Fund Industry Still Prefers GOP: Poll

By Michael Shagrin, *Ignites*, October 2, 2013 [subscription required]

A majority of the fund industry swings conservative, according to an *Ignites* poll.

About 52% of respondents chose either the GOP or the Tea Party as the political party that best represents the interests of the fund industry.

The Republican Party was the top choice in the survey, chosen by nearly 38% of voters, while the Tea Party received the least votes, capturing just 14% of respondents.

The Democratic Party was preferred by 28% of respondents.

Almost 20% of voters declined to indicate a preference for a political party, instead choosing "none of the above."

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Politically active industry experts expected the polling results to reflect a preference for the GOP.

"Finance will always have a Republican bent," says **Theresa Hamacher**, a well-connected industry professional, citing the GOP's general skepticism of regulation.

"It's not surprising that it's much more conservative than liberal," says **Niels Holch**, executive director and founder of the Coalition of Mutual Fund Investors and partner at Holch & Erickson, a law firm based in Washington, D.C. "That's generally what you find when you poll corporate America."

The predilection for conservative politics can be seen as a fondness for the status quo because "the industry just wants business as usual," Hamacher says. "They like things functioning, moving along."

But does the mutual fund industry view a government shutdown as business as usual?

According to Holch, a onetime chief of staff to a current member of the Senate leadership, the answer is yes, at least for the moment.

"We've been to the brink before and it always seems to get worked out, but not until you're right at the crisis," he says. "Whether it was addressing the Bush tax cuts last year or the debt limit deal in 2011, every year we seem to have some sort of fiscal crisis."

But unlike the close calls from 2011 and 2012, brinksmanship has indeed shut down the federal government this time. Even so, both Hamacher and Holch see any impact on the industry's political perceptions as temporary.

"Short-term, they'll be mad at whoever is perceived as disruptive," Hamacher says. "Long-term, will it change the industry perspective? Probably not."

Pointing to the S&P 500's impressive performance in the year to date, Holch also views the shutdown as merely a "short-term blip."

In fact, when Holch considers the overall health of the Republican Party, he is more concerned about the opinion of the general population than that of finance professionals.

"The common perception is that the Republican brand has been harmed over the last few years with the Tea Party pushing the party to extreme levels," he says. "That's reflected in national polls."

This shifting sentiment may be represented in differences between this week's poll and a similar *Ignites* poll conducted in October 2010.

While there was little change in the number of respondents who preferred the Tea Party and "none of the above," the Republican Party's level of support dropped from 46% in 2010 to 38% now, while Democratic support grew from 18% to 28% in the intervening years.

Nevertheless, Hamacher does not see a government shutdown as likely to swing the industry's preferences one way or another, given that Wall Street did not abandon the GOP after it received the lion's share of blame for government shutdowns in 1995 and 1996.

"The industry is inclined to believe that the party that represents itself as pro-business is preferable," she says.

One aspect of a government shutdown that could irk fund industry professionals is the halting of daily operations at the Securities and Exchange Commission, which would only feel the effects of a shutdown were it to become a protracted battle.

"The SEC is the most important agency for the mutual fund industry," Holch says. "The agency is currently using surplus funds to keep itself open, but at some point, those will run out."

But a government shutdown is only the prelude to negotiations over whether to increase the nation's borrowing limit, a political fight more consequential to the fund industry, Holch says.

“Nobody wants to the U.S. to default on its debt. As we get closer to the Oct. 17 deadline [when the Treasury will no longer have enough cash on hand to pay the government’s bills], the fund industry will start paying much closer attention to negotiations,” he says.

“Either side realizes that if they blink early during this negotiation, it will affect their leverage in the debt ceiling negotiations.”