

ECONOMIC VIEWPOINT

The November 3 Election and the U.S. Economy Part Two: Economic Issues and the Candidates' Platforms

The COVID-19 pandemic has sent a monkey wrench into the 2020 presidential campaign, just as it has disrupted the news and the economic situation. It has also made health care a central election issue. Clearly, the economy and job creation are major themes, since the United States is still in recession. This second *Economic Viewpoint* on the 2020 presidential election sets out the main economic issues and the solutions that the two candidates are putting forward for dealing with them.¹ On one hand, President Donald Trump seems to want to bank on staying with the policies implemented during his first mandate. On the other, former Vice President Joe Biden is, among other things, putting a lot of emphasis on investment in clean energy, education and access to health care; it is an ambitious, expensive program.

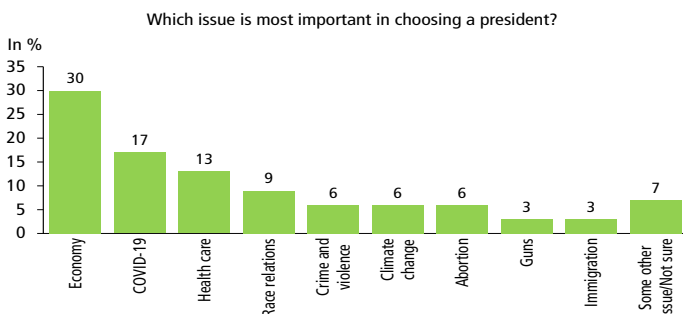
¹ The first [Economic Viewpoint](#), published October 22, provides an overview of the economy in Donald Trump's first term.

The Pandemic and the Economy: The Two Main Economic Issues of the Election Campaign

Every election has a specific theme that takes up more of the political news. Economic issues often dominate, particularly when election day coincides with a tough economic situation. Although the United States is officially in recession, this time, it seems that health care (and COVID-19) issues have gained some traction. According to the *NBC News/Wall Street Journal survey*, together, the coronavirus and health care are neck and neck with economic issues as the most important issue in selecting the next president (graph 1).

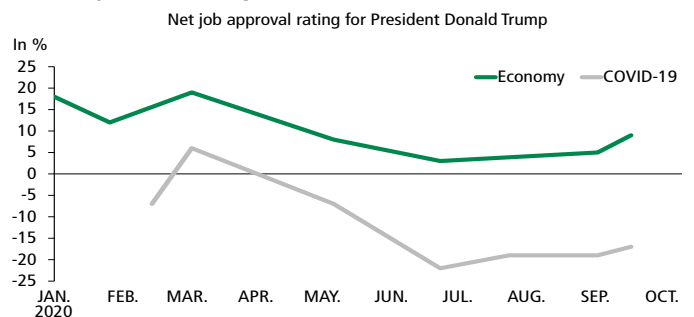
It is normal that the pandemic has become so important, since it has greatly disrupted daily life for the U.S. population. The fact that President Donald Trump caught the virus and had to be hospitalized for a few days has put even more focus on COVID-19 and the current administration's handling of it. U.S. households are, moreover, fairly critical of the Trump government's actions in combating the crisis (graph 2). The pandemic has also heavily influenced economic activity, even ending a more than 10-year economic cycle. A majority of Americans still trust President Donald Trump's management

GRAPH 1
The economy remains the most important issue



Sources: *NBC News/Wall Street Journal* and Desjardins, Economic Studies

GRAPH 2
Americans are happier with the president's work on the economy than on the pandemic



Sources: *ABC News/Washington Post* and Desjardins, Economic Studies

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NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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of the economy, although the positive difference has narrowed since the crisis began.²

In addition to issues pertaining to running the economy and handling the pandemic, other matters could influence economic activity and the financial markets in the coming years. These include environmental policies, taxation, income inequality and international trade. These issues highlight an interesting contrast between what President Donald Trump is proposing for a second term, and what former Vice President Joe Biden wants to put forward.

