

The Macroeconomic Consequences of the 2020 Presidential Candidates' Economic Policies

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Agenda

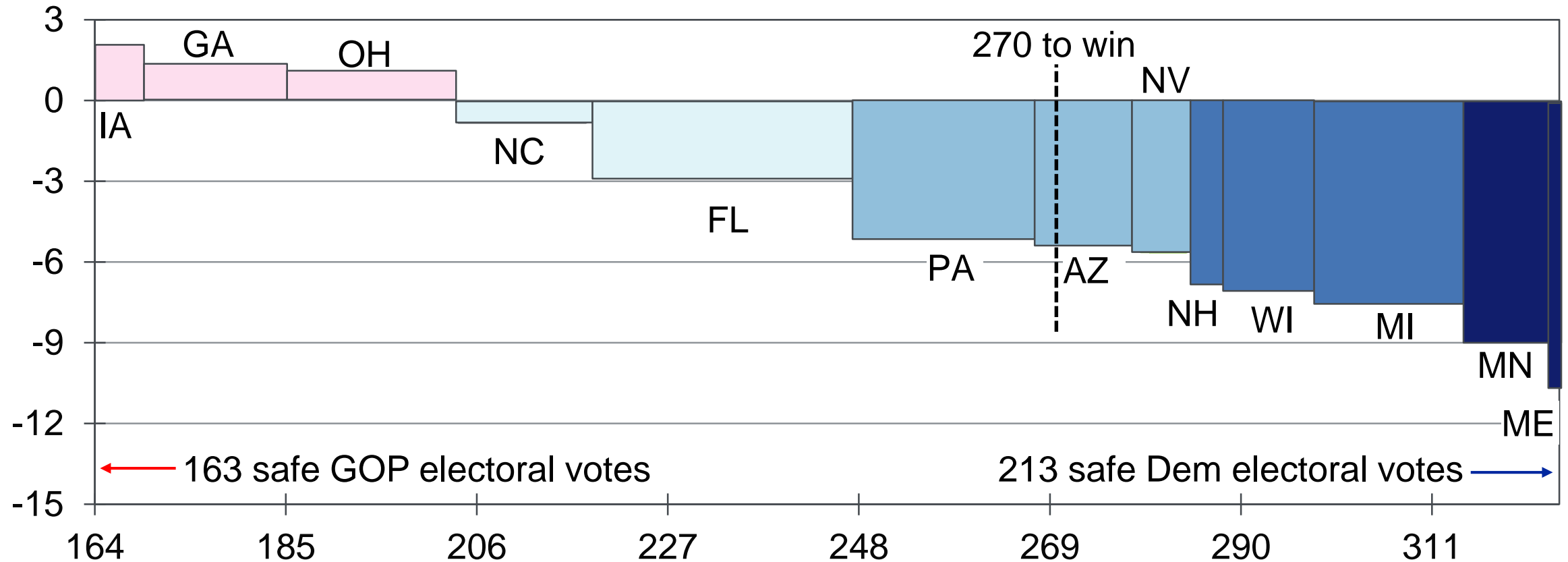
1. And the Winner Is...
2. This Election Matters (A lot)
3. Vice President Biden's Economic Policies
4. President Trump's Economic Policies
5. Macroeconomic Consequences

1

And the Winner Is...

Battleground State Polling Favors VP Biden

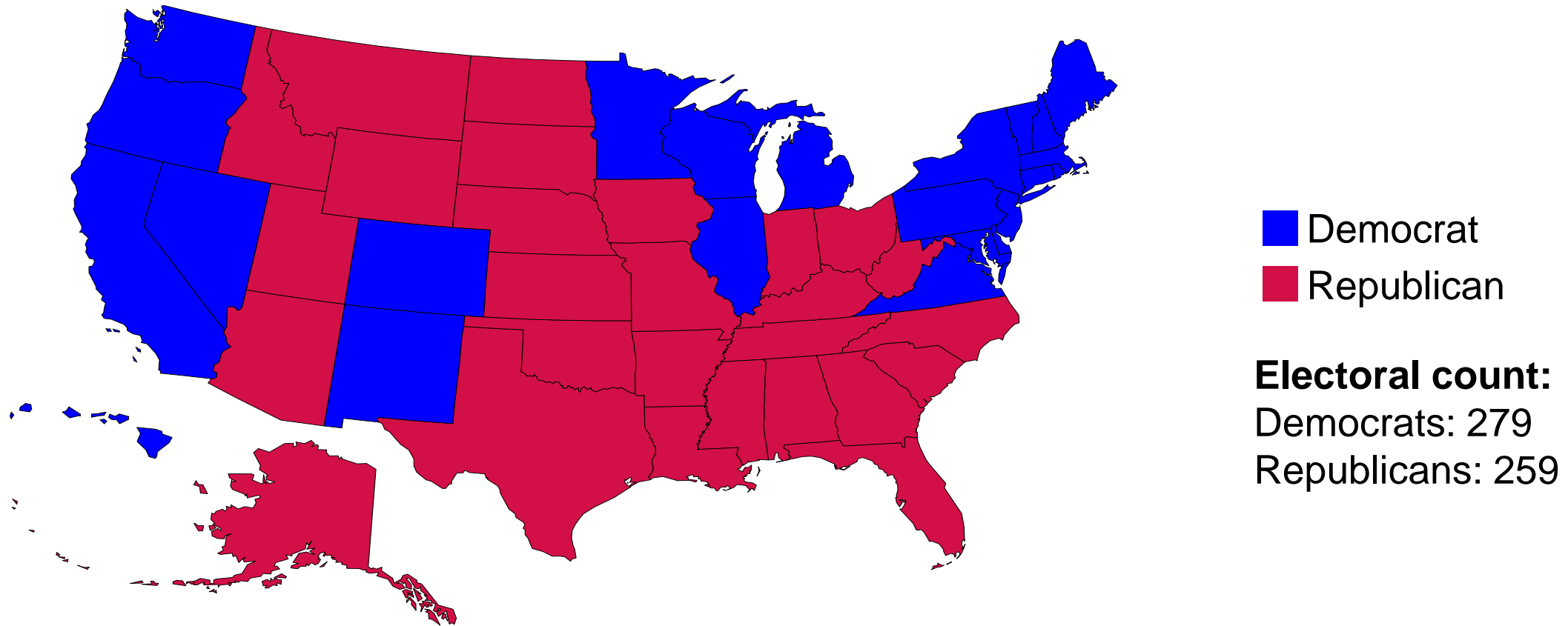
President Trump's support in head-to-head polls less VP Biden's, ppt



Sources: FiveThirtyEight, Moody's Analytics

Election Models Predict VP Biden Wins a Nailbiter

How states will vote in 2020 if non-incumbent turnout is avg



Source: Moody's Analytics

Note: Results reflect Sep 2020 forecast

History Doesn't Favor Republican Takeover of House

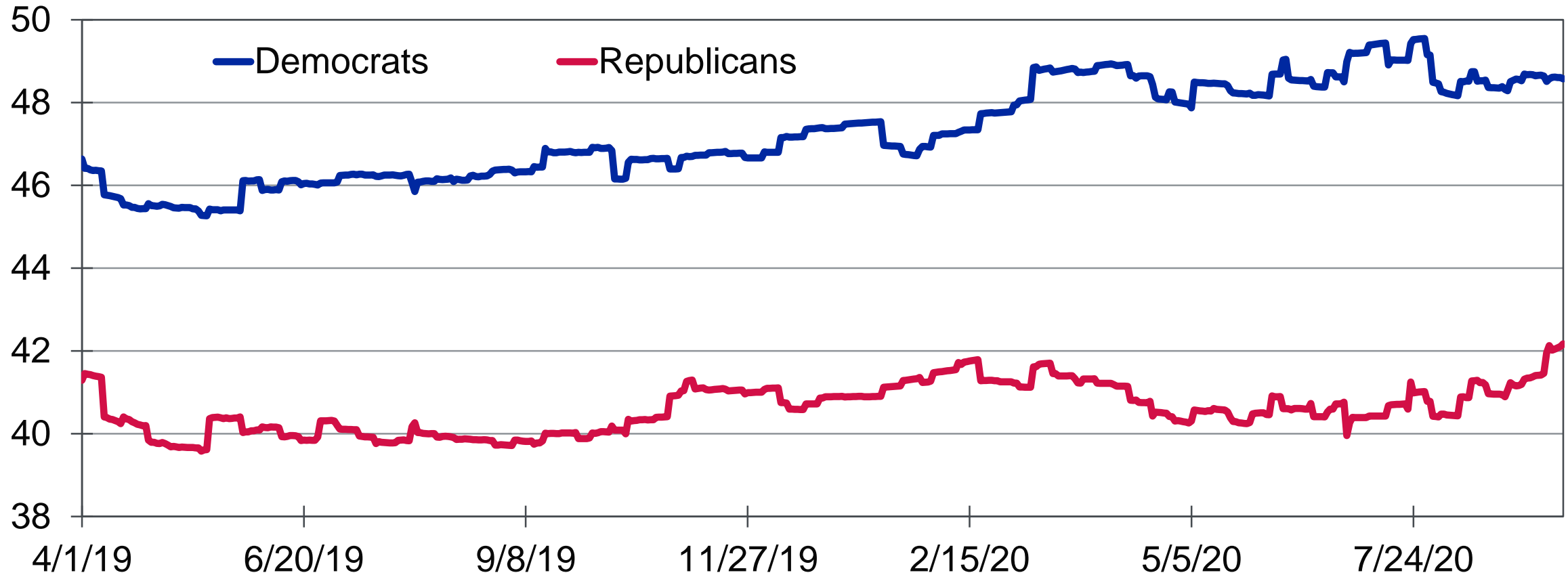
All postwar presidential election years

	Net House gain/loss (+/-) for incumbent president's party	Did House Majority Flip?	Incumbent President's Party		Net House gain/loss (+/-) for incumbent president's party	Did House Majority Flip?	Incumbent President's Party
1948	75	Yes	Democrat	1984	14	No	Republican
1952	-22	Yes	Democrat	1988	-2	No	Republican
1956	-2	No	Republican	1992	10	No	Republican
1960	22	No	Republican	1996	3	No	Democrat
1964	37	No	Democrat	2000	1	No	Democrat
1968	-5	No	Democrat	2004	3	No	Republican
1972	12	No	Republican	2008	-21	No	Republican
1976	-1	No	Republican	2012	8	No	Democrat
1980	-34	No	Democrat	2016	6	No	Democrat
Historical avg					5.8		

