

What industries might benefit from a Sanders presidency?

Blog post by Director Erin Caddell, 2 March 2020

US Senator Bernie Sanders' emergence as a strong prospect to win the Democratic presidential race has led to intense hand-wringing of the political class in recent weeks. Republicans claim to be aghast that Democrats would nominate a self-proclaimed socialist. Mainstream Democrats are concerned Sanders is too liberal to beat Trump. Wall Street firms are busy making a list of industries that would be hurt by Sanders' populist proposals, from health insurers to large banks.

Despite these concerns, as of today, Sanders has the momentum heading into Super Tuesday on March 3rd, in which one-third of all delegates will be awarded from 14 states. Some will be pointing to former vice-president Joe Biden's win in the South Carolina primary over the weekend as evidence that Democrats are still uncomfortable with nominating Sanders. But Sanders has won the most delegates in the race even after South Carolina, and is leading in a majority of states voting on Tuesday. Even if he does not win the nomination, Sanders could parlay the influence he has gained in the primary process into a Cabinet position where he could implement some of his plans.

But what would a Sanders administration actually do? It would not mean large-scale Medicare for All or Green New Deal spending plans, any more than Trump's election meant cutting off trade with China or an end-to-end border wall with Mexico. These are campaign promises, not policies. Even if Republicans lose their current 53-47 majority in the Senate, any Democratic majority would almost certainly be narrow, and well short of the 60-vote threshold necessary to overturn a filibuster. If this scenario plays out, there would not be support in the Senate, from Republicans and even from some moderate Democrats, for the large-scale tax increases to effect Sanders' big spending programmes.

Sanders would, however, take action to fulfil his campaign promises by executive order, just as Trump has done. And some industries would emerge as winners, just as there would be losers. Sanders could reverse the rollback of environmental regulations under Trump, a positive for renewable energy providers. Even if Sanders does not get Medicare for All passed, his administration could make it easier for states to expand Medicaid, a boon to Medicaid-focused health insurers and community hospitals. Away from these headline issues, I think several sub-sectors could emerge as winners in a Sanders presidency as federal spending and attention shifts lower on the income scale. Here are three ideas.

First, providers of financial services to lower-income and immigrant communities. Sanders argues that the federal government must reverse policies enacted over many years that favour the wealthy over minorities and other vulnerable populations. Sanders' campaign platform includes numerous

measures to ease immigration restrictions and shift more government funding to lower income strata. Providers of financial services to this demographic -- lending, financial advice, cross-border remittances, etc. -- would likely find a sympathetic ear in a Sanders administration. One could argue that other aspects of Sanders' program -- the senator has sponsored legislation to cap the interest rate on consumer credit at 15%, for instance -- would counteract any benefits from the above initiatives. But again, a tight Senate majority for either party means a rate cap has negligible chance of becoming law.

Second, affordable housing developers. Sanders has pledged to invest \$1.5 trn over ten years with a goal of building 7.4m new affordable-housing units across the US. Sanders has also suggested creating a new office with the Department of Housing and Urban Development (HUD) to streamline review processes for affordable-housing developments. As with many of Sanders' proposals, completely free-market it is not. He has also proposed expanding rent-control protections for tenants. But I believe a Sanders administration would on balance offer opportunities for housing developers and real estate investment trusts (REITs) focused on the lower end of the market.

Third, rural broadband. Sanders' plan would provide \$150 bn to increase rural broadband infrastructure, as well as pre-empt state laws that limit or ban municipal-owned internet systems. Parts of Sanders' plan echo recent actions by the Republican-controlled Federal Communications Commission (FCC), which voted just last month to add \$20 bn for rural broadband access. Whether under Sanders, another Democrat or in a second Trump term, providers of rural broadband infrastructure should find tailwinds blowing from Washington.

The basic point? Any presidency with policy aims this broad will create opportunity as well as possible market disruption. Winners as well as losers.