

# Andy Blocker

## Episode 241: What insurance investors should know about the US election with Invesco's Andy Blocker



### GUEST Q & A

**Stewart:** Welcome to another edition of the InsuranceAUM.com podcast. My name's Stewart Foley, I'll be your host. Hey, welcome back and thanks for joining us. We've got a great one for you today. The topic is US elections and investment implications therefrom, and we're joined by Andy Blocker, who's Global Head of Public Policy and Strategic Partnerships at Invesco. Andy, thanks for being on, man. Thanks for taking the time.

**Andy:** Great to be with you.

**Stewart:** It's great to be here. You are a veteran of podcasts, and I'm tickled to get to talk with you about this, which is I think on everyone's mind right now. But before we get going too far, where did you grow up, your hometown, and what was your first job? Not the fancy one.

**Andy:** Look, I get this question all the time, where am I from and it's a tough answer because it's got many parts. So the quick and dirty is, born in Little Rock, Arkansas, packed my bags when I was 2 so I could move close to the big city, New York City, but was in Jersey. So I was in Jersey, Jersey Strong for 11 years of my life. And then for high school, I moved to Maryland, a suburb right between Baltimore and DC, but a little bit closer to DC. So that's that answer.

And my first job was actually a business that I started with my buddy down the street. We lived on Bignonia Drive, so we called it Bignonia Brothers. And it was not a cutting grass situation, it was a landscaping. We did full service.

**Stewart:** Wow.

**Andy:** We not only cut your grass, we do the trimming of your bushes, and if you wanted some more stuff, we'd do it for you too.

**Stewart:** Wow, I love that. I was basically labor for my grandfather starting at about age 8, which was my birthday present, was a riding lawn mower, and it was a full service-

**Andy:** Wait, wait, wait, dude, you're living in style and you got the ride. I'm talking about legit push-pull.

**Stewart:** Yeah.

**Andy:** It was at least gas. It wasn't like the old school ones.

**Stewart:** Yeah, I know.

**Andy:** But yeah.

**Stewart:** We lived on 11 acres and my grandfather wanted it to look like a park all the time. So we did have a push mower, but it was mainly riders. I'll be first to tell you.

You've had some really interesting career experiences prior to Invesco, including the White House, which is I think... I've had the opportunity. I had a really good friend, my college RA, a guy named Tony Wilson, who was actually Al Gore's scheduler at one point, and he actually got us into... I got a tour with him of the White House, which is regardless of your

politics, I mean you have to respect the place. I mean, it is amazing. You've seen it your whole life. I was astonished that I was there. So I'd love to know about your career prior to Invesco and how you became the global head of public policy there.

**Andy:** So interesting. So my first, not real, real job in high school, but my first job after college was actually at Bell Atlantic; I was a Financial Analyst in a big building, and then I got an opportunity to move over to politics. So I moved over and made a lot less money. I think my starting salary on Capitol Hill was \$19,000 a year working as a congressional aide to a congressman from Texas.

And then I moved from there to a senator from Tennessee who was chair of the Budget Committee, and then I ended up at the White House. So there's all kinds of things there. And then after that I got a chance to move to the private sector, worked at American Airlines, doing a bunch of things there, and then switched over to financial services industry at the New York Stock Exchange and have been there ever since. But anyway, so there's more there. But yeah, it's been a pretty varied career here.

**Stewart:** So it's been a summer of political surprises, and I would say that it's been a few years worth of political surprises. You had Trump and Biden, then you have the fallout of the Biden-Trump debate. There's an assassination attempt. Harris replaces Biden, can you help... And the DNC, the convention is going on right now as at the time of this recording, which is the 21st of August. Can you help unpack some of this and talk about the impact in your mind on the election? And if you want to do a little handicapping, I'm all for it.

**Andy:** Yeah, Stew, you really asked the easy questions here, unpack all of that.

**Stewart:** Yeah.

**Andy:** This is historic territory. I've never seen in my 30 years of actually working in the political space, a period of 50-odd days like this.

I mean, you unpacked it. If you add it all together, we had 34 felony counts for one of the candidates, followed by a debate debacle by the other candidate, with concomitant internal party revolt. Then followed by assassination attempt, followed by one of the candidates getting out. And then after the candidate got out, we thought it was going to be chaos, and it was coalescence around Kamala Harris, and that's still going on.

