# The November 8 election and the U.S. economy
Part 2: Economic issues and the candidates' proposals

The current presidential campaign has become a battle focused on the candidates' personalities. However, the economic stakes are still very important. The Republican candidate, Donald Trump, and the Democratic candidate, Hillary Clinton, are offering widely different proposals to meet the main economic challenges that the United States is facing. This second Economic Viewpoint on the subject of the 2016 presidential election shines a spotlight on the two contenders' main proposals. Those of Hillary Clinton are generally more modest, from a budget point of view. Those of Donald Trump involve a far greater shortfall for U.S. public finances.

In every U.S. election campaign, the economy is always a top issue. While the current economic climate is less dramatic than that of 2008, and less disappointing compared with 2012, the fact remains that the economy is one of voters' top priorities. Many surveys place the economy (or an aspect thereof, such as employment) among the important issues of the day. According to a survey conducted by NBC News, 33% of respondents considered the economy to be the most important issue, followed by health (16%) and terrorism (14%) (graph 1).

Graph 1 — The economy is the most important issue of this campaign, according to the public

Most important issue (survey from October 17 to 23, 2016)
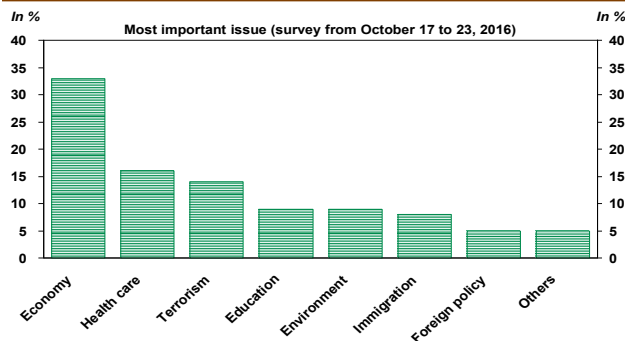
Sources: NBC News, SurveyMonkey and Desjardins, Economic Studies

ISSUE 1: ACCELERATE THE U.S. ECONOMY

The U.S. economy is not in crisis, but neither is it growing very fast. Since the beginning of Barack Obama's second term, average real GDP growth has been 2.2%. It slowed even further during the past four quarters, to 1.5%. This sluggish pace is slightly below the potential real GDP growth, which is estimated by the Congressional Budget Office (CBO) at 1.6%. Thus, U.S. economic growth could be more vigorous. We note that Donald Trump paints a particularly gloomy picture of the current economic conditions, declaring during the second presidential debate "We have no growth in this country. There's no growth […] We're down at 1 percent. And that's, like, no growth. And we're going lower, in my opinion."

Each of the candidates is offering different solutions to further improve the state of the U.S. economy. The measures that Hillary Clinton is proposing for achieving stronger growth are plentiful, but of modest scope. The methods are not all that different from the various policies that have been put forward in the budget proposals of the Obama administration, but that have never seen the light of day due to opposition from the Republican majority in Congress. The main economic measures proposed by Hillary Clinton include:

- Increasing investments in infrastructure (US$275B in five years)
- Tax incentives for investments in the manufacturing sector, for on-the-job training and to promote the repatriation of jobs outsourced abroad
- Simplification and reduction of the tax burden for small businesses

François Dupuis
Vice-President and Chief Economist

Francis Généreux
Senior Economist

514-281-2336 *or* 1 866 866-7000, ext. 2336
E-mail: desjardins.economics@desjardins.com

These investments and lower revenues would be financially counteracted by raising taxes on the wealthy. The net budget effect over 10 years of the taxation measures applied to households and businesses (without taking the proposed spending and investments into account) is around US$1,400B. These tax grabs are likely to have a negative effect on growth.

Other measures that the Democratic candidate is proposing could promote economic growth, but they are difficult to quantify and their net effect in the short term is more uncertain. Two measures that come to mind are financial assistance for college education, and immigration reform, which would both provide a way to legalize the status of unauthorized immigrants while expanding the labour supply with the arrival of newcomers.