Issue No. 1: Economic Growth and Employment

The U.S. economy performed relatively well in the early years of President Donald Trump's mandate.³ COVID-19 has, of course, radically changed the situation. In September 2020, there were 10,743,000 fewer jobs than in February. In the second quarter, real GDP was 10.1% lower than it was at the end of 2019 and, despite the anticipated third-quarter rebound and the good growth forecast for the ensuing quarters, our scenarios do not expect the shortfall to be completely made up before 2022. As can be expected, therefore, U.S. voters are concerned about the economic situation.

In the short term, both candidates seem to back a new economic relief package to follow the plan implemented last spring; the main measures in that plan have now ended. Joe Biden backs the *HEROES Act*, a bill adopted by the House of Representatives; last May, the [Congressional Budget Office](#) (CBO) put its total cost at US\$3,475B. At the time of writing, the White House and Democratic and Republican members of Congress were in the throes of negotiating a relief package of around US\$2,000B which would include help to the jobless and small business, among others. The assistance addresses short-term problems, but what about candidate proposals that could support growth over the long haul?

In his second-term [agenda](#), Donald Trump expresses some objectives associated with good economic growth, but offers very few concrete means for achieving them. Published in August, the document calls for 10,000,000 jobs to be created over ten months, and 1,000,000 new small businesses to be established. It mentions new tax cuts for households and businesses. For business, it includes Made in America tax credits; not much detail is provided, but they could aim to make it easy to repatriate production to the United States that is currently handled elsewhere, like China. In fact, the same document contains pledges to "bring back 1 million manufacturing jobs from China" and not give federal contracts to businesses that outsource to China.

² [Powered by Trust on the Pandemic, Biden Leads by 12 Points Nationally](#), ABC News/Washington Post Poll: 2020 Election Update, October 11, 2020, 14 p.

³ See the [Economic Viewpoint](#) published October 22, 2020.

One unfulfilled election promise from the previous campaign is back in Donald Trump's 2020 platform: build the largest infrastructure system in the world. In 2016, it may have seemed that establishing an infrastructure program could give Democrats and Republicans some rare common ground. However, the Democrats' opposition to funding the notorious wall between Mexico and the United States, hedging by Congress's Republicans on the infrastructure file, and multiple, frequently hazy versions of the White House's infrastructure programs resulted in no progress being made on the matter. Previously, amounts of US\$2,000B had been mentioned, but never really proposed officially. In its budgetary proposals, the White House tried to implement US\$300B in infrastructure spending.

Joe Biden's economic strategy is built on a plan that is not tied to economic growth in and of itself, but rather to solutions to other problems, but which will also support economic activity. Here, Joe Biden wants to invest US\$2,000B in clean energy to create "the jobs we need to build a modern, sustainable infrastructure now and deliver an equitable clean energy future."⁴ These investments would go to infrastructure, as well as the auto industry to create 1,000,000 jobs, public transit, the energy sector, to upgrading non-residential buildings, housing, innovation programs, agriculture and conservation of natural resources.

Some of the projects cited above are also applied in Joe Biden's [Made in All of America](#) plan. As Donald Trump is promising, Joe Biden is also pledging to "create millions of new manufacturing and innovation jobs throughout all of America." The plan specifically mentions federal investments of US\$400B using products, materials and services that come from the United States. An amount of US\$300B is earmarked for research and development, and breakthrough technologies. The Democratic candidate's program will strive for a regional allocation, and will make an effort to reach small businesses and the African-American and Latino-American communities.

Joe Biden's program also contains a variety of tax measures for supporting business. There is a credit facility to help small and medium manufacturers, and a tax credit to reorganize and revitalize manufacturing.

However, some components of Joe Biden's fiscal program could be less good for economic growth. Some of the expenditures and investments it proposes must be funded by increasing taxes, including taxes that were cut during Donald Trump's mandate. At the same time, reversing the Trump administration's deregulation policy could hurt businesses and potentially job creation in the short term.

⁴ [The Biden Plan to Build a Modern, Sustainable Infrastructure and an Equitable Clean Energy Future](#), Biden-Harris – Biden For President. (Accessed on October 22, 2020).

