

The Economic Consequences of the 2020 U.S. Election

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November 2020

Agenda

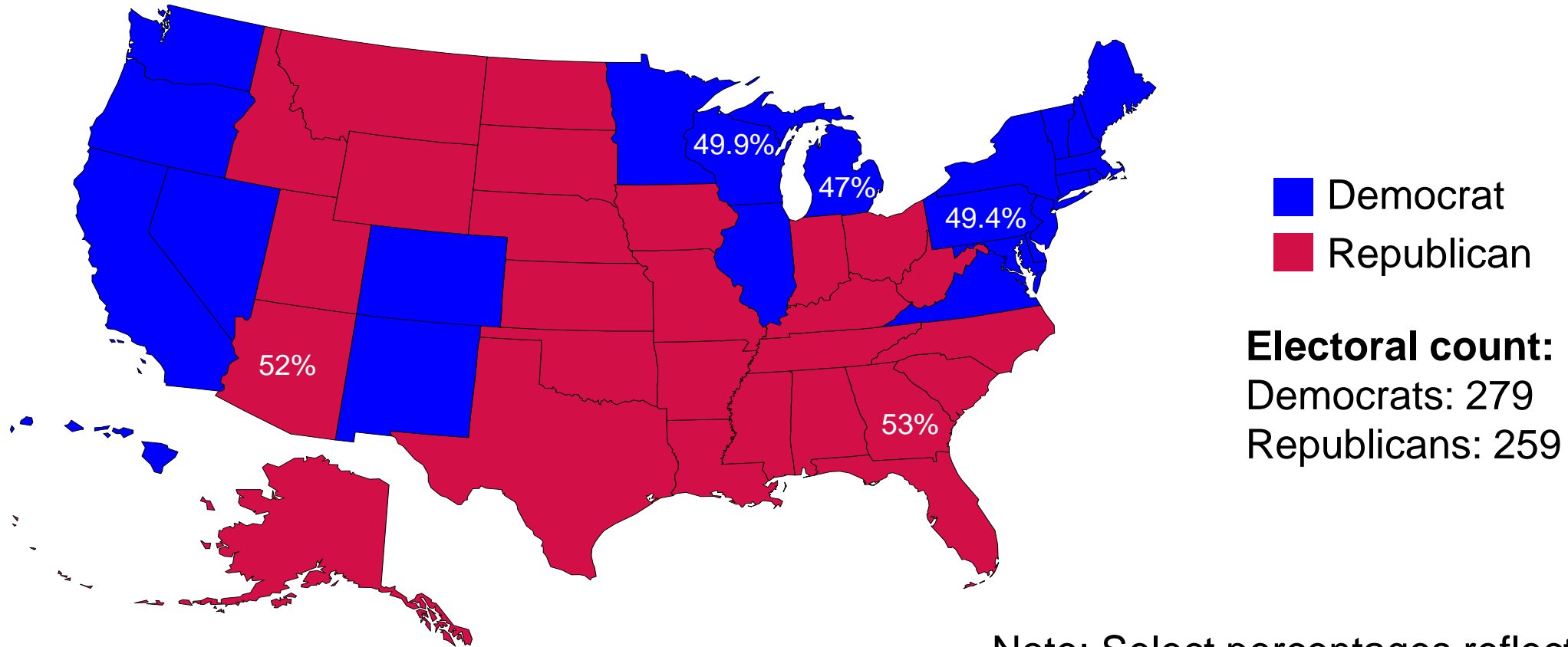
1. Election Post-Mortem
2. Economic Consequences
3. U.S. Fiscal Policy Wildcards

1

Election Post-Mortem

Election Models Predicted Nail-Biting Win for Biden

Oct 2020 forecast assuming typical nonincumbent turnout

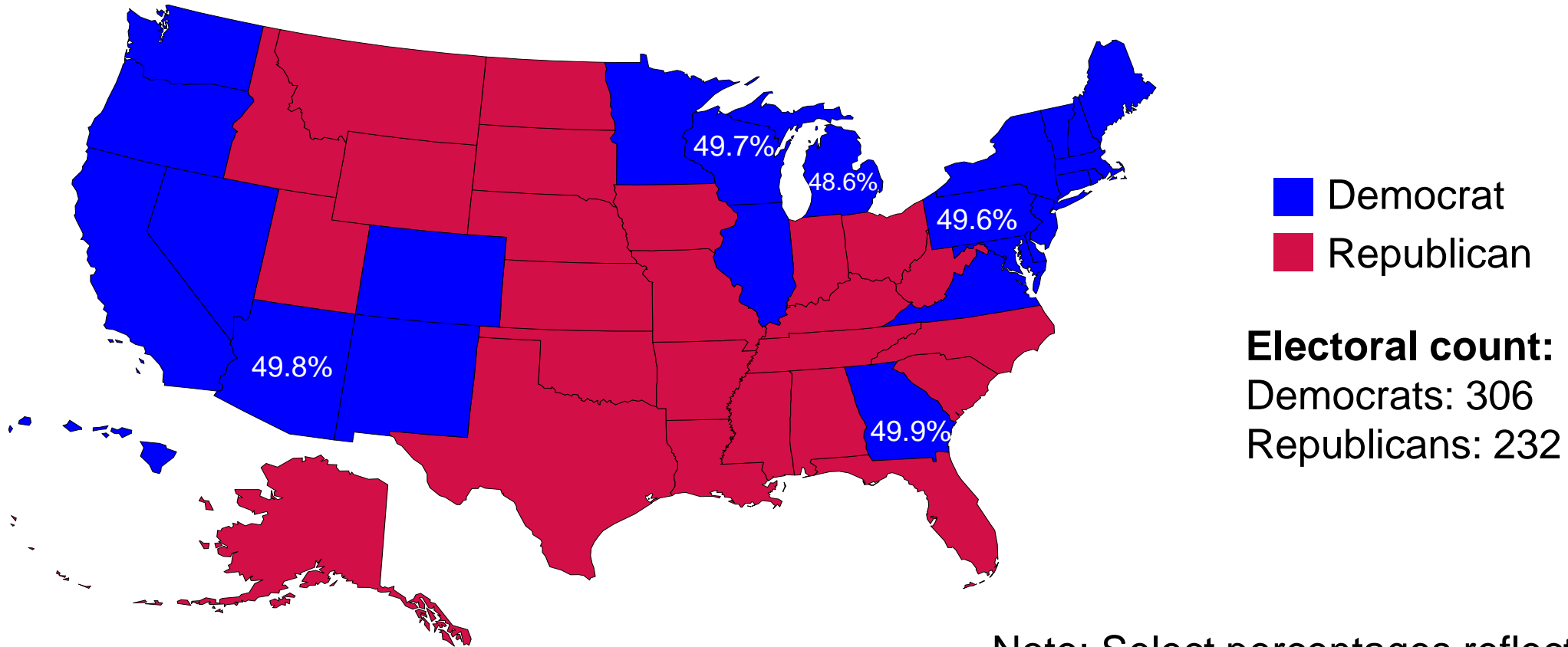


Source: Moody's Analytics

Note: Select percentages reflect projected share of two-party vote for President Trump

