



Trump vs. Biden - A fact check ahead of the election

The complex electoral system in the United States makes it difficult to predict who will emerge victorious from the presidential elections on November 3, 2020, because the president will only be elected indirectly by U.S. citizens via the Electoral College. In the view of the Chief Economists of the Savings Bank Financial Group, it is worth emphasising the following economic-policy points a few days before the election, particularly with the interests of the European economy in mind:

- The economic-policy stances of the two candidates for the office of U.S. president could hardly be more different. While Joe Biden is focusing heavily on public-sector investment and on a rollout of the rather rudimentary welfare state in the USA and, to this end, would like to partially reverse Trump's tax reform, Donald Trump plans to remain true to the economic-policy course initiated in 2017. As a result, both policy approaches could lead to a significant increase in the national debt stateside and could thus also pose a threat to global financial-market stability.
- Regardless of who wins, there are no indications of a fundamental change of course on the trade-policy front. The election manifestos of both candidates reveal protectionist traits. Biden's foreign-trade policy ought to prove more predictable. The Democratic challenger has experience in foreign policy and is aware of the elementary importance to the United States of the transatlantic alliance and of good relations with Asian-Pacific states. Trump's rival is more likely to try to find consensual solutions to trade issues as well.

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The electoral system in the USA: Why a candidate who fails to win over a majority of voters can still become U.S. president

U.S. citizens are scheduled to go to the polls to elect a new president on November 3. However, the election is an indirect one, since those American citizens who cast their votes "only" elect the "electors" for the respective federal state, who then go to make up the so-called Electoral College, which has 538 members. This electoral college then elects the president and vice-president 41 days later, on the Monday after the second Wednesday in December following the election. This year, the election in question will take place on December 14. The votes are then due to be counted on January 6, 2021, in a joint session of Congress (Senate and House of Representatives) on Capitol Hill. Since 1937, it has been the custom for the new president to be inaugurated into office on January 20 in the year following the election. Subsequently, the new president moves into the White House.

U.S. citizens only elect the president indirectly

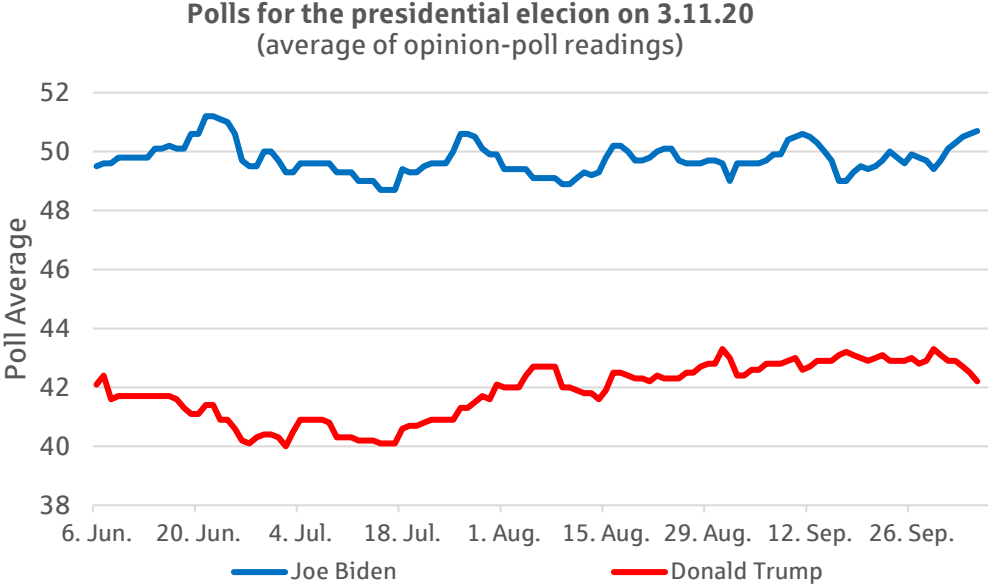
Strictly speaking, then, it will only be clear on Twelfth Night (January 6) who has carried the day at the November election. Up to now, the vote count for the 50 states and federal districts has already been available on election night. This time, however, the election results could remain in the balance for quite a while longer. This is because the coronavirus pandemic is going to result in an exceptionally high proportion of postal votes. It takes time to count these, so the outcome of the vote on the basis of the ballot boxes may well differ very significantly from the final result this time round. Only after the postal votes have been counted will the composition of the Electoral College be known, and only then will it be evident who is going to be elected President and Vice-President. The "electoral vote" system entails a number of special features. For example, it is by no means certain that the candidate garnering the most votes from the US population at large will gain the support of a majority of "electors." The best example of this is the presidential election of 2016, in which Hillary Clinton received almost 3 million more votes than Donald Trump, yet which saw Trump emerging triumphant because 304 members of the Electoral College voted for him and only 227 for his challenger. George W. Bush also received fewer votes in 2000 than his Democratic challenger Al Gore, but the majority of Electoral College members voted for Republican candidate Bush, who accordingly gained a narrow victory (271 Electoral College votes to 266).

The candidate who garners the most votes from the U.S. electorate does not necessarily have the support of a majority of "electors"

The latest polls show that Joe Biden is out in front regarding the voting preferences of U.S. citizens. However, in the light of the facts adumbrated above, it remains to be seen whether the Democratic challenger's lead will be big enough for Biden to clinch victory, especially since the U.S. electoral system contains another peculiarity that could also create suspense in the run-up to this election. A candidate needs at least 270 votes from the Electoral College to be elected president or vice-president. Since not all members of the Electoral College are bound by

In some cases, members of the Electoral College are not bound by the voting behaviour of US citizens

the voting behaviour of U.S. citizens, a narrow majority in the Electoral College does not necessarily mean that the winner will be known as soon as all votes have been counted. This is a quirky circumstance that also had a decisive bearing on the outcome of the 2016 presidential election: ahead of the 2016 ballot, some members of the Electoral College had already announced that they would not be voting for the candidate they had been nominated by the US population to vote for.