For Donald Trump, accelerating the U.S. economy would involve four key measures:

- Drastic income tax cuts for individuals and businesses
- Increased investments in infrastructure
- Easing of the regulatory burden
- A firmer stance on international trade

The tax cuts proposed by the Republican candidate are huge. On a "static" basis, i.e. without taking into account the positive budget repercussions due to stronger growth, their cost amounts to US$4,400B, of which US$1,400B comes from lowering marginal tax rates for households and US$2,100B from lowering the corporate income tax rate[1]. By comparison, the estimated cost of the tax cuts implemented by George W. Bush in 2001 and 2003 was around US$1,500B (i.e. the equivalent of US$1,980B in 2016). Obviously, these tax cuts in themselves would enable economic growth to accelerate dramatically in the very short term. However, the enormous cost to the budget and the negative consequences for the federal government's deficit and debt in the medium and long terms would likely shake the confidence of economic agents, not to mention the effects on the financial markets. According to Donald Trump's proposals, the direct losses of budget revenues would be compensated somewhat by certain spending cuts, but mostly by additional revenues generated by much faster growth. The Republican plan is to "boost growth to 3.5 percent per year on average, with the potential to reach a 4 percent growth rate." This growth assumption, in a context of relatively low potential due to demographic factors, is called into question by many analysts. In these circumstances, a future President Trump

might have to revise his tax ambitions downwards in order to find allies in Congress.

The other measures that Donald Trump is proposing to accelerate economic growth are less clear, and their scope remains vague. The possible effects on the economy are also less convincing. On the subject of infrastructure, Mr. Trump proposes to at least double the amount of spending proposed by Mrs. Clinton. He also proposes to spend far more on defence, with an additional cost over 10 years estimated at around US$500B.

Rolling back regulations could help energize the U.S. economy. The National Association of Manufacturers estimates that the annual cost of regulations is around US$2,000B (i.e. over 10% of GDP) and that this burden rests to a disproportionate degree on the shoulders of small businesses (which Mrs. Clinton also wishes to help).

In the medium term, there is every reason to think that some of Mr. Trump's policies would have negative effects on the U.S. economy. Even if the United States records a trade deficit, raising tariff or non-tariff barriers could be detrimental to the country's standard of living and to exporting firms (closed markets) or importers (higher input costs). Moreover, hindering foreign competition could theoretically have an adverse effect on the productivity of U.S. firms and, by extension, negatively affect potential GDP. Drastic restrictions on immigration could also drag down U.S. growth by shrinking the labour force (another component of potential GDP).

> **Findings for Issue 1: Accelerate the U.S. economy**
> In both cases, the presidential candidates' main proposals for kick-starting economic growth are far from offering guaranteed results. Hillary Clinton's proposals are too modest to make any real change to the current economic conditions. As for Donald Trump, his proposals are not very credible in the short term, and even risky in the medium term.

ISSUE 2: INCOME INEQUALITIES

A better distribution of income within the U.S. economy is mainly perceived as a Democratic policy, rather than a Republican one. But this topic has gained more attention in recent years. The financial crisis affected the entire country, but Americans perceive that the benefits of the recovery have not been felt by everyone. The widening of income and wealth inequalities within an economy is also increasingly seen to be an impediment to economic growth.

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[1] Tax Foundation, Details and Analysis of Donald Trump's Tax Proposals, October 2016.
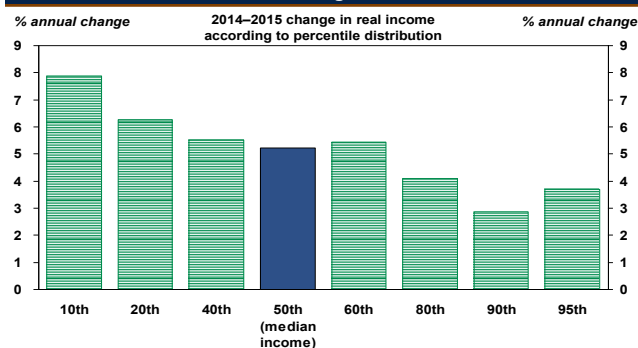
In the United States, we especially note that the real median household income has not budged much in recent decades, and that there was even a downward trend since the end of the 1990s (graph 2). But the latest data show some improvement, and this median rose by 5.2% in 2015 according to Census Bureau data. In particular, we note gains in the lowest income segments (graph 3).

