

UNITED STATES: AFTER JOE BIDEN WINS US PRESIDENTIAL ELECTION, WHAT HAPPENS NEXT?

Jean-Luc Proutat

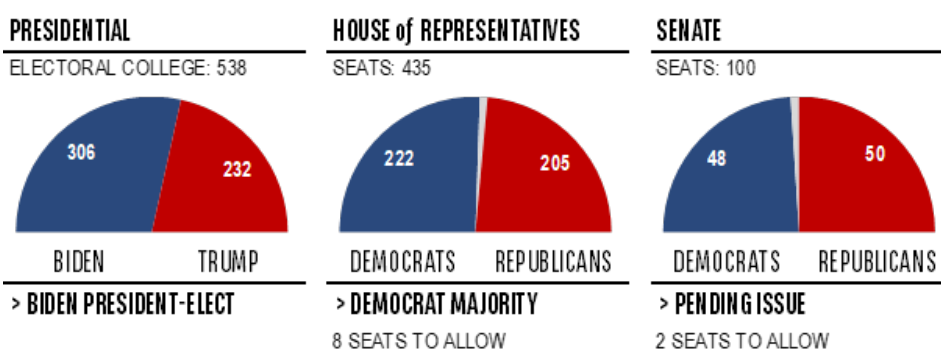
With nearly 80 million popular votes and 306 members in Electoral College out of a total of 538, the Democrat Joe Biden won the US presidential election.

His rival Donald Trump was beaten, but not by the landslide margins predicted by the polls. The Republican Party even gained seats in the House of Representatives and may hold on to its Senate majority.

President-elect Joe Biden's mandate promises to be especially tough, and his biggest challenge will be to overcome the political and social antagonisms.

In the short term, the president-elect's top priority will be to combat an ever worsening health crisis. Yet with healthcare, as with other issues like the environment, taxation and foreign policy, Donald Trump will go all out to leave his mark, while doing nothing to facilitate the transition.

CHART: RESULTS OF THE 3 NOVEMBER 2020 ELECTIONS



SOURCE: ASSOCIATED PRESS

Although not by a landslide, the Democrat Joe Biden clearly won the US presidential election with 79,843 million popular votes (51.1% of ballots cast) and 306 electoral votes out of a total of 538. His rival Donald Trump was beaten, but performed much better than the polls predicted. He received 73,794 million votes (47.2% of ballots cast), more than 10 million more than in 2016, thanks to a record-high voter participation rate of nearly 70%. Unsurprisingly, the incumbent is contesting the results, but the various lawsuits and recount requests filed by his campaign team have little chance of bearing fruit. In Arizona, Michigan and Georgia, most of the lawsuits for voter fraud have already been dismissed or rejected for lack of proof. In all of the states where Joe Biden was declared the winner, he enjoys a sufficiently big lead to avoid a recount, with the exception of Georgia, where his victory was just certified. Unless there is a dramatic turn of events, Joe Biden, at age 78, will become the 46th President of the United States on 20 January 2021, and Kamala Harris will become the country's first woman to be named Vice-President.

A DIFFICULT TRANSITION

And then what? President Biden's capacity to act will depend largely on the balance of power in Congress. The elections did not trigger a "blue wave" according to the vote count at 23 November. The Democratic Party will retain a slight majority in the House of Representatives (222 seats, compared to a minimum of 218 needed to conserve their majority), with the Republicans picking up 8 seats. The focus is now on the Senate, whose support is vital for the passage of laws and treaties and for the confirmation of nominations to key positions (such as Supreme Court justices, Federal judges and the Attorney General). So far, the Republican Party has clung to 50 seats while the Democrats have 48. The two remaining seats are both in the State of Georgia: since none of the candidates managed to obtain the required 50% of the vote during the general election, a runoff election will be held on 5 January 2021.

ECONOMIC RESEARCH



BNP PARIBAS

The bank
for a changing
world

If the Democrats win both seats, the Senate would be split equally with 50 seats for each party, in which case the Vice-President, Kamala Harris, who is also president of the Senate according to the Constitution, would cast the tie-breaking vote. A large amount of US government policy in the years ahead will depend on which way Georgia votes in the next six weeks.

