

ISSUE BRIEF : Q4 2020

# THE MACROECONOMIC CONSEQUENCES: TRUMP VS. BIDEN

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MOODY'S



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## TOPLINE: BIDEN IS BETTER ON THE ECONOMY



Researchers at Moody's -- the firm responsible for rating much of the world's corporate securities and government debt -- recently "rated" Trump and Biden's economic plans. Their model, which is similar to those used by the Federal Reserve Board and Congressional Budget Office, simulates economic growth under both Trump and Biden plans over the next decade.

Their conclusion? "Voters have a very clear choice in deciding their next president. Trump and Biden could not have more different governing approaches and policies, and this is especially true when it comes to economic policy."

"We conclude that Biden's economic proposals would result in a stronger U.S. economy than Trump's. Largely because of Biden's substantially more expansive fiscal policies, the economy would return to full employment more quickly coming out of the pandemic than under Trump... This translates into 7.4 million more jobs under Biden than Trump. Longer-run growth also receives more of a boost under Biden than Trump."<sup>1</sup>



The scenarios for each candidate assume their party wins the presidency and controls Congress after the November elections.

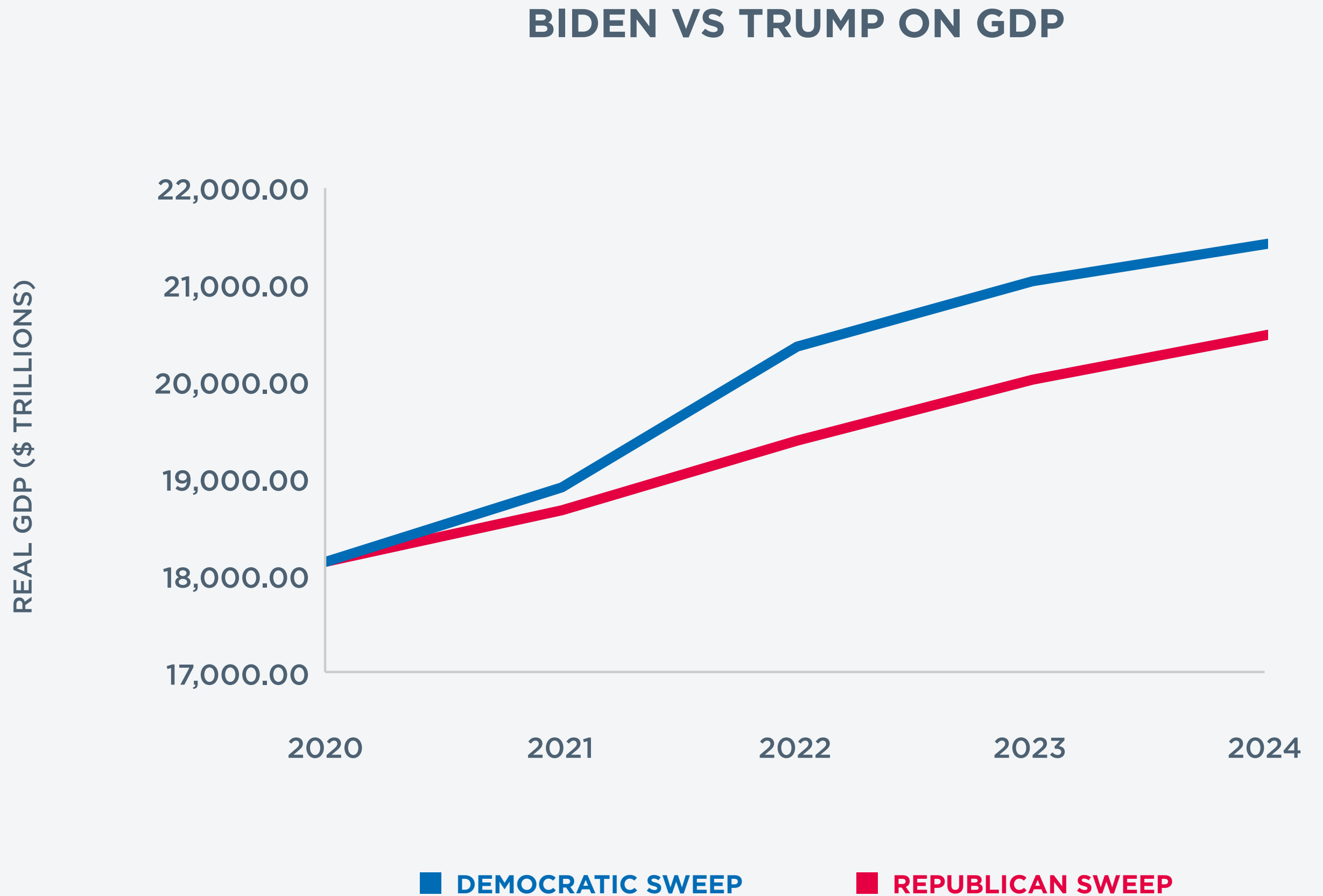
In the case of a Democratic sweep, the economy grows by nearly \$1 trillion more than in a Republican sweep; and the workforce also outperforms a Republican victory by more than 7 million jobs through 2024.<sup>2</sup>