Source: RealClearPolitics:

In order to be able to assess who will emerge victorious from the election on November 3, it is therefore necessary to take a look at the actual composition of the Electoral College. The number of state and federal district “electors” in this Electoral College is based on the state’s number of members in the U.S. Congress, consisting of the Senate and the House of Representatives. Since every state, regardless of its size, is represented in Congress by two senators, every state is entitled on the basis of this allotment system to send two women or men to the Electoral College. In addition, account needs to be taken of the electors who come into play via the House of Representatives.

The composition of the Electoral College does not reflect the precise population distribution

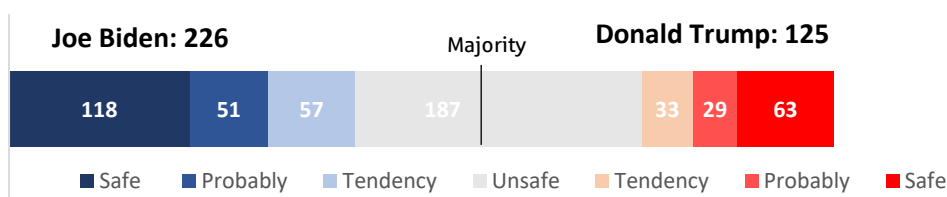
The number of representatives in a state's House of Representatives depends on the size of its population, which is determined by census. The most recent census took place in 2010. For example, the most populous state, California, nominates 55 electors (two through its Senate and 53 through its House of Representatives), followed by Texas with 38 Electoral College members (two senators, 36 representatives). Small states such as North Dakota or Wyoming only put up three electors (two through the Senate and one through the House of Representatives). Washington D.C., although not a state, also has three electoral votes. Thus the composition of the Electoral College does not replicate the exact distribution across the nation: small states are over-represented.

The principle "the winner takes all" applies in almost all U.S. federal states. According to this principle, the candidate who picks up the most votes in a state receives all the votes of the Electoral College members for that state. Exceptions are the states of Maine and Nebraska, which return four and five electors, respectively, to the Electoral College. In each of these two states, two voters are elected on the "winner takes all" principle, with the remaining two (in Nebraska's case three) voters being assigned in line with the election to the House of Representatives.

The winner takes all!

The so-called swing states enjoy special attention. In these swing, or "battleground" "states" with a history of voter vacillation (currently 13), neither the Democrats nor the Republicans have a clear structural majority. The distribution of seats in the U.S. Senate often indicates whether a state is a swing state or not. U.S. federal states that send one Republican and one Democrat to the Senate tend to be swing states. These currently include Florida, Pennsylvania and Wisconsin. In the end, they may tip the scales, deciding the outcome of the election - which is why these states are particularly hotly contested in the election campaign. This also holds true in the case of the upcoming election. 226 members of the Electoral College will probably vote for Biden whereas 125 will tend to lean towards Trump. However, it is not yet clear whether the 187 remaining members will cast their vote for Biden or for Trump. Current polls indicate that Biden has a lead in the swing states, although in some of these states his majority is quite a narrow one. The following chart provides an overview of the probable composition of the Electoral College (cut-off date: October 5, 2020).

In the swing states, both major parties have a good chance of emerging victorious



Source: RealClearPolitics: Safe Likely Leaning Safe Likely Leaning

The complexities of the U.S. electoral system and the particularities associated with it suggest that the outcome of the elections on November 3, 2020 is anything but certain. Yet another factor which needs to be added to the equation is the strongly polarising manner of incumbent Donald Trump. Against the backdrop of the Covid 19 pandemic, "mail-in" (postal) voting is regarded in many U.S. federal states as a way of ensuring that the voting process is conducted safely. Donald Trump has, however, repeatedly spoken out against "mail-in" voting, because he fears manipulation, for example because votes sent in by mail may fail to be counted or because certain U.S. citizens request

Dispute over "mail-in" voting in the USA

ballot applications for people who have died and then use these to cast illegal votes. In order to seek to prevent large-scale mail-in voting, Trump even brought into play the idea of postponing the election until after the pandemic. However, many U.S. citizens have already cast their votes by mail - indeed a greater number than in previous presidential elections.

Doubts that the election documents can be delivered in time for all votes to be counted by November 3 have repeatedly been sown by the US Postmaster General, Louis DeJoy. DeJoy, who prior to his appointment had supported President Donald Trump and his Republican Party with donations running into the millions of dollars, justified such delays by pointing to the restructuring measures and cutbacks required in order to get the embattled U.S. Postal Service back on track. In order to dispel the accusations that the U.S. Postal Service cannot guarantee a smooth postal-voting process, however, DeJoy has now backed down, announcing that all restructuring measures and cuts will be suspended until after the presidential election. Some of President Trump's Republican Party colleagues have also recently rejected calls for a postponement of the election and for restrictions on postal voting. In any case, the U.S. Constitution does not provide for a postponement of the election. The constitution stipulates that senators and congress women and men must be sworn in on January 3 and the president on January 20.

It looks unlikely that the election will be postponed and mail-in voting restricted

Even though past experience provides no indications that absentee ballots have ever falsified election results, and even though it is a fact that Donald Trump himself has repeatedly voted on a mail-in basis, it cannot be ruled out that the incumbent president, in the event of defeat, will not acknowledge the outcome of the election, arguing that potential electoral fraud has taken place. In that case, the Supreme Court would be likely to play a decisive role in deciding how to deal with Donald Trump's objections. On one previous occasion, it was a Supreme Court decision which officially clinched the election victory of a Republican candidate. In 2000, George W. Bush profited from the fact that the Supreme Court, where Republican appointees were in a majority at the time, stopped the recount of votes in certain counties of Florida, even though there were still doubts that votes had originally been counted correctly. George W. Bush subsequently carried the state of Florida by a still disputed margin of 537 votes and was accordingly awarded all of the 25 Florida votes which Florida had at that time in the Electoral College.