Graph 2   The median real income has resumed a positive trend

In 2015 US$*   *In 2015 US$

Median real household income

Change of methodology in 2013
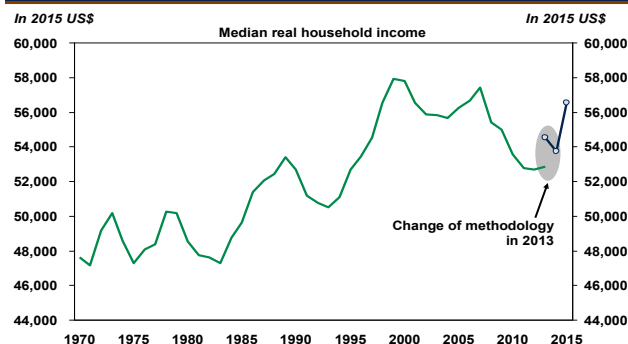
Sources: U.S. Census Bureau and Desjardins, Economic Studies

Graph 3   Income growth speeded up in 2015 for the lowest segments

% annual change   2014–2015 change in real income according to percentile distribution   *% annual change*

Sources: U.S. Census Bureau and Desjardins, Economic Studies

Hillary Clinton has put a great deal of emphasis on this issue during the current presidential campaign, all the more so because it was the core of the political platform of her rival for the Democratic nomination, Vermont senator Bernie Sanders. Her proposals to moderate income inequalities rely mainly on taxation strategies. Her tax measures are as follows:

- A 4% surtax on incomes over US$5,000,000

- A minimum tax rate of 30% for incomes over US$1,000,000 (the Buffet rule)

- A varied structure for capital gains, depending on the period of ownership; higher tax rates for certain types of capital gains

- A cap of 28% for many tax deductions

- Raise the estate tax to a maximum of 65% (for estates over US$500,000,000) and lower the exemption from US$5,450,000 to US$3,500,000

- Increase the child tax credit, in particular by doubling the maximum credit from $1,000 to $2,000 for every child up to four years of age; the credit would also apply to more families with very low incomes

The budget cost of that last measure is US$199B over 10 years. The first five tax measures would enable the federal government to pocket US$1,192B at the expense of wealthier families.

Mrs. Clinton is also proposing other measures designed to narrow income gaps by offering additional support to less well-off families. She is promising more spending to promote access to college education, in particular for families with incomes below US$125,000 per year, and to extend federal health care coverage. She proposes to introduce a tax credit to encourage businesses to share their profits with their workers. Lastly, she is in favour of raising the federal minimum wage to around $15 over a period of time (it has been set at $7.25 since 2009), with regional variations according to the cost of living.

These measures are in stark contrast with the policies proposed by Donald Trump, in particular in the area of taxation. As was described in the previous section, the Republican candidate's economic policy is based on a sharp cut to household income tax:

- Lower the marginal tax rates for most taxpayers and reduce the number of tax brackets from seven (10%, 15%, 25%, 28%, 33%, 35%, 39.6%) to three (12%, 25%, 33%)

- Increase the basic deductions to more than double the current values

- Eliminate the 3.8% surtax (earmarked for the federal health care program) on capital gains and dividends for the highest incomes

- Eliminate the alternative minimum tax (AMT)

- Eliminate the federal estate tax

- Introduce tax credits for child care

These measures reduce the tax burden for taxpayers in all tax brackets[3]. But the difference compared with the status quo, in terms of dollars or of proportion, is far greater for wealthier households.

The contrast between the two candidates' respective programs is especially striking in that Mrs. Clinton's

[3] The Tax Policy Center although estimates that Donald Trump's Tax plan would raise taxes for 8.7 million families, mostly single parents. Tax Policy Center, Families Facing Tax Increases with Trump's Tax plan, October 28, 2016.

penalizes the wealthy to a disproportionate degree, whereas the measures put forward by Donald Trump are to their advantage (table 1). In the first case, the top 1% pay for 92.2% of the tax changes, and their after-tax income shrinks by 7.4%. In the second case, they receive 47.3% of the tax easing and their after-tax income shoots up by 13.5%. For the less wealthy, the difference is modest: the bottom 20% of income-earners would see their after-tax income rise by 0.7% under Clinton, i.e. around US$100, or by 0.8% under Trump ($110). But Trump's fiscal program is more favourable for middle-income earners (those in the second, third and fourth quintiles) compared with the Democratic proposals, which do not change things much.