Hits and Misses

How states voted in 2020 presidential election

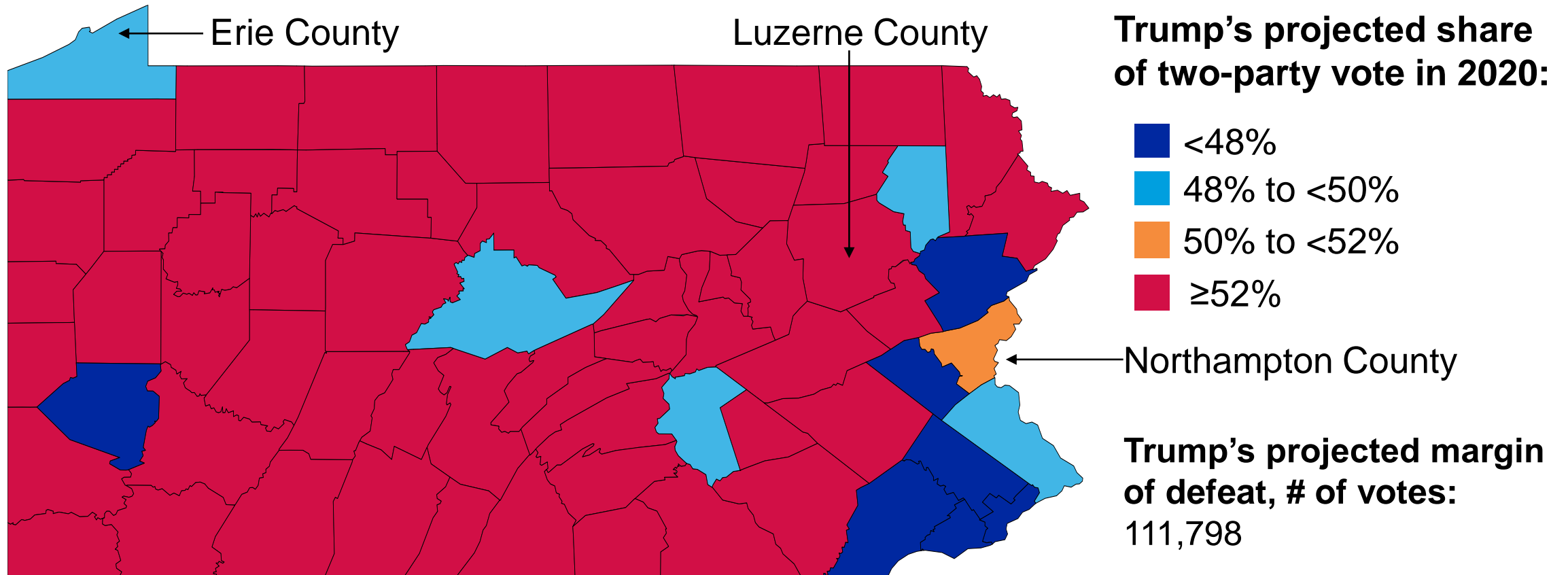


Source: Moody's Analytics

Note: Select percentages reflect actual share of two-party vote for President Trump