Sources: U.S. House of Representatives, Moody's Analytics

Generic Ballot Points to Democrats Retaining House

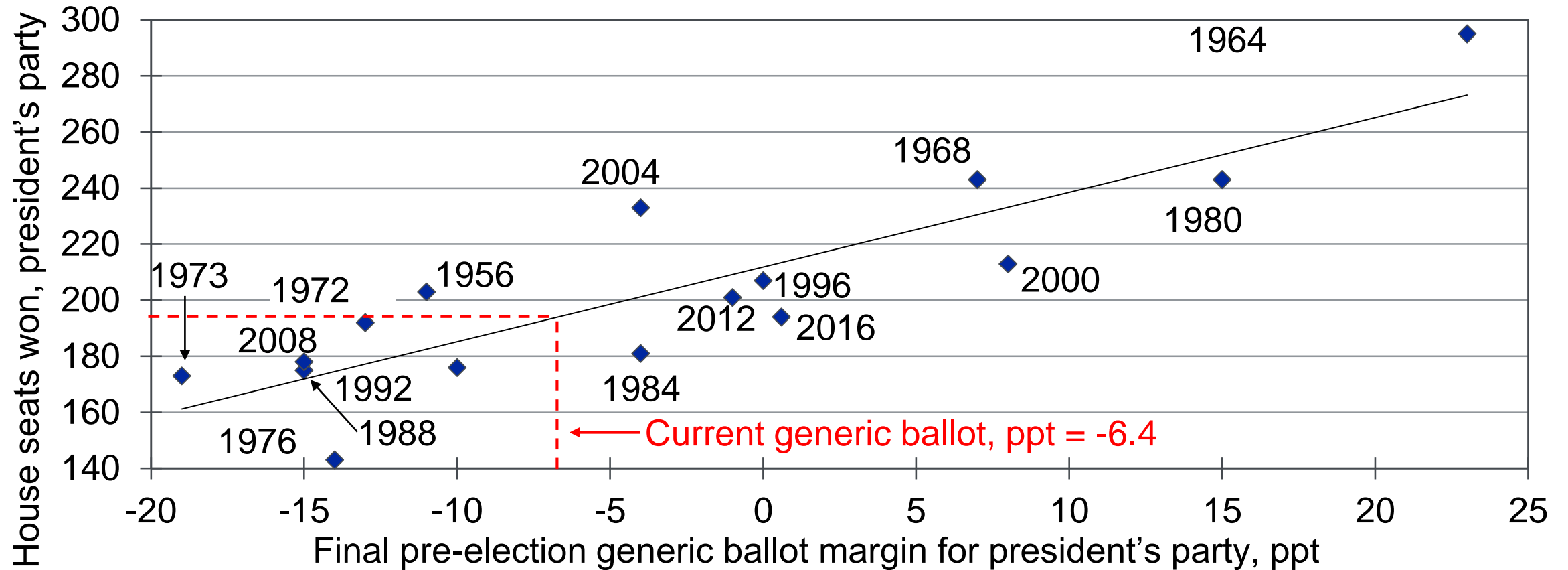
% of voters who will support given party in congressional elections



Sources: FiveThirtyEight, Moody's Analytics

Republicans Could Sink Further into House Minority

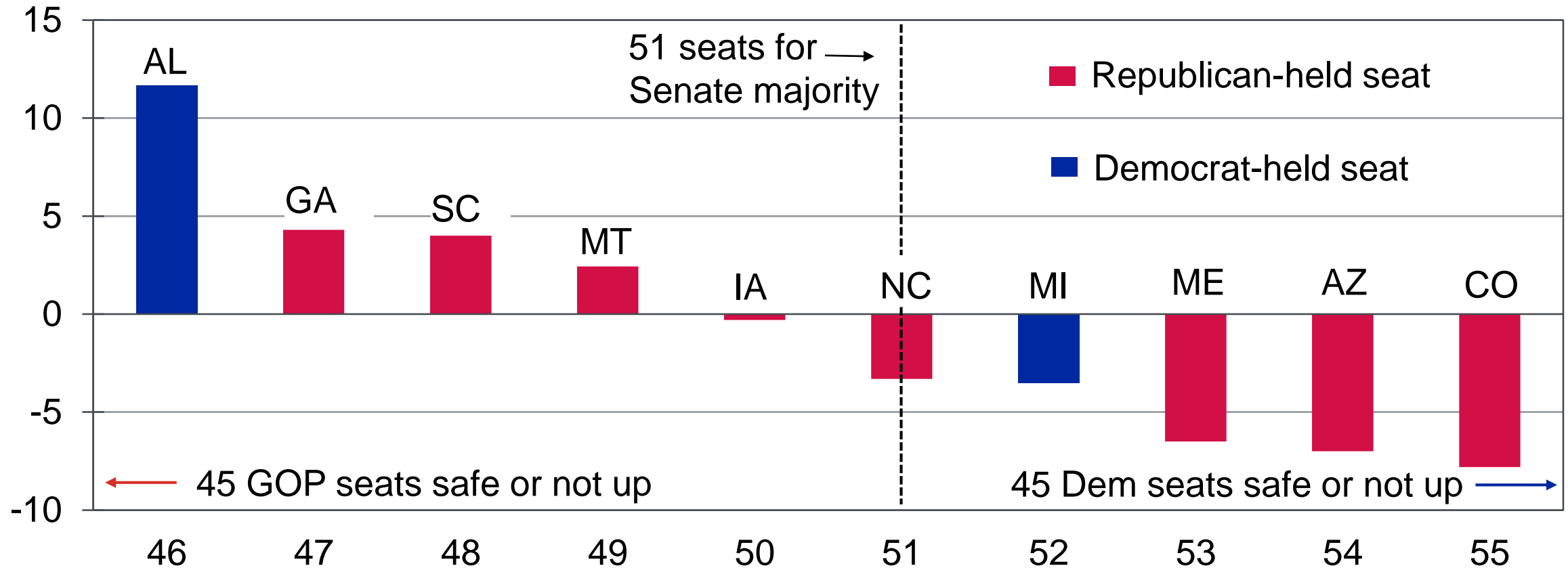
Congressional elections in presidential election years



Sources: Clerk of the House, FiveThirtyEight, Gallup, Moody's Analytics

Senate Majority Hangs in the Balance

Republican's support in head-to-head polls less Democrat's, ppt



Sources: RealClearPolitics, Moody's Analytics

2020 Election Scenarios

Ordered from most to least likely

1

**Biden +
Republican Senate
Democratic House**

40% probability

It would be **challenging for Biden and Democrats to implement an agenda.** We would see **continued use of executive orders as well as continued congressional stagnation.**

Some chance legislation that includes both deficit-financed government spending increases and tax cuts would get through.

2

**Trump +
Republican Senate
Democratic House**

35% probability

Status quo - we would see **more of the same.** President Trump would continue to confront China and other trading partners through higher tariffs and other trade and investment restrictions.

Trump would also double-down on his restrictive foreign immigration policy.

3

**Biden +
Democratic Senate
Democratic House**

20% probability

Biden's agenda and broader Democratic agenda would have more steam, but the filibuster rule would limit their reach. Moderate Democrats would gain power as their vote would be essential for passage.

Filibuster rule remains in place with exceptions including budget reconciliation process (used for 2017 tax bill and Affordable care Act) and some judicial and other appointments.

4

**Trump +
Republican Senate
Republican House**

5% probability

Trump's aggressive tax cut and de-regulatory policy agenda would be re-invigorated. The filibuster rule would be the only constraint although this would be in jeopardy.