CONCLUSION FOR ISSUE NO. 1

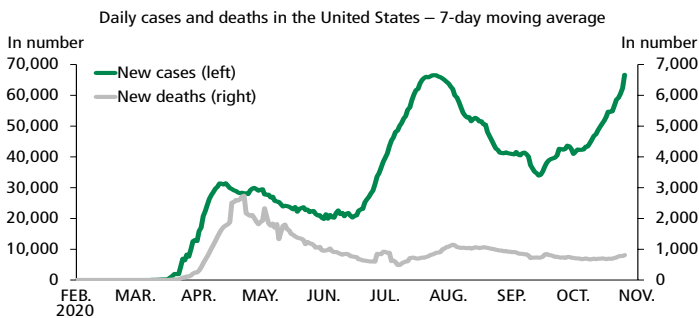
Economic Growth and Employment

Aside from the measures associated with COVID-19, both candidates propose measures that could accelerate growth in the coming years. The impacts on the economy will be largely dependent on the ability to implement the promised measures, particularly those pertaining to infrastructure. Here, Joe Biden’s program is much more ambitious and could do more to support economic potential over the medium and long range.

Issue No. 2: Combating the Pandemic

The fight against COVID-19 is more of a public health issue than an economic challenge. However, the blow the coronavirus has dealt to the global economy makes it important to the situation. The policies for helping households and businesses during this pandemic were discussed in the previous section. Here, therefore, we compare what the candidates are proposing to limit the spread of the virus and lessen the risks of another wave of new COVID-19 cases. Note that a second wave hit the United States early last summer following a lull at the end of the spring. Since then, new COVID-19 cases have remained high (graph 3); at the time of writing, they were starting to exceed the previous peak.

GRAPH 3
Is the United States heading for a third wave of COVID-19?



Sources: World Health Organization and Desjardins, Economic Studies

Donald Trump’s program aims to “eradicate COVID-19.” It primarily hopes to achieve this by developing a vaccine rapidly, by the end of 2020. In particular, it aims for a “return to normal in 2021.” However, the means for doing so are not really spelled out. It proposes manufacturing all the medical supplies health care workers need in the United States. It also plans to prepare for future pandemics.

Joe Biden’s program for the coronavirus is a little more detailed and puts more emphasis on the recommendations of public health bodies, particularly in the event of further lockdowns

when and where necessary. It contains a nationwide mask mandate requiring a mask to be worn in indoor spaces outside the home and a policy to expand testing and COVID-19 contact tracing efforts (including hiring 100,000 people).

CONCLUSION FOR ISSUE NO. 2

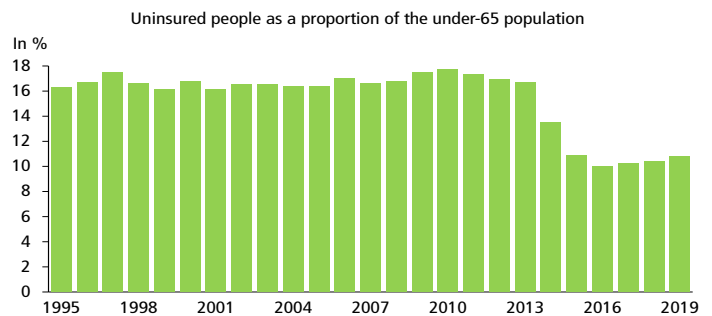
Combating the Pandemic

President Donald Trump has nothing new to offer on limiting the spread of COVID-19. His strategy is based on the current strategy, and limiting the economic damage caused by lockdown measures. The measures Joe Biden is proposing are closer to the recommendations made by public health professionals and could further limit the virus’s spread in the United States, but with a potentially higher economic price tag in the very near term.

Issue No. 3: Access to Health Care

The COVID-19 crisis has put the issue of access to health care in the United States back in the spotlight. One of President Barack Obama’s major accomplishments was setting up a health insurance program, officially called the *Affordable Care Act* and commonly called Obamacare. The policy reduced the number of Americans without insurance coverage (graph 4).

GRAPH 4
The number of people without health insurance is much lower than it was at the start of the last decade



Sources: Kaiser Family Foundation and Desjardins, Economic Studies

Donald Trump attacked the law heavily and, together with Republicans in Congress, tried to dismantle it completely. These efforts were not entirely successful, but some of the measures in Obamacare were repealed. With the end of the requirement to get insurance, or face a penalty, the rate of uninsured people increased slightly, without reversing the initial impact of Obamacare.

