

- Impose an additional 1% tax (3% overall when combined with the plan above) for households with more than \$1B in household net worth per year.

The definition of household net worth is integral to the revenue estimates associated with these two items. Warren would change the tax code to apply to “all household assets held anywhere in the world” including homes, closely held businesses, assets held in trust, retirement funds, assets held by children and personal property with a value of \$50k or more.

The lobbying that will be done to prevent this or provide carveouts to certain industries (real estate for example) will be enormous. Ultimately, the tax might apply to investment income and passive earnings, but the potential for lobbying to isolate certain assets will be tremendous and likely effective, thus reducing the overall basket of revenue Warren should expect to ultimately generate from these tax changes.

Bottom line: high net worth individuals should expect to see their tax rates rise on a year over year basis, but this will take months if not a full two years to hammer out from Warren’s swearing in January 2021.

The ‘Real Corporate Profits Tax’

Warren does not advocate for an across the board corporate tax **rate** hike which conveniently makes opposing her corporate tax hike more complicated for Republicans. Instead, she raises corporate taxes and expands corporate reporting in myriad other ways to get at that revenue, including:

- Imposing a 7% tax on corporation’s profits with an exemption for the first \$100M in profits. This plan is [estimated](#) to generate \$872B/10 years.
- Corporate stock buybacks would be limited, in part to limit the compensation of those in the C suite whose earnings are tethered to a company’s stock price.
- Corporate executives would be barred from selling stock in the company for 5 years.
- 40% of a company’s board of directors would need to be elected by the corporation’s employee population.

Financial services reform is obviously an integral part of Warren’s career and mission, in line with the broader income inequality theme. As such, while broader financial services reform probably won’t be a first or even a second-year agenda item, it could well be a back-half of her term priority, if not her first focus in the event she wins a second term. At the outset, we would expect Warren to seek full funding for regulatory agencies like her original brainchild, the Consumer Financial Protection Bureau (CFPB). Alterations to mortgages, student loans and credit cards are the main priorities of this agency and increased regulatory oversight of national and global banks and consumer-facing policies are a guarantee.

Warren's Spending Cuts Plans

Warren has a [tremendous focus on the agriculture industry](#) versus her peers and would shake up the agriculture subsidy program in the US extensively. To pay for these shakeup's, she proposes **cutting about \$800B from the US defense budget/10 years** and we expect she would support a carbon/gas tax as well. From that revenue she would spend:

- \$400B/10 years on clean energy research
- \$100B/10 years to create American-made clean, renewable and emission-free energy tech which can then be exported to other nations (who would buy it) to advance clean energy.

Trade & Tariffs Under Warren

Candidate Warren has watched the last two years of tariffs under President Trump and clearly likes what she sees. The tariff and trade agreement policies on her newly rolled-out agenda are exhaustive and indicate that tariffs in some form or another should be considered a guarantee under President Warren. If for any reason Leaders Schumer did not or could not eliminate the filibuster, anything listed below could be enacted unilaterally by Warren, without oversight or approval from Congress:

- Institute tariffs under Section 232 (national security justification) after a maximum 270-day investigation was completed by the Department of Commerce on any nation around the globe.
- Institute tariffs under Section 301 for any market manipulation/access transgressions that are considered to violate WTO trade agreements after a maximum 270-day investigation was completed by the Office of the US Trade Representative.
- Renegotiate free trade agreements with various nations to pull out of any existing trade deal if there are concerns with nation X's human rights, human trafficking, fossil fuel industry subsidization, corruption, bribery, child labor and any other human rights or economic policy-focused reason.

Thus far, Warren has supported instituting tariffs on nations for unfair/adverse policies around:

- Labor reforms (read: minimum wage requirements)
- Labor rights (read: overtime/part-time pay, worker conditions at the factory level, etc.)
- Environmental protections
- Currency manipulation
- Drug prices

- Agriculture purchases (most problematically here probably being the EU but also Japan, China and everyone else)
- Anti-corruption rules
- Tax “enforcement” by which we assume she means don’t allow tax havens (definitely Caribbean islands but also probably Ireland and other low-tax nations)

In addition, Warren supports the idea of instituting a “**Border Carbon Adjustment**” which mirrors almost exactly the [Border Adjustment Tax proposal](#) rolled out by then-Speaker Paul Ryan (R-WI) although it would apply not to every nation we trade with, but those who have unacceptably high carbon emissions. The intent being to penalize trade with nations who have a high domestic carbon footprint and impose a financial disincentive for not acting on climate change.