The Supreme Court's role in the US election process

It is not least in this context that it has met with widespread criticism that Donald Trump installed Judge Amy Coney Barrett, who is considered to be ultra-conservative, to fill the seat on the Supreme Court which became vacant upon the death of Iconic Justice Ruth Bader Ginsburg, in a fast move before the election on November 3. In that way Trump cemented the conservative majority on the U.S. Supreme Court:

The appointment of Amy Coney Barrett cements the conservative majority on the Supreme Court

With Barrett on board, conservative-leaning justices have six votes and their liberal-leaning colleagues only three votes in the nation's high court. It is to be expected that U.S. policy now is subject to increased legal pressure since Justice Barrett was appointed to the Supreme Court. From now onwards, Republicans are more likely to attempt to have the laws and ordinances promulgated by a liberal government overturned by the Supreme Court. Liberal and moderately conservative heads of government would presumably therefore find it more difficult to pursue their tack in future. However, the Supreme Court would probably only have a decisive impact on the outcome of the election if a candidate were to have a thin majority. In that event, the outcome of the election could be determined by court order, at a time when the majority of Supreme Court justices have Republican leanings.

Regardless of who wins the election, however, the victor will have to reach out to the other political camp in order to be able to make any political progress. The extent to which the election manifestos of the two presidential candidates can be implemented will depend on the balance of power in Congress. Congressional elections are held on the Tuesday after the first Monday in the month of November every second year. Thus, on November 3, not only the President is elected, but also the Congress. All seats in the House of Representatives and one-third of the seats in the Senate are up for election. Currently the Republicans hold a majority in the Senate, dominating the upper chamber of Congress with 53 seats, whereas the Democrats have 45 seats plus two independents (Bernie Sanders, Vermont, and Angus King, Maine) who are affiliated to the Democratic caucus.

Current election polls indicate that the Democrats have a chance of winning a wafer-thin majority in the Senate. However, they will probably not gain enough seats to secure the 60-vote majority that is necessary to prevent the Republicans from using the instrument of the "filibuster". The filibuster was introduced in the U.S. Senate in 1806 and was intended to ensure that minorities could also gain an appropriate hearing before important legislation was passed. According to this rule, a U.S. senator is entitled to take the floor and speak without any time limits. Only when the respective senator is of the opinion that everything has been said can the deliberations continue. In recent times, the filibuster has frequently been misused as a tactic by a minority to prevent or delay a majority decision by speaking incessantly or by simply threatening to "talk a bill to death." The future majority situation in the House of Representatives currently looks as though it is going to be clearer: it is very likely that the Democrats will retain their majority in the lower house. Against this backdrop, all possible constellations are conceivable at the election on November 3: a "blue wave" (both the Presidency and Congress go to the Democrats), a "red wall" (a Republican President and a Republican majority in Congress), or else

A blue wall, a red wave or a split Congress?

either Joe Biden or Donald Trump as President, each with a split Congress (i.e. with the House of Representatives and the Senate in different hands). The “blue wave” currently seems to us to be the most probable scenario (probability: around 30%), with the “red wall” looking to be the least probable election outcome (probability: around 5%). The risk of a split Congress, which could be accompanied by stalemate and standstill on key social-policy and economic-policy issues, therefore also remains a thoroughly realistic scenario.

Biden becomes President	Divided Congress	Democratic Senat/ Republican House of representatives	unlikely
		Republican Senat/ Democratic House of Representatives	25%
	Republican Congress		unlikely
	Democratic Congress		30%
Trump becomes President	Republican Congress		5%
	Democratic Congress		15%
	Divided Congress	Democratic Senat/ Republican House of representatives	unlikely
		Republican Senat/ Democratic House of Representatives	20%

Source: Deka Investment, cut-off date: 28.9.2020, 100% deviation through selection of the most probable scenarios

The two protagonists Trump and Biden

The outcome of the election thus remains exciting and should provide a topic for discussion for a long time to come - just like the two presidential candidates themselves, who could hardly be more different. Biden is considered a centrist whose agenda is a continuation of Obama's policy. However, in order to win over those Democrats who support the self-declared socialist Bernie Sanders, he has already made it clear on several occasions that he “hears” the progressive left wing of the party. Biden has thus built a bridge to a more progressive policy, although he himself is not of a very left-wing persuasion. Trump, on the other hand, is pursuing a right-wing conservative-nationalist/nationalist-populist course in accordance with his motto "America first."