Once again, Donald Trump’s program for a second term contains very few details on health care. The stated objectives are to cut

prescription drug prices, lower health care insurance premiums, make sure insurers cover everyone, regardless of their health (pre-existing conditions), and end surprise billing after medical treatment. However, it is difficult to reconcile these goals with President Donald Trump's actions during his first term, when he sought to repeal Obamacare without offering any real alternatives. He recently signed executive orders on surprise billing, prescription drug prices, and pre-existing conditions, but no policy has been implemented so far.

Joe Biden's program for health care access is much more ambitious. First and foremost, he wants to retain and expand Obamacare, which was adopted while he was Vice President. To do this, he would facilitate access to subsidies for taking out health insurance. He would create a public health insurance option competing with private insurers. The program does not go as far as the "Medicare for All" plan proposed by other Democratic politicians, which would replace private coverage. Joe Biden also proposes lowering the age of eligibility for Medicare for seniors from 65 to 60. The Democratic candidate's program would probably reduce the number of uninsured in the United States somewhat, while the public option could help reduce the cost of private insurance. However, the burden on the federal government's finances would be substantial. The [Committee for a Responsible Federal Budget](#) (CRFB) judges that the public option and expansion of Obamacare would cost around US\$1,700B.

CONCLUSION FOR ISSUE NO. 3

Access to Health Care

President Donald Trump has not yet put forward a real alternative to Obamacare and has mentioned few concrete measures for reaching his goals. On the other hand, what Joe Biden is proposing could prove destabilizing for the health care industry. Access would be easier, but with a heavy budgetary price tag.

Issue No. 4: The Environment and Fight against Climate Change

Among the many contrasts between Barack Obama's presidency and Donald Trump's is the whole issue of climate change and environmental policy. Although climate variability is already creating problems in the United States,⁵ Donald Trump has always been sceptical about both the causes and consequences of climate change. As president, he has adopted measures to promote polluting industries, such as the oil and gas and coal industries. He has rolled back certain environmental regulations and criticized states that imposed strict rules, particularly on

energy consumption and motor vehicle emissions. He also took the United States out of the Paris Agreement on climate change.

It would be surprising to see Donald Trump alter his stance on climate change much in his second term. His campaign platform does not suggest anything of the sort. On the contrary, it promises to pursue his deregulation policy with a view to achieving energy independence. The Republican candidate seems most concerned about traditional environmental questions. The program mentions that the United States must "continue to lead the world in access to the cleanest drinking water and cleanest air" and "partner with other nations to clean up our planet's oceans." It does not mention fighting climate change.

The climate question is at the heart of the Democrats' electoral platform. The US\$2,000B in infrastructure investment put forward by Joe Biden must, among other things, go into clean energy. There is also a program to accelerate electrification of the auto industry. The goal is to achieve a net-zero carbon emissions economy by 2050, with an interim target of a carbon-free energy industry by 2035. The program contains many measures to remodel the U.S. economy and make it less polluting and energy hungry, including utilities, real estate, manufacturing and transportation. There is also a concern for protecting public lands, particularly with respect to oil extraction.

CONCLUSION FOR ISSUE NO. 4

The Environment and Fight against Climate Change

The contrast between the Donald Trump and Joe Biden platforms in terms of the space given to the fight against climate change is striking. The concern is very present for the Democrats. The proposed actions will be expensive for the public purse and, in the short term, the economic impact could be destabilizing. However, over the medium and long term, the effort to modernize the U.S. economy should be beneficial.

Issue No. 5: Fiscal Policy and Income Distribution

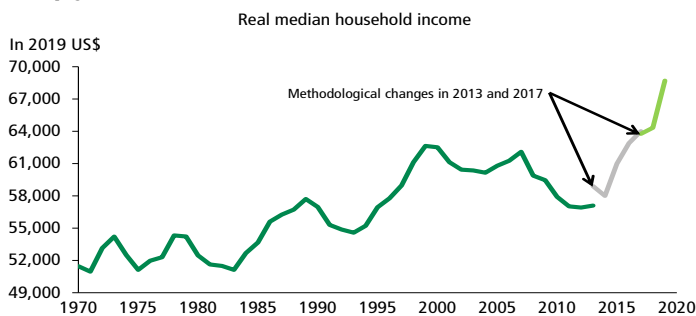
One of the main components of Donald Trump's 2016 platform was to cut personal and business taxes. The promise became a reality in December 2017 with the *Tax Cuts and Jobs Act* (TCJA), which still differed somewhat from what Donald Trump had proposed during the election campaign. As indicated in the first part of our [analysis](#) of the 2020 election, so far, it is hard to see a lasting positive impact from these tax cuts on U.S. economic growth. The potential gains may have been lessened by the fallout from the trade war.