The difference between Ryan’s proposal and Warren’s is that Warren’s could conceivably be imposed on imports *without* having the approval of Congress. Given her priority to maintain a progressive not regressive tax code, we consider import of high-end items (luxury cars, foreign foods, costly apparel etc. to be more exposed to a risk of this BCA than imports sold at Walmart or Target, though that is not yet clear).

Warren’s Healthcare Policies

While healthcare is not an issue area that is often associated with Warren’s “brand,” she is an active member of the Senate Health, Education, Labor, and Pensions (HELP) Committee and has authored several healthcare-related bills during her Senate tenure. We reviewed her legislative history and campaign website to ascertain the likely healthcare policy focal areas of a Warren Administration. The categories are presented in alphabetical order.

1. **Audiology / Hearing Aids:** Sen. Warren was a leader in the successful effort to secure from the Food and Drug Administration (FDA) an approval pathway for over the counter (OTC) hearing aids that will offer a less expensive alternative to individuals with low-to-mild hearing loss. She also is sponsor of legislation in the 115th and 116th Congresses to amend the Medicare statute to designate audiologists as physicians and authorize Medicare coverage of audiology services. At present, hearing-related services and hearing aids are not covered by fee-for-service (FFS) Medicare.
2. **Behavioral Health Parity:** Sen. Warren has introduced the [Behavioral Health Coverage Transparency Act](#) in every Congress since she entered the Senate. The legislation enhances mental health parity requirements for commercial insurance. Existing policy requires commercial insurers to cover behavioral and substance abuse treatment services on par with other medical benefits, but coverage gaps remain. Sen. Warren’s legislation further clarifies the parity requirements, enhances reporting requirements for insurers, and grants greater oversight authority to regulators. If enacted, the legislation likely would be beneficial to behavioral health providers since it would ensure more robust coverage for behavioral health services among commercially insured populations.

- 3. Health Coverage Expansion:** While Sen. Warren has a plan for everything, she largely has outsourced the most consequential healthcare policy of the 2020 campaign to her rival for the Democratic nomination, Sen. Bernie Sanders (I-VT). “Medicare-for-All” (M4A) is arguably the defining healthcare issue for Democratic contenders for the White House, yet rather than staking her own position, Warren has said repeatedly, “I’m with Bernie.” Until September, there was no mention of M4A on Warren’s campaign website; the issue was added after several reporters raised questions about its absence. To be fair, Sen. Warren is an original cosponsor of Sen. Sander’s Medicare for All legislation in the Senate. However, we question her conviction on M4A; we believe this is an issue that would have secondary status in the early days of a Warren presidency. Our expectation is that she would not stake her first year in office on a push for M4A. Rather, she would focus on other priorities that are of greater importance to her and for which she has a longer history of advocacy.

Interestingly, over the past two Congresses, Sen. Warren is the lead sponsor of the [Consumer Health Insurance Protection Act](#), which frankly would seem at home on Vice President Joe Biden’s campaign website. The legislation significantly expands and enhances the Affordable Care Act (ACA) through the implementation of higher minimum medical loss ratio (MLR) requirements in the individual and small group markets, enhanced premium tax credits, out of pocket (OOP) caps for prescription drugs, other policies to reduce cost-sharing responsibilities, enhanced network adequacy requirements, the establishment of standardized plans at all metal tiers on the Exchange, limitations on balance billing, etc. The legislation does not create a public option, though it does require Medicare Advantage (MA) plans and managed Medicaid plans operating in counties with fewer than three plan choices on the Exchange to offer an Exchange product in that county. Sen. Warren does not trumpet her authorship of this legislation on the campaign trail, but we believe it probably represents the crux of her likely health coverage expansion initiatives in the first year of her Administration.

