

## UNITED STATES: THE PRESIDENTIAL ELECTION ON 3 NOVEMBER

Jean-Luc Proutat

According to the polls, Democrat Joe Biden is well placed to beat Republican Donald Trump and win the presidential election on 3 November 2020.

However, because of the unusual US election process, the result is far from a foregone conclusion. There is also the threat of the result being disputed, and it could be delayed.

President Trump's record, which for the sake of fairness should be assessed up to the start of the pandemic, is mixed. Although GDP, jobs and especially share prices rose rapidly, the deterioration in the public finances was unprecedented in peacetime, while inequality increased. Higher tariffs did little to reduce the trade deficit.

Environmental protection went sharply into reverse under Trump. In this area – as in many others such as tax, redistribution and multilateralism – there are stark differences between the two candidates.

US PRESIDENTIAL ELECTION, VOTING INTENTIONS (%)

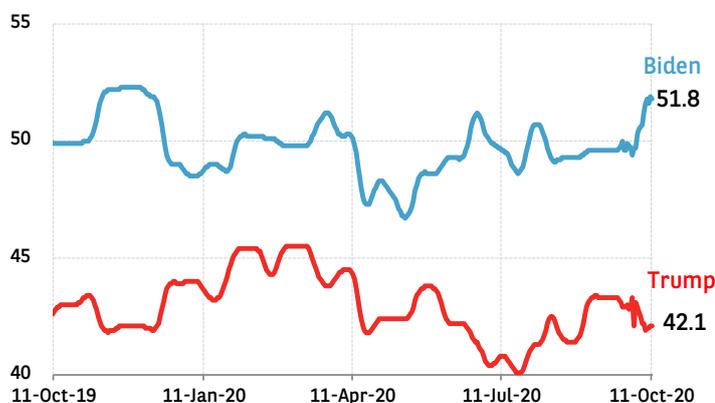


CHART 1

SOURCE: REALCLEAR POLITICS

On 3 November 2020, 235 million Americans of voting age will have the opportunity to elect their president for the next four years. On the inauguration date (20 January 2021), barring any dramatic events, either Democratic candidate Joe Biden will become the 46th president of the USA, or Republican candidate and incumbent Donald Trump will begin his second and final term. The exercise does not stop there since on 3 November all 435 seats of the House of Representatives and 35 of the 100 seats in the Senate are also up for election, a number of local elections will take place, and governors of 11 states and two territories will be elected.

### FRAGILE ADVANTAGE FOR JOE BIDEN

On paper, Joe Biden has every chance of winning. Polling at 52% nationwide, he has a fairly comfortable lead over Donald Trump, who is hovering around 42%. The gap seems to have grown since the televised debate on 30 September and is slightly wider than Hillary Clinton's lead over Donald Trump in 2016. However, predictions are dangerous because Hillary Clinton lost that election, despite receiving almost 3 million more votes than her rival. This is a unique quirk of the decentralised, indirect, first-past-the-post and single-round US presidential election process.

ECONOMIC RESEARCH



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In the USA, the election does not take place at the national level, but in each of the country's 50 states. Americans do not elect their president directly but vote for "electors"; the number of electors in a given state depends on its population, with a minimum of three per state, and the resulting electoral college chooses the president. In the end, the candidate with the most electoral college votes (i.e. at least 270 out of 538 votes) wins the election. It is a winner-takes-all system: in each state, the candidate who receives the most votes is assigned all of that state's electoral college votes, regardless of how many votes his/her opponent received. This is why a candidate who wins the popular vote nationwide can lose the election. Florida is a good example: in 2016, Hillary Clinton won almost 49% of the votes in Florida (4.5 million), but all of the state's 29 electoral college votes went to the winner Donald Trump. Florida is one of the swing states that could tip the scales either way.

In the latest polls compiled by the Guardian, Joe Biden leads in most swing states, such as Pennsylvania (20 electoral college votes), Michigan (16), Arizona (11) and Wisconsin (10). However, the race is tight (i.e. the gap is less than three points) in three swing states: Florida (29), Ohio (18) and North Carolina (15).