While most taxpayers could benefit under Trump's plan, the income gap between the poorest and the wealthiest would certainly not get any narrower, on the contrary. During the first presidential debate, in a segment on the topic of income inequality, the Republican candidate discussed the subject from a perspective of economic growth and international trade. The additional economic activity generated by his tax cuts and the renegotiation of trade agreements would promote job creation and higher wages and, by extension, the income of all Americans.

With respect to the minimum wage, Donald Trump seems to have a rather changeable position, but it appears to be evolving towards some openness to a moderate increase. During the primaries, he was categorically opposed to any increase in the minimum wage. In November 2015, he considered that it was too high and worried about the competitiveness of businesses. Yet, during an interview last summer, he seemed to be open to the idea of raising it to $10.

> **Findings for Issue 2: Income inequalities**
> Hillary Clinton's proposals take a step forward to limit income inequalities, but it is more by taxing the wealthiest than by offering solutions to sustainably improve the situation of the poorest households. As for the tax measures that Mr. Trump is proposing, they could well exacerbate the gap that already exists.

ISSUE 3: SOCIAL PROGRAMS AND OBAMACARE

The future and the sustainability of American social programs are among the concerns that voters currently have. One of the most important is the social security program, i.e. the public pension plan available to seniors aged 65 and up. Other social programs, such as Medicare (health care for the elderly), Medicaid (health care for those with very low incomes) and Obama's health care reform are also among the issues of this campaign. Given the aging of the population and the increase in general health care costs, the fiscal burden of these programs is expanding. The total expenses associated with them represented 49.2% of total federal spending, and 58.1% of government revenues, during fiscal 2016. And that trend is heading up. Barring any legislative change, the cost should reach US$3,628B ten years from now, i.e. 72.7% of expected revenues in 2026.

For the social security program, Hillary Clinton proposes to support its sustainability by allocating a portion of the higher taxes collected from the wealthy to the fund for that program. During the third presidential debate, she also discussed the possibility of raising the cap on the payroll tax that funds the program. She opposes privatizing the program, and reducing the benefits. Donald Trump is also

Table 1
Distribution of tax proposals by income level

Distribution by income (percentile)	Clinton			Trump		
	% effect on income	Average effect in US$ on the tax burden	Proportion of changes	% effect on income	Average effect in US$ on the tax burden	Proportion of changes
0–20	0.7	-100	-3.3	0.8	-110	1.1
20–40	0.4	-140	-3.7	1.2	-400	3.0
40–60	0.2	-110	-2.6	1.8	-1,010	6.6
60–80	0.1	-40	-0.9	2.2	-2,030	11.3
80–90	-0.1	100	0.8	2.3	-3,270	7.9
90–95	-0.4	750	3.1	2.8	-5,350	6.2
95–99	-1.5	4,690	14.7	6.0	-18,490	16.3
More than 99%	-7.4	117,760	92.2	13.5	-214,690	47.3
More than 99.9%	-10.8	805,250	64.9	14.2	-1,066,460	24.2
TOTAL	**-1.2**	**830**	**100.0**	**4.1**	**-2,940**	**100.0**

Sources: Tax Policy Center and Desjardins, Economic Studies

against any reduction in benefits for seniors. Instead, he would endeavour to reform the program to make it more efficient, eliminate fraud and make it solvent. During the third presidential debate, he argued that the economic growth generated by his tax cuts would help to fund social programs.
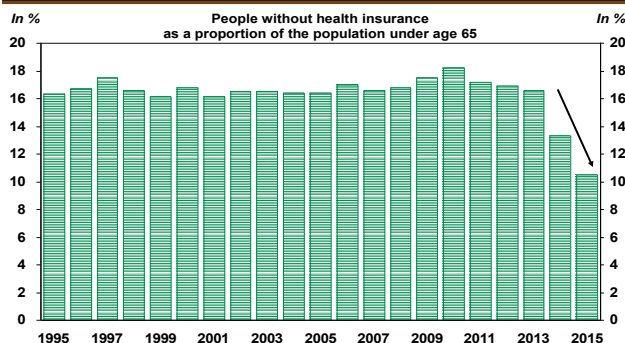
The health insurance program that was introduced in 2010 by the Obama administration, officially called the Affordable Care Act and commonly referred to as Obamacare, has been a target for criticism from the Republicans. Its implementation was not without turmoil, but it has achieved some success: the ratio of Americans aged under 65 with no health insurance dropped from 16.6% in 2013 to 10.5% in 2015 (graph 4), a decline of 12.8 million people. This is a dramatic trend shift, helped by Obamacare, the main components of which are the expansion of the Medicaid program, an obligation for insurers to provide equivalent programs for all customers regardless of their state of health, the establishment of regulated insurance markets in every state, and federal subsidies to support the purchase of private insurance in those markets. But the program is facing many challenges, including a lower level of participation than originally anticipated and a lack of competition in some states that is exacerbated by some insurance companies pulling out of the program. In the first few years of the program, the premiums paid for access to insurance provided in the regulated markets turned out to be lower than expected, but some catching up in that regard is now expected for 2017. Note that the obstruction by the Republican members of Congress to any legislative adjustment to Obamacare—apart from its abolition—has made it impossible to resolve the program's shortcomings. Lastly, the CBO estimated in 2015 that repealing the program would generate a shortfall in the federal budget over 10 years ranging from US$137B (dynamic analysis including effects on the economy) to US$353B (static analysis).