- 4. Medical Research:** Sen. Warren is a strong supporter of the National Institutes of Health (NIH), the federal government’s biomedical research agency. She authored the National Biomedical Research Act in the 114th and 115th Congresses, which would appropriate an additional \$50 billion over 10 years to support biomedical innovation at NIH and FDA.
- 5. Native American Health:** This is an issue of some sensitivity for Sen. Warren because of her clumsy claim of Native American ancestry. She is the author of legislation that requires any recipient of federal grant money from the Substance Abuse and Mental Health Services Administration (SAMHSA) for the purpose of implementing state-wide youth suicide prevention efforts to collaborate with federally recognized tribal governments.
- 6. Opioid Epidemic:** Sen. Warren has been out front in her advocacy for an aggressive federal response to the opioid epidemic. Her [Comprehensive Addiction Emergency Resources Act](#), which she has introduced in the 115th and current Congress – and

highlights frequently on the campaign, would marshal a wide-ranging federal response to the epidemic. It authorizes several new grant programs to provide billions of dollars in support to states and local governments to implement a variety of prevention and treatment initiatives. Sen. Warren also has sponsored legislation requiring the federal government to educate prescribers and pharmacists about “partial fill” policies that can prevent unused opioids from being misused; legislation to enhance federal efforts to detect and monitor fentanyl and other synthetic opioids; and legislation requiring opioid manufacturers as part of their responsibilities under a Risk Evaluation and Mitigation Strategy (REMS) to inform providers about federal and state regulations on controlled substances.

7. **Prescription Drugs:** Sen. Warren is an outspoken and fierce critic of the pharmaceutical industry and she strongly supports federal efforts to directly and aggressively lower the price of prescription drugs. We believe this issue will be front and center of a Warren Administration’s healthcare policy plan. In addition to cosponsoring legislation granting the Secretary of HHS the authority to directly negotiate prescription drug prices in Medicare Part D, she has introduced several bills on the drug pricing issue during her tenure in the Senate.
 - The [Affordable Drug Manufacturing Act](#), introduced in the 115th Congress, would require the federal government to manufacture certain prescription drugs and sell them at a “fair price.” Drugs eligible to be manufactured by the federal government include those with expired patents and exclusivities that are not being marketed, drugs that are in shortage, drugs with fewer than three manufacturers for which the price has increased annually faster than the medical component of the consumer price index (CPI-M) or the average manufacturer price (AMP) is determined by the government to be a “barrier to patient access,” and insulin. The newly created Office of Drug Manufacturing (ODM) may use “march-in rights” or other compulsory licensing authorities to support its activities. The ODM must submit an abbreviated new drug application (ANDA) or biosimilar application to the FDA to gain approval to market the federally manufactured product.
 - The [Medical Innovation Act](#), which she introduced in the 114th and 115th Congresses, would require any manufacturer with a “blockbuster drug” – defined as net sales exceeding \$1 billion annually – developed in whole or in part through federally-funded research, that has settled with the federal government over the prior 5-years for a violation of any federal civil or criminal law, must pay up to 1.5 percent of its net income on the blockbuster drug to the federal government to support the NIH and FDA.
 - The Capping Prescription Costs Act, introduced in the 115th Congress, would limit cost-sharing on prescription drugs in the commercial market to \$250 annually for individual coverage and \$500 annually for family coverage. The same legislative provision is incorporated into Sen. Warren’s Consumer Health Insurance Protection Act.

8. **Rural Health:** While Sen. Warren has not introduced any legislation in the Senate related to rural health (Massachusetts is one of the least rural states in the nation), the issue is mentioned prominently on her campaign website. She supports increased funding for community health centers and federal health professions training programs to expand access to care in rural communities.

Warren's Cannabis Priorities

Elizabeth Warren's views on cannabis have received a fair amount of attention in the press. On numerous occasions, on [social media](#) and at [Town Hall Meetings](#) she has come out in favor of federal legalization. Officially, her website calls for rewriting federal laws to decriminalize marijuana, but her actions in the past suggest the desire to do more. She has been the lead sponsor on the STATES Act and cosponsored/supported various pieces of legislation, some of which are highlighted below.