2

This Election Matters (A Lot)

Assessing the Candidates' Proposals

Ordered from greatest to least policy difference

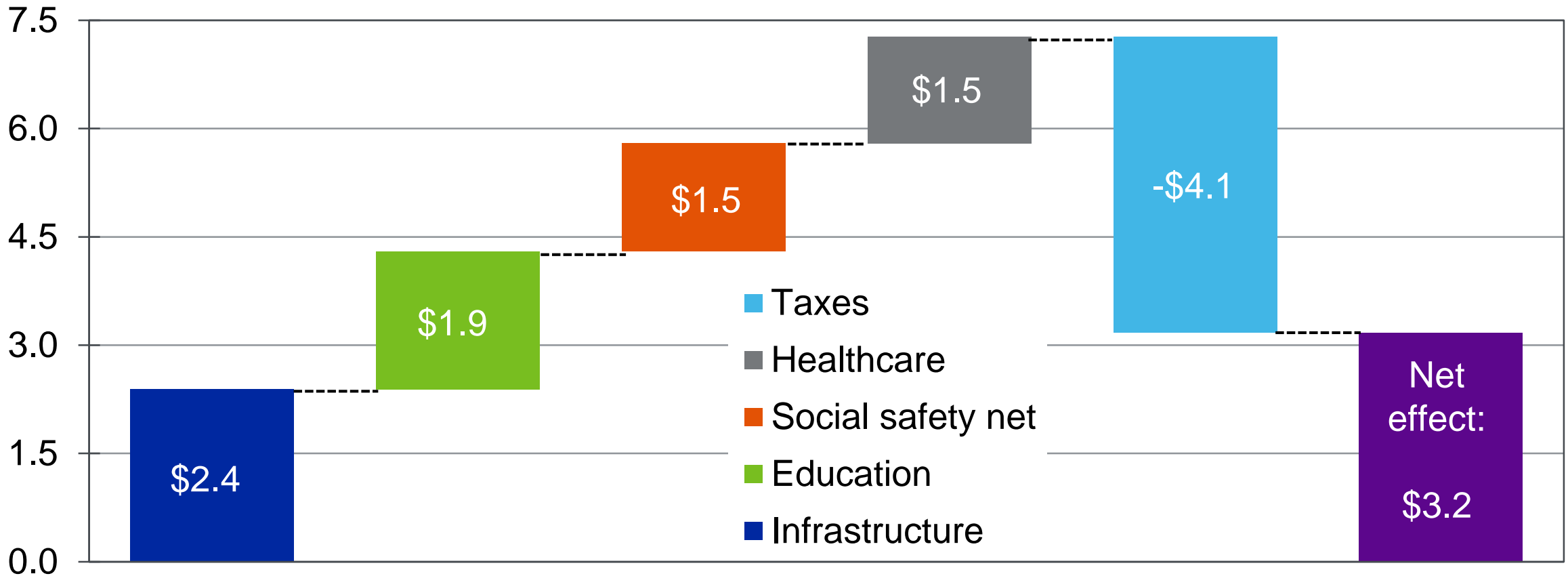
Issue	Biden	Trump
Governing	Strengthen Institutions; Process for Decision Making; Increase Diversity; Stable Advisors	Weaken Institutions; Unstructured Decision Making; Rotating Advisors
COVID-19	Federal Led; Invoke Defense Production Act	State Led; Don't Use DPA
Immigration	Increase; Provide healthcare; DACA	Decrease; No Benefits; Repeal DACA
Climate/Energy	Clean Energy With Institutional Overhaul; Green Incentives; Paris Accord	Further Deregulation
Healthcare	ACA+Public Option; Lower Age for Medicare; Lower Rx Costs	Repeal ACA, But Cover Pre-Existing Conditions; Lower Rx Costs
Taxes	Repeal Tax Cut for Wealthy and Corporations; Potential Financial Transactions tax	More tax cuts
Gun Control	Pro Gun Control	Pro Gun Rights
Labor	Pro Union; \$15 Minimum Wage; Paid Leave	Deregulate
Police Reform	Black Lives Matter; Federal Lead	Blue Lives Matter; State Led
Banking	Undo Dodd-Frank Rollbacks; Pro-ESG; Focus on Consumer Protections & Housing	Roll-Back Dodd-Frank; Anti-ESG; Focus on Corporations
Foreign Policy	Lead Multilateral Org; Coordinate with Allies	Withdraw Multilateral Org; America First
Trade	Reduce Tariffs; WTO	Tariff Wars; America First
China	Strategic Competition; Modified TPP	Decouple
Infrastructure	Supportive with Green Focus	Somewhat Supportive with Traditional Focus
Antitrust	Consider Broader Consumer/Labor Impact	Unpredictable; Business Friendly
Defense	Strengthen NATO; Renegotiate Nuclear Decommission	Weaken NATO; Increase Spending
Deficits	Big Deficits Through More Spending	Big Deficits Through More Tax Cuts
Technology	Suspicious of Big Tech	Suspicious of Big Tech

