

US election is key for the country’s economic agenda

November 3rd will be an important day this year for the United States of America. It will be the US Election Day; a momentous time in which Americans are going to select their key leaders, including all 435 seats in the US House of Representatives, 35 of the 100 seats in the US Senate, and the US President. While the constellation of political forces is key for the direction of the country, the selection of the presidential candidate is “at the core” of the direction the country will take. Hence, attention and emotions are naturally drawn to the presidential race, especially under the current conditions of elevated political polarization and tensions in the country.

The current US president Donald Trump is leading the Republicans in his quest for a second term, while Joseph (“Joe”) Biden is leading the ticket for the Democrats against the incumbent. Biden is a political veteran who worked as vice president under Barack Obama and who served as Senator for Delaware for decades. Trump and Biden have different views, opinions and policy proposals for the US on a number of issues. Our analysis delves into their differences, particularly the key topics of fiscal policy, business regulation and foreign relations.

2020 US elections key events

Date	Event
29-Sep-20	First presidential debate
7-Oct-20	Vice presidential debate
15-Oct-20	Second presidential debate
22-Oct-20	Third presidential debate
3-Nov-20	Election day
6-Jan-20	Congress meets to declare winner
20-Jan-20	Inauguration day

Sources: QNB analysis

Starting with fiscal policy, both Trump and Biden are strong proponents of additional stimulus and accommodative budget measures. In fact, the exhaustion of traditional monetary policy tools (policy rates and to some extent even quantitative easing) transformed fiscal policy into the main driver of aggregate demand, especially since the outbreak of the Covid-19 pandemic. Republicans and Democrats alike are conscious that the recession

created by the pandemic requires large doses of fiscal stimulus. However, their plans for such stimulus are significantly different. President Trump is a supporter of “trickle-down economics”; the idea that lower taxes on businesses and individuals will spill over to the rest of the economy. Consequently, Trump is defending new rounds of stimulus via tax-cuts. After the Tax Cuts and Jobs Act of 2017, which lowered income taxes, he proposes to now reduce the capital gains tax rate and launch measures that would allow companies to deduct more investment costs from taxes. Moreover, on the expenditure front, while Trump supports emergency funding for citizens in need due to the Covid-19 shock, his longer-term plans tilt more towards bigger public investments in US infrastructure.

Biden’s fiscal policy proposals on the other hand pledges to substantially increase the expenditure side, particularly social investments associated with entitlements, education and healthcare. Funding is set to be partially provided by additional taxation, as Biden proposes to raise taxes and reduce benefits of upper-income taxpayers.

With regards to business regulation, partisan differences also abound. Trump and the Republicans tend to follow a pro-business *laissez-faire*, *laissez-passer* (“to let do, let pass”) agenda of limited government intervention, aiming to spur efficiency, economic activity and jobs. Whereas, Biden and the Democrats tend to support more strict government regulation of “big business,” favouring consumer rights, anti-monopoly principles and environmental concerns over corporate interests. While philosophical or ideological in nature, such differences have consequences in real life, particularly in sectors such as technology and energy with regards to environmental, social and governance (ESG) related matters. ESG related matters with regards to addressing long-term material sustainability efforts are a substantial driver for his election campaign. Biden hence suggests to follow a similar direction of movements that have recently dominated political decisions in Europe which are of second priority to the Republicans.

Last but not least, Trump and Biden have also presented different agendas on foreign policy. Trump

is keen to continue with his transactional “America First” policy, focusing on trade negotiations that would contribute to re-shore economic activities in the US as well as on unilaterally using the country’s economic resources to achieve foreign policy goals. Biden is pointing to a return towards a more traditional foreign policy stance. He aims to return to more engaging position in international organizations and a less transactional (more “value-based”) partnerships with key Western allies.

Despite the differences in style or even approaches between Trump and Biden, the strategic US-China

future US administration. This “superpower competition” is driven more by secular or long-term changes in both American and Chinese societies than by particular personalities, leaders or short-term political agendas. Biden however plans to withdraw from the political trade related tensions between the US and Europe.

All in all, the US election is set to mark one of the most important political events of the year. No matter the results of the election, we believe that the US is set to continue being an economic powerhouse that spurs technology and innovation across the globe.

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rivalry will likely continue irrespectively of the

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