Graph 4   There are far fewer people without health insurance since Obamacare was set up

In %   People without health insurance   *In %*
                as a proportion of the population under age 65

Sources: Kaiser Family Foundation and Desjardins, Economic Studies

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Obviously, the Republican and Democratic positions on this issue are firmly entrenched. The Republicans have always had but one opinion on the subject, since 2010: Obamacare must be repealed. Donald Trump agrees with this, estimating that the program is damaging to the health of the economy, curtails job creation and costs too much. To replace it, he proposes setting up health savings plans, a total tax deduction for insurance premiums, and increasing competition by allowing the sale of health insurance between states. As for the Medicaid program, he suggests giving the states lump sums of funding and letting them do all the administration. Meanwhile, Hillary Clinton wants to defend and extend Obamacare, in particular by attempting to set up a "public insurance option" (a government agency that would provide health insurance programs in competition with the private insurers). In addition, she proposes allowing seniors aged 55 and over to purchase membership in the Medicare program. The costs of Mrs. Clinton's health insurance proposals amount to around US$250B over 10 years.

> **Findings for Issue 3: Social programs and Obamacare**
> Both candidates oppose major changes to the social security program. However, their positions on President Obama's health insurance reform differ considerably. Mrs. Clinton wants to expand it, while Mr. Trump proposes to abolish it. However, it is doubtful whether the replacement measures that the Republicans are offering would provide such broad health insurance coverage.
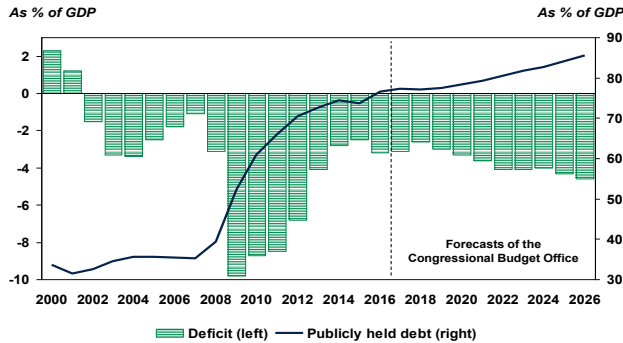
ISSUE 4: PUBLIC FINANCES

The U.S. federal government's financial position has improved since the crisis. Deficits were exceeding US$1,000B from 2009 to 2012. They subsequently shrank in half, reaching US$439.1B in 2015. The 2016 fiscal year closed last September with a negative balance of US$587.4B. The public debt has ballooned from 39.3% of GDP in 2008, to 76.3% in 2016.

Given the current low interest rates, the debt clearly generates little concern in the financial markets. However, the CBO's forecasts show that the situation is not going to improve. Without legislative changes, the deficits and the debt will tend to re-inflate over the next 10 years (graph 5 on page 6).