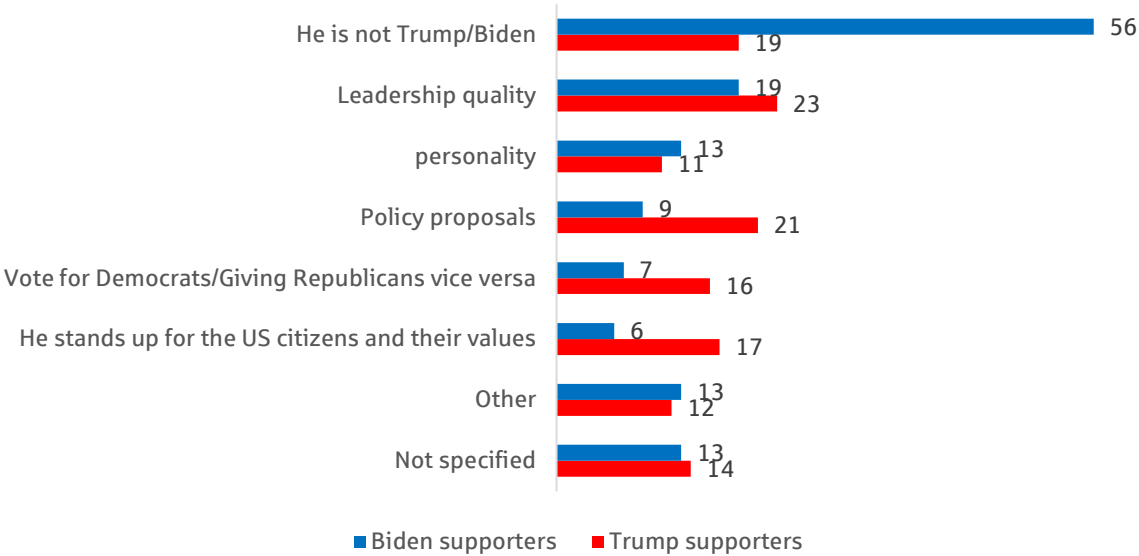
The personalities of the two candidates could hardly be more different

The perception of the two candidates in the eyes of U.S. citizens is as different as their personalities. Joe Biden, born in 1942 in Scranton (Pennsylvania), was U.S. senator for the State of Delaware for 36 years before serving as U.S. Vice-President under President Barack Obama from 2009 to 2017. During these eight years he hardly attracted any attention, mostly remaining in Obama's shadow. Accordingly, the population views him as a not very charismatic politician and accuses him of not conveying a vision and not kindling a “climb any mountain,

Biden's big advantage is his counterpart

swim across any river” spirit in the hearts of U.S. citizens. Donald Trump therefore describes him as a bore, a "Sleepy Joe". Even though the Democratic challenger can muster a lot of support among workers and unions, it is above all his opponent, Trump, who mobilises Biden’s supporters. In a survey conducted by the Pew Research Center in late July/early August 2020, 56% of Biden supporters polled stated that they supported the Democrat because he was not Trump. Lagging far behind were other reasons such as his leadership qualities (19%), his personality (13%) and his policy proposals (9%). Thus, it is above all rejection of Trump which is firing up supporters of the Democrats rather than Biden’s actual political programme.

Why US voters support their candidate
(data in %, multiple answers possible)



Source: Pew Research Center: August, 2020, "Election 2020: Voters Are Highly Engaged, but Nearly Half Expect To Have Difficulties Voting"

Trump voters reject the Democratic challenger much less strongly. Born in Queens (New York) in 1946, the 45th President of the United States is considered by many to be a self-made millionaire and is the owner of the Trump Organization conglomerate, which he headed as CEO from 1971 to 2017. He is best known for his reality show "The Apprentice", which was broadcast from 2004 to 2015. His political programme can be described as eclectic and volatile, including a mixed cocktail of isolationism, protectionism, liberalism and populism. With his sometimes simple language style, enriched with provocative statements as well as radical proposals and his violations of many political traditions and conventions, Trump has become a “scratching post” in society and politics in recent years, and is also controversial within his own party.

Trump is also controversial within his own party because of his polarising manner

Trump vs. Biden - who would be better for the economy?

The current election campaign is not focused on factual issues, even though the economic policies of the two presidential candidates differ fundamentally in some respects and thus provide sufficient material for discussion. Where the Democrats have presented a comprehensive election programme, with the Biden campaign constantly presenting additional papers on individual policy areas, the Republicans are dispensing with an election platform and instead adopting the 2016 election programme almost one-to-one. What is more, President Trump has so far also failed to come up with a robust agenda for what would be his second term in office. The indications are that the president would continue with his eclectic programme in the event of re-election. The resolution on the Republican Party's platform states that the party "has and will enthusiastically support the President's America-first agenda." There is no clear economic strategy in sight, but one thing seems certain: in many respects, Joe Biden's approach would be very different from that of the incumbent president.

The political ideas of the two candidates differ significantly

Probably the greatest differences between the two presidential candidates are on the environmental and climate-policy front. Donald Trump has made a clear statement by withdrawing the USA from the Paris Climate Agreement. Trump and his followers reject any greater commitment to climate protection. They above all reject international commitments entailing binding obligations for the USA. Although the Republicans do advocate creating incentives for the development of new environmentally friendly technologies, they neglect to specify what these could look like. There are no indications that Trump will change his attitude to this issue, even though the USA, as the second largest emitter of greenhouse gases, is a major contributor to global warming. If Trump remains in office, it cannot be assumed that climate protection will be recognised as a global public good, since his policies are marked by

Climate change plays no role in Trump's policy thinking

1. low national climate-protection ambitions;
2. repudiation of international climate-protection commitments;
and
3. promotion of the mining and global marketing of fossil fuels.

Joe Biden and the Democratic Party, on the other hand, are clearly committed to climate protection and advocate rejoining the Paris Climate Convention. Biden's goal is to make the U.S. electricity supply CO₂-neutral by 2035 and to reach net-zero emissions in the USA by 2050. This objective is to be achieved by promoting innovation, investment and standard-setting. Admittedly, his climate-protection plan falls short of the "Green New Deal" idea proposed by Bernie Sanders. Biden is also cautious about market-based instruments that could use price signals to ensure cost-effective climate protection. For

Biden wants to take decisive action against climate change

example, the Democrat presidential candidate is not calling for explicit price signals for emissions via a CO₂ tax or an emissions-trading system. The national CO₂ price, which is very low by international standards, is thus likely to remain at the very low level achieved through implicit measures such as fuel taxes.