3

Biden's Economic Policies

Biden's Economic Plan At a Glance

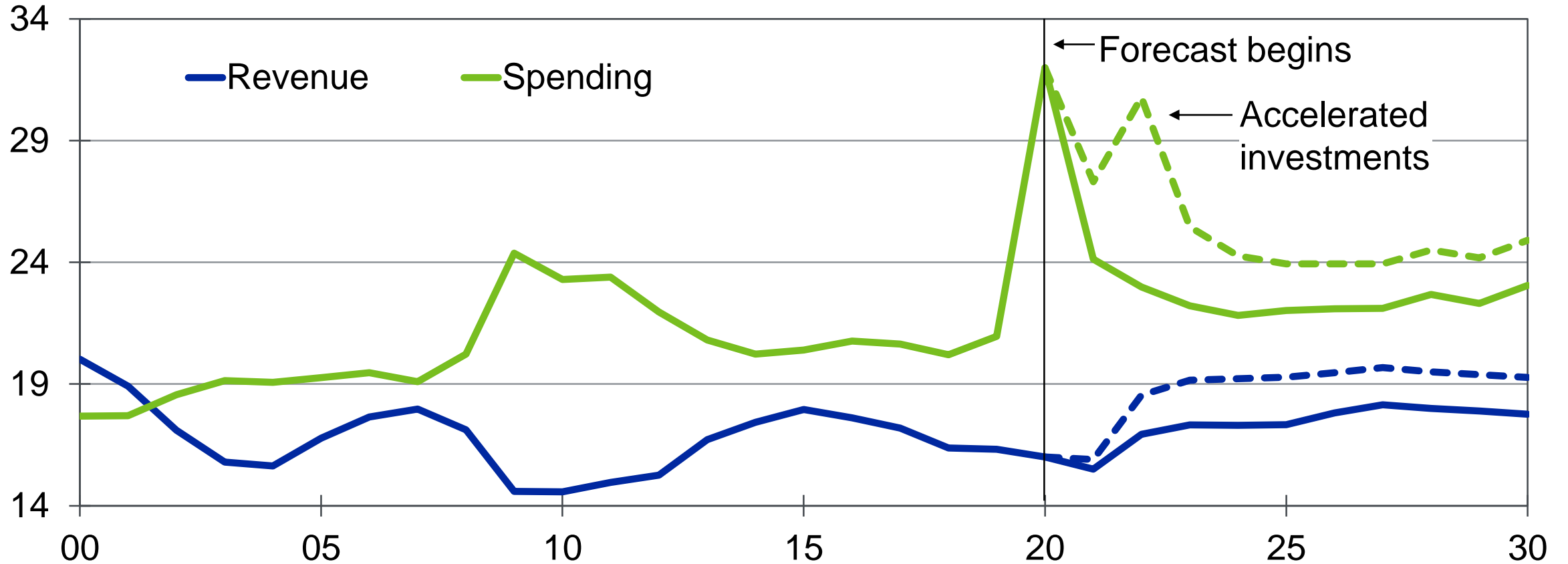
10-yr static deficit impact, \$ tril



Source: Moody's Analytics

Spending, Taxes Permanently Higher Under VP Biden

% of GDP, fiscal yr

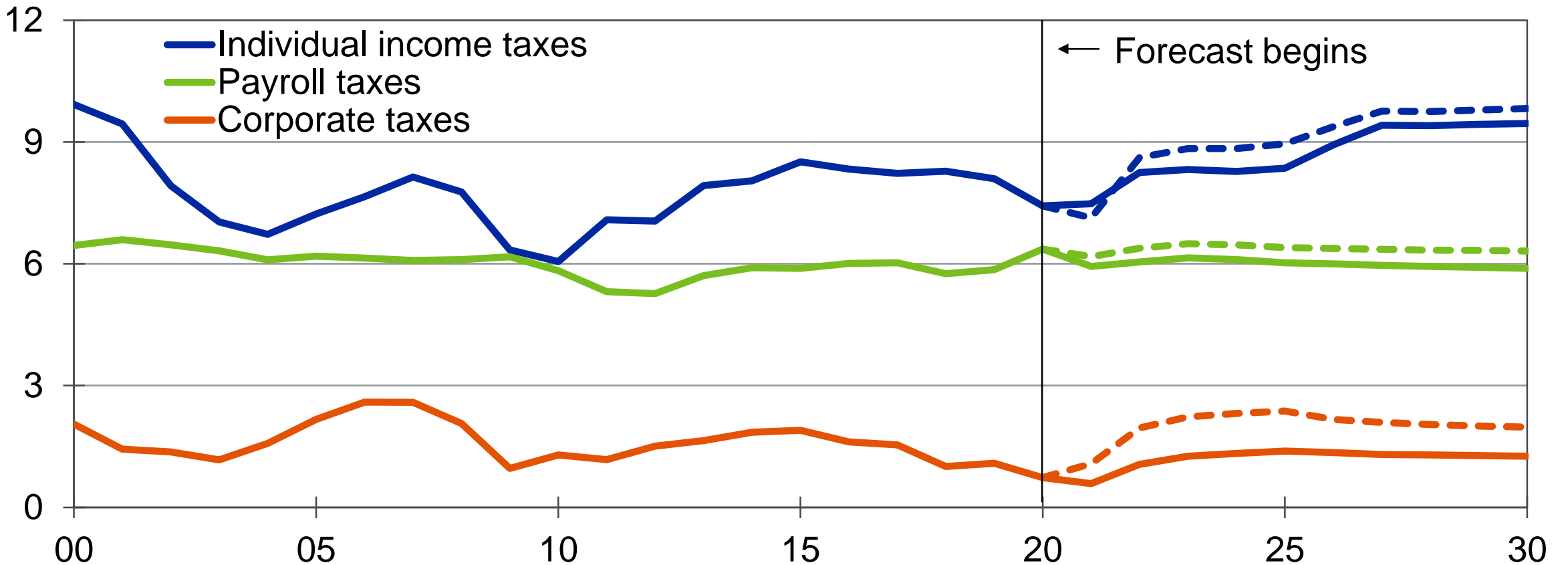


Sources: CBO, Moody's Analytics

Note: current law=solid line; Biden platform=dotted line

Corporations Bear Brunt of Tax Hikes Under VP Biden

% of GDP, fiscal yr

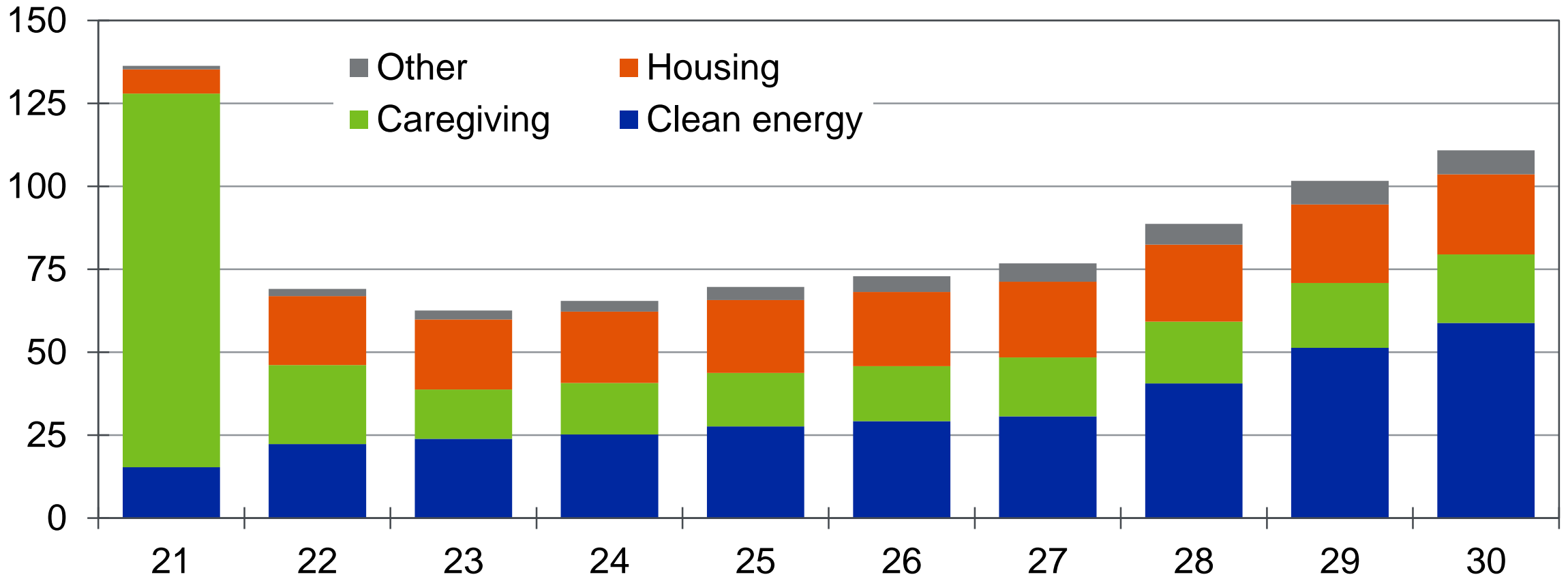


Sources: CBO, Moody's Analytics

Note: current law=solid line; Biden platform=dotted line

Nearly \$900 Billion in Tax Credits for Various Social Aims

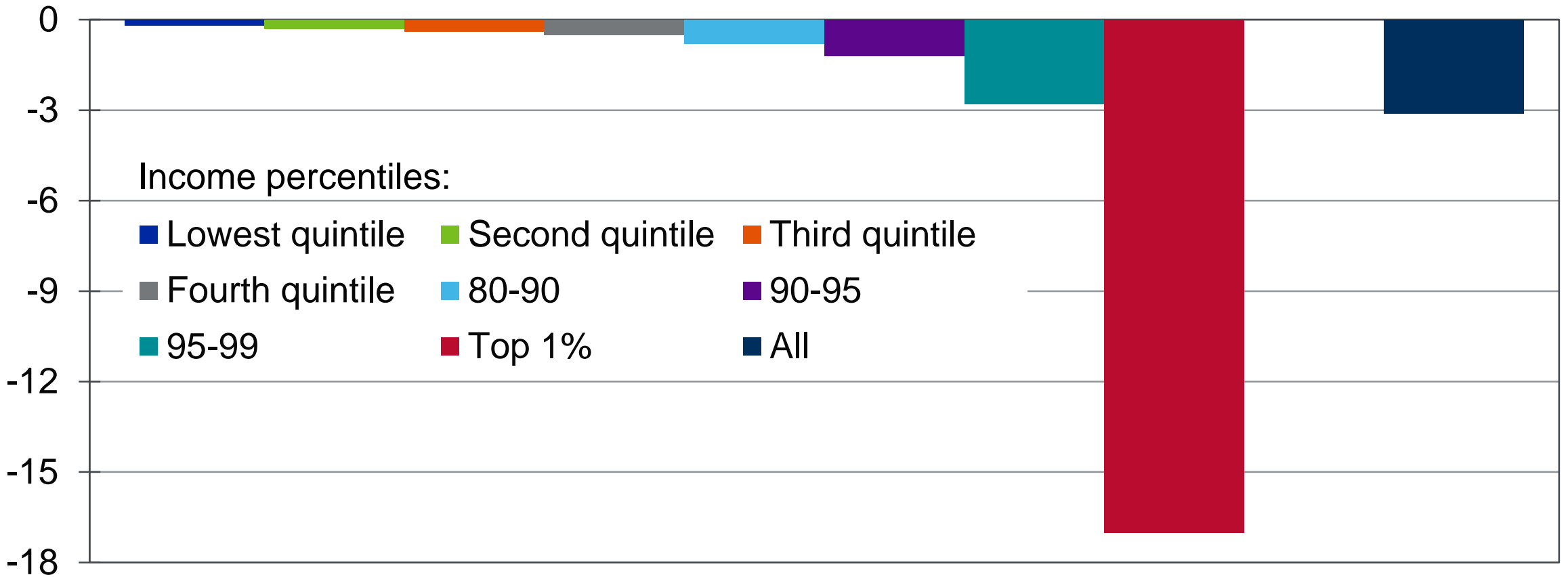
Tax credits, \$ bil, fiscal yr



Sources: Biden Campaign, CBO, Tax Policy Center, U.S. Treasury, Moody's Analytics

Highest-Income, Wealthiest Taxpayers Hardest Hit

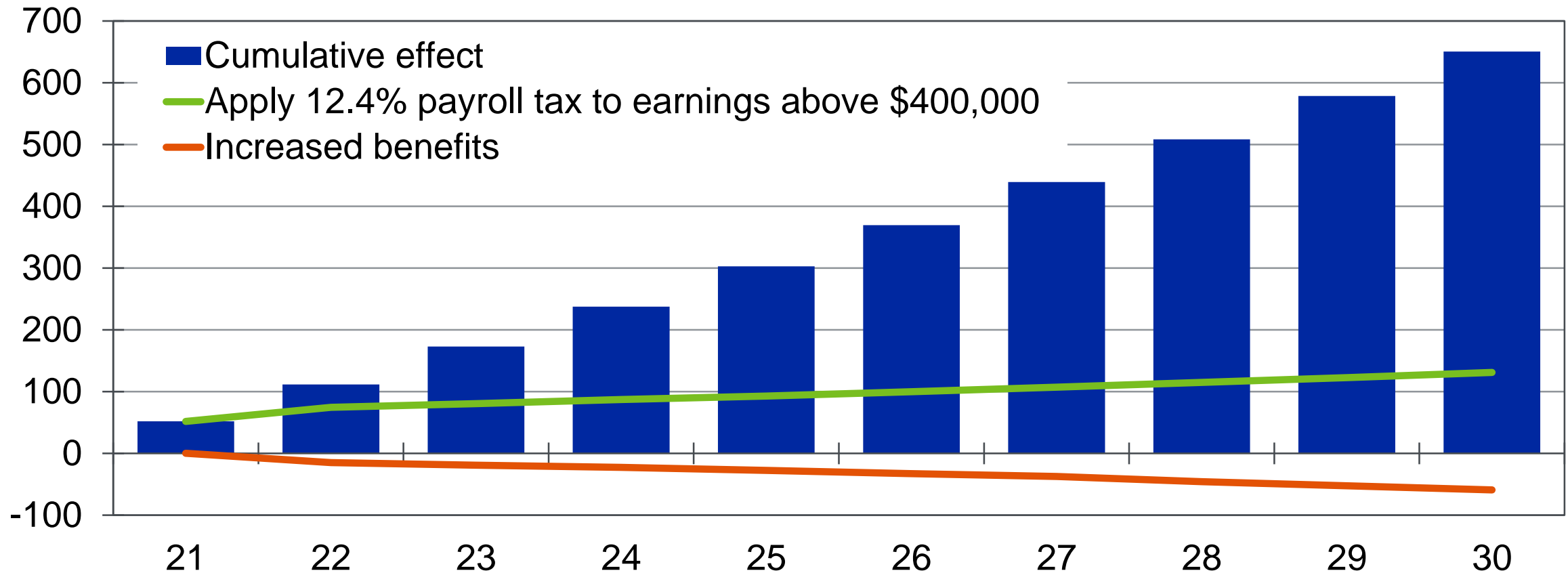
Estimated change in after-tax income under VP Biden's tax plan, %