Warren has also been a vocal critic of the Trump Administration's handling of the cannabis topic. In late 2017 she penned a [letter](#) to Alex Azar, Trump's nominee at the time to head up Health and Human Services (HHS), saying the Administration should consider legalizing cannabis to fight the opioid epidemic. She also signed onto a letter in early 2018 asking Trump to direct AG Jeff Sessions to reinstate the Cole Memorandum. The Cole Memorandum was rescinded by Sessions on January 4th 2018, directing all US Attorneys to enforce the laws enacted by Congress and to follow well established principles when pursuing prosecutions related to marijuana activities. The move was cause for concern to Colorado Senator Cory Gardner (R). In response to Sessions rescinding the Cole Memo, Gardner put holds on all DOJ nominations, in an effort to force a negotiation and protect Colorado's thriving marijuana businesses. He later reportedly struck a deal with Trump, saying "I received a commitment from the President that the Department of Justice's rescission of the Cole memo will not impact Colorado's legalized marijuana industry".

It will be interesting to see how Warren's stance on cannabis may change in the wake of the vaping related illnesses and deaths that are growing in number across the country each day. For now, she has been fairly consistent in her efforts, with perhaps one notable exception of not fully endorsing a 2016 ballot initiative in her state to legalize cannabis. She appears comfortable tying the matter to her views on social justice and inequality and reaching across the aisle to build a bipartisan coalition.

Recent Sponsored/Co-Sponsored Cannabis Related Legislation

- STATES Act ([HERE](#))
 - The bill amends the Controlled Substances Act (CSA) to legalize at the federal level the manufacture, production, possession, distribution, dispensation, administration, or delivery of cannabis if such actions are in compliance with relevant state laws. It also explicitly states that the proceeds of any transaction

- in compliance with the STATES Act are not an “unlawful transaction” under federal money laundering statutes.
- SAFE Banking Act ([HERE](#))
 - The bill amends federal banking statutes to prohibit federal regulators from engaging in any punitive actions against a depository institution offering financial services to a legitimate cannabis-related business (i.e., a business in compliance with state laws).
 - CARERS Act ([HERE](#))
 - The bill aims to protect medical marijuana patients from federal enforcement and supports medical research.
 - Marijuana Justice Act ([HERE](#))
 - The bill amends the Controlled Substance Act (CSA) to provide for a new rule marijuana and expunges criminal records of convicted cannabis offenders.
 - Marijuana Freedom and Opportunity Act ([HERE](#))
 - The bill decriminalizes marijuana and removes it from the list of scheduled substances under the Controlled Substances Act (CSA). It eliminates criminal penalties for individuals who import, export, manufacture, distribute, or possess with intent to distribute
 - MORE Act ([HERE](#))
 - The bill de-schedules and de-criminalizes cannabis and provides expungement for certain cannabis offenses.

Potential Executive Orders Under Warren

Executive powers are limited but we should expect President Warren to test the boundaries of Presidential authorities on everything from consumer protection to vaping and climate change. These actions will result in lawsuits and will be contested at every turn but without a functioning majority in the Senate, there will be few other opportunities for Warren to accomplish her agenda once sworn in. Below are some of the most likely areas for executive action we are anticipating. A comprehensive report on the 123 executive order options Warren has at her disposal is available [here](#) from the Brennan Center which is no doubt a well-worn document in the Warren camp. Warren has gone to great lengths to explain her opposition to abuse of power but she also, if elected, will feel as though she has received a mandate from the American public to pursue aggressive reforms.

- The Congressional Review Act (CRA) is a powerful tool that allows a new President to repeal any new regulations enacted by a previous administration within 60 legislative days of being sworn into office. 60 legislative days could be anywhere from 3-6 months. Speaking with Congressional staff, the expectation amongst Republicans is that much like under President Trump, the first few months of action under any new Democratic President would be to repeal any regulations rolled out by the Trump administration in the last few months of 2020. We obviously don't know what those are yet, but the White House has already put a rush order on any regulations being

worked on at the Treasury Department or elsewhere to avoid succumbing to the CRA fate in 2021.