Income distribution within the U.S. economy is a major issue that can be dealt with through taxation. One criticism of the 2017 tax cuts was that they primarily benefited the wealthiest households by decreasing the highest tax rates on personal income, by

⁵ *Fourth National Climate Assessment – Volume II: Impacts, Risks, and Adaptation in the United States*, U.S. Global Change Research Program, 2018, 1526 p.

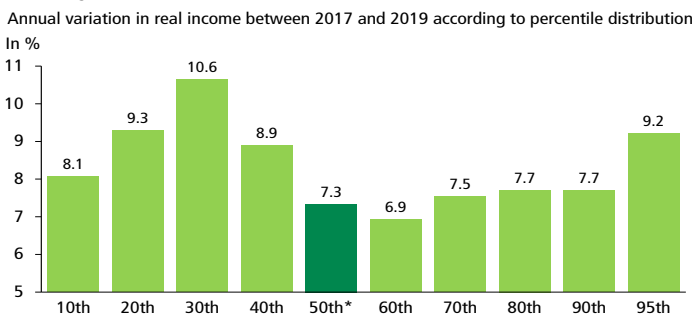
reducing the impact of the estate tax, and by lowering corporate tax. However, no substantial erosion in income distribution measures has been noted. Median income has shot up in recent years (graphs 5 and 6). That said, the GINI coefficient of income inequality remains higher in the United States than in most of the advanced nations. Based on Federal Reserve (Fed) data, a recent Bloomberg [article](#) stated that the 50 richest Americans had a net worth equivalent to the poorest 165,000,000 Americans. The frequently discussed rhetoric about huge, profitable corporations that do not pay tax adds to the popular clamouring for a fairer tax system.

GRAPH 5
Median income did not move much in 2018 but accelerated sharply in 2019



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

GRAPH 6
The situation for low-income households has improved in recent years



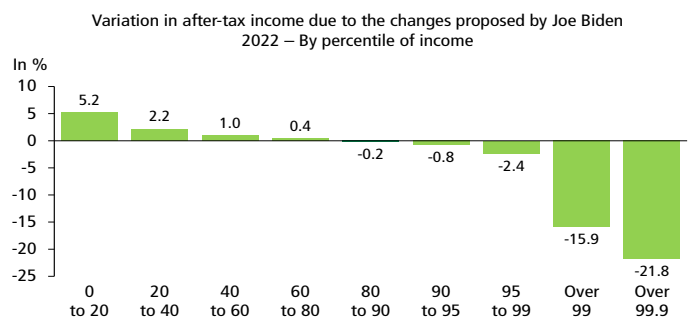
* 50th = Median income
Sources: U.S. Census Bureau and Desjardins, Economic Studies

Clearly, Donald Trump does not want to backpedal on the tax cuts he signed in 2017. On the contrary, a number of the measures in the TCJA are to end at the end of 2023 and 2025, and he is proposing to make them permanent. His program includes cutting “taxes to boost take-home pay and keep jobs in America” and introducing Made in America tax credits to repatriate to the U.S. production that is carried out elsewhere. He also wants a 100% deduction for investment for essential industries (like robotics and pharmaceuticals) that bring back jobs to the United States. According to the [CRFB](#), together, these fiscal

policies would have a budgetary price tag of about US\$1,250 over ten years. In the last week, President Donald Trump has also proposed cutting the corporate tax rate a little further, from 21% to 20%.⁶ Last summer, a Donald Trump advisor also mentioned that the president wanted to cut the tax rate for dividends and capital gains from 20% to 15%, a measure that would cost close to US\$100B over ten years.⁷