Sources: Tax Policy Center, Moody's Analytics

Biden Plan Extends Social Security Lifespan

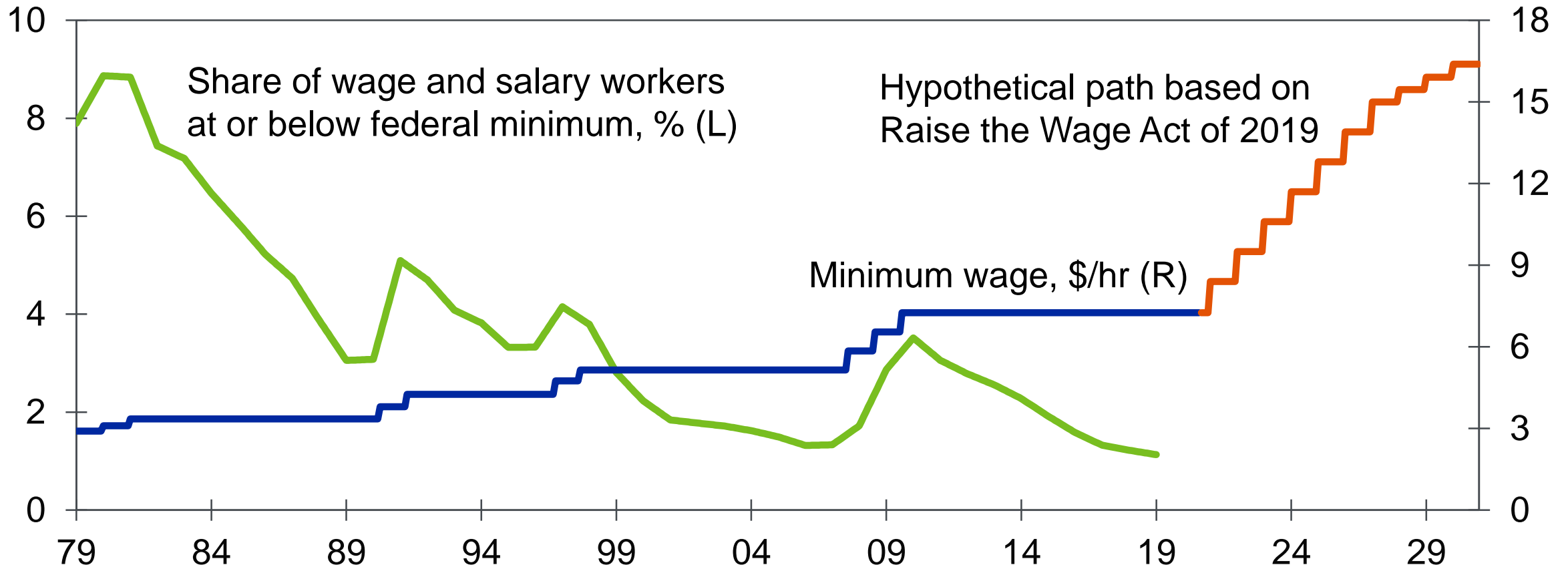
Static effect on Social Security's combined trust fund balance, \$ bil, fiscal yr



Sources: Social Security Administration, Tax Policy Center, Moody's Analytics

Biden Supports a \$15 Minimum Wage

U.S. nonfarm workers



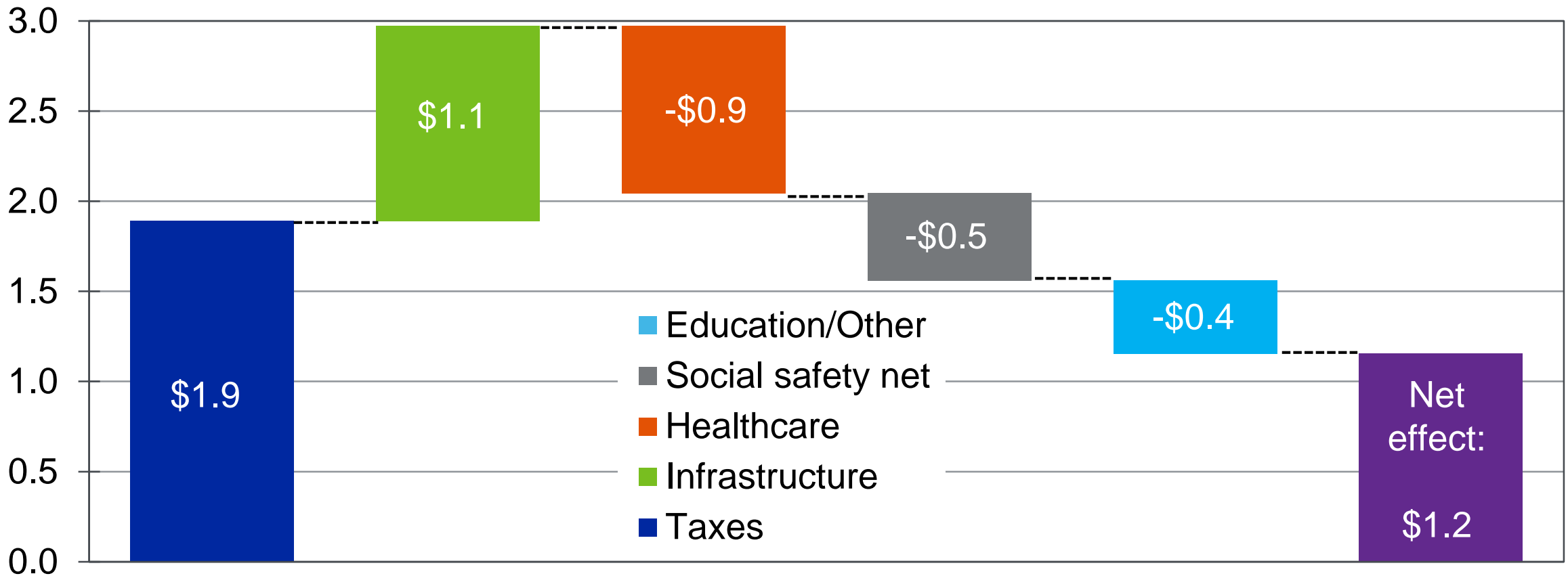
Sources: CBO, Department of Labor, House Committee on Education and Labor, Moody's Analytics