- Warren has stated that she will sign an EO on day one that says “no more drilling – a total moratorium on all new fossil fuel leases, including for drilling offshore and on public lands.” Were she to do so, Warren would face lawsuits from numerous states including Texas and Louisiana who would win. A moratorium on drilling on federal land is however possible, which poses risks for New Mexico oil drillers, the Gulf of Mexico and other areas where oil and gas companies lease land from the federal government.
- In a similar vein, Warren would likely seek to undo President Trump’s diminishing of protected lands and would seek to once again expand the designation of protected land and wildlife wherever possible.
- National emergency powers are probably the biggest risk to individual sectors, particularly where climate change and environmental risk are involved. President Trump has invoked five national emergencies, ranging from extracting \$2.5B from the Pentagon’s budget to “build the border wall” to cracking down on information technology and communications systems. In these cases, federal agencies are tasked with building out a President’s bold proclamations into actionable change which often involves monitoring, studies and slow-moving regulatory reforms in practice.
- The International Emergency Economic Powers Act (IEEPA) is a much more common tool used by Presidents on everything from the Huawei ban to the Iran sanctions declared in 1979.
- The Public Health Service Act could be used to ban vaping as discussed previously in this report or address other public health emergencies.
- Reforming the government by declaring a national emergency to automatically enroll individuals to vote, protect voting from cyber attacks and more generally upgrade voting technology seems very likely.
- President Warren **does not** have the power to raise or lower tax rates for individuals or corporations.

Looking Ahead

The 2017 tax bill had two parts: the corporate rate reduction side which was a **permanent** change, and the individual side **which expires in 2025**. This served a few purposes: 1) it lowered the overall cost of the 2017 tax bill to keep it maxed at that \$1.6T number mentioned above, and 2) it created a natural catalyst for another tax bill (and accompanying lobbying spree) in 2023 and beyond.

Given the reduced focus domestically on the national deficit and debt and the natural catalyst for tax bills in the future, **it is distinctly possible that Democrats deficit spend on domestic policy first and look for offsets and corporate reform later in our view.** This would obviously be easier to get approved by the House and Senate (particularly if there's a tight 50 seat majority for Democrats) and would mean that deficit spending is coming in conjunction with infrastructure spending, housing expansion, student debt relief and other income inequality-focused policies.

As mentioned above, infrastructure spending would be a popular, possibly bipartisan proposal that would include a gas tax increase but also a fair amount of deficit spending and/or innovative revenue mechanisms such as public/private partnerships and an expansion of private activity bonds which have been [widely lobbied for](#) in recent years. "Infrastructure" has taken on a broad definition in recent years so there could be a little in here for every State and district at the end of the day which can go a long way towards securing votes.

Simultaneously though we should also expect Warren to be heavy-handed on the trade front. The trade war with China is likely to still be under way with at least \$250B worth of tariffs on Chinese imports still in place (regardless of whether a small or medium sized deal is reached with China in the coming weeks). There will likely be an outstanding trade negotiation with the European Union, and we won't even hazard a guess about where the Brexit situation will be by then. **Tariffs of all shapes and sizes would be developed and implemented, likely within the first year of a Warren administration which will continue to dampen global economic trade and therefore growth.**

Federal spending on infrastructure, including expanding housing options, reforming agriculture subsidies, implementing childcare options and more obvious construction projects are very likely to be the focus of President Warren's first year in office. The more Warren tries to offset any spending with tax increases, the more complicated it will be for Democrats to stay united in the Senate. Deficit spending is highly likely as a result and tax increases of a lesser magnitude than what she has proposed on the campaign trail would be potential accompaniments for any of these bills.

This morning 3Q campaign fundraising numbers for candidate Warren were released: her campaign raised \$24.6M in 3Q, well above Vice President Biden who raised \$15M (down from \$21.5M in 2Q). Senator Sanders raised \$25M and Buttigieg raised \$19.1M. Fundraising can have a snowball effect – as candidates emerge as front runners, positive media attention ensues which grows a candidate's national stature and generates endorsements and... more campaign donations. Warren's 2Q19 report showed she raised \$19M in 2Q, clearly her campaign is snowballing.

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