The promises being made by the presidential hopefuls would not improve the situation. On one hand, it is false to assert, as Mrs. Clinton did during the third debate, that

Graph 5   If there is no change, the deficits and the debt will increase in the years ahead

Sources: Congressional Budget Office and Desjardins, Economic Studies

Table 2 – Budget impacts, over 10 years, of the measures proposed by the candidates*

In US$B	Clinton	Trump
Health policies	**-250**	**-50**
Modifying Obamacare	-450	-500
Modifying health services	250	-50
Public health spending	-50	n/a
Lump-sum funding to the states for Medicare		500
Fiscal policies	**1,600**	**-4,500**
Business income tax	150	-2,850
Individual income tax	1,050	-900
Child care and other assistance	-150	-550
Fees payable to financial institutions	150	n/a
Estate tax	400	-200
Immigration reform	**100**	**-50**
Higher education	-500	n/a
Education and child care	-200	n/a
Infrastructure	-300	x
Defence	x	-450
Help for veterans	-50	-500
Family policy	-300	-50
Cut to non-military discretionary spending	n/a	750
Other spending	-200	250
Effect of proposals on the interest on the debt	-50	-700
TOTAL	**-200**	**-5,300**

* Due to a difference between sources, amounts may differ from those shown in the text.
NOTE: A minus sign (-) means an increase in the budget deficit.
n/a: not available; x: insufficient details to evaluate the budget cost
Sources: Committee for a Responsible Federal Budget and Desjardins, Economic Studies

the Democratic program would add nothing to the debt. For one thing, the deficits already exist, and the measures she is proposing will not immediately balance the public finances. For another, even if we consider the marginal effect in relation to the basic scenarios of the CBO or other organizations, we still perceive a shortfall of around US$200B over 10 years. However, we should point out that this amount is relatively modest compared with an accumulated deficit of US$8,571B forecast by the CBO by 2026, or with a debt that could surpass US$23,000B (85% of GDP) within 10 years, according to the same scenario.
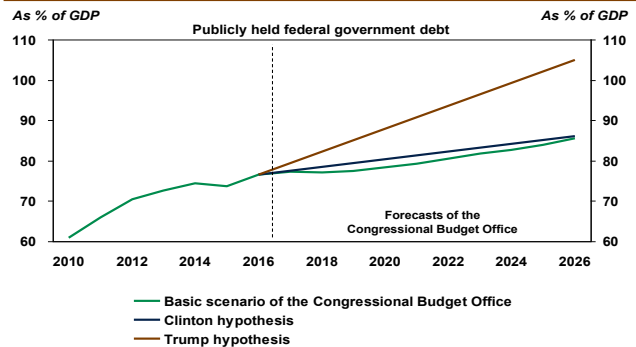
Under Mr. Trump's platform, the budget situation could deteriorate substantially. As we have seen, his plan includes massive tax cuts for individuals and businesses that would subtract US$4,400B. To that cost we must add higher expenses relating to defence, veterans' services, infrastructures, security and immigration control. He does suggest cutting non-military discretionary spending by 1% per year. That was estimated at US$602B for the 2016 fiscal year, i.e. around 15% of the federal government's total spending, and it is already relatively low. It is always possible to achieve some savings, but they will be too modest in size to balance out the Republican promises. To do that, the Trump plan is counting on a major acceleration in economic growth—a risky assumption. Without that economic miracle, the budget shortfall associated with the measures proposed by Donald Trump is US$5,300B over 10 years. The debt could skyrocket to more than US$28,000B, i.e. 105.1% of GDP. Table 2 presents the costs of both candidates' key measures, and graph 6, the effect thereof on the federal debt.

Graph 6   Donald Trump's proposals could increase the public debt considerably

Sources: Committee for a Responsible Federal Budget, Congressional Budget Office and Desjardins, Economic Studies

> **Findings for Issue 4: Public finances**
> Neither candidate offers any concrete solutions to repair the finances of the U.S. federal government to any great extent. The deficits and the debt will keep increasing. Under a Clinton administration, the increase would be fairly similar to what is already expected. Under Donald Trump, public finances could deteriorate considerably more, unless his very optimistic assumptions of strong economic growth really pan out.

ISSUE 5: INTERNATIONAL TRADE

After decades when global trends were definitely moving towards greater economic integration, headwinds are now starting to blow. Protectionism and economic nationalism appear to be gaining popularity, not only in the United States but elsewhere around the world. In a way, the British decision on Brexit, the wariness surrounding the Trans-Pacific Partnership (TPP), the difficulty in hammering out a free-trade agreement between the United States and the European Union and, lastly, the problems in achieving the ratification of the Canada–European Union free trade agreement are all, to varying degrees, symptoms of this rise of protectionism.