In addition to the plan to rejoin the Paris Climate Convention, Biden's demand for a border-adjustment levy to be paid by those countries that do not meet the obligations of the Paris Accord could generate fresh momentum in international climate policy. It cannot be denied, though, that this demand has a bitter aftertaste since it has the character of a tariff-like protectionist measure, especially considering the comparatively low price set for CO₂. Nevertheless, it can be concluded that Biden's climate policy is more consistent with binding global standards and is more internationally consensus-oriented than Trump's. All the same, it will not be a proverbial "free lunch." The measures being demanded to save electricity and thermal energy will primarily be borne by private households and companies through higher taxes and/or prices. And the USD 2 trillion four-year investment programme announced by Biden to promote climate and infrastructure would also need to be financed.

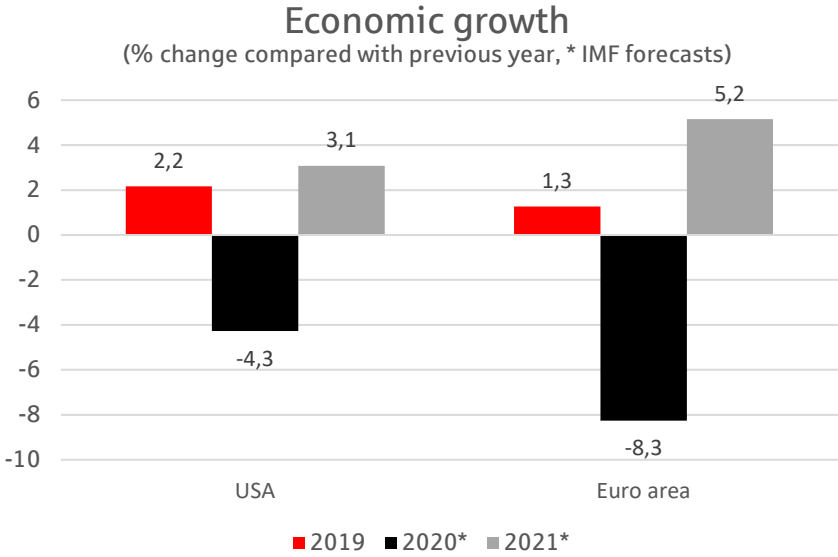
There are likewise clear differences between the two presidential candidates when it comes to economic and industrial policy. Where Biden's economic policy is primarily geared to the interests of normal workers, Trump is focusing on corporate interests. Biden's election programme provides for an increase in the hourly federal minimum wage to USD 15. At the same time, the power of the trade unions is to be enhanced, and the public administration is to be strengthened so that it can better monitor compliance with labour and social standards. The Democrat challenger has pledged to partly roll back Trump's tax reform. In 2019, the low federal tax rates set in the 2017 Tax Cuts and Jobs Act passed by Trump limited tax revenues to 16% of the gross domestic product (GDP) despite full employment.

By contrast, Biden's tax plans envisage that tax revenues would rise to 19% of GDP by the end of his first term. To achieve this goal, the corporate tax rate, which Trump previously lowered from 35% to 21%, is to be pushed back up to 28%. At the same time, tax loopholes are to be significantly reduced. The minimum tax rate on the profits earned by foreign subsidiaries of U.S. companies is, furthermore, to be doubled from the current level of 10.5% to 21%. On top of this, the income tax rates for private households with high incomes are to be hiked significantly. Where Trump reduced the maximum individual tax rate to 37%, Biden intends to put it back up to 39.6%. In addition, tax loopholes are to be closed and international tax havens combated.

Biden's economic policy shifts the focus to the interests of employees

Biden: Higher corporate taxes, higher taxes for top earners, bigger government

All in all, additional revenues of USD 3 -4 trillion would look to be in the offing over the next ten years. However, the economic consequences of these tax plans are difficult to estimate because Biden's ideas on how to utilise the additional funds are not yet clear. Some of the additional revenue would certainly flow into the health-care system, but extensive investment programmes are also being planned to buttress economic growth, and there is no sign that the public debt mountain would be chipped away at.



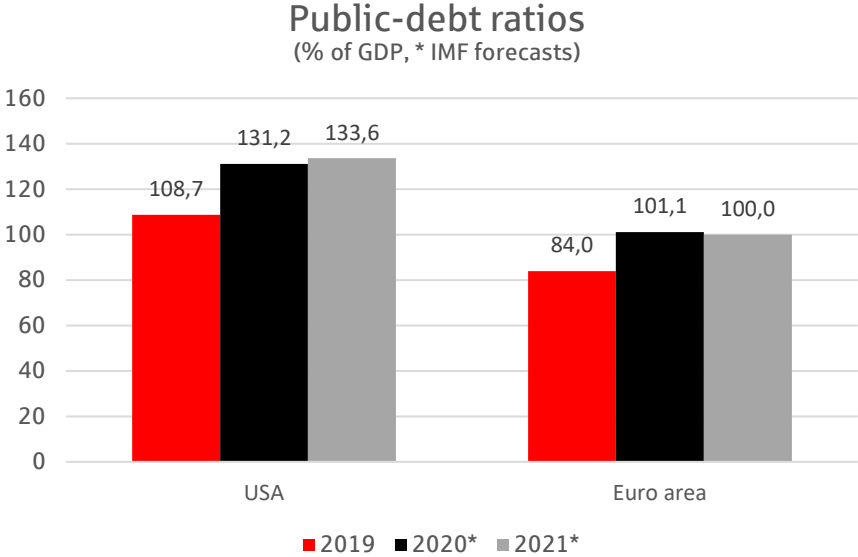
Source: International Monetary Fund (World Economic Outlook, October 2020)

Inter alia, the focus of these investment programmes is on infrastructure, clean energy, small and medium-sized companies and care facilities. The so-called "Build Back Better" programme, for instance, provides for USD 400 billion to be channelled into government contracts for infrastructure projects and procurement. The program also earmarks a further USD 300 billion for investment in research and development projects in the fields of AI, biotechnology and telecommunications.