4

Trump's Economic Policies

President Trump's Economic Plan At a Glance

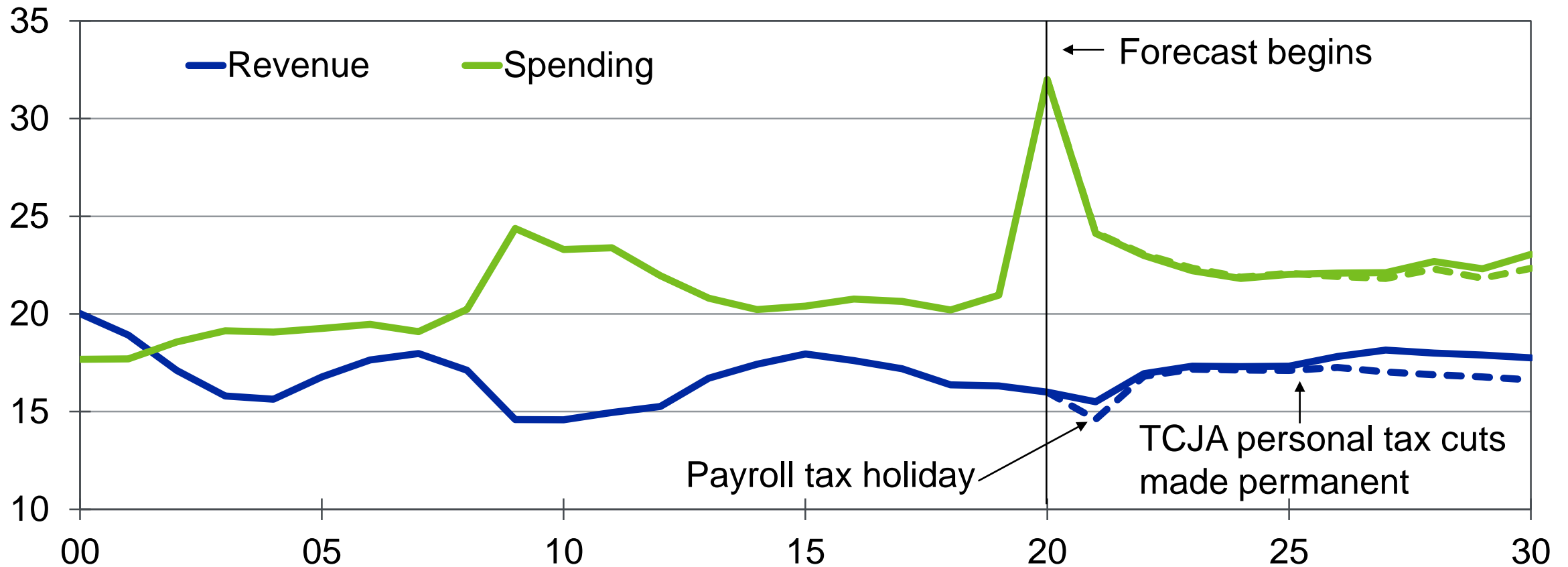
10-yr static deficit impact, \$ tril



Source: Moody's Analytics

Fiscal Support In Trump 2nd Term Is Largely Backloaded

% of GDP, fiscal yr

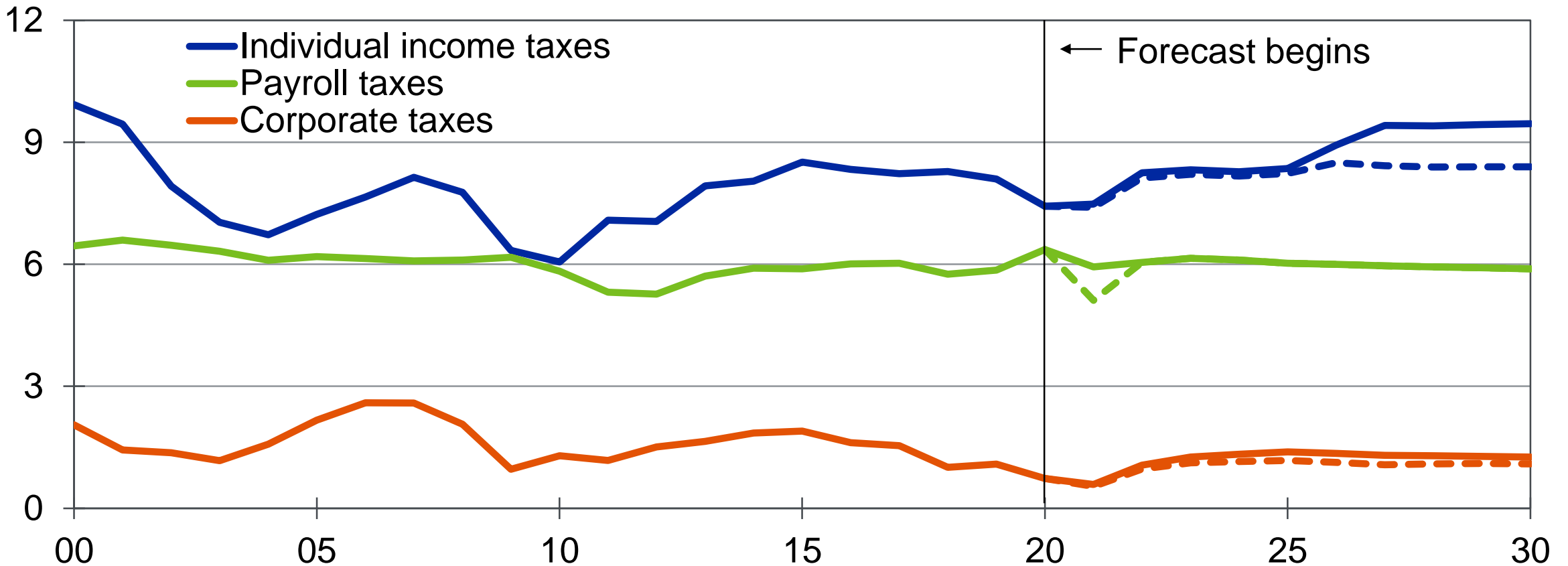


Sources: CBO, Moody's Analytics

Note: current law=solid line; Trump platform=dotted line

Lion's Share of Trump Tax Cuts Targeted to Individuals...

% of GDP, fiscal yr

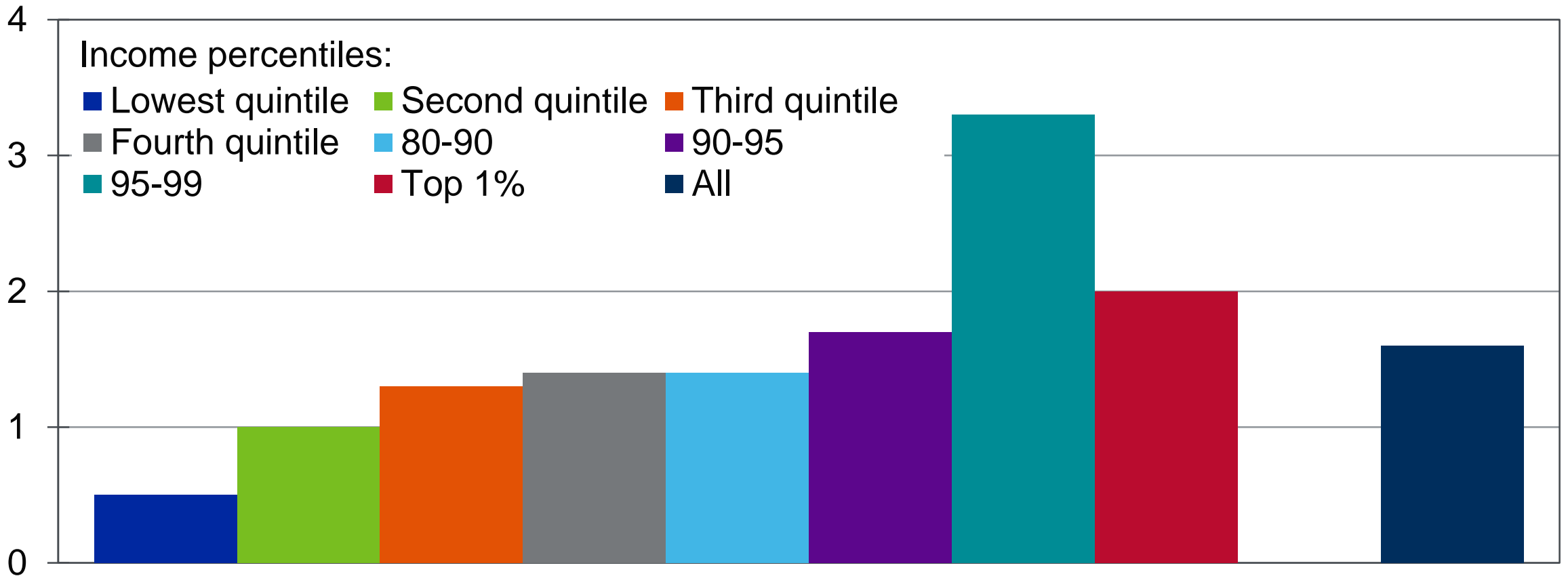


Sources: CBO, Moody's Analytics

Note: current law=solid line; Trump platform=dotted line

...Especially High-Income and Net Worth Taxpayers

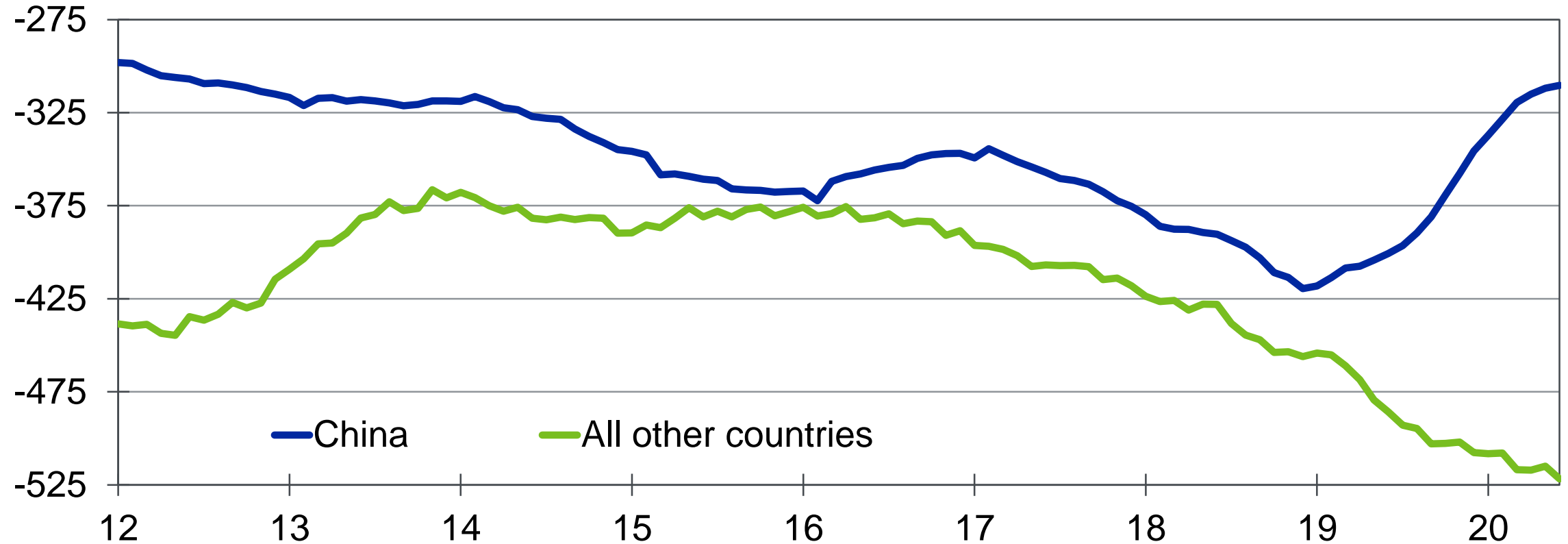
Estimated change in after-tax income in 2026 if TCJA made permanent, %



