

The *Warren* Report

BY DANIEL GROSS

*Elizabeth Warren
could be the big
surprise of the 2016
presidential race.*

On Saturday, October 18, the famous Democratic politician from back east showed up to fire up college students in a vital Senate race in the upper Midwest. The sixty-something blonde grandmother, a lawyer by training, politician by profession, an all-around badass who takes no crap from powerful men, came to dish up red meat to the base. And they ate it up. “She’s amazing,” gushed Rachel Palermo, 21, a senior at St. Olaf College, the *Washington Post* reported. “She’s a rock star,” said the grateful sitting senator.

But Hillary Clinton was elsewhere. Rather, it was Elizabeth Warren who showed up at Carleton College to stump for Minnesota Senator Al Franken. And she delivered her populist, earnest, angry/optimistic message in an Oklahoma twang that has been polished by years as an Ivy League professor. “The game is rigged, and the Republicans rigged it,” she railed.

Warren, an expert on bankruptcy and the plight of middle-income families, architect of the Consumer Financial Protection Bureau, and, since 2012, the occupier of the Senate seat once held by Ted Kennedy, has emerged as a Democratic icon. Popular among the base for her fiery speeches, her conquest of Scott Brown in 2012, and ability to put bankers and lobbyists in their place, she speaks in declarative, complete sentences. No other senator has raised as much cash for an election campaign as she did in 2012.

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Senator Elizabeth Warren (D-MA): *An expert on bankruptcy and the plight of middle-class families, the Massachusetts senator contends, “The game is rigged.”*

Trekking to Minnesota for turnout rallies is the sort of thing that popular senators not up for re-election do for their peers and their party. But it’s also the sort of thing that popular senators not up for re-election do when they are considering running for president. Which raises a few questions. In the wake of a catastrophic mid-term in which stagnant wages and economic frustration tamped down turnout, is Elizabeth Warren preparing to throw her hat in the ring? Could Warren credibly take on the all-but-declared Hillary Clinton? And what implications would the campaign of a latter-day version of William Jennings Bryan have for the financial system?

“There is no wiggle room. I am not running for president. No means no.” Warren told the *Boston Globe* in July. But when she spoke to *People* this fall—yes, *People* writes features on Elizabeth Warren—she wiggled a bit. “If there’s any lesson I’ve learned in the last five years, it’s don’t be so sure about what lies ahead. There are amazing doors that could open.”

And who can blame her for publicly toying with a run? A Warren candidacy may not be probable. But it is entirely plausible and possible. The Democratic Party isn’t exactly teeming with credible, fresh faces. What if Hillary Clinton, who turned sixty-seven in October 2014 and was a relatively lackluster surrogate throughout the fall, decides she doesn’t want to run after all, or takes ill? What if Vice President Joe Biden, already seventy-two, demurs? And what if another series of financial crises or implosions, or simply an end to this unsatisfying expansion, brings the issues Warren owns—fighting for the middle class, relief from foreclosure and bankruptcy, reining in the banks and rampant financial capitalism—back

to the fore? Meanwhile, the Republicans don’t seem to have much to offer beyond a bunch of retreads and stunt candidates. (Jeb Bush, the great hope of moderates, hasn’t been in public life since 2006.) Despite the party’s big victory in the depressed-turnout mid-terms, no Republican has much of a plan to reverse the basic demographic problem Republicans face in presidential elections. For any Democratic candidate who can strike a chord with a dissatisfied electorate, there’s a potential path to the White House. Keep in mind that the Democratic nominees who have won in the past forty years—Jimmy Carter in 1976, Bill Clinton in 1992, and Barack Obama in 2008—were all longshots who came from outside the system. “I’m the daughter of a janitor who ended up in the United States Senate,” Warren proclaims in her stump speech. So why not the White House?

That’s the question a draft organization is already asking. My colleague David Freedlander reported in the *Daily Beast* in October about Ready for Warren, which “is staffing up in key early primary states and raising money in what they say will be an all-out blitz after the midterm elections designed to show Warren that there is a

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groundswell of support behind her.” Peopled by veterans of both Obama campaigns, schooled in guerrilla organizing and data-heavy operations, Ready for Warren, which is not connected to Warren’s Senate office, has raised between \$50,000 and \$100,000 so far. By contrast, Ready for Hillary, the SuperPAC behind Clinton, has managed

to amass about \$8 million in cash and plenty of well-known operatives.

If Hillary runs—as is generally presumed—there’s no certainty that Warren would defer to her. Back in 2007, Barack Obama, a charismatic obscure political neophyte with three years in the Senate, a former law professor, a self-professed outsider without direct connections to power centers, gained traction from his opposition to a disastrous war that so many members of the Democratic elite—including Hillary Clinton—had backed.