The immediate priority for the Biden administration will be to fight the pandemic, after an alarming resurgence that threatens to worsen an already dire human toll (250,000 deaths) and social-economic disaster (9 million jobs have already been destroyed). As we were going to press, the number of new Covid-19 cases had already risen to an all-time high, with 144,000 new cases daily, or nearly 45 new cases per 100,000 inhabitants. Initially sweeping the rural states of North Dakota, Indiana, Kansas, Utah and Colorado, the new wave of the pandemic is returning again to the big metropolitan areas of New York, Philadelphia and Los Angeles. The President-elect, who has already named his Covid-19 task force, has sounded the alarm: even if a vaccine becomes available in late 2020 or early 2021, the situation will continue to worsen in the weeks ahead. Yet by refusing to admit defeat, President Trump's attitude is making the situation all the more alarming by blocking the democratic transition process. There is reason to fear that until Joe Biden's inauguration on 20 January 2021, the White House will continue to close in on itself and refuse to cooperate, leaving the pandemic basically unmanaged. Fortunately, State governors have some powers to fight the spread of the Coronavirus (imposing mask mandates, restricting access to public spaces, prohibiting gatherings over a certain size, etc.), which could counterbalance Trump's position. But the President's stance counts, if for nothing more than to set an example and to provide the local authorities with the necessary resources, especially as preparations get underway for a vaccination campaign.

Even before he was elected, Joe Biden worked with House Speaker Nancy Pelosi to promote a supplemental budget package to fight the pandemic totalling USD 2,200 billion (10 points of GDP). In addition to purely health-related measures (training and hiring of healthcare workers, generalisation of testing and tracing procedures, and facilitating access to healthcare), the package proposes to raise the Federal unemployment benefit to USD 600 (after it was lowered to USD 400 a month in August) and to extend the Paycheck Protection Program, a support mechanism for small businesses. The pre-electoral atmosphere combined with the summer's economic rebound was not propitious for a bipartisan budget agreement and favoured the status quo. With the economic horizon darkening again, this stand-off seems increasingly unsustainable. The State of New York has waged one of the bitterest fights against the pandemic, but it has had to close its schools again. And California has imposed a curfew. After several months of improvement, the mobility indices reported by the internet search engines show that activity is slowing. In a recent speech before the Bay Area Council Economic Institute, Federal Reserve Chairman Jerome Powell warned that the next few months would probably be "very difficult".

HOW MUCH LEEWAY?

Although political alternation is common in the United States, it is rare that it occurs in such a poisoned atmosphere. In every field, from the environment to education, healthcare and foreign policy, Donald Trump is striving to leave his deepest mark possible and to undermine the transition process. It is also possible that Trump will spearhead the most radical opposition to Biden once the new president takes office.

BIDEN PROGRAMME: WHAT IS FEASIBLE IN CASE OF REPUBLICAN SENATE?

BIDEN PLATFORM (estimated cost over 10y)	USD bn	Bipartisanship?
Infrastructure	1,300	Possible
<i>Road repair, high-speed internet services, promote rail and public transportation...</i>		
Energy and climate change	1,700	Improbable
<i>Gradually phase out fossil fuel subsidies and tighten pollution standards, with the goal of becoming carbon neutral by 2050</i>		
Healthcare	800	Improbable
<i>Fully reinstate the Affordable Care Act (Obamacare), facilitate access to Medicare and Medicaid, tax credits and aid for taking out private insurance.</i>		
Education	1,500	Improbable
<i>Increase the number of scholarships, free education (through community college) for students from low-income households (earning less than USD 125,000 per year), erase student debt after 20 years of repayments, raise teacher wages</i>		
Industrial policy	700	Possible
<i>Tighten place-of-origin rules to qualify for "made in US". Federal purchases of American goods (USD 400 bn), public investment in R&D (USD 300 bn)</i>		
Family and social policies	1,500	Improbable
<i>Housing subsidies, raise the Federal minimum wage (from USD 7.5 to USD 15 an hour), improve the small business status, double the Fed's participation in the State Small Business Credit Initiative (SSBCI), introduce universal healthcare coverage for pre-school children</i>		

SOURCES: COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET, BNP PARIBAS GLOBAL MARKETS

Given the potential for an economic and financial backlash, however, this extreme approach is not without risks for the Republican Party, which could split or weaken itself if it tries to toe the line too closely with Mr. Trump. Regardless of the opposition, there are some areas that are traditionally reserved for the presidency, such as foreign policy, where Joe Biden will be in a position to act. The United States could re-join the Paris Climate Agreement, which is not a treaty and thus does not require Senate approval. This is one example from Biden's list of campaign promises that could be met. Others, in contrast, will be more difficult to pull off if the Republican's maintain their Senate majority (see box). Although there could be some bipartisan support for industrial policies (stricter place-of-origin rules to qualify as "made in America"; Federal purchases of American products; greater investment in research and development) and infrastructure investment (road repairs, high-speed internet services, encouraging the development of rail and public transportation), Mr. Biden's proposals for an ecology transition, healthcare and education are bound to meet with strong resistance.