So I've been saying for two years, ever since the midterm elections, going around the globe saying, "Get over it. It's going to be Trump V Biden, because they're the ones who make the decision on whether or not they're the standard-bearer for their parties. So unless there's a health incident that I can't predict, that's what's happening." And people can argue about whether the debate was a health incident, it's health related, clearly.

**Stewart:** Sure.

**Andy:** But it wasn't until one of them decided that they were going to step aside. And I think President Biden was assisted in that decision, but he made the decision. And because any other way you weren't going to... If you kicked him out, whatever situation you thought you were in before was going to get worse. You're going to have a divided party, you're going to have chaos, and you're just ensuring the other party wins.

So to get to that point where they were actually able to convince him to step aside and set the party up for at least a chance going to November, was just amazing. So even if nothing else happened between now and the end, it's already been one of the most amazing election periods that I've seen. And handicapping, I mean, really you want to...

**Stewart:** Okay, all right, but let me ask you this. So in what's always the case is that I've got some harebrained opinion and the guest goes, "Well, you know..." So there were people, the chatter that I heard is neither one of these two guys. When it was Trump-Biden people were like, neither one of these two guys, I don't like either one of them. And now it appears that Kamala Harris is benefiting from that, that it's almost like she's late enough to the party that there hasn't been all this focus and negativity on her for all this time. Do you think that she benefits from not being an aging older candidate?

**Andy:** Look, I think you've hit on it. I think going back to my talking to clients for the last two years, I was basically telling them, "Hey, go through your five stages of grief. Stop being in denial. Stop getting angry, stop negotiating. This is what it is."

**Stewart:** Yeah.

**Andy:** And I actually went through my five stages of grief, and so I was all settled, but they continued to ask me and I had to start my session with saying, "Michelle Obama is not walking through that door." I would have to start the session off. And she wasn't anyway, because she doesn't want to run for office, which is probably smart on her part.

**Stewart:** And she's made that clear, right? I mean, she's made that-

**Andy:** Oh, yeah, she's clear.

**Stewart:** ... Abundantly clear.

**Andy:** She didn't even want her husband to run.

**Stewart:** Right.

**Andy:** So my thing is, what you've hit on is that what I think does explain a lot of this energy for Kamala right now, is that... And I think Nikki Haley had it right even though she's trying to deny it now, when she said the first party to get rid of their 80-year-old candidate is going to win this election. Well, the first party who got rid of their 80-year-old candidate has increased their chances tremendously. And what I think is going on now is that they're being pretty smart about trying to channel all of that anti-energy into positive energy and saying, "Yes, she's the one you've been waiting for," doing a little voodoo spell on them or a little hypnosis.

You know what I saying? Look, I think a lot of this is real, but a lot of it's just like we want anybody, "Oh, you're there and you're 20 years younger, we like you." So I'm not trying to diminish what Kamala's bringing to the table, but I'm also saying it's capturing all of this energy and trying to bottle it in Kamala's favor. And I think Trump sees that, which is why I think he's been a little on edge.

**Stewart:** And so there's been a couple of things happen. So the Supreme Court made a ruling that essentially said that you can't be prosecuted criminally while you're president if you're doing anything that resembles being president. Does that decision trouble you in any way or is it, did that need to happen?

**Andy:** There's many ways to look at it. So on the surface, if you're just looking at it broad strokes, it could be construed as the president has immunity if he's doing an official act. And then the question becomes, what's an official act, right?

**Stewart:** Yeah.

Andy: What are you... So I think they're going to have to tighten that up over time 'cause what they're trying to prevent... And look, just so you understand, I mean part of the legal theory here is from the conservative side and especially John Roberts who's the Supreme Court Justice, I feel like there are many people who want to preserve the power of the presidency. They don't want to hamstring the president from not taking an action because of potential future litigation.

Okay, I understand intellectually that thought. But if you're going to do that, you need to have some guardrails around it, especially when you're talking about someone like Donald Trump. And the reason I'm focusing on him a little bit is 'cause he's kind of different from a lot of the other actors we've had out there, where others I think have had a little bit more respect for the office than him, and that is what it is. But I don't think you can ever totally account for someone like Donald Trump.