TRUMP 2ND TERM VS. BIDEN 1ST TERM	BIDEN	TRUMP	DIFFERENCE
NEW JOBS	18.6 MILLION	11.2 MILLION	7.4 MILLION
ECONOMIC GROWTH	\$3.3 TRILLION	\$2.3 TRILLION	\$939 BILLION
AVERAGE ANNUAL GDP GROWTH	4.2%	3.1%	1.1%
ANNUAL REAL INCOME GROWTH	GROWS \$4,800	STAYS ROUGHLY THE SAME	\$4,800

# SHORT-TERM GROWTH



“The economy suffers in Trump’s second term, as we expect he will double down on the foreign trade and immigration policies he pursued in his first term... [T]here is little evidence that the Chinese had any intention to abide by the Phase One Deal, other than where it was in China’s economic interest... Tensions with other trading partners are also likely to remain high... widening deficits between the U.S. and other nations.”<sup>3</sup>



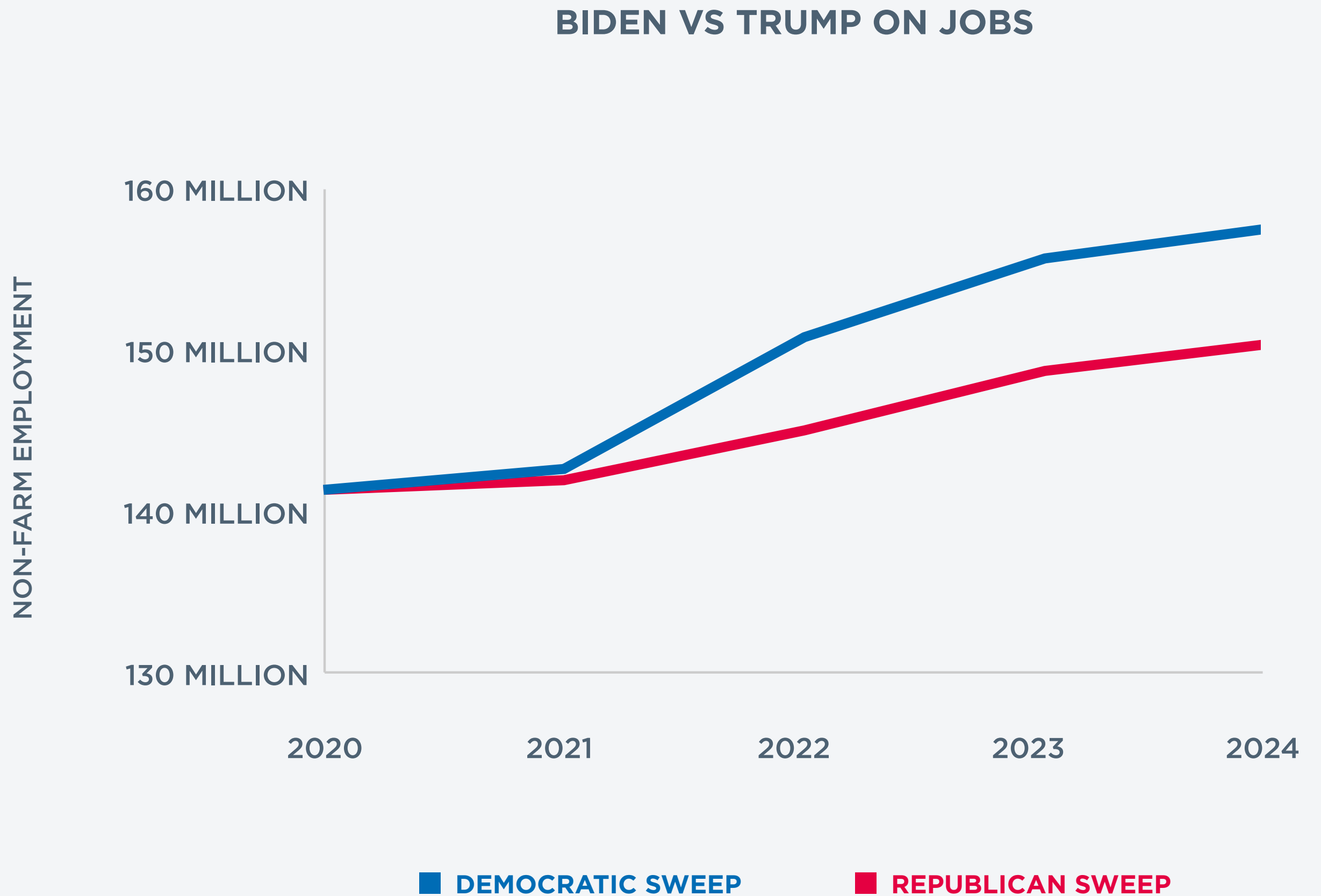
# MANUFACTURING & IMMIGRATION



“Global manufacturers have not meaningfully shifted production back to the U.S. They have shifted instead to other countries with lower production costs.”<sup>4</sup>



“We also assume Trump will continue to pursue a highly restrictive foreign immigration policy...This is a significant impediment to longer-term economic growth, as it slows growth in both the labor force... and labor productivity.”<sup>5</sup>