Biden Leads in PA by 47,600 Votes and Counting

How Pennsylvania counties were predicted to vote under avg nonincumbent turnout

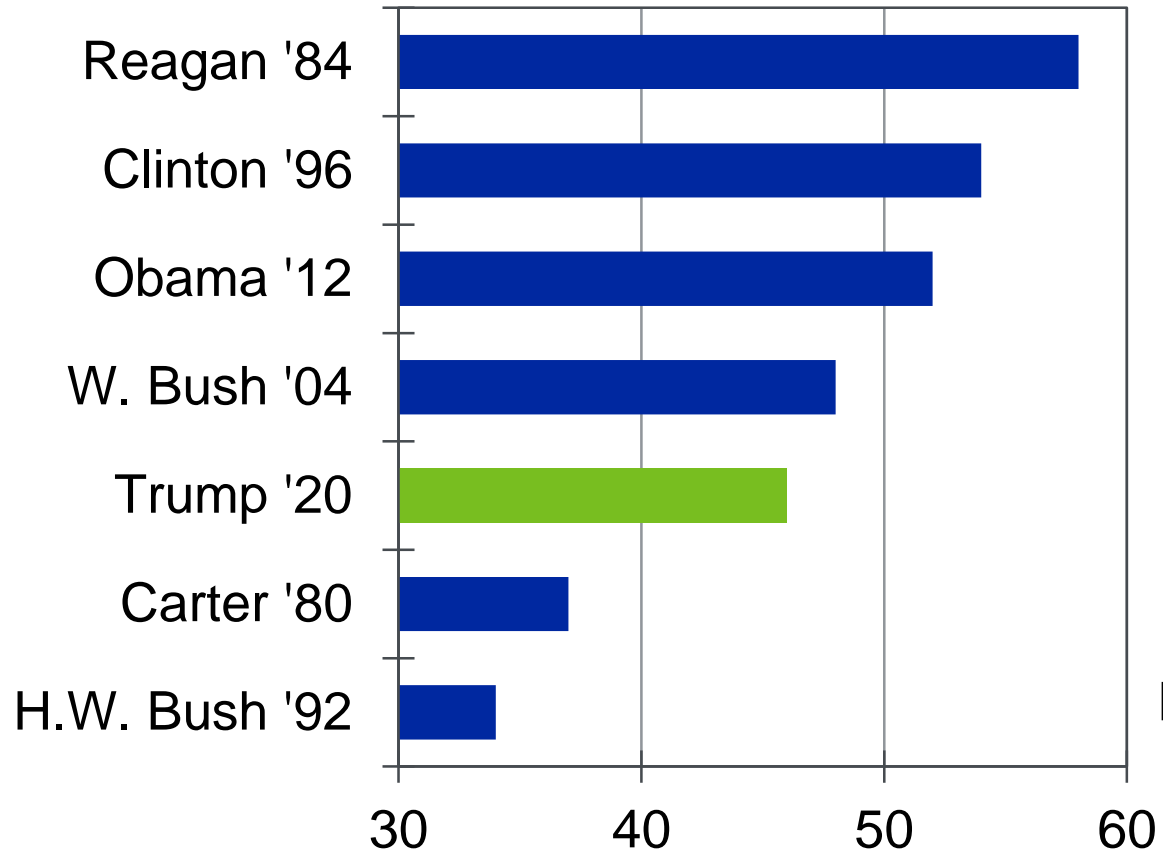


Source: Moody's Analytics

Note: Results reflect Sep 2020 forecast

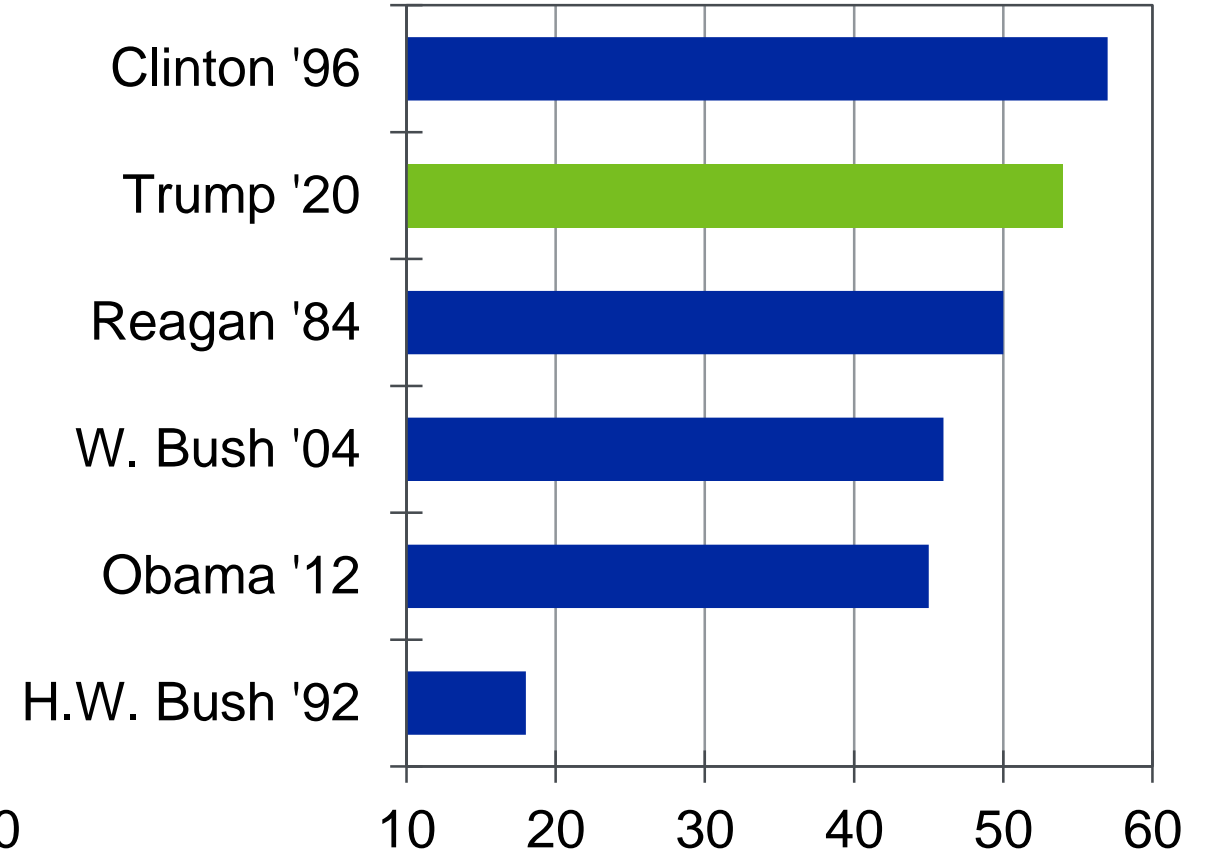
Not An Easy Election to Forecast

Overall job approval, %



Sources: Gallup, Moody's Analytics

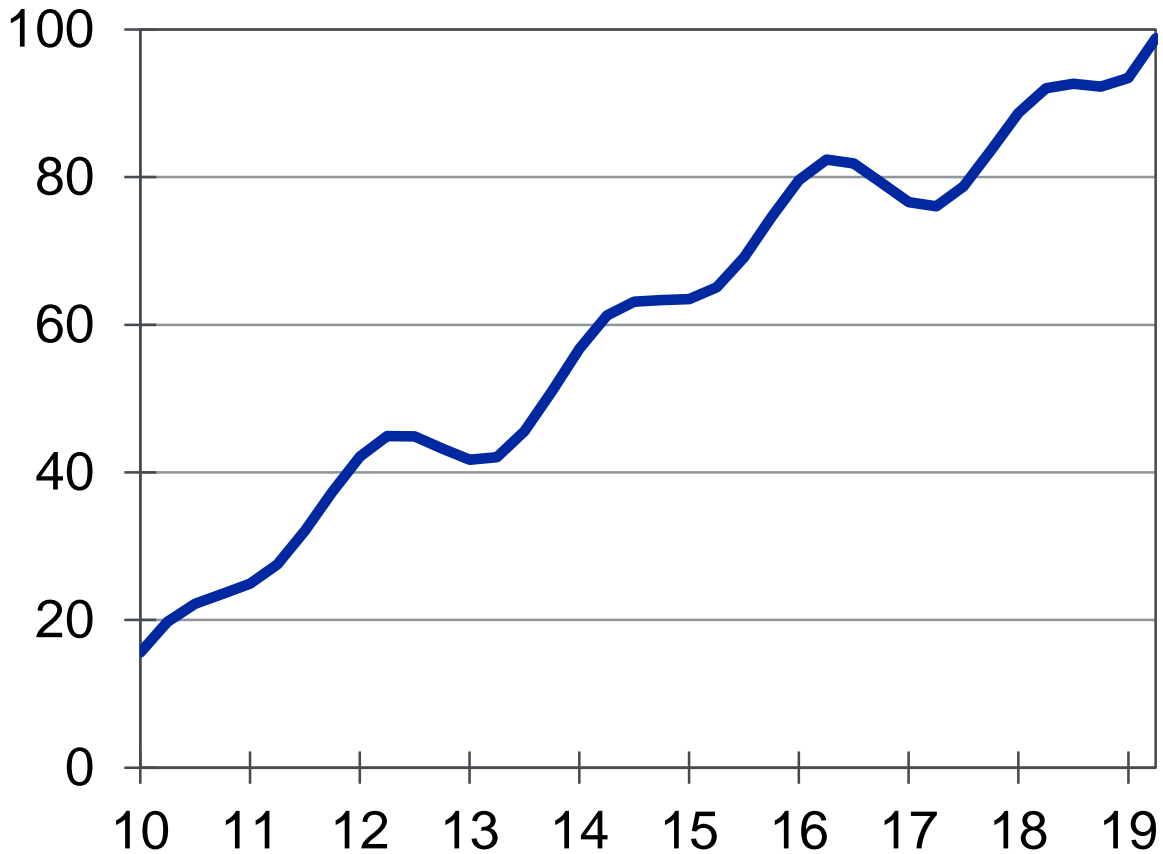
Job approval on economy, %



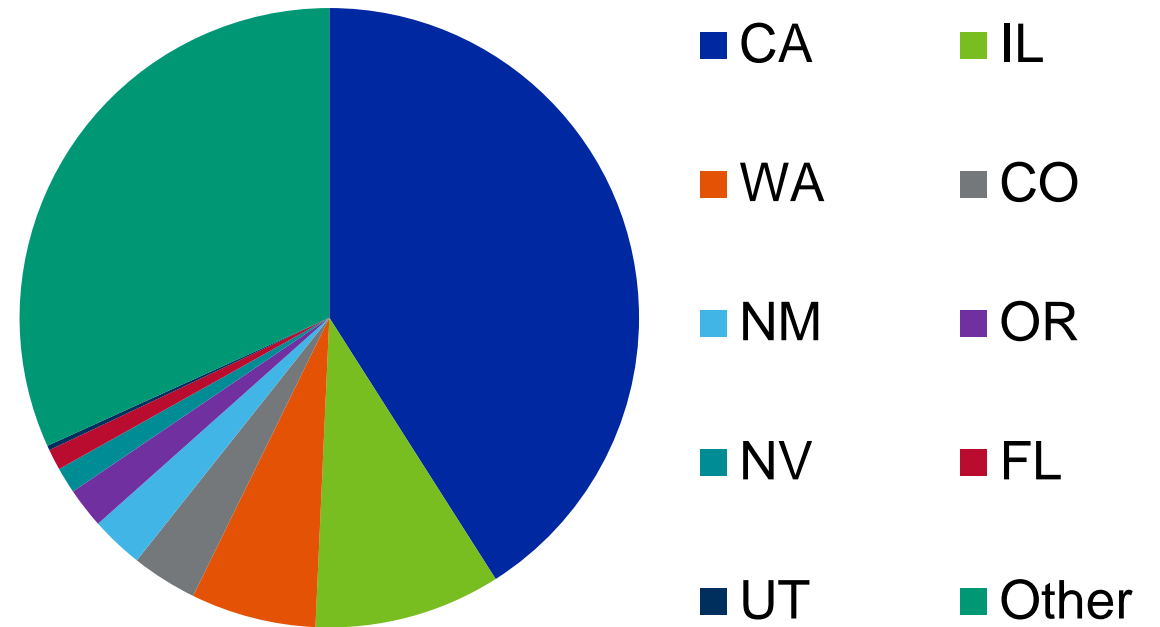
Note: Reflect final pre-election approval ratings