Anyway, that aside, it troubles me in the sense of it's not defined, but I think the future court cases will define what that means, and I think we'll have more comfort there. I mean, you don't want to have it so that he just does XYZ or she does XYZ, then on post-hoc say, "Oh, it was an official act."

So I think you want constraints on... You don't want the president to be seen as above the law when he's acting as president, because that can... It's almost an endless thing. But I would hope that the court, as they bring exacting specific instances, that they will be able to define that more what they mean by that, so that no one's truly above the law.

**Stewart:** Thank you. There's been a lot of talk about paths to victory, and I would be the first to tell you that I'm not incredibly clear on what exactly that means. I mean, I kind of know, but can you talk a little bit about what people mean when they say path to victory? And then what do you think Trump's path to victory and Harris's path to victory is?

**Andy:** So I think about this in two different ways. I think just on a macro messaging imagery, their path to victory, and then there's the nuts and bolts of the electoral college. So on the macro side, on the messaging side, Kamala's path to victory is kind of like the Obama path to victory, of, "Hey, even though I'm liberal, I am the candidate for all America and all are welcome. So don't worry about XYZ policy that might impact you or be not for you specifically, but I'm about hope and change or I'm about the future, not the past." The more she can stay in that realm, I think that helps her.

The opposite is true for Trump. The more he can define what that means for you in your daily life, and what it means for inflation or immigration or whatever policy you're not happy about, that helps Trump. So that's the battle. The battle is who defines who first, they use the word humanizing, which is kind of an interesting term, but just she's not the scary thing over here. She has family values, she has this. And that's the whole purpose of the Democratic Convention to say, "Hey, she's just like you, or you can relate to her." And that's a story she wants to do.

Whilst Trump is going to try to interrupt that messaging and say, "No, this is going to be bad. This is going to be bad. And don't you wish you had the economy when I was there and don't you trust me more on these issues?" So that's the macro messaging side. And the one issue I think where Kamala actually wants to delve into how it's impact your life will be abortion, 'cause she usually wins on that abortion as all Democrats have since the overturn of Roe v. Wade. So that's going to be the battle on the macro. And the question is how does that impact the Electoral College and the key swing states?

I think we've got 7 now. We really only had 6 before. Actually, we only had 5 when Biden was there, but I think we've expanded to 7. And there would be the Rust Belt, which is Michigan, Wisconsin, Pennsylvania. And then the Southwest, we have Nevada, Arizona and then the true south of Georgia, North Carolina. And I think that those messaging play differently in each, and there's different demographics and there's different... But she's definitely brought North Carolina in play, which under Biden I thought was not in play. And so the question is can Kamala hold the Rust Belt and can Trump get one of those states? Just give me one. Give me Pennsylvania.

For Kamala, I don't think you replace losing one of the Rust Belt states with one of the other states. I think that's a directional signal, if you've lost Pennsylvania, you're not making it up by getting Georgia and Nevada or getting Arizona and North Carolina. I think that's a sign that you didn't win that other macro messaging. So it's kind of like you either get the three Rust Belt states and you win by the hair of your chinny chin chin, or you win with the three Rust Belt states, plus you get two or three of the others or the other way around, where Trump gets Pennsylvania and then adds in some others. But I think if he gets Pennsylvania, I think the others... I think they've gotten together the last two elections, 2016 and 2020.

**Stewart:** That's super helpful.

**Andy:** So that's the best I can do for you. Yeah.

**Stewart:** I'm learning as fast as I can over here. So you mentioned abortion, I'm sort of the opinion that young women could have a significant impact on this election. I think that the abortion issue is a lightning rod and it's one that a lot of people vote on. What do you think the implications of abortion and the way that the parties come down on it, what do you think the implications are there for the election?

**Andy:** So ever since there was a referendum in Kansas on abortion, that pro-abortion folks won 60 plus percent, this became the issue. And whereas prior to Roe v. Wade being overturned, it was really, I believe an advantage, even though a slight advantage for conservatives and Republicans, because they could focus on late term abortion and all these things that no one should be for, right? And reverse it to, no, you've taken away my freedom, you've taken away my right to my own health. And then they stretch it out to IVF and contraception, which may or may not be in play, but it...