Now Hillary Clinton finds herself on the wrong side of another war: the class war. Despite the huge strides Obama has made in expanding the safety net with health care and raising taxes on the wealthy, his two terms will go down as a latter day Gilded Age in which the corporations and rich people gobbled up all the gains and median incomes stagnated. The bailed-out banks have grown large and concentrated, as hedge fund managers feasted on low interest rates and are still allowed to pay lower tax rates than their secretaries.

The typical American family has not received a pay raise since 1999. But since Bill Clinton left office in 2000, the Clinton family has grown extraordinarily wealthy, with their private planes, six-figure speaking fees, seven-figure book advances, and nine-figure fortune. Bill’s Clinton Global Initiative is an annual lovefest between NGOs and giant corporations. In a populist moment, Clinton could easily be vulnerable to a charismatic obscure political neophyte with three years in the Senate, a former law professor, a self-professed outsider without direct connections to power centers. Over the summer, Hillary Clinton was in the Hamptons, as per usual, and

spent time asking wealthy people for advice on how she could talk about inequality without offending them.

Warren doesn’t worry too much about offending the high, mighty, and wealthy. And she doesn’t need any advice on how to talk about inequality. Divorced at a young age, a working mother who didn’t go to the right schools,

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In fact, the opposite is true.

Warren is a candidate for the times in which Thomas Piketty’s *Capital* is a best-seller. A scholar of bankruptcy law and the way the system is stacked against middle-class and low-income people, Warren is smarter and far more knowledgeable about financial issues than most of her peers—and than most industry players.

And from the perspective of the left, she has made all the right enemies. She recounts an anecdote in her affecting memoir, *A Fighting Chance*, in which uber-establishmentarian Larry Summers, her former boss as president of Harvard, tells her she can choose to be an insider or an outsider. She chose the former. Warren repeatedly got crossways over regulation and mortgage modification with Treasury Secretary Tim Geithner, a hate object (albeit unwarrantedly so) of many on the left. And it was bank-friendly administration rivals, almost as much as Republicans, who put the kibosh on her

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—D. Gross

Chelsea Clinton, Hillary Clinton, and Bill Clinton



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heading the Consumer Financial Protection Bureau, the agency she conceived. The CFPB, by the way, has been a remarkable success, winning billions of dollars in settlements for consumers and forcing lenders to stop abusive practices. In 2012, she knocked off Scott Brown, who had taken the coveted Kennedy seat that Massachusetts Democrats regard as a sacred birthright. As a member of the Senate Banking Committee, she has tormented the industry. Her upbraiding of regulators about their lax supervision and prosecution of big banks has been viewed nearly 300,000 times on YouTube.

The media—and Democratic voters—often latch onto a candidate promising thunder on the left and who gives voice to frustrations. “I’m Howard Dean, and I’m here to represent the Democratic wing of the Democratic party,” as the former governor put it in 2004, before slowly imploding in that visceral Iowa scream. Warren could easily say the same. And she does. Dial up some videos of her stump speech and you’ll see what I mean. Her voice occasionally cracking, she pledges to defend and fight for the liberal economic catechism: minimum wage, better terms for student loans, protecting Social Security, Medicare, and pensions. Warren is authentic. Her rhetoric is of a piece with who she is, as well as with her life’s work. That’s why Noam Scheiber at the *New Republic* has dubbed her “Hillary’s Worst Nightmare.” Warren rails against the system. Clinton—and her husband, and CGI, and the banker-friendly faction of the Democratic party—are the system.

And as President Obama proved, in this age of social media, Kickstarter, Meetup, and online organizing tools, it is possible for people outside the system to mount credible national campaigns. Warren has shown a stunning ability to raise money. For the 2012 campaign—her first electoral campaign—according to the Center for Responsive Politics, Warren crushed Scott Brown, raising \$42 million to \$28 million. No senator has raised more money for campaigns in the past six years. The closest—Marco Rubio of Florida and Kirsten Gillibrand of New York—raised about \$30 million each in much larger states. Oh, and 97 percent of her total came from individuals. Now add to the mix the ability of individuals and SuperPACs to spend virtually unlimited funds on behalf

of a candidate. An army of small donors might convince George Soros, or Tom Steyer, the hedge fund manager turned climate activist, or a few tech billionaires, to put some muscle behind an insurgent campaign.

A final factor to add to the mix. It’s plausible that the White House, even in its diminished political state, could tacitly support a Warren candidacy—especially if Joe Biden, a loyal vice president for eight years, decides not to run. Hillary Clinton and Barack Obama were bitter rivals in the 2008 primaries, but quickly concluded that they needed one another. Obama needed Clinton for organization support and Bill Clinton’s rhetorical gifts. Hillary Clinton needed Obama to keep her relevant. But after serving as an effective Secretary of State, Clinton is now trying to clear some space between her and an unpopular, foundering presidency. In response to the Obama administration’s articulation of a “don’t do stupid stuff” guiding philosophy, Clinton pounced. “Great nations need organizing principles, and ‘Don’t do stupid stuff’ is not an organizing principle,” she said. Clinton has also engaged in some Monday-morning quarterbacking by arguing that the United States should have invested more in an anti-Assad strategy in Syria, and she has taken the odd knock at Obamacare.

