Why Wall Street's Money Men Love Ted Cruz

Presidential candidate Ted Cruz, a Tea Party favorite and leading figure in the 2013 government shutdown that rattled investors, isn't the kind of politician who usually wins a lot of friends among Wall Street campaign donors. The freshman Republican senator from Texas has none of the moderate tendencies that financiers often prefer in presidential candidates. Cruz relishes his image as an anti-Establishment figure and boasts of his aversion to compromise. He has vowed to abolish the Internal Revenue Service and repeal President Barack Obama's signature health care plan, commonly known as ObamaCare. Despite the uncompromising rhetoric, Cruz is winning praise from some potential Wall Street donors, including bankers and hedge fund managers, who told Reuters there is more to him than the conservative firebrand of the campaign trail. He has been courting financiers in their homes in New York and Greenwich, Connecticut, they said. But the praise does not appear to be translating into cash donations—at least so far. Some potential donors on Wall Street said they had doubts about whether Cruz can win the 2016 election, when he would likely face off against Hillary Clinton. A spokesman for Cruz said his campaign was happy with its initial fundraising effort and believed that the senator appealed to a wide range of people. Financiers who have met with Cruz said he demonstrated a firm grasp of specific policy issues and was able to discuss them at length and offer specific ideas of his own, without dodging tough questions or resorting to rhetorical flourishes. This is one reason why he is seen as a stronger candidate than some other favorites of the small government Tea Party movement such as Michele Bachmann, who ran a failed bid for president in 2012. "He's probably the smartest person running," said Thomas Peterffy, the billionaire founder of Interactive Brokers. "Even though personally I do not believe that abortion is something that should be prohibited, and I do not believe we should not care about the environment, nevertheless I think Ted has the qualities – he definitely has a shot." Cruz has said state governments should be able to set their own limits on abortions and that he does not see evidence that global warming is occurring. **Cruz Surprises Potential Donors** Peterffy, who spent $8 million on TV ads in 2012 urging Americans to vote Obama out of office or face creeping socialism, said he had not yet made up his mind about which Republican to support in the 2016 race. He said his decision is going to be based on whom he deems electable. But he added that he expected either Ted Cruz or Florida Senator Marco Rubio to become president "within the next 20 years." One Boston-based lawyer who advises clients, "mostly multi-millionaires and just one billionaire," on political donations, said each one of his clients had met with Cruz and half of them had come away praising the senator as smart and compelling in a one-on-one setting. Based on Cruz's reputation as a right-wing flame-thrower, the lawyer, who did not want to be identified by name, said he had not expected any of his clients to like the candidate. "I'm surprised about the half that came away impressed," he said. But his clients are not alone. Others who have met Cruz in private settings say he comes across as a brainy politician whose most hardline statements seem like popularity-seeking varnish that will eventually be scraped away. "When I saw him he was completely sober – he was having serious policy discussions," said one hedge fund CFO, who declined to be named. He said he was not normally inclined to get involved in politics and had to be dragged to a house party in Greenwich at which Cruz had appeared alongside John Boehner, the top Republican in the U.S. House of Representatives. "He's a real person. He's smart, he knows issues – that's just not true of a lot of politicians," the CFO said. **Translating Praise Into Cash** It's not yet clear though whether Cruz can translate the receptiveness of a powerful community outside of his base of conservative activists into more financial support. Robert Mercer, the billionaire founder of the hedge fund Renaissance Technologies, last month contributed a large portion of the $31 million donated in one week to a consortium of pro-Cruz political action committees called Keep the Promise. But other mega-donors who have met with Cruz and said they liked him, including the billionaire casino magnate Sheldon Adelson, have held off donating to him over concerns about his electability. Strong showings in the early primary states of New Hampshire, Iowa and South Carolina will be key to winning more donors, strategists say. New Hampshire strategist Dave Carney pointed to Cruz's strength in a series of straw polls in South Carolina – in April he won in four important counties – as evidence that his campaign has legs. To win in New Hampshire Cruz needs to focus on meeting voters in person and will have to win over moderate and independent voters in addition to conservative activists. "He has abilities as a retail politician to listen and be sincere and authentic," Carney said, adding that while Cruz "may use different language," his message has to remain consistent to be taken seriously. Cruz has Establishment credentials that set him apart from other populist Republicans such as Mike Huckabee, who won the Iowa caucus in 2008 but lost the party presidential nomination to Senator John McCain, and Bachmann, who won a straw poll vote in the early voting state of Iowa in 2011 only to see her presidential campaign later lose momentum. Cruz, a former official in President George W. Bush's administration, holds degrees from Princeton University and Harvard Law School. His wife, who worked in the Bush White House, has taken unpaid leave from Goldman Sachs in Houston, where she is a managing director overseeing a wealth management unit. Some investors said his braininess and establishment credentials won't be enough for Cruz unless he pulls back from some of his more hardline positions. "Ted Cruz has been to my house with his wife," said Andy Sabin, a metals trader and refinery owner in Easthampton, New York, who gives not only to political causes but to environmental conservation efforts as well. "I said, ‘some time in the next four or five cycles you will be president but you’ve got to come to the center.'” Sabin is leaning toward supporting former Florida Governor Jeb Bush, who has positioned himself as a moderate able to appeal to a cross section of Republican voters. T. Boone Pickens, the Texan hedge fund tycoon, called Cruz “a serious guy” in an interview with Reuters. But he too, was throwing his support behind Bush, he said on the sidelines of the Skybridge Alternatives Conference, known as SALT, in Texas. Anthony Scaramucci, who organized the hedge fund conference and is founder of the hedge fund SkyBridge Capital, said he didn’t think Cruz had quite broken through to Wall Street. “Ted is super smart and touches a nerve in the heartland where people are unhappy with the way things are going,” Scaramucci said. “But it will be very difficult for him to garner Establishment money.”