Net Migration Contributes to Biden's Edge in Arizona

Net migration, ths, 4-qtr moving sum



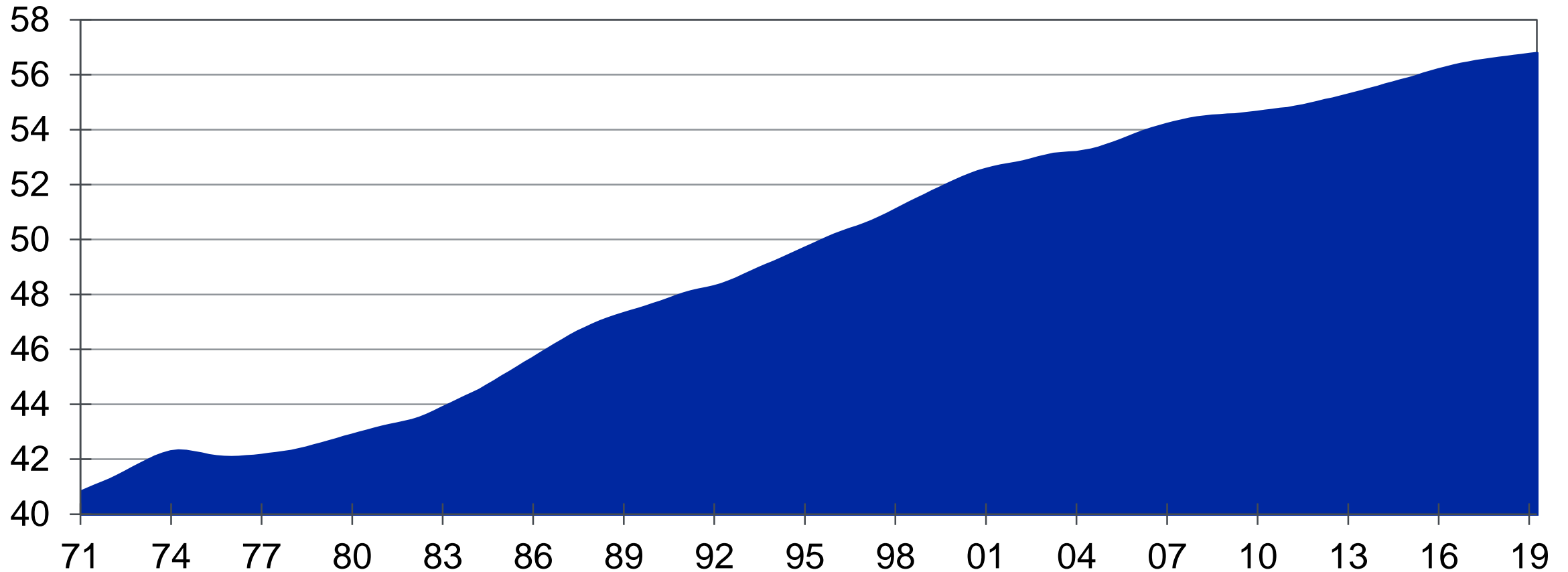
Source of net in-migration, %, 2018



Sources: Census Bureau, IRS, Moody's Analytics

Booming Atlanta Area Lifts Biden in Georgia...

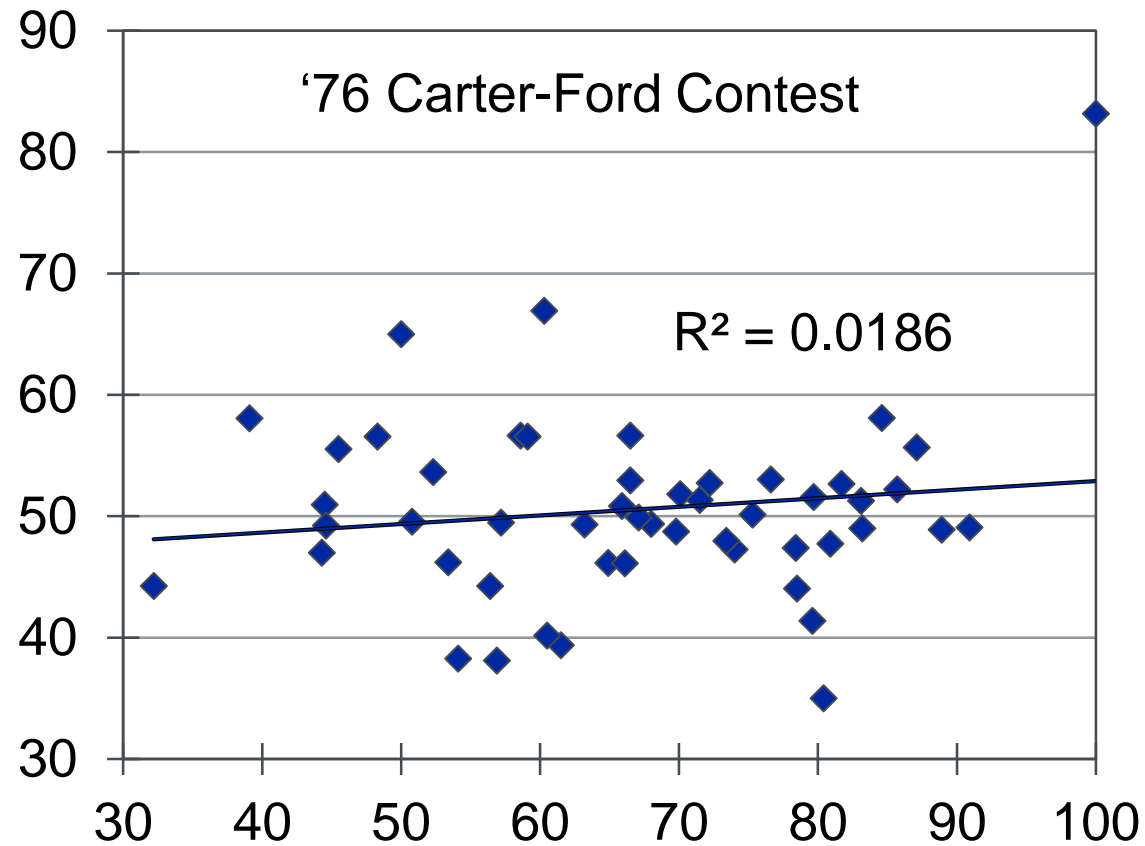
Atlanta metro area, % of statewide population



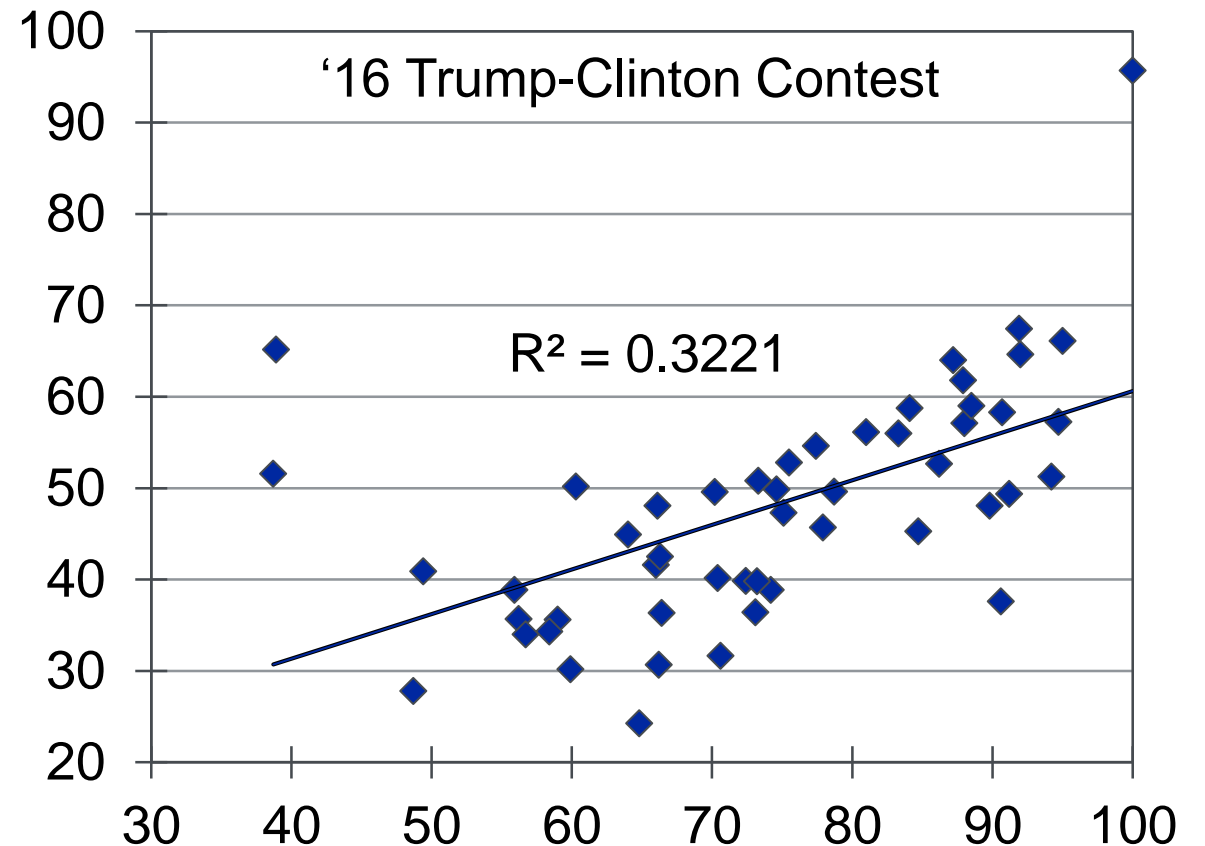
Sources: Census Bureau, Moody's Analytics