The very prospect of a Warren candidacy—let alone a victory—conjures up images of angry mobs, toting pitchforks and vats of boiling tar. And if elected, Warren would certainly be less friendly to the business elite. President

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Obama’s instincts were to consult with financial leaders such as Jamie Dimon of JPMorgan Chase. But Warren’s critique of U.S.-style capitalism is populist, not radical. And she has come by it not through ideology, but through personal and professional experience, through data and scholarship. Her early work, including the 2007 book *The Two-Income Trap*—penned long before she got into politics—detailed the ways in which the system is hostile to the interests of working people. It turns out the reckless lending, a system that dispossesses people of their homes when they fall behind on medical bills, and that fails to boost wages sufficiently to support consumption growth,

Continued on page 65

Continued from page 15

is problematic—not just politically, but economically. What’s more, Warren shouldn’t be so easily stereotyped. *National Journal* in 2013 ranked her as only the thirty-first most liberal senator. Why? Because she played against type, voting to repeal the tax imposed by the Affordable Care Act on medical devices (a sop to Massachusetts companies), and for a curtailment of the estate tax.

The notion that Democratic presidential candidates with socially liberal views and a desire for redistribution are bad for business, bad for the expansion of trade, and bad for America’s economic leadership is a blinkered one. In fact, the opposite is true. History has shown that liberal-leaning, interventionist presidents have often been far better stewards of the system than conservative, *laissez-faire* ones. Sure the New Deal had its moments of overreach, but Franklin Delano Roosevelt saved U.S. capitalism from its own excesses, and set up an infrastructure—the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, Social Security—that restored shattered confidence in the financial system and stabilized the economy. Bill Clinton’s two terms were eight of the best years America’s financial system and economy have had. Clinton and Al Gore pushed NAFTA through a Democrat-controlled Congress, ably dealt with crises that popped up in Mexico and Southeast Asia, and turned a large deficit into a surplus. After the generally lackluster, debt-fueled “Bush boom,” the Obama administration cleaned up the mess, got the auto, auto finance, and banking systems back on their feet, sealed new free trade deals that had eluded President Bush, and brought the deficit back under control. In addition, the dynamic that stymied so much of President Obama’s agenda—Republican control of the House and Senate—is likely to remain in 2016 and beyond.

The reality, often overlooked by professional centrists and those on the right, is that Warren’s critique of the problems of U.S.-style capitalism and the fixes she favors generally enjoy widespread popular support—from Democrats, naturally, but also from independents and many Republicans. What Obama only belatedly understood is that the policies derided as populism by many Washington centrists—a higher minimum wage, infrastructure investment, protecting entitlements such as Social Security and Medicare (even expanding them), and being tougher on corporations and banks—is good politics. As they delivered a blow to Congressional and state-wide Democrats, voters in four extremely red states—Arkansas, South Dakota, Nebraska, and Alaska—approved measures boosting the minimum wage. And there’s a case to be made that these policies are good economics. I’d argue that the single biggest

problem in the U.S. economy today—and not just as a social matter—is the self-destructive unwillingness of companies to increase wages at a time of record profits.

When it comes to the economy, in fact, Warren has a natural fluency that both Obama and Clinton lack. In the summer of 2012, at a house in Andover, Warren de-

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livered a mini-rant about public infrastructure—and the way in which public investments enable private profit. “There is nobody in this country who got rich on his own. Nobody,” she said. “No look, you built a factory and it turned into something terrific, or a great idea? God bless! Keep a big hunk of it. But part of the underlying social contract is you take a hunk of that and pay forward for the next kid who comes along.” President Obama butchered this into the inelegant shorthand: “you didn’t build that.” For her part, Hillary often dissolves into word salads when talking about inequality.

But maybe this is all hypothetical. Warren is sixty-five, and would be sixty-seven in 2016. She has said she’s not running. Except she’s doing many of the things that people who are running—or seriously considering running—do. She published a campaign book which became a *New York Times* best-seller. She’s waffling on the previously iron-clad pledges not to run. She’s letting a draft movement start without shutting it down. On the weekend after the disastrous election, it was Warren—not Clinton—who took to the *Washington Post* op-ed page with a warning that President Obama shouldn’t cut deals with the new Republican Congress that are favorable only to lobbyists and the well-connected. It read a little like a triangulating stump speech.

At this point in the 2008 cycle, Barack Obama was an obscure first-term senator who was slowly laying the groundwork to compete in Iowa, the first primary on the schedule. The day after she campaigned in Minnesota in late October, where did Elizabeth Warren just happen to go to bolster a Senate candidate with a stemwinding, full-throated articulation of her economic philosophy? Des Moines. ◆