Joe Biden’s proposals on taxation have two main goals. Firstly, the aim is to create revenue for the federal government to offset the program’s impact on public finances. Secondly, it aims to narrow income gaps by targeting tax on the wealthy and businesses (graph 7). To do this, it would reverse some of the tax cuts ordered in 2017. The highest marginal tax rate would go from 37.0% to 39.6%, where it was before the TCJA (for a single individual, this rate applies to income above US\$518,050 in 2020). The ceiling on the payroll tax (which funds Social Security) would be raised to include income above US\$400,000. Capital gains and dividends would be taxed in the same way as regular income for individuals earning above US\$1,000,000 (the rate would go from 20.0% to 39.6%). For the wealthiest, he would eliminate the 20% deduction for pass-through companies introduced by the TCJA. For businesses, the main measures are the increase in the tax rate, which would go from 21% to 28% (still lower than the pre-TCJA 35%) and establishment of a minimum tax of 15% on book income. There would also be measures to encourage production in the United States and to encourage businesses to make investments that are good for the environment and the fight against climate change. There are about thirty fiscal measures in all. According to the CRFB, the overall policy would add about US\$4,300B to government coffers

GRAPH 7
Joe Biden’s fiscal policies will hit the wealthiest households



Sources: Tax Policy Center and Desjardins, Economic Studies

⁶ Victor REKLAITIS, [Trump suggests NBC won't treat him fairly at tonight's town hall, as Biden reports record fundraising](#), MarketWatch, Economy & Politics – Election Countdown, October 15, 2020. (Accessed on October 22, 2020).

⁷ Victoria OSORIO and John RICCO, [Analyzing President Trump's Proposed Capital Gains and Dividend Tax Cut](#), Penn Wharton – University of Pennsylvania, Budget Model, September 25, 2020.

over ten years. The [Tax Policy Center](#) estimates the gain would be US\$2,355B. The [American Enterprise Institute](#) puts the total at US\$2,855B. The [Tax Foundation](#) gets revenue of US\$3,052B. The amounts differ, but the totals are fairly impressive nonetheless. Although targeted, the tax hikes take a bite out of household and business income that could weaken economic growth and limit the potential beneficial impacts of the spending increases elsewhere in Joe Biden's program.

CONCLUSION FOR ISSUE NO. 5

Fiscal Policy and Income Distribution

In a second mandate, President Donald Trump would opt to continue with what he has implemented in terms of easing the tax burden, with a few enhancements. Joe Biden's proposals are broader and take substantial amounts from business coffers and the pockets of the wealthiest taxpayers. Until the economic situation has completely recovered, the Democratic candidate may well be unable to raise taxes this much.

Issue No. 6: International Trade

Implementation of a more protectionist trade policy is a pillar of Donald Trump's economic policy. Despite the numerous tariff increases, the U.S. trade balance has not shifted much and the trade war with China destabilized several industries and scared investors, particularly in mid-2019. Thankfully, the "Phase One" trade agreement with China acted as a detente in a situation that was becoming increasingly combative. Relations with China have worsened again, however, as Donald Trump blames China for the COVID-19 pandemic.

Nothing in Donald Trump's second-term platform suggests any easing of trade tensions. During the election campaign, Donald Trump said that he wanted to make China pay for COVID-19.⁸ A way to "pay" the price would be for China to agree to a trade agreement that is even more favourable for the United States than the "Phase One" agreement implemented early this year. Donald Trump's program wants to repatriate production that is done in China through tax incentives and penalties in federal contracts.

Joe Biden's platform also has a protectionist feature. According to the former vice president, Donald Trump's rhetoric on China has been tougher than his actions. The trade war with China and Phase One agreement are an unmitigated disaster.⁹ He also criticizes the 2017 tax cuts which, according to the Democrats,

⁸ James GRIFFITHS, [Trump threatens China with big price 'for what they've done to the world' as campaign looks to shift blame](#), CNN, October 8, 2020. (Accessed on October 22, 2020).