...Highlighting Urban-Rural Divide in U.S. Politics

X-axis = % of population in urban areas; Y-axis = Democratic share of two-party vote, %



Sources: Census Bureau, Moody's Analytics



Dots = All U.S. states and District of Columbia

House Democrats Head into 2022 in Precarious Position

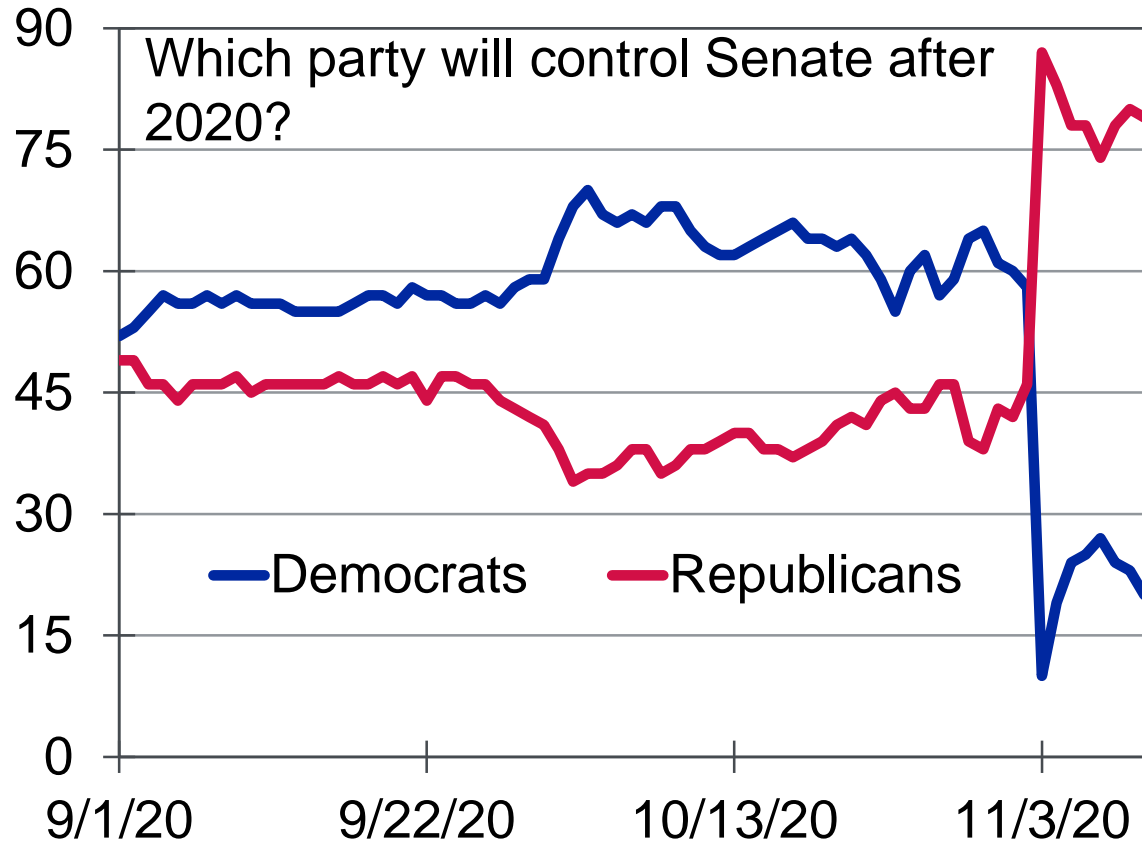
All postwar midterm election years

	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
1946	-56	Yes	Democrat	1986	-5	No	Republican
1950	-28	No	Democrat	1990	-9	No	Republican
1954	-19	Yes	Republican	1994	-52	Yes	Democrat
1958	-49	No	Republican	1998	4	No	Democrat
1962	-1	No	Democrat	2002	8	No	Republican
1966	-47	No	Democrat	2006	-31	Yes	Republican
1970	-12	No	Republican	2010	-64	Yes	Democrat
1974	-49	No	Republican	2014	-13	No	Democrat
1978	-15	No	Democrat	2018	-40	Yes	Republican
1982	-26	No	Republican	Historical avg: -26.5			

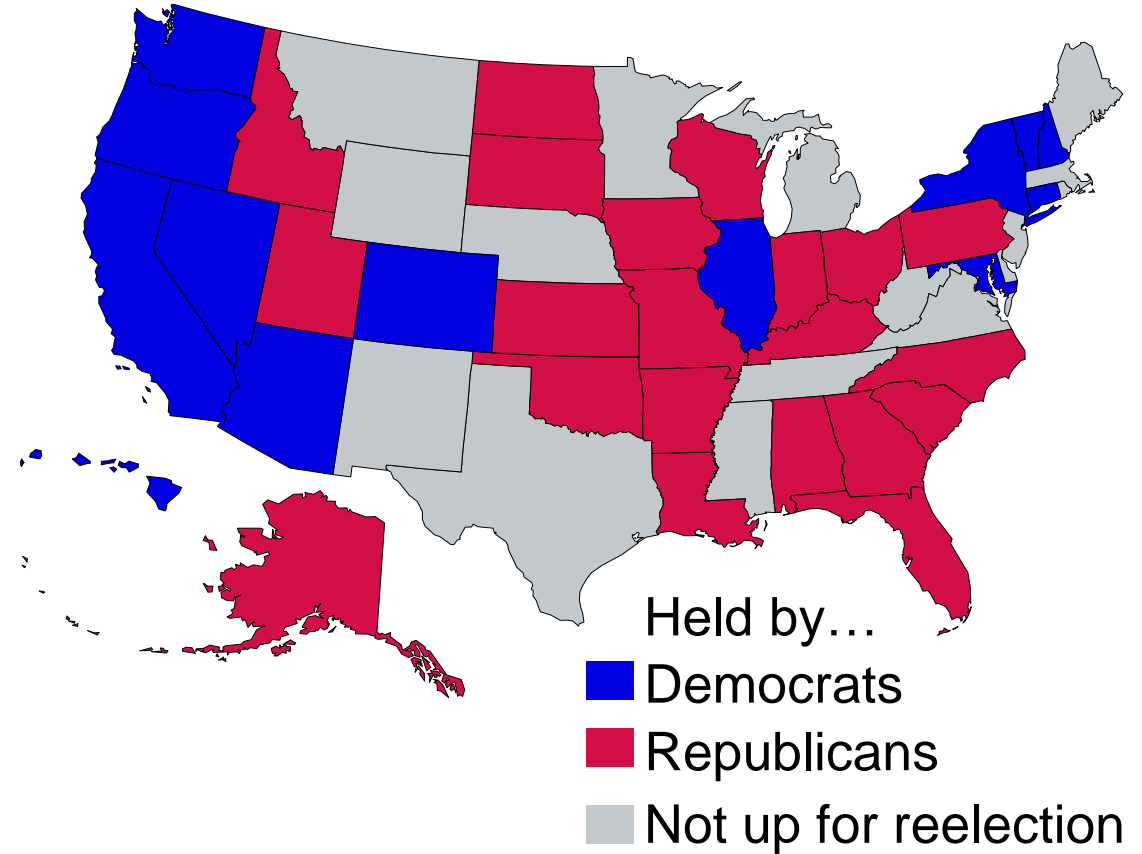
Sources: U.S. House of Representatives, Moody's Analytics