There's a conversation happening, so therefore it's in play, right, politically. So I think it plays a huge role. And if you're looking from an electoral standpoint, it's on the ballot in Nevada, it's on the ballot in Arizona and it's on the ballot now in Florida. So I don't think it brings Florida into play on the presidential, but it may impact the Senate race there. But this is a real issue and I think the combination of Kamala now coming to the top of the ticket and having that, A, energizes young people and young women like you said, I think that combo is really potentially powerful if they were to execute on it.

So I think you've hit on something where... Look, at the end of the day, I think both sides are going to be very motivated and it's who actually gets the job done and they actually show up.

**Stewart:** So could we see a party sweep and what do you think the odds and implications there are?

**Andy:** Prior to Biden exiting, I thought it was like a 5% chance it was a Democratic sweep, 50% chance that there was a Republican sweep and 45% chance whatever, the split government. Now that he's out, I'd say there's probably a 70% chance there's split government and maybe a 20% chance as a Republican sweep and a 10% chance as a Democrat sweep. And that's going to change. Talk to me in September.

**Stewart:** Sure.

**Andy:** Right?

**Stewart:** Yeah.

**Andy:** When I know some of this polling on some of these swing seats in the Senate and The House.

**Stewart:** And so what are some of the key implications Invesco is most tuned in on for your own business, and what are you hearing from your counterparts in Washington about their concerns?

**Andy:** Look, the number one thing probably for us for our own specific concerns, is the regulatory agenda. So what's the regulatory agenda? How extensive is it? Is it deregulatory? Is it regulatory? So in that sense, obviously theoretically a Trump administration would be more advantageous than a Harris administration. But there's a lot more populism going on in the Republican Party. So even though directionally it might be better, there might be little nits and gnats and little things going on that could be impactful.

I think it's interesting that either administration, there's going to be this US-China discussion, which I think is just for everyone as a discussion. It's like the one thing we agree on in America is that we have an unfavorable view of China. If you look at when Donald Trump came into office in 2017, I think 47% American people had a negative view of China. By the time he left office, 76% had a negative view of China, and today 83% have a negative view of China. So that's part of the reason Joe Biden did not reduce any of the tariffs on China. Yeah, he could not be seen... No one can be seen as weak on China.

That's why you had the CHIPS and Science Act pass in a midterm election year, where the party out of power doesn't want to give anything to the president in power, and yet they signed onto it. Why? We've seen as competition with China. So that's an issue. I think another issue that a lot of financial firms dealing with is ESG and so that's going to be an issue either... Whoever, it's kind of like a state federal kind of thing and so it'll be interesting either way.

And then obviously the financial services regulation is always front and center. There's a lot out there for our industry, specifically asset management, but also beyond that to insurance and banking.

**Stewart:** That's super helpful. I don't know how to ask the next question other than this. What do you think the investment implications are? And I mean, I think you'll agree with me here, this is me, I'll get on my soapbox for a minute. It always intrigues me when a president is willing to stand up and take credit for the economy because you know damn good and well that you're going to get the blame for it too.

But at the end of the day, it's like there's economic cycles that happen. And so I think there's entirely too much credit given to who's in the White House at a particular economic time, but people do vote their wallets. So what do you think the investment implications are of this election depending upon the outcome?

**Andy:** Just for the record, when I was in the White House, we were responsible for everything good that happened in the economy. Just for the record.

**Stewart:** I like it.

**Andy:** Let the record show...



**Stewart:** Let the record reflect, that's right.

**Andy:** I don't think we can take credit for the dot-com boom. I don't think we can take credit for that, but it's worth a try, right? It's worth a try.

**Stewart:** Absolutely.

**Andy:** So no, I think you make a good point, and I think if the listeners, anything else on this call, want them to listen to this. We did a study and I think other firms have done the same thing, showing presidents over the last hundred years and the impact on the market. And on a macro basis, if you just invested only when there was a Republican administration or only when there was a Democratic administration, you lost tons of money.