The coronavirus crisis has left a trail of damage in the USA as well, and U.S. aggregate economic output is expected to decline by 4.3% on a year-over-year basis by the end of 2020. This will increase the public-debt ratio, and the planned spending programmes of both candidates mean that there is no likelihood of the task of consolidating public finances being tackled after 2021. In the euro zone, on the other hand, fiscal stability rules are scheduled to come back into play again.

So far, there is little evidence that increased tax revenues are to be used to pay down the U.S. national debt, which has risen sharply in the wake of the coronavirus pandemic and of the lavish economic-stimulus and growth policies put in place by Donald Trump in the first four years of his presidency. In 2019, the debt-to-GDP ratio stood at 108.7%, putting

aggregate U.S. debt close to the record level from the Second World War. In the aftermath of the Covid-19 crisis, it is expected that the national debt ratios of both the USA and the euro zone will rise by 20% and could remain at this level in the long term. Further ballooning of debt levels in the USA and the wider world would increase the risks to financial-market stability.



Source: International Monetary Fund (Fiscal Monitor, October 2020)

Incumbent President Donald Trump intends to adhere to the economic-policy tack he initiated in 2017, providing further relief to private households and companies alike. In addition to wage tax cuts, his plan during a second term of office would be to provide tax relief above all to companies that create new jobs and reimport jobs from China to the USA. Trump also intends to significantly reduce capital gains tax on realised gains on investments (securities and real estate). The corresponding tax rate (CGT) is to be reduced from 23.8% to as low as 15%. Otherwise, Donald Trump's tax and fiscal-policy plans for a possible second term in office are rather vague. He has just halted negotiations on a coronavirus relief package until after the presidential election and, in the event of an election victory, has promised a large economic-stimulus package "that focuses on hard-working Americans and Small Business," to quote the President's actual words. Shortly afterwards, the administration came up with a compromise proposal for a new corona relief bill worth USD 1.8 trillion, which was rejected by the Democrats who, in turn, put forward a package with a volume of around USD 2.2 trillion. This cut-and-thrust once again demonstrates how their goals diverge. Donald Trump and the Republicans want, among other things, immunity for employers in the event of possible coronavirus-related lawsuits, while the Democrats want more aid for federal states and municipalities. After the Democrats had rejected its plan, the Trump administration proposed an immediate

Trump: Lower taxes, smaller government

stripped-down relief bill using leftover funds from an expired small-business loan programme.

However, the Republican side has failed to provide details of its tax and fiscal-policy plans. At the Republican Party convention in late August, the party programme for the 2016 election campaign was adopted one-to-one. This platform contains vague promises of extensive infrastructure-investment programmes and envisages a significant expansion in the defense budget. In addition, there are plans to expand so-called "opportunity zones" in economically depressed regions, where investment is to be promoted by means of tax incentives. By and large, then, Trump is sticking to his plan to shift taxation of companies to the territorial principle.

There is also little common ground between the candidates with regard to regulatory issues. Trump sees deregulation policy as a panacea, and is accordingly promising to eliminate unnecessary, outdated and overlapping regulatory burdens, particularly in the environmental, industrial safety and financial fields. The focus is on the pledge made in Trump's infamous executive order #13771: this order, signed by Trump in 2017, directs agencies to repeal at least two existing regulations for every new piece of regulation. The Trump administration has recently emphasised on several occasions that it has even over-fulfilled this target. According to its own information, the federal government had abolished eight regulations for each new significant piece of regulation. However, the White House's own figures do not bear out this assertion. The Council of Economic Advisers, part of the Executive Office of the President, which advises various offices in the White House on economic-policy issues, stated in its annual report that there were 13 significant deregulatory measures yet only three regulatory ones in the 2017 fiscal year (ratio: 4 to 1). In 2018, according to the annual report for that year, 57 deregulatory and 14 regulatory measures were adopted (ratio: 4 to 1), while by 2019 the ratio had decreased to 2 to 1: the report for last year instances 61 deregulatory measures versus 35 regulatory measures. Be this as it may, Trump has definitely been slowing the pace of regulation since the beginning of his term. Biden would effect a U-turn on deregulation and, would, like Barack Obama, push for tighter regulation. In this respect, like the Democrats in general, his creed is "more is better". The Democrat Party in general, and Biden in particular, are in favour of an efficient state and question whether free market forces work in many areas. If Biden becomes president, stricter environmental standards, more robust regulatory intervention in the pharmaceutical and health-care sectors, curbs on the market power of big tech companies such as Apple, Alphabet, Amazon, Microsoft and Facebook, and increased financial-market regulation would be logical consequences.

Trump would be likely to continue down the deregulation path, whereas Biden would probably take a U-turn

In terms of industrial policy, the underlying stances of Trump and Biden are not that far apart, at least at first glance. True to his motto "America First", the present occupant of the White House is directing his industrial policy towards protecting domestic companies and bringing back home to the United States jobs that once migrated abroad. Biden's response to Trump's "America First" is "Buy American". According to this strategy, the Democratic candidate for president is advocating that publicly supported sectors should procure goods and services domestically to a greater extent. Biden's new alignment is not only aimed at public procurement, but also at procurement within the framework of federally funded projects. Similar to Trump's tax plans, Biden's programme provides tax incentives for U.S. companies to relocate their value chains back to the United States. At the same time, the Democratic Party's election programme stipulates that companies that relocate their production and jobs abroad must repay public subsidies. In the context of this "Buy American" strategy, the relocation of production sites abroad is strictly rejected, and many passages in the programme indicate that competition is to be restricted in favour of domestic producers and to the detriment of their international rivals.