Under Biden, Dems Have Two Chances to Retake Senate

Probability, %



U.S. Senate seats up for reelection in 2022



Source: PredictIt, Moody's Analytics

2

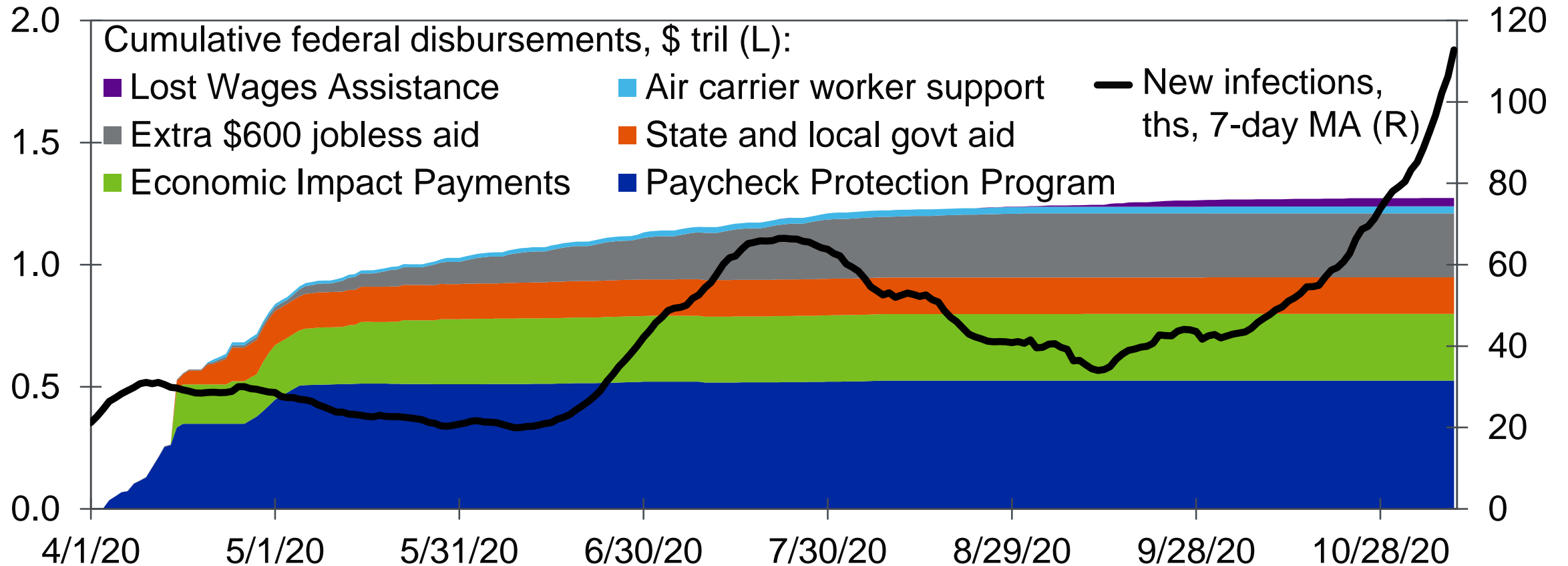
Economic Consequences

Big Changes in Policy Dead Ahead

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

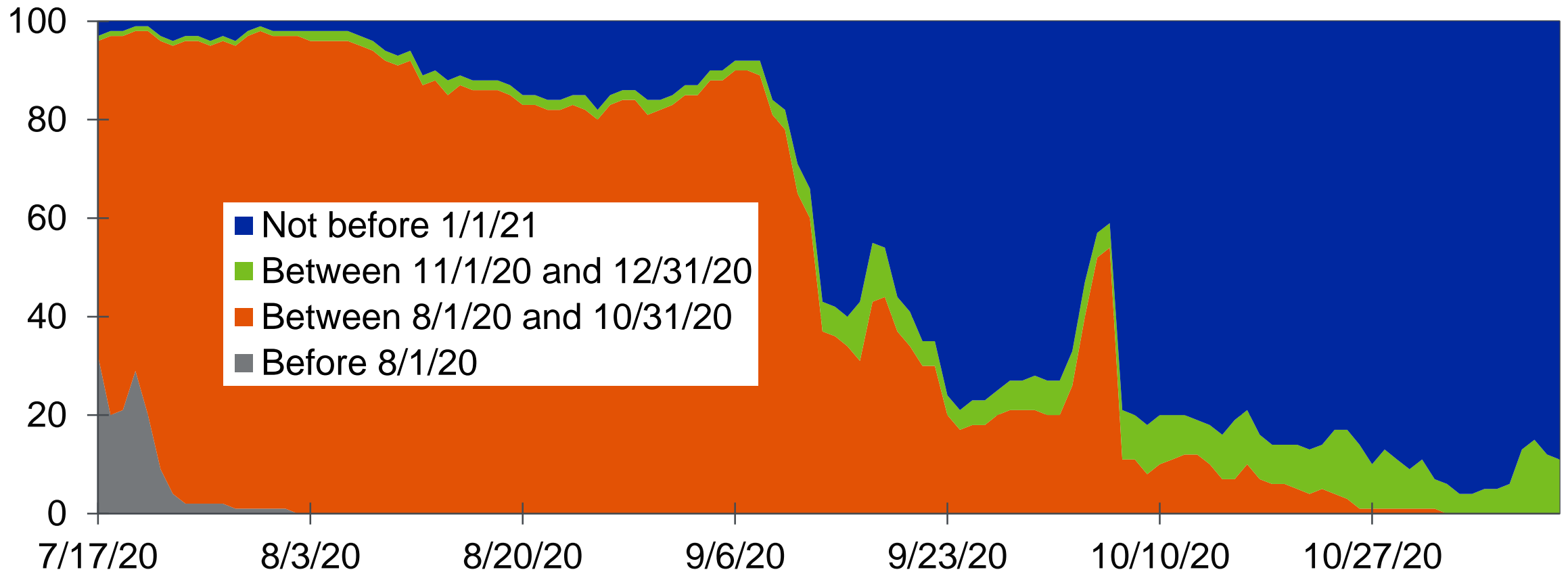
A Bad Time for U.S. Federal Fiscal Support to Fade