⁹ [The Biden Plan to Ensure the Future Is "Made in All of America" by All of America's Workers](#), Biden-Harris – Biden For President. (Accessed on October 22, 2020).

encourage U.S. businesses to produce elsewhere then export their products back to the United States. However, Joe Biden's proposed Made in America and Buy American policies are not very different from Donald Trump's. He wants to ease the constraints in international agreements on public contracts to ensure American content in the amounts the government spends. Joe Biden is critical of the Chinese government for infringing trade rules; his program suggests taking aggressive measures to remedy the situation. He diverges substantially from Donald Trump where he suggests concerted action with allies to pressure China or other "cheaters." There is no mention of bringing the United States back into the Trans-Pacific Partnership (TPP).

CONCLUSION FOR ISSUE NO. 6

International Trade

On the issue of international trade, there are no major differences between Donald Trump's and Joe Biden's objectives, particularly with respect to protecting American jobs in the face of Chinese competition. However, Joe Biden does not mention resorting to tariffs and even suggests concerted action with other countries. Therefore, it is more in the tone and form of trade policy that Donald Trump and Joe Biden could diverge. The former vice president's approach internationally could prove less combative than what we've become used to with Donald Trump.

Other Issues

There are, of course, other major issues in this campaign, which could influence some voter decisions on November 3. They could also affect the evolution of the economy and public finances in the coming years. They also spotlight some interesting contrasts between the two candidates' programs.

For education, Joe Biden wants to facilitate access to university education by funding tuition to public colleges and universities for households with income below US\$125,000 (estimated cost of US\$1,600B). He also wants to increase funding for public schools (K-12). Donald Trump wants to make it easier to choose schools for children, probably with a tax credit, as set out in the last budget the White House submitted.

For social services, Donald Trump has repeated that he wants to protect the Social Security (old age pensions) and Medicare (senior health care) programs. Joe Biden wants to lower the age for Medicare eligibility and enhance Social Security. The Democrats are also proposing to fund and improve child care services.

Immigration was a hot topic during Donald Trump's presidency; he wanted to halt illegal immigration and slow legal immigration. His second-term program is also fairly tough in terms of

immigration policy. In contrast, Joe Biden wants to reverse the approach taken by President Donald Trump and facilitate immigration and access to citizenship.

Joe Biden also proposes to increase the federal minimum wage from US\$7.25 (where it has been since 2009) to US\$15.00. Donald Trump says he is open to the idea of raising the minimum wage, but seems to want to leave it up to the states.

Relations with the Fed

Although it has not been a subject in the candidates' platforms, the next president's attitude to Fed leaders could be different, depending on who is in the Oval Office. Donald Trump was extremely critical of the Fed's monetary policy and Chair Jerome Powell, even though Donald Trump appointed him. In December 2019, Joe Biden declared that Donald Trump's pressure on the Fed was an abuse of power. Jerome Powell's mandate ends in early 2022. Given the criticism and even insults Donald Trump levied at the Fed's current chair, we may wonder if Donald Trump will reappoint Jerome Powell. The Fed's actions since the COVID-19 crisis began may have restored its luster, however. This could make Joe Biden hesitant to appoint someone else to head the central bank. Jerome Powell is generally seen as a Republican, although Barack Obama appointed him governor.

The Budgetary Cost of the Candidates' Platforms

All of these promises come with a price tag. In a context in which federal debt is ballooning under the impact of the COVID-19 crisis, it is important to know what that price tag is. The 2020 fiscal year, which ended September 30, recorded a deficit of US\$3,132B, which represents about 15% of GDP. A situation that is much worse than in the 2008–2009 crisis, when the deficit was US\$1,413B (9.8% of GDP). For its part, the debt went from US\$16,803B (79.2% of GDP) at the end of fiscal 2019 to US\$21,019B (about 100% of GDP).

A potential pandemic relief package may have to be added to that; some hypothesize that it could cost between US\$1,500B and US\$2,500B in the short term.

The Donald Trump and Joe Biden platforms seem to have been thought out in a context in which public finances are not really a problem. Obviously, low interest rates and the Fed's monetary policy are currently making it easier to finance U.S. debt. Nonetheless, the amounts proposed are astronomical. The table presents the CRFB's summary of the costs associated with the various measures proposed by the candidates, using an average estimate. The price tag for Donald Trump's plan comes in at just under US\$5,000B over ten years. Joe Biden's comes to US\$5,600B. Note, however, that the spending and investment proposed by the Democrat comes to a higher total, close to US\$10,000B, but is partially offset by increased revenue from raising taxes on business and wealthy households.