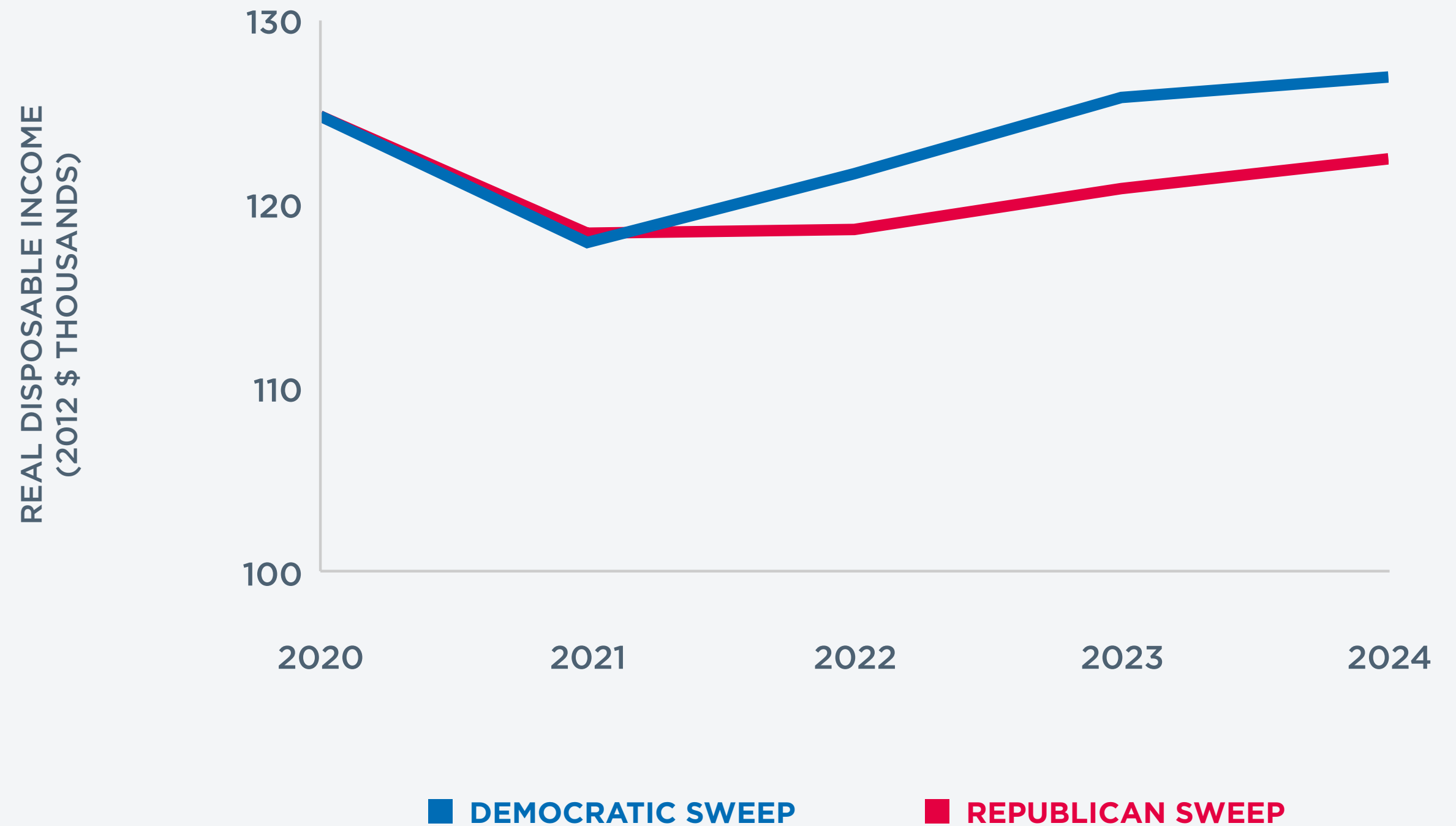


# LONG-TERM GROWTH



“Longer-term growth under Biden’s policies is also stronger because on net they expand the supply side of the economy -- the quantity and quality of labor and capital needed to produce goods and services. His plan to increase spending on the nation’s infrastructure also boosts business competitiveness and productivity. His paid family leave and elder care plans would increase labor force participation... while increased spending on higher education and early childhood education would raise the educational attainment of workers. Increased global trade and foreign immigration would increase the size of the workforce, both skilled and unskilled, and support stronger productivity.”<sup>6</sup>

### BIDEN VS TRUMP ON INCOME





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“[A]s the economy returns to full employment, government spending under Biden’s policies abates, resulting in much smaller budget deficits later in the decade.”<sup>7</sup>



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“Low- and middle-income households are the primary beneficiaries of Biden’s economic proposals. Their tax bill will remain roughly the same as it is today, but they are significant beneficiaries of increased government spending on education, healthcare, housing, a plethora of other social programs, and a larger economy. High-income and wealthier households pay meaningfully more in taxes...”

“Biden ramps up government spending on education, healthcare and other social programs, the benefits of which largely go to those in the bottom half of the income distribution. Meanwhile, he meaningfully increases taxes on the well-to-do...Trump largely does the reverse.”<sup>8</sup>

# REFERENCES

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