Sources: Tax Policy Center, Moody's Analytics

Not What President Trump Had in Mind

U.S. trade deficit, 12-mo rolling sum, \$ bil



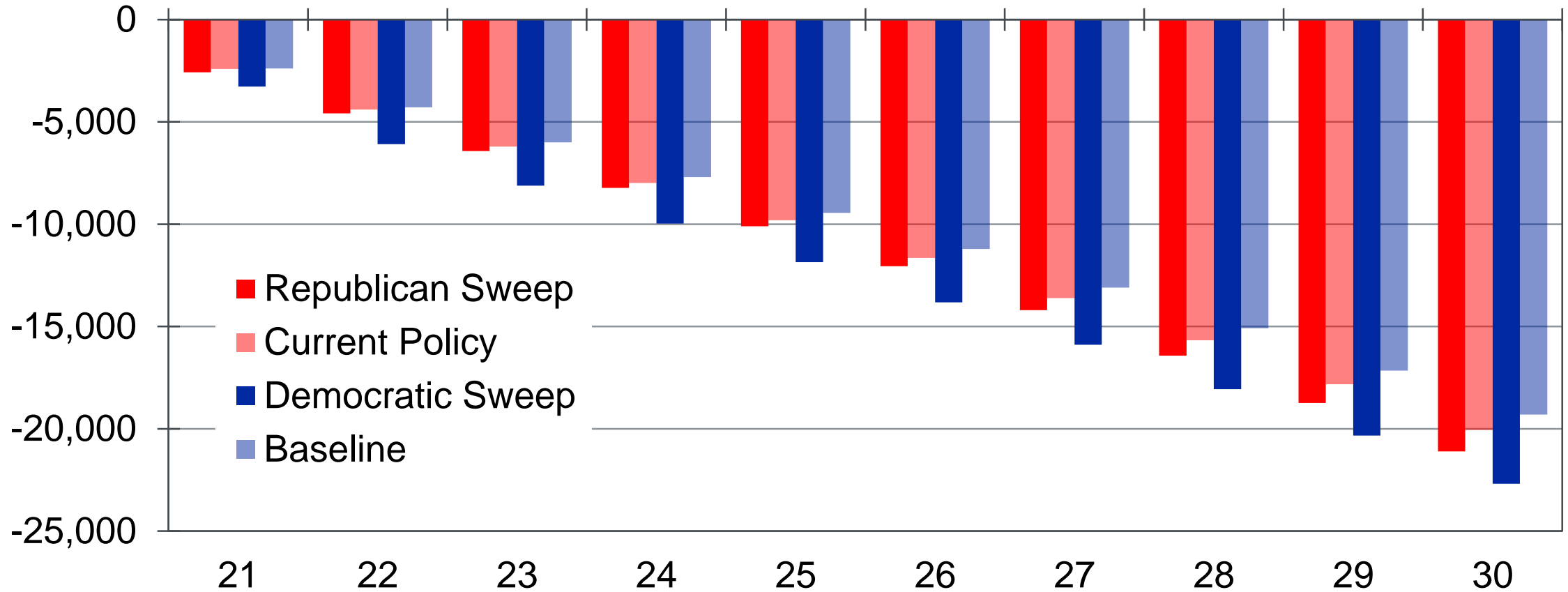
Sources: Census Bureau, Moody's Analytics

5

Macroeconomic Consequences

Biden Proposes a More Expansive Fiscal Policy

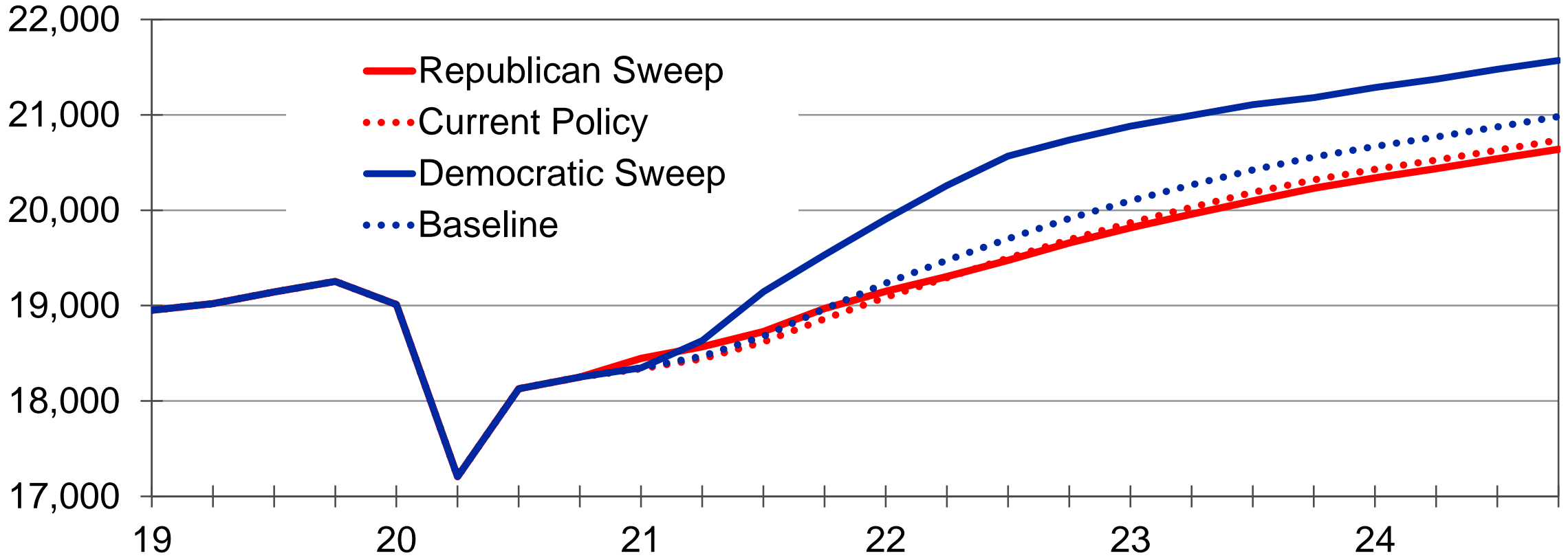
Cumulative federal budget deficits, bil 2012\$



Sources: Treasury, Moody's Analytics

More GDP in a Democratic Sweep...

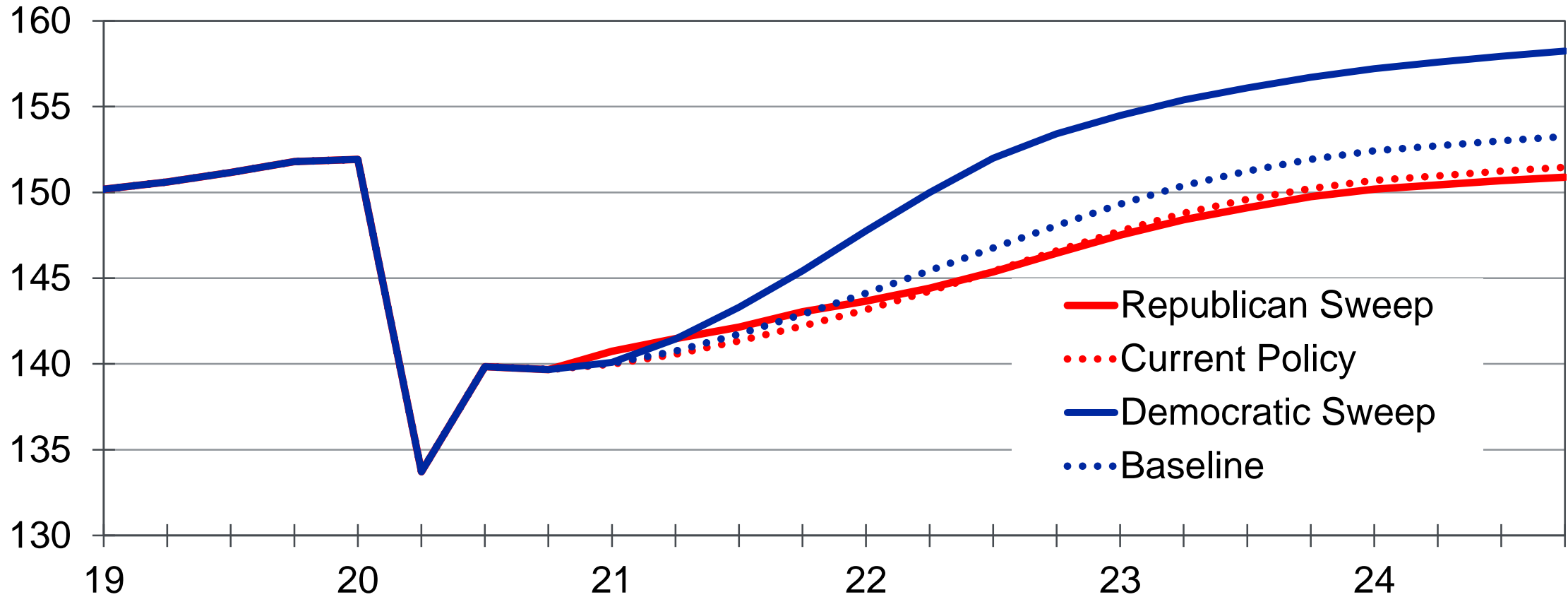
Real GDP, bil 2012\$



Sources: BEA, Moody's Analytics

...More Jobs...