In the past, concerns about the liberalization of trade were mainly expressed by the left side of the U.S. political spectrum. This mindset was often supported by large labour movements and thus carried more weight within the Democratic party. But this state of affairs has changed considerably with Donald Trump's arrival on the political scene. Mr. Trump's flatly protectionist positions are in contrast with the traditional views of the Republican party.

Thus, we are left without any great champion of free trade. Right now, the best we can find is Barack Obama, who is still trying to have the TPP ratified by Congress and to push the negotiations with the European Union forward. As for Hillary Clinton, she now opposes ratifying the Trans-Pacific Partnership. She is also against setting up new agreements that do not meet her high bar for raising the standard of living, creating well paid jobs and reinforcing national security. She would seek to support national buying initiatives along businesses' supply chains. She is also prepared to take measures against countries that manipulate their currencies, and opposes recognizing China as a market economy. Mrs. Clinton also wants to revisit the trade agreements that already exist, including the North American Free Trade Agreement (NAFTA). We would point out that these policies are not all that different from what Bill Clinton and Barack Obama were proposing in their presidential campaigns.
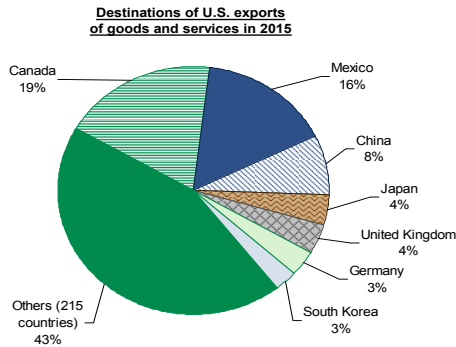
Donald Trump goes further in opposing free trade. When it comes to trade, he follows a winners-and-losers reasoning. He claims that previous administrations, both Democratic and Republican, have made the United States the loser. To reverse that situation, Mr. Trump wants to completely review the existing trade agreements with the explicit objective of making them more favourable to the United States. In the case of NAFTA, the request to re-open negotiations would be immediate. Faced with a refusal to renegotiate, the United States would state its intention of withdrawing from the agreement. Chapter 22 of NAFTA allows such an exit with six months' notice, and the President of the United States may exercise that option without the explicit consent of the Congress.

As far as China is concerned, the Republican candidate feels that it should be labelled as a currency manipulator. If China did not change its behaviour, additional customs tariffs would be put in place.

Mr. Trump pins great hopes on his firmer trade policy. He believes that free trade is one of the main sources of the economic downturn that he perceives in the United States. Closing markets could bring back some of the economic activity that has been transferred to other countries, and the benefits would be particularly felt in the manufacturing sector and by the middle class. Here he is focusing mainly on Mexico and China; he has not really made any comments about trade with Canada. However, a resurgence of U.S. protectionism is a major risk for the Canadian economy.
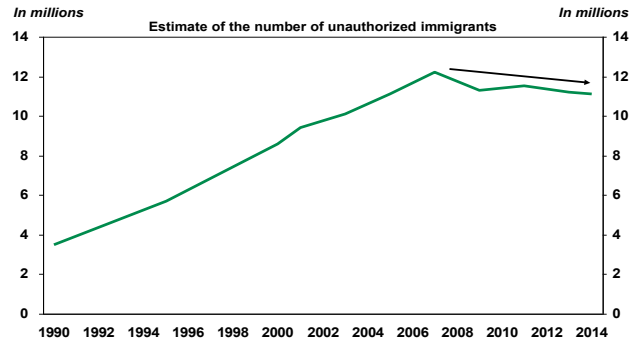
Despite Mr. Trump's promises, a new wave of protectionism would actually be detrimental to the U.S. economy. Many studies show a modest, but positive, impact from NAFTA on the United States. Moreover, any sudden imposition of tariff barriers would trigger a large spike in producer and consumption prices. According to Moody's, a 45% tariff on Chinese imports and a 35% tariff on Mexican imports other than oil would cause a 15% surge in import prices and a 3% rise in consumption prices (peaking six quarters after the rise in import prices). Risks of reprisals would also be significant; Canada, Mexico and China are the three main destinations for U.S. goods exports (graph 7 on page 8).