Industrial policy: Trump's "America First" vs. Biden's "Buy American"

Against this background, it can be assumed that there will be no fundamental change of course on the trade-policy front even if the Democratic challenger does indeed win the keys to 1600 Pennsylvania Avenue. Biden's election programme too reveals clear protectionist traits. The tone, however, is likely to be much less confrontational than under Trump. This should also be entirely in the interests of U.S. citizens, because, according to a Gallup poll conducted in 2020, almost four out of five Americans see international trade preeminently as an opportunity. By contrast, less than one in five view trade as an economic threat - an all-time low. In 2008, over 50% of the U.S. population still regarded international trade as a threat to the U.S. economy.

There are no signs that Biden's trade policy would involve a fundamental change of course

To date, Trump's challenger has not presented a comprehensive guide to his foreign policy. However, he did sketch the basic guidelines in a speech he held in New York last year. On that occasion, Biden announced that he would convene a Global Summit for Democracy during the first year of his presidency in order to forge a new alliance with other states of the free world. Moreover, the Democratic candidate has repeatedly stressed in recent appearances that he would choose an allied and multilateral approach to the challenges of foreign policy. There is therefore a good chance that the functionality of central international institutions would be restored on his watch. These include the World Trade Organization (WTO), which is a thorn in Trump's flesh because, in his view, it puts U.S. exporters at a structural disadvantage.

Biden is seeking a return to multilateral approaches

Biden also wants to keep NATO's military capability up to date and to create additional capacities so as to counter new threats such as

Biden's trade policy should testify to greater loyalty to the alliance

cybercrime and corruption. This notwithstanding, if he is voted into office, the Democratic challenger is likely - like Donald Trump - to urge European NATO members to spend two percent of GDP on defense. All in all, then, the stronger alliance loyalty and commitment to the idea of a foreign-policy community of interest expressed in Biden's trade policy, combined with the acceptance of nationally recognised rules, should alleviate the global political insecurity which has been fueled by Donald Trump.

Despite this, the trade conflict with China is likely to continue. Over 60% of U.S. citizens regard the People's Republic as a threat to the U.S. economy, without a significant difference in this attitude being discernible among Democratic and Republican voters. The two countries have incompatible economic and social systems with different interests, entailing considerable conflict potential. The main "battlelines" are the U.S. trade deficit, currency manipulation, product piracy, theft of intellectual property, censorship and human-rights violations. Biden has not spelled out how he plans to configure economic cooperation with China in the future, but it does seem likely that, when returning to multilateral approaches, he will seek to involve U.S. allies - above all the EU and Japan - more closely in the task of enforcing international standards with the aim of containing China.

It is also conceivable that Trump's challenger, if he wins the election, will lift at least some of the sanctions against China in order to motivate the Chinese government to cooperate with Washington in other areas such as the fight against climate change. Biden has also pledged to abolish some of the import duties on Chinese goods. He has pointed out in a speech that such tariffs are tantamount to a tax on U.S. consumers and companies, and that they are responsible for the fact that manufacturing industry has plunged into recession and that the U.S. agricultural sector has allegedly lost billions of dollars that taxpayers will have to stump up.

From the EU's perspective, Biden's trade-policy stance entails advantages and disadvantages. The Democratic candidate for president has announced his intention to end the "artificial trade war" between the USA and the EU. All the same, it is unlikely that this would end all trade disputes with the EU. Issues such as customs duties, imports of agricultural products, corporate taxation and the adoption of Chinese technology would probably remain on the agenda and lead to altercations. In addition, the Democratic challenger would, like Trump, be likely to try to reduce the U.S. trade deficit at the expense of European companies as part of his "Buy American" strategy. Under Biden, however, it should be easier to find a compromise acceptable to both sides in this context. The price to be paid for this would be that a new Democratic president would make America's European allies more responsible for defense spending and oblige them to adopt a more active stance in containing China.

Biden is striving for a unified front in the debate with China

Partial lifting of sanctions and punitive tariffs against China seem a possible scenario under a Biden presidency

Biden wants to end the "artificial trade war" with the EU

With regard to international trade agreements, Biden would be likely to focus clearly on U.S. interests. The prerequisites for such agreements would be that the competitiveness of the U.S. economy is secured and that the countries involved commit themselves clearly to internationally valid standards regarding labour and human-rights issues as well as environmental-protection issues. In proceeding in this fashion, a President Biden would be likely to continue on the course set by his former boss, Barack Obama, and to shift the focus from the transatlantic to the Asia-Pacific region. It is certainly within the realms of possibility that the United States could rejoin the TPP under a Biden presidency, provided that improvements were promised. It is unlikely that Biden would attempt to push forward with the stalled transatlantic trade agreement TTIP.

Biden would probably only agree to new trade deals if the competitiveness of the U.S. economy was secured

Trump, if he remains in the Oval Office, will not deviate from his current conflict-laden trade-policy course, and cannot be expected to abandon his bellicose rhetoric either. The incumbent president has already announced that he will cancel and renegotiate other existing trade agreements. It is conspicuous that the Trump administration, when framing trade agreements, has chosen to address partner countries individually in order to improve its negotiating position and to be able to focus more strongly on American interests. In order to promote such interests, Trump does not shy away from imposing massive pressure, from invoking the spectre of punitive tariffs and from threatening to break off talks. Under these circumstances, it cannot be ruled out that trade disputes with China and the EU might escalate uncontrollably and that U.S. sanctions, or threats of sanctions, could become a common tool. If Trump remains the White House resident, international institutions such as the WTO, the UN or international courts of justice would continue to lose importance as dispute-settlement bodies. Even if Trump has recently taken predominantly unilateral action against China, driven by an awareness of the rivalry between the Chinese and the U.S. social systems, the possibility cannot nevertheless be ruled out that he would increase pressure on the EU during a second term, and that he would demand joint action against China and require that the Europeans replace Chinese technology with technology from the USA. All in all, the chances of resolving the existing conflicts by diplomatic means and of reconciling conflicting interests would dwindle if Trump keeps the keys to the White House.