I mean, the returns over that time were literally a hundred times less than if you stayed fully invested the entire time, because you missed all the big updates of those periods where you weren't there.

**Stewart:** Yeah.

**Andy:** And it's cumulative. And so all I'll say is on a macro basis, you want to stay invested. The question is always where are you invested, not if, right? And sometimes it's counterintuitive. And so look, I mean we're doing that analysis right now. We're redoing our analysis. We did a paper earlier this year, Biden versus Trump, Biden 2.0 versus Trump 2.0, what does that look like and what the market implications are, and we're redoing that right now with Harris.

And the question we're really wrestling with as we're investigating is how much of Harris is Biden 2.0? How much of it is Harris 1.5? What is it, or is it a mix between the two? I'm not sure you're going to see too much variation between now and the election because he's still president. How much headroom... She could do nuance, she could be tonally different, but can she really be substantively different? I think she has to be directionally the same while he's president. I just don't know how you do it.

And that brings us something else, and I know you didn't ask this, but I think it's pretty amazing that so far Kamala Harris has been able to position herself as the change candidate when she's the sitting vice president. I'm just saying.

**Stewart:** Yeah, that is interesting. I mean, I'll say. So let's talk about fiscal policy for a second. How do you see the debt and the deficit impacted by the election results and what point... I saw that we're spending more on interest than we are on defense currently. Nobody seems to be of the mind to... Nobody's mentioning reducing the deficit. What's your view there?

**Andy:** You didn't know this, but you hit my third rail, debt and deficit. No, look, it's... Just to review the bidding. So I worked in the Clinton White House, I was part of the team that worked to negotiate with Republicans on balancing the budget in 1997.

**Stewart:** Was that the last time it was balanced?

**Andy:** Yes, that was the last time it was balanced and we had 4 years of surplus, so very proud of that moment.

**Stewart:** Absolutely.

**Andy:** Now I'll give you a couple caveats. That does not happen except for a few things. Number one, it doesn't happen unless there was a split government. If we in the Clinton White House were left to our devices, we'd find some other things to spend that money on. But we had a Republican Congress who was very bent on balancing the budget, and we took that opportunity to work with them in a way. And we were advantaged by the fact that it was dot-com boom to help make it easier to do that without as much pain in the budget.

We also had 60 plus percent of the American people saying they wanted it, because there was a concept called crowding out where all this public debt was private investment and all that. You're talking about public crowding out public, the service on the debt with these higher interest rates on the debt is, yes, larger than the defense budget. People are going to be paying attention to that in Washington. But as important, the last leg of this to be able to get there is you need the bond market to say, Hey, we're done. Until that happens, the other two don't really matter as much.

**Stewart:** Yeah.

**Andy:** They matter, and I think they're part of the ingredients, but you need all three of those, in my mind, to get... And you need to do it while the economy is going well and growing to assist you, because the American people aren't going to put up with draconian cuts. We'll put up with cuts, but this whole notion of austerity in a time of recession, it's like building on.... It's hard to do. So you need to do it when things are good. And the only time you're going to do it when things are good, is when you have a split government. Because if things are good and you have all levels of power, you're finding something to spin it on.

**Stewart:** Yeah.

**Andy:** You might spin on different things, but both parties have not shown that discipline to do it when they don't have the other party to help discipline them.

**Stewart:** So moving beyond the US, more than 50 countries are also holding significant elections this year. Which international elections are you following and what do you think will have the greatest impact?

**Andy:** So most of the major elections abroad have taken place, and we're putting out a quarterly letter this week actually, which is our election special, and it kind of goes to that. So we're following India with Modi losing full control of the parliament there. We've got Macron in France losing control of the parliament. You've got the EU election with von der Leyen being reappointed, but it's shifting a little bit to the right. You've got the UK with Labor taking over in a pretty dramatic win there.

Look, all in all, I mean they're all going in different directions, but there isn't really instability. In fact, it's creating more, I think, stability. Now it's kind of limiting people's ability to do more, which in a market's perspective, I'm glad. I don't want all this change. I want stability. I want the bid-ask spread on policy to be tighter, not larger. And even in the UK where Labor has a super majority, they're limited politically in what they can do. They can't be the Labor Party of old. They need to make sure they're making the economy work, and they've got to be careful about their spending because of their budget constraints. So they're constrained by other reasons.