Sources: The COVID Tracking Project, CRFB, SBA, U.S. Treasury, Moody's Analytics

Next Pandemic Relief Bill Unlikely to Come in 2020

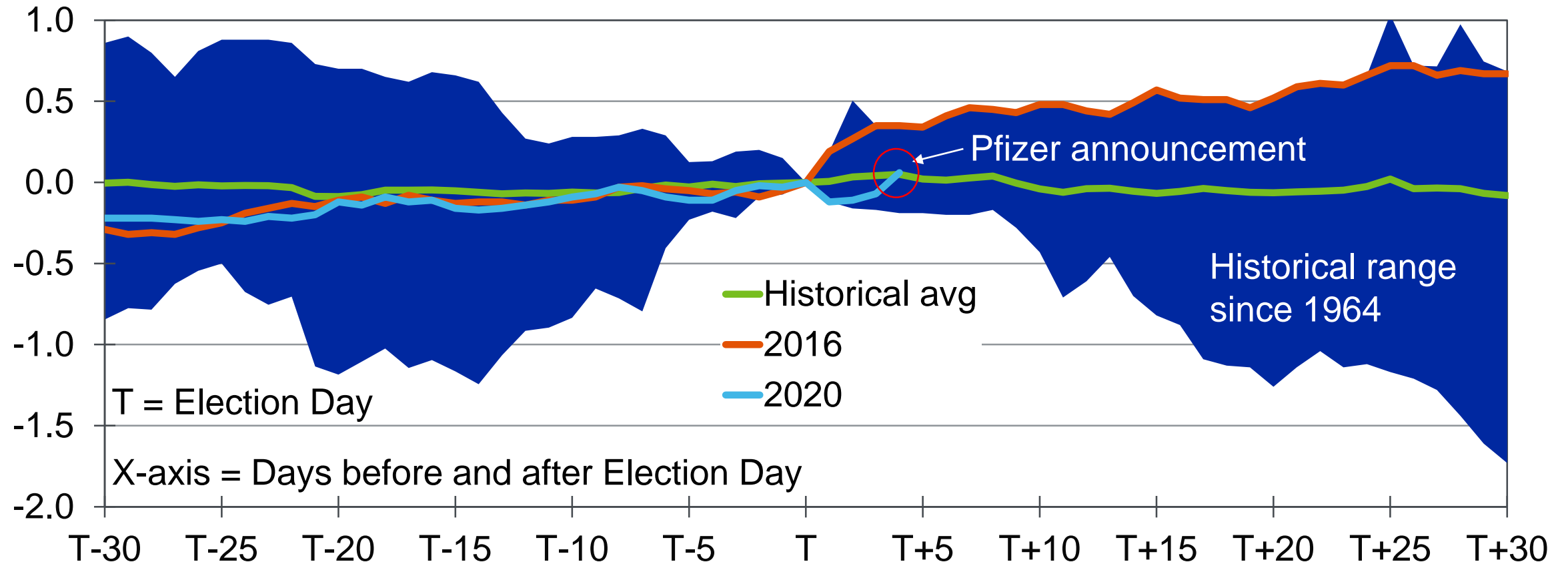
Probability, %, federal legislation providing \geq \$750 bil of new stimulus becomes law in U.S.



Sources: The Good Judgement Project, Moody's Analytics

Treasury Yields Slump As Stimulus Prospects Diminish

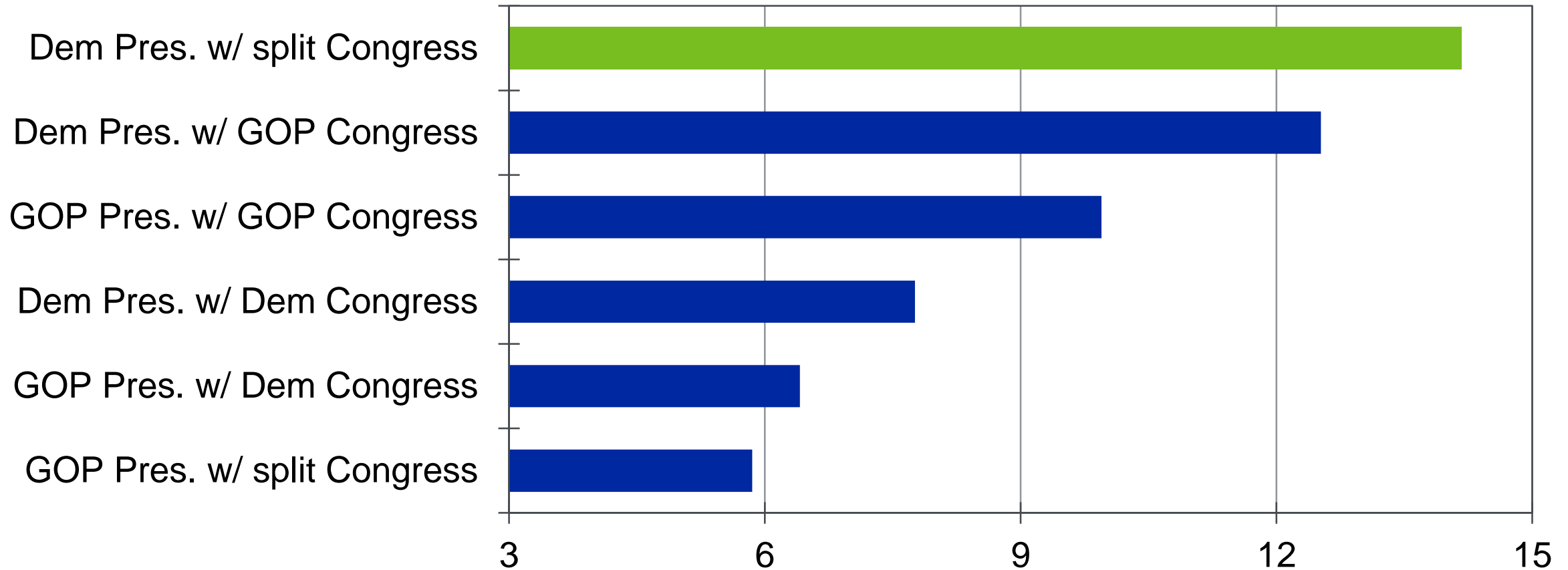
U.S. 10-yr Treasury yield, change relative to Election Day, ppt



Sources: Federal Reserve, Moody's Analytics

Dem President, Split Congress Have Been Best for Stocks

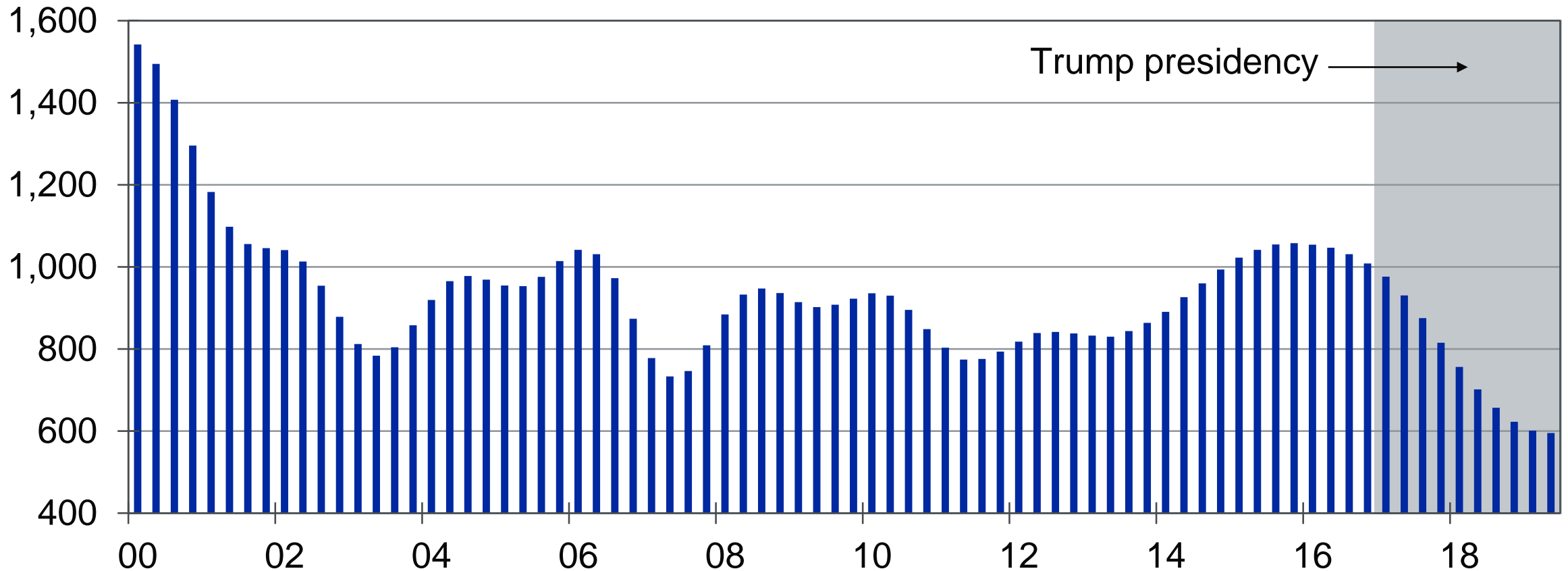
S&P 500, avg annual % change across political scenarios since 1945