If Trump remains president, criticism of China, the EU and international institutions will not diminish

A conclusion, from a European perspective as well

The inference of the arguments presented above is that the election programmes of Biden and Trump alike contain both positive and negative implications for the economy at both the national and international levels. In Biden's election programme, one positive feature is the forward-looking alignment of economic policy towards future

Biden's plus points

ecological and social standards, especially in the context of intergenerational justice. What is more, this alignment dovetails neatly with the EU's concept of sustainability, which calls for the mainstreaming of sustainability goals in all EU strategies and initiatives and for an orientation towards sustainable development as a key guiding principle for all EU policy areas. Other positive points to be singled out in Biden's strategy are the expected normalisation of transatlantic relations, the return to multilateral approaches in the international trade-policy arena, and the willingness to embrace internationally recognised rules. Such a programme should dispel a major source of uncertainty for companies and reduce the negative knock-on effects of such uncertainty on economic activity, trade and, above all, investment. The greater degree of reliability, and greater legal certainty for foreign companies, resulting from this could make foreign direct investment and portfolio investment in the United States more attractive. That would also benefit export-dependent EU countries like Germany, as the highly uncertain economic conditions prevailing under the Trump administration would brighten. Moreover, it is expected that Biden would strike a better balance between confrontation and cooperation on global issues. The Democratic candidate for president has repeatedly emphasised that he would strive to work in partnership on global issues and areas of conflict such as climate change, product piracy, theft of intellectual property, dumping, espionage and human-rights violations. Ultimately, that would make it possible for European interests to be given greater consideration in this context and would prevent trade conflicts from escalating, although a return to a free-trade-oriented trade policy would not admittedly be on the cards under a Biden presidency either.

These positive considerations are, however, counterbalanced by some negative expectations. The promotion of state redistribution in the form of tax increases and rising social-security contributions, combined with an increasingly complex tax system and heavier state intervention in economic life (keywords: regulation and expansion of Obama care), would impose a burden on the corporate sector. The higher tax burdens and rising costs which would result from this would probably be passed on, at least in part, to customers and/or employees, which could have negative repercussions on consumption. What is more, Biden also has a protectionist vein, which means that the potential available to be unlocked by international trade could not be fully exploited under him either. It cannot be entirely ruled out that the U.S. economy would lose momentum if such an economic-policy strategy were to be pursued. Such a policy strategy would certainly, at least indirectly, determine the level of EU exports to the United States and the development of economic activity in our part of the world. It has to be remembered that the USA is by far the most important country of destination for merchandise exports from the EU.

Biden's minus points

Trump's plus points

In Trump's election programme, the prospect of an expansionary fiscal and tax policy is a plus point. At least in the short term, this would probably impart a growth stimulus from which Europe could also benefit through the channel of rising exports to the United States. By contrast, the tax cuts envisaged by Trump could prove disadvantageous for the EU, as they would strengthen the competitive position of U.S. companies in the international business-locations competition. Trump's first tax reform already turned out to confer a locational disadvantage on German companies. The situation is further aggravated by the fact that not only the USA but also other G7 states have lowered taxes. Germany's tax rates on corporate profits are now well above the EU average. Further tax cuts in the USA would mean that Germany would fall even further behind in the international tax stakes, and would make a German tax reform all the more imperative. In this connection, it would be a welcome development if Biden were to reverse Trump's tax cuts, as this would improve Germany's price competitiveness. It would likewise improve the competitive environment if tax loopholes were to be closed, which is an item on the agenda of both Biden and Trump.

It remains to be seen whether the expected growth stimulus emanating from Trump's economic and industrial policy turns out to be a mere "flash in the pan." Quite apart from the fact that his economic-policy stance has been accompanied by a sharp increase in the U.S. national debt (an increase which will burden future generations), Donald Trump's economic and industrial policy in recent years has made manifest the structural weaknesses afflicting the U.S. economy in many sectors and regions. This too will probably have a negative impact on the potential of future generations. Trump is a prototypical representative of "old business," protecting and distributing funds to sectors and regions that tend to be structurally weak. Although individual interest groups have benefited from this, growth, innovation and welfare are bound to suffer in the long run because the process described so graphically by Schumpeter as "creative destruction" will flag. Trump's protectionistic, conflict-laden and aggressive approach to trade policy is also likely to have a negative impact on the economy. The uncertainty associated with this is, furthermore, being exacerbated by the loss of importance of international dispute-settlement bodies and the questioning of transatlantic cooperation which he has aided and abetted. If Trump is returned to office, a relatively uncontrolled escalation of trade disputes with China and the EU would threaten. In addition, he would be likely to increase the pressure on the EU to join him in forming a joint "front" against China. Trump's scepticism about climate change and his lack of willingness to align the U.S. economy in the direction of sustainable development overlook the importance of preserving value across the generations. Growth and prosperity do not exclude sustainability; quite on the contrary, these goals are mutually dependent.

Trump's minus points

At the end of the day, the future economic and political development of the United States of America remains of decisive importance for financial markets as well as for global stability. The key issues after the upcoming U.S. election will be to combine a credible economic policy with measures to overcome the coronavirus crisis, to carefully monitor the sustainability of public debt, and to create an open society that respects international agreements and seeks multilateral solutions to global problems.

Overindebtedness remains a risk to financial-market stability

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