And then you come to the US... Well, first of all there's Japan, sorry, with the resignation, so they'll figure that out. But I see that as more stability play as well. And sorry, you had Taiwan too. Anyway, but in the US, it's like I said, 70% I said for split government, I think. Look, we're heading towards a place where if you get that answer, you'll get some directional change and some tonal, but you're not going to disrupt things to the point where the markets are going to react too negatively, in my opinion.

**Stewart:** We have covered a bunch of ground today. What are a couple of key takeaways that you want to share with our audience?

**Andy:** Despite all the volatility either had been in the markets this year or in politics, in the US in particular, and even around the globe, we're going to be okay. This is a long-term play. There's going to be more ups and downs, especially in the US election coming the end of the year. And even the market might have some other things, but I think the biggest message I have is just stay the course and pay attention to the details.

I know in our place we advise our clients whether institutional or retail based on some of these geopolitical movements, but they're not a macro decision. They're more of a micro decision. And so work with the people who advise you. Understand that just can't predict the market, but you can place yourself in a good place to mitigate the potential risks.

**Stewart:** That's super helpful. I've really enjoyed talking with you today. I've learned a bunch and it's been great to get to know you. I've got a couple of fun ones for you on the way out the door. The first one is, I want to take you back to your undergraduate days when you were coming out of college. What advice would you give a 21-year-old Andy Blocker today, knowing what you know?

I've got a real emphasis on, I love to help kids that are earlier students and working professionals that are early in their career, and you have a really outstanding background, and I just love to hear your thoughts on what advice you'd want to give today?

**Andy:** So I think the most important thing is that some things when you're younger seem like they're the most important thing in the world and they're not, because it's kind like... I'll use a sports analogy. If it's baseball or football, you make an error or you make a mistake, whatever, you know you've got so many more plays. It's only the first quarter, right?

**Stewart:** Right.

**Andy:** And people are not going to remember what grade you got in that one course, second semester sophomore year, or if you're just starting your job, the one... No, you make the mistake. Did you lose the company a billion dollars? Okay, well, we're good. You got another chance. Just putting things in perspective, taking it seriously, but as long as you learn from it and you adjust, I think it's not the end of the world. We over index things, right? And the second thing I think is the importance of relationships.

**Stewart:** So true.

**Andy:** And in today's world on social media and all this stuff and the things we say to each other on social media, I'm like, oh... I just cringe sometime and I'm thinking, "Do you understand this is... You may feel good in the moment, but what are you doing for your long-term maintenance and relationships?" And just valuing that from the beginning because as I say, people don't care until they know how much you care. There's so many different ways of saying it, but treating other people the way you want to be treated...

It sounds like the golden rule, whatever. But Maya Angelou, I think says it better. She says, people forget what you said. They'll even forget what you did, but they'll never forget how you made them feel. So if we're just a little bit more sensitive to other people and how we're interacting with them and say, "Hey, how would I like it if someone came to me that same way?" I just think it would be a better place for the world. But just even for yourself, those relationships may come in handy 10 years, 20 years down the road, you don't expect it.

**Stewart:** Okay, one more. Who would you most like to have lunch with, alive or dead? You get to have three people at lunch, including you. It doesn't have to be three. It could be just one. But I always think this is an interesting question.

**Andy:** That is a very interesting question. So I would say I would want Abraham Lincoln, Martin Luther King Jr, and Warren Buffett.

**Stewart:** Wow. That would be a power lunch for sure. I've really enjoyed it. I really have. I appreciate you being on, Andy, and thanks for sharing your views and sharing your knowledge with us, and I hope you can come back again.

**Andy:** Thank you so much.

**Stewart:** It's been a pleasure. We've been joined by Andy Blocker, who's Global Head of Public Policy and Strategic Partnerships at Invesco. Thanks for listening. If you have ideas for podcasts, please shoot me a note. It's [stewart@insuranceAUM.com](mailto:stewart@insuranceAUM.com). Please rate us, like us and review us on Apple Podcast, Spotify or wherever you're listening to your favorite shows. My name is Stewart Foley, and this is the InsuranceAUM.com podcast.