TABLE

Budgetary effects over ten years of the measures proposed by the candidates

IN US\$B	DONALD TRUMP	JOE BIDEN
Education and childcare	-150	-2,700
Health care	150	-2,050
Social services (Social Security, etc.)	-400	-1,150
Infrastructure	-2,000	-3,000
National security	50	550
Immigration	50	200
Fiscal policy	-1,700	4,300
Other domestic spending	-700	-1,450
Effect of proposals on interest on the debt	-250	-300
Total budgetary impact	-4,950	-5,600

NOTE: Because of source differences, amounts may differ from the amounts displayed in the text. Furthermore, a negative number implies an increase in the budget deficit.

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

The [CBO](#) projects that federal government debt will go from 100% of GDP now to 108.9% in 2030. Donald Trump's plan would take debt to 125% in 2030. Joe Biden's would take the debt to 128% in ten years.

The deterioration of public finances triggered by implementing the Democratic or Republican promises could have impacts on the financial markets. As stated earlier, there is currently little pressure on the government, as demand for federal bonds remains strong and is supported by the Fed's policy. Will that remain true in the years to come? If not, the supply of government securities would pose a risk to future movement by interest rates and, in turn, the economy's.

Impacts of Candidate Platforms on Economic Growth

Beyond the consequences of the debt load for interest rates and the economy, putting the candidates' promises into action would, of course, affect economic activity. That's exactly why the promises were made.

According to [Moody's](#), GDP growth would be better under Joe Biden than Donald Trump. Moody's' baseline scenario assumes average annual growth of 3.5% from 2021 to 2024 (the gain is above the historic trend because of post-COVID-19 catching up). Applying the Democratic plan would increase average annual growth to 4.2%. In 2024, real GDP would therefore be 2.9% higher. Also according to Moody's, applying the Donald Trump program would take average annual growth for 2021–2024 to 3.1%, lower than what is set out in the baseline scenario. Note that Moody's anticipates less infrastructure spending under Donald Trump and more cuts to public spending than does the CRFB analysis.

The analyses' results for the impact on growth of political programs diverge substantially depending on how the programs are interpreted, the assumptions used, and the macroeconomic and econometric models. Accordingly, the [analysis](#) of Joe Biden's program using the University of Pennsylvania's *Penn Wharton Budget Model* shows that real GDP would be 1.1% lower than their baseline scenario in 2030.

Evidently, as shown by COVID-19 or even the trade war launched in 2018, other factors can have a big influence on the U.S. or global economic situation and upset the forecasts for the potential impacts of election platforms or more targeted measures such as the 2017 tax cuts. Economic, financial, political and legislative factors can hobble an election promise in its progress toward becoming a reality.

A Major Contrast

The United States is facing a number of short- and long-term challenges. Donald Trump and Joe Biden programs strive to deal with these challenges, but their approaches are frequently completely opposed and the candidates are not spotlighting the same issues. The main similarity lies in the support for U.S. manufacturers in facing Chinese competition, and the importance of "Made in America." As for the rest, from environmental policy to fiscal policy, the fight against COVID-19, health care and education, the Republican and Democratic proposals are diametric opposites.

The contrast is just as big for investors. Donald Trump's policies have generally been seen as good for the stock market, despite the trade war. Stock market investors are therefore less fond of Joe Biden's program, which is financed by tax increases for businesses and wealthiest individuals. The concerns are particularly big in the oil and health care industries.

Donald Trump wants to continue with what was done during his first term. Joe Biden wants to reverse the president's main achievements. Such a change could be destabilizing in the near term for the markets and the U.S. and global economies. However, the candidates' personalities could limit that effect. Donald Trump has been a major source of uncertainty in recent years, due to the trade war and the constant threat of new tariffs, his comments on the markets or the Fed, or the way he negotiates with Congress and with other countries. The general consensus is that Joe Biden's approach under all of these circumstances could be more moderate. Strangely, the candidate of change is also the candidate of moderation. This removes some of the uncertainty a Democratic victory on November 3 could generate.

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