Sources: Standard & Poor's, Moody's Analytics

Biden Will Liberalize U.S. Immigration Policy

U.S. net international migration, ths, 4-qtr moving sum



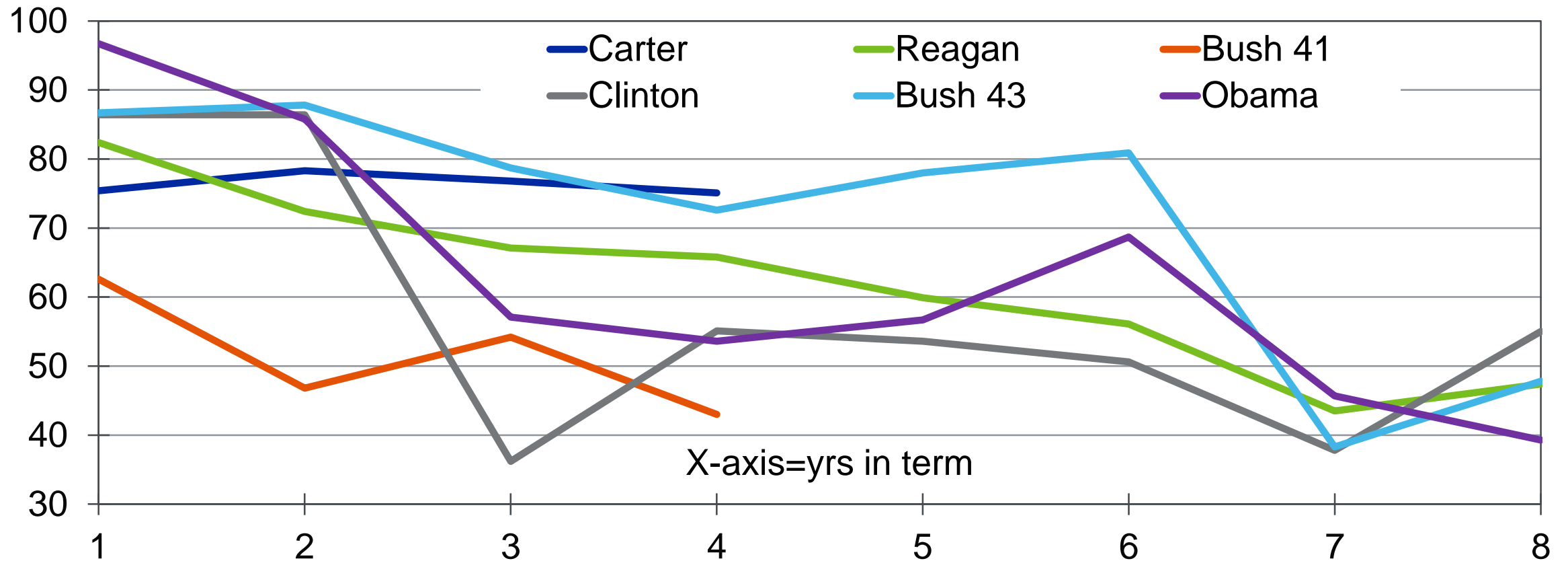
Sources: Census Bureau, Moody's Analytics

3

U.S. Fiscal Policy Wildcards

Upside Risk: Biden and Split Congress Work Together

Presidential victories on votes in Congress, %



Sources: Brookings Institution, Moody's Analytics

Expiring TCJA Provisions Create Opening for Bipartisanship

End of
2021



- Businesses required to deduct R&D expenses over 5 yrs, rather than immediately
- Deduction for business net interest limited to 30% of EBIT, rather than 30% of EBITDA

End of
2022



- Immediate expensing of business capital outlays at 100% rate begins to phase out

End of
2025

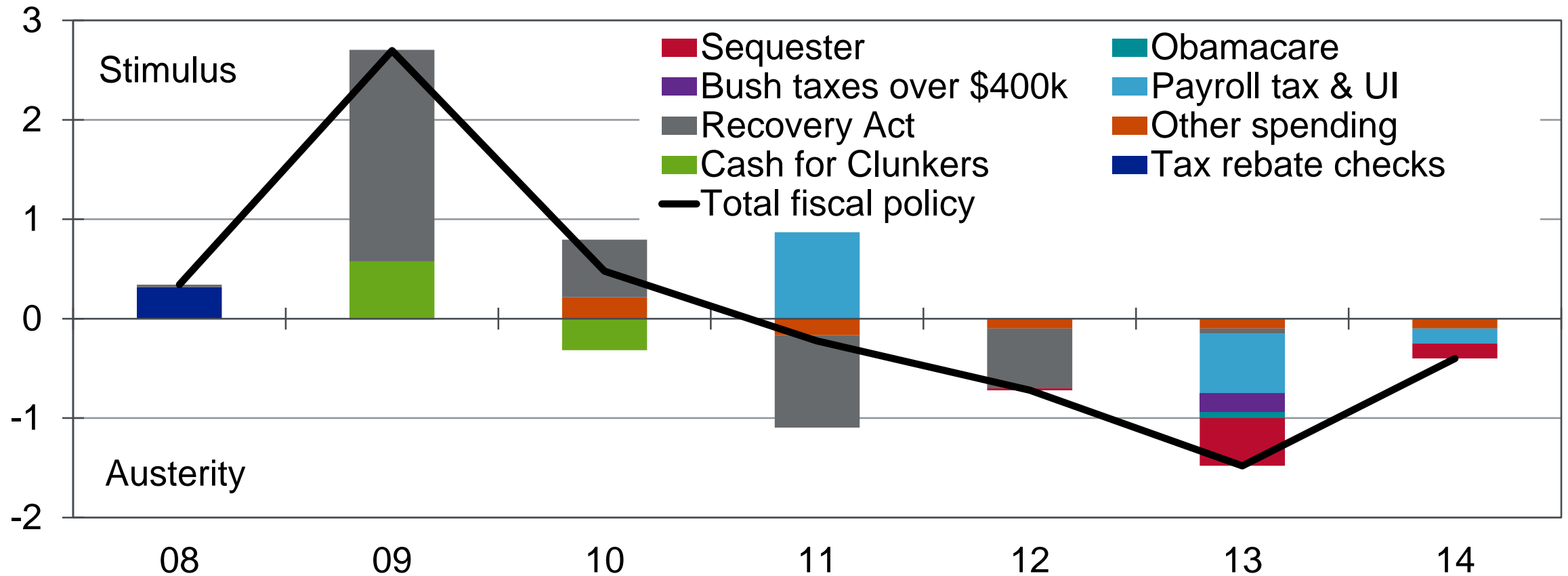


- Reduction in individual income tax rates, increase in standard deduction, elimination of personal exemption, and doubling of child tax credit expire
- Reduction in alternative minimum tax and estate tax sunsets
- Pass-through deduction expires, and international tax provisions (GILTI and BEAT) become less generous

Sources: Tax Foundation, Moody's Analytics

Downside Risk: Stimulus Turns into Austerity Too Soon

Fiscal policy contribution to U.S. real GDP growth, %



Source: Moody's Analytics

Q&A

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