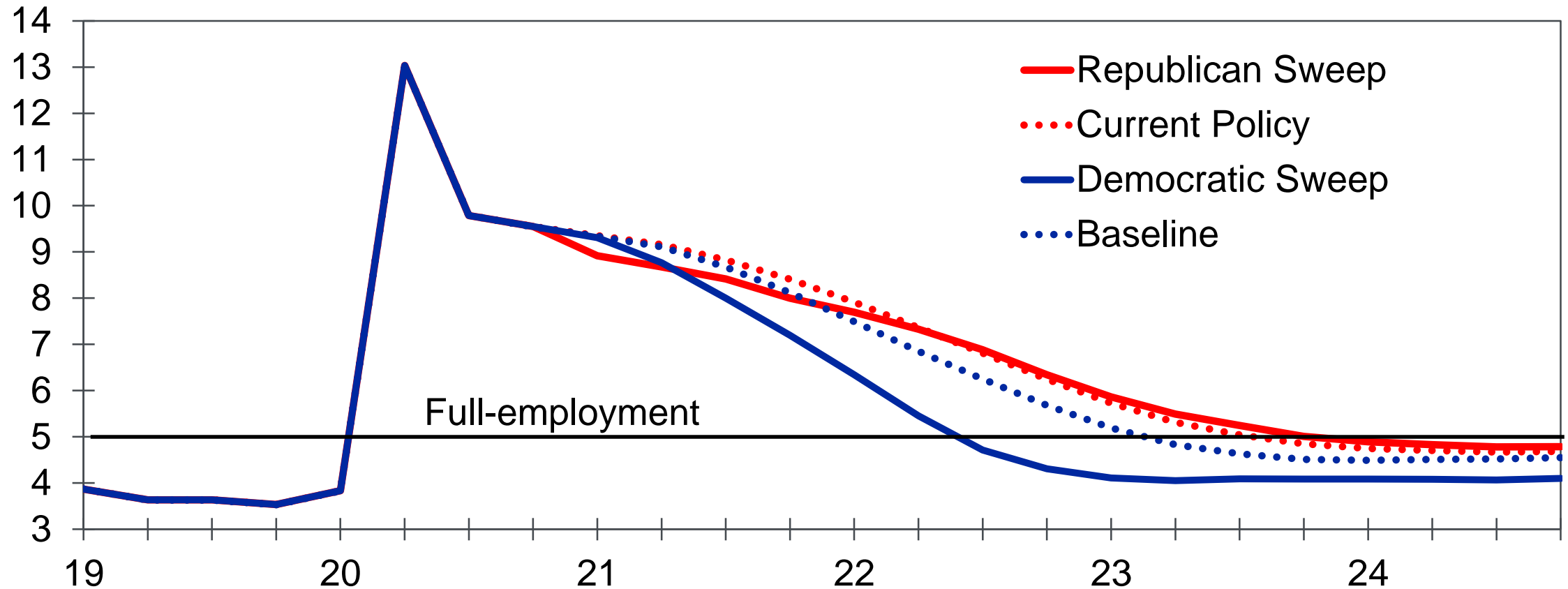
Nonfarm employment, mil



Sources: BLS, Moody's Analytics

...and Lower Unemployment

Unemployment rate, %



Sources: BLS, Moody's Analytics

Economic Outlook Under Election Scenarios

End of Next President's Term, 2024Q4

	Current	Baseline <i>40% Probability</i>	Current Policy <i>35% Probability</i>	Democratic Sweep <i>20% Probability</i>	Republican Sweep <i>20% Probability</i>
Real GDP					
Tril 2012\$	17.21	20.98	20.74	21.57	20.64
<i>Chg During Term</i>		2.73	2.49	3.32	2.39
Employment					
Mil	140.91	153.26	151.46	158.23	150.88
<i>Chg During Term</i>		13.59	11.80	18.67	11.22
Unemployment Rate, %	8.4	4.6	4.7	4.0	4.8
Real After-Tax Household Income					
Ths 2012q\$	122.56	124.22	123.32	126.38	122.69
<i>Chg During Term</i>		1.66	0.76	4.27	0.13
S&P 500 Stock Index	3,300	3,450	3,301	3,516	3,425
10-Year Treasury Yield, %	0.7	3.7	3.7	3.9	3.7
Cumulative Budget Deficit, Bil\$	na	7,700	7,982	9,975	8,231
Federal Debt-to-GDP Ratio, %	105.8	112.9	115.4	120.2	116.8

Sources: BEA, BLS, Census Bureau, Treasury, Moody's Analytics

6

Appendix: Policy Tables

Biden's Changes to the Personal Tax Code

Static effect on federal tax revenue under VP Biden, \$ bil

	2021-2024	2021-2030
Revenue Raisers	1,003.6	2,768.5
Apply 12.4% Social Security payroll tax to earnings above \$400,000	317.2	997.6
Tax capital gains and dividends at same rate as ordinary income above \$1 mil of income	149.3	462.2
Limit tax benefit of itemized deductions to 28% of value	56.4	310.2
Restore estate, gift, and GST tax to historical norms	94.0	266.7
Phase out qualified business income deduction above \$400,000 of income	164.2	218.6
Restore pre-TCJA rates above \$400,000 of income	109.9	143.3
Other	112.6	369.9
Tax Expenditures	-383.9	-807.8
Net effect	619.8	1,960.7

Sources: Biden Campaign, JCT, Tax Policy Center, U.S. Treasury, Moody's Analytics

Biden's Changes to the Corporate Tax Code

Static effect on federal tax revenue under VP Biden, \$ bil

	2021-2024	2021-2030
Revenue Raisers	842.4	2,295.7
Increase corporate tax rate to 28%	44.9	1,341.0
Reduce the global intangible low-tax income deduction from 50% to 25%	182.2	314.3
Eliminate certain tax preferences for the real estate industry	100.0	303.6
Impose 15% minimum tax on global book income	54.9	174.6
Impose a financial fee	39.6	111.4
Other	20.8	50.8
Tax Expenditures	-20.4	-157.2
Net effect	822.0	2,138.5

Sources: Biden Campaign, JCT, Tax Policy Center, U.S. Treasury, Moody's Analytics

Biden's Infrastructure Plan

Static effect on federal budget deficit, \$ bil

	2021-2024	2021-2030
Transportation	872.4	900.0
“Made in America”	700.0	700.0
Federal purchases of U.S.-made products (e.g. clean vehicles, steel, pharmaceuticals, telecom)	400.0	400.0
R&D funding	300.0	300.0
Clean Energy	472.8	490.0
Clean Energy Standard Block Grants	40.0	40.0
Deploy 500,000 new public charging outlets by end of 2030	7.8	25.0
Other	425.0	425.0
Residential/Nonresidential structures	293.1	300.0
Affordable Housing Fund/Modernization of public school facilities	200.0	200.0
Other	93.1	100.0
Total	2,338.4	2,390.0

Sources: Biden Campaign, Moody's Analytics

Biden's Education Plan

Static effect on federal budget deficit, \$ bil

	2021-2024	2021-2030
K-12	159.7	600.0
Triple Title I funding for public schools	72.1	250.0
Provide universal pre-kindergarten to all three-and four yr-olds	25.9	150.0
Other	61.7	200.0
Higher Education	366.9	1,006.5
Make public colleges and universities tuition-free for all families with incomes <\$125k	191.3	522.9
Double maximum value of Pell grants	146.4	393.1
Investment in HBCUs, TCUs, MSIs, and workforce training	29.2	90.5
Student Loans	109.8	299.9
Simplify and increase generosity of income-based repayment program	104.1	284.6
Make a new Public Service Loan Forgiveness Program	5.6	15.3
Total	636.3	1,906.4

Sources: Biden Campaign, CBO, CRFB, Georgetown University, NCES, Urban Institute, Moody's Analytics

Biden's Social Safety Net Plan

Static effect on federal budget deficit, \$ bil

	2021-2024	2021-2030
Caregiving	255.0	1,020.0
Create national paid family and medical leave program (Up to 12 wks of paid leave)	114.5	570.0
Give Americans more choice to receive care at home or in community situations	140.4	450.0
Social Security	63.4	328.6
Protect widowers from steep benefits	32.7	109.5
Higher benefit for oldest Americans and minimum benefit for lifelong workers	20.4	98.5
Compute COLA using Consumer Price Index for the Elderly (CPI-E) rather than CPI	10.4	120.5
Other	49.4	149.9
Total	367.8	1,498.5

Sources: Biden Campaign, CBO, Department of Labor, Social Security Administration, Moody's Analytics

Biden's Healthcare Plan

Static effect on federal budget deficit, \$ bil

	2021-2024	2021-2030
New spending	658.8	1,925.0
Expand Affordable Care Act and establish new public insurance option	505.1	1,400.0
Boost rural health and mental health funding	40.1	200.0
Lower Medicare eligibility age from 65 to 60 yrs old	74.3	200.0
Address opioids crisis	39.3	125.0
Cost-cutting reforms	-53.7	-450.0
Allow Medicare to negotiate drug prices directly and regulate new drugs & biologics	-20.3	-300.0
Reduce prescription drug prices	-19.2	-100.0
End surprise medical billing	-14.2	-50.0
Total	605.1	1,475.0

Sources: Biden Campaign, CBO, CRFB, Moody's Analytics

Trump's Government Spending Plan

Static effect on federal budget deficit, \$ bil

	2021-2024	2021-2030
Infrastructure	394.1	1,084.0
10-year reauthorization of surface transportation programs	273.9	885.0
Additional investments	120.2	199.0
Healthcare	-217.8	-928.4
Medicaid savings (e.g. recoup improper payments, DSH allotment reductions)	-66.7	-245.3
Medicare savings	-107.8	-464.8
Other	-43.3	-218.3
Social Safety Net	-138.7	-485.0
Reduce welfare spending on SNAP and TANF	-105.7	-292.1
Overhaul disability programs and Social Security payment integrity	-7.0	-76.0
Other	-26.1	-116.9

Sources: CRFB, OMB, Moody's Analytics

Trump's Spending Plan, Cont'd

Static effect on federal budget deficit, \$ bil

	2021-2024	2021-2030
Education	-52.2	-170.0
Create single income-driven student loan repayment plan	-18.2	-59.8
Eliminate subsidized student loans and Public Service Loan Forgiveness	-21.2	-70.5
Other	-12.7	-39.7
Other	38.4	-237.7
National Defense Strategy	127.1	166.0
Other spending reductions, reforms, or adjustments	-88.6	-403.7
Total	23.9	-737.1

Sources: OMB, Moody's Analytics

Trump's Tax Plan

Static effect on federal tax revenue, \$ bil

	2021-2024	2021-2030
Personal Tax Code		
Permanently extend personal tax cuts under the 2017 tax law	-20.0	-1,353.6
Index capital gains to inflation	-80.0	-200.0
Suspend employee-side 6.2% Social Security payroll tax for four months	-172.2	-172.2
Establish Education Freedom Scholarships	-16.0	-45.8
Allow Medicare beneficiaries to make tax deductible contributions to HSAs or MSAs	-4.7	-16.3
Repeal specific energy-related tax credits	5.9	16.5
Improve tax administration	11.7	81.6
Corporate Tax Code		
Extend partial expensing of equipment property at 100% rate	-20.6	-200.2
Total	-310.1	-1,890.3

Sources: CBO, OMB, Social Security Administration, Tax Policy Center, Moody's Analytics

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