The greatest challenge facing the future 46th president of the United States will be to build bridges between two Americas with opposing viewpoints and to calm down extreme political and social pressures. Joe Biden, who is known as a man of dialogue and also as "the healer", will have to draw on every ounce of his political experience and sense of compromise to succeed.

Jean-Luc Proutat



William De Vijlder
Chief Economist

+33 1 55 77 47 31

william.devijlder@bnpparibas.com

ADVANCED ECONOMIES AND STATISTICS

Jean-Luc Proutat
Head – United States

+33 1 58 16 73 32

jeanluc.proutat@bnpparibas.com

Hélène Baudchon
France - Labour markets

+33 1 58 16 03 63

helene.baudchon@bnpparibas.com

Louis Boisset
European Central Bank watch, Euro area global view, Japan

+33 1 57 43 02 91

louis.boisset@bnpparibas.com

Frédérique Cerisier
Euro area (European governance and public finances)

+33 1 43 16 95 52

frederique.cerisier@bnpparibas.com

Hubert de Barochez
United Kingdom, Nordic countries

+33 1 43 16 95 52

hubert.debarochez@bnpparibas.com

Guillaume Derrien
Spain, Portugal

+33 1 55 77 71 89

guillaume.derrien@bnpparibas.com

Raymond Van Der Putten
Germany, Netherlands, Austria, Switzerland – Energy, climate – Projections

+33 1 42 98 53 99

raymond.vanderputten@bnpparibas.com

Tarik Rharrab
Statistics

+33 1 43 16 95 56

tarik.rharrab@bnpparibas.com

BANKING ECONOMICS

Laurent Quignon
Head

+33 1 42 98 56 54

laurent.quignon@bnpparibas.com

Laure Baquero

+33 1 43 16 95 50

laure.baquero@bnpparibas.com

Céline Choulet

+33 1 43 16 95 54

celine.choulet@bnpparibas.com

Thomas Humblot

+33 1 40 14 30 77

thomas.humblot@bnpparibas.com

EMERGING ECONOMIES AND COUNTRY RISK

François Faure
Head – Argentina

+33 1 42 98 79 82

francois.faure@bnpparibas.com

Christine Peltier
Deputy Head – Greater China, Vietnam, South Africa

+33 1 42 98 56 27

christine.peltier@bnpparibas.com

Stéphane Alby
Africa (French-speaking countries)

+33 1 42 98 02 04

stephane.alby@bnpparibas.com

Stéphane Colliac
Turkey, Ukraine, Central European countries

+33 1 42 98 43 86

stephane.colliac@bnpparibas.com

Perrine Guerin, Sara Confalonieri
Africa (Portuguese & English-speaking countries)

+33 1 42 98 43 86

perrine.guerin@bnpparibas.com

Pascal Devaux
Middle East, Balkan countries

+33 1 43 16 95 51

pascal.devaux@bnpparibas.com

Hélène Drouot
Korea, Thailand, Philippines, Mexico, Andean countries

+33 1 42 98 33 00

helene.drouot@bnpparibas.com

Salim Hammad
Latin America

+33 1 42 98 74 26

salim.hammad@bnpparibas.com

Johanna Melka
India, South Asia, Russia, CIS

+33 1 58 16 05 84

johanna.melka@bnpparibas.com

CONTACT MEDIA

Michel Bernardini

+33 1 42 98 05 71

michel.bernardini@bnpparibas.com





CONJONCTURE

Structural or in news flow, two issues analysed in depth



EMERGING

Analyses and forecasts for a selection of emerging economies



PERSPECTIVES

Analyses and forecasts for the main countries, emerging or developed



ECOFASH

Data releases, major economic events. Our detailed views...



ECOWEEK

Weekly economic news and much more...



ECOTV

In this monthly web TV, our economists make sense of economic news



ECOTV WEEK

What is the main event this week? The answer is in your two minutes of economy



MACROWAVES

The economic podcasts

RECEIVE OUR PUBLICATIONS

SUBSCRIBE ON OUR WEBSITE
[see the Economic Research's website](#)

ET

FOLLOW US ON LINKEDIN
[see the Economic Research's linkedin page](#)