Destinations of U.S. exports of goods and services in 2015

Canada 19%
Mexico 16%
China 8%
Japan 4%
United Kingdom 4%
Germany 3%
South Korea 3%
Others (215 countries) 43%

Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

In millions   *In millions*

Estimate of the number of unauthorized immigrants

Sources: Pew Research Center and Desjardins, Economic Studies

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Findings for Issue 5: International trade

During this campaign, both candidates have adopted more protectionist stances compared with previous presidents. One may worry about this tendency on the part of Hillary Clinton, but the real concerns stem mainly from Mr. Trump's plan. He has been quite clear about his distrust of free-trade agreements, and he has repeatedly described NAFTA as the worst trade agreement ever. One gets the feeling that the Republican candidate is particularly resentful of Mexico and its cheaper labour supply. Nevertheless, any renegotiation of NAFTA also carries a major risk for Canada.

OTHER ECONOMIC ISSUES:

Apart from these issues, there are, from an economic viewpoint, many other topics to keep an eye on in this election campaign. Of these, there are two subjects on which Donald Trump and Hillary Clinton present markedly different positions: immigration and policies on energy and the environment.

IMMIGRATION

In 2014, there were 42.4 million immigrants in the United States, representing 13.3% of the population. Approximately 1.3 million immigrants entered the country in that same year, coming mainly from India, China, Mexico, Canada and the Philippines. Among these newcomers, the United States took in 69,926 refugees. As for illegal immigrants, their numbers were estimated at 11.1 million in 2014, of whom 5.8 million were from Mexico. This unauthorized population has been on a slight downward trend since 2007 (graph 8).

Donald Trump has made the immigration issue one of the main components of his campaign. He started off by blaming Mexican illegal immigrants for all sorts of evils that are plaguing the United States. Then, he took aim at immigrants and refugees from the Middle East. His plan proposes, among other things, to significantly bolster security at the country's borders, to encourage voluntary deportations, to make sure that any person who has entered illegally could be expelled, and to tighten the rules on issuing work visas. These measures could shrink the labour force and cause a slowdown in the U.S. economy.

As for Mrs. Clinton, she is proposing instead to reform immigration in order to facilitate the entry into the United States of family members of permanent residents and the granting of work permits, in particular (but not exclusively) for well-educated immigrants. She would also open a channel for the legalization of unauthorized immigrants. When a bill including similar measures was the subject of a bipartisan vote in the Senate (although it was rejected in the House of Representatives), the CBO had estimated that it could generate 3.3% growth in real GDP in the space of 10 years.

ENERGY AND THE ENVIRONMENT

With respect to the energy policies that are being proposed, the contrast between Republicans and Democrats hinges mainly on the debate between renewable energy and fossil fuels. The measures that Hillary Clinton is proposing seek to defend, implement and extend the standards governing pollution and energy efficiency. In collaboration with the states and municipalities, she would introduce a program worth US$60B to reduce carbon emissions. She would cut the subsidies and credits to which oil and gas companies are currently entitled. She is promising US$30B to provide assistance to communities affected by the decline of the coal industry. She opposes the Keystone XL pipeline project.

As for Mr. Trump, he has put a good deal of emphasis on the issue of energy independence, and would seek to eliminate oil imports from OPEC members or from "any other nations hostile to American interests." He would allow the exploitation of US$50,000B worth of unused reserves of oil and gas. He would revitalize the coal industry and would eliminate regulatory barriers to "responsible" energy production. He would also allow the exploitation of natural resources on federal lands. Donald Trump would revive the Keystone XL project, in exchange for a sharing of benefits with the U.S. government.

CONCLUSION

It is normal for there to be numerous differences in position between the two presidential candidates. However, the current campaign presents striking contrasts. There is a chasm separating the measures proposed by a candidate who is more populist than Republican, and those of a representative of the Democratic establishment who was pulled towards the left during her nomination campaign.

Hillary Clinton's proposals are relatively modest and essentially offer continuity with the policies that have been put forward by Barack Obama. From that point of view, her program presents less risk. However, it would be surprising to see U.S. economic growth change much from the rather sluggish pace to which we have recently become accustomed.

Things are quite different with Donald Trump. The scope of the promised tax cuts and their possible impact on the financial health of the government constitutes one destabilizing element. To that we must add all the uncertainty surrounding his protectionist positions. The expectation that these two policies will generate the strong growth that has been promised, appears to be unrealistic. Therefore, there is more risk in this camp.

Francis Généreux
Senior Economist