This creates a significant risk that the results will be disputed, a scenario that Donald Trump has already mentioned. Central to that possible battle are postal votes, which are proving popular given the current pandemic. However, postal votes may slow down counting, and Donald Trump says that they are an opportunity for fraud, without which he would be sure to win. So we should not rule out the possibility that the identity of America's next president may not be known until after 3 November, and that each side will dispute the result if it loses, although it is to be hoped that the situation is resolved by 6 January 2021, when the US Congress is due to announce the winner officially.

## TRACK RECORDS AND PROGRAMMES

Even if Donald Trump has dealt with the Covid-19 pandemic in a casual way, the virus is not his fault, and his economic record should be assessed more objectively by looking at the three years before this public health disaster began (2017-2019). The results are flattering at first glance: growth was fairly firm (averaging 2.5% per year), 6.5 million jobs were created and the unemployment rate fell below 4% to an all-time low. Share prices rose substantially, with the S&P 500 index gaining 45%, which is a significant factor for Republican voters and more broadly in a country in which pensions are mainly based on funded plans. However, when he entered office, the current president inherited a situation that had already been largely turned around by his predecessor Barack Obama. In addition, although President Trump was able to maintain the positive economic and stockmarket trends, it was at the price of record corporate and federal debt. Even before the coronavirus pandemic caused the public deficit to explode, Donald Trump had already overseen its largest-ever increase outside of recessions or wars. This was due to the tax reforms of December 2017, which considerably reduced taxes and potentially deprived the federal government of USD 1,000 billion of income over 10 years. Since the tax cuts mainly benefited the wealthiest Americans, inequality increased. The Congressional Budget Office (CBO) estimates that between 2016 and 2021, the rise in after income tax for households in the top income quintile (i.e. the wealthiest 20% of households) will be 2.5 times greater than for the lowest quintile (i.e. the poorest 20% of households).

The increase in trade tariffs, which more than doubled under Donald Trump, had mixed results. Although the deficit with China – which was the main target – was reduced, both sides bought less from the other, only the reduction in US purchases of Chinese goods was larger. Price effects (caused by the dollar's rise against the yuan) and the slowdown in the US economy starting in autumn 2018 (which put the brakes on imports) also played a part in reducing the trade imbalance. However, the USA's visible trade deficit was still large at USD 854 billion in 2019, larger than it was at the time of Donald Trump's inauguration in 2017.

Finally, the Trump administration focused strongly on the short term and, to boost growth, lowered many public health and environmental standards. Harvard and Columbia universities found that around 100 rules and regulations were attacked, in areas ranging from emissions of pollutants from vehicles and industrial sites to the preservation of natural areas and companies' disclosure obligations.

The environment is one of the many areas in which the two candidates' programmes differ. Unsurprisingly, Donald Trump remains strongly in favour of encouraging fossil fuels including coal, while Joe Biden says he will have the USA rejoin the Paris Agreement on climate change once elected. In terms of trade policy, Donald Trump is doubling down on his "America First" stance and has announced a "decoupling" between the USA and China, without giving any more details. Joe Biden's line is less openly hostile, but not necessarily more conciliatory. While very critical of the trade tariffs imposed on China (a "tax on American businesses and consumers"), he is not planning to reduce them without major concessions from China. As regards the European Union, however, the Democrats appear more co-operative, as shown by the criticisms of the UK government's handling of Brexit made by the Speaker of the House of Representatives Nancy Pelosi. In general, Joe Biden is a staunch supporter of multilateralism, although that does not mean that his policy will be entirely free of protectionism.

Many non-tariff trade barriers were created under Barack Obama, while a form of national preference was expressed through the American Recovery and Reinvestment Act 2009. Joe Biden has said that he wants to create tax incentives for goods made in the USA by applying a surtax of 10% on the US profits of US groups' foreign subsidiaries. He also says he intends to raise corporate income tax from 21% to 28%, and the marginal tax rate on top earners from 37% to 39.6%.

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Edited by the Economic Research - BNP PARIBAS

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



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