The information and opinions contained in this report have been obtained from, or are based on, public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate, complete or up to date and it should not be relied upon as such. This report does not constitute an offer or solicitation to buy or sell any securities or other investment. It does not constitute investment advice, nor financial research or analysis. Information and opinions contained in the report are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient; they are subject to change without notice and not intended to provide the sole basis of any evaluation of the instruments discussed herein. Any reference to past performance should not be taken as an indication of future performance. To the fullest extent permitted by law, no BNP Paribas group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this report. All estimates and opinions included in this report are made as of the date of this report. Unless otherwise indicated in this report there is no intention to update this report. BNP Paribas SA and its affiliates (collectively "BNP Paribas") may make a market in, or may, as principal or agent, buy or sell securities of any issuer or person mentioned in this report or derivatives thereon. BNP Paribas may have a financial interest in any issuer or person mentioned in this report, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon. Prices, yields and other similar information included in this report are included for information purposes. Numerous factors will affect market pricing and there is no certainty that transactions could be executed at these prices. BNP Paribas, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any person mentioned in this report. BNP Paribas may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any person referred to in this report. BNP Paribas may be a party to an agreement with any person relating to the production of this report. BNP Paribas, may to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis on which it was based, before its publication. BNP Paribas may receive or intend to seek compensation for investment banking services in the next three months from or in relation to any person mentioned in this report. Any person mentioned in this report may have been provided with sections of this report prior to its publication in order to verify its factual accuracy.

BNP Paribas is incorporated in France with limited liability. Registered Office 16 Boulevard des Italiens, 75009 Paris. This report was produced by a BNP Paribas group company. This report is for the use of intended recipients and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of BNP Paribas. By accepting this document you agree to be bound by the foregoing limitations.

Certain countries within the European Economic Area:

This report has been approved for publication in the United Kingdom by BNP Paribas London Branch. BNP Paribas London Branch is authorised and supervised by the Autorité de Contrôle Prudentiel and authorised and subject to limited regulation by the Financial Services Authority. Details of the extent of our authorisation and regulation by the Financial Services Authority are available from us on request.

This report has been approved for publication in France by BNP Paribas SA. BNP Paribas SA is incorporated in France with Limited Liability and is authorised by the Autorité de Contrôle Prudentiel (ACP) and regulated by the Autorité des Marchés Financiers (AMF). Its head office is 16, boulevard des Italiens 75009 Paris, France.

This report is being distributed in Germany either by BNP Paribas London Branch or by BNP Paribas Niederlassung Frankfurt am Main, a branch of BNP Paribas S.A. whose head office is in Paris, France. BNP Paribas S.A. - Niederlassung Frankfurt am Main, Europa Allee 12, 60327 Frankfurt is authorised and supervised by the Autorité de Contrôle Prudentiel and it is authorised and subject to limited regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

United States: This report is being distributed to US persons by BNP Paribas Securities Corp., or by a subsidiary or affiliate of BNP Paribas that is not registered as a US broker-dealer. BNP Paribas Securities Corp., a subsidiary of BNP Paribas, is a broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority and other principal exchanges. BNP Paribas Securities Corp. accepts responsibility for the content of a report prepared by another non-U.S. affiliate only when distributed to U.S. persons by BNP Paribas Securities Corp.

Japan: This report is being distributed in Japan by BNP Paribas Securities (Japan) Limited or by a subsidiary or affiliate of BNP Paribas not registered as a financial instruments firm in Japan, to certain financial institutions defined by article 17-3, item 1 of the Financial Instruments and Exchange Law Enforcement Order. BNP Paribas Securities (Japan) Limited is a financial instruments firm registered according to the Financial Instruments and Exchange Law of Japan and a member of the Japan Securities Dealers Association and the Financial Futures Association of Japan. BNP Paribas Securities (Japan) Limited accepts responsibility for the content of a report prepared by another non-Japan affiliate only when distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan.

Hong Kong: This report is being distributed in Hong Kong by BNP Paribas Hong Kong Branch, a branch of BNP Paribas whose head office is in Paris, France. BNP Paribas Hong Kong Branch is registered as a Licensed Bank under the Banking Ordinance and regulated by the Hong Kong Monetary Authority. BNP Paribas Hong Kong Branch is also a Registered Institution regulated by the Securities and Futures Commission for the conduct of Regulated Activity Types 1, 4 and 6 under the Securities and Futures Ordinance.

Some or all the information reported in this document may already have been published on <https://globalmarkets.bnpparibas.com>

© BNP Paribas (2015). All rights reserved.

Edited by the Economic Research - BNP PARIBAS

Head office: 16 boulevard des Italiens - 75009 PARIS / Tél : +33 (0) 1.42.98.12.34

Head of publication : Jean Lemierre / Chief editor: William De Vijlder



BNP PARIBAS

The bank
for a changing
world