



Trump or Biden: Who would boost growth, restore jobs faster? Here's an Election Day guide on the economy

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President Donald Trump and former Vice President Joe Biden have offered strikingly different blueprints for lifting the U.S. out of the COVID-19-induced economic downturn – the nation's worst since the Great Depression.

Trump has promised more cuts to taxes and regulations, and hinted at additional tariffs against China.

Biden has vowed to raise taxes on the wealthy and corporations, using the trillions of dollars generated to upgrade the nation's infrastructure and shift to a clean-energy future, make housing and child care more affordable and improve education, among other proposals.

The two candidates also have laid out conflicting views of the pandemic and the economy. Trump generally has opposed additional state or federal restraints on businesses.

"We can't keep this country closed," he said during the candidates' final debate last month. "The cure cannot be worse than the problem itself."

Biden says he doesn't favor shutting down the country again but states or cities shouldn't ease business constraints until the virus is tamed in their regions, adding that such a cautious approach will ultimately benefit the economy.

"I'm going to shut down the virus, not the country," Biden said at the debate.

Some top economists say Biden's overall plan is better-suited to recovering the remaining 11 million jobs lost in the pandemic-induced recession. About half the 22 million jobs shed have been recouped as shuttered businesses reopened and rehired workers.

"The goal of the next president will be to get back to full employment as fast as possible," says Mark Zandi, chief economist of Moody's Analytics. "Biden will get there a lot faster than Trump will."

But some economists argue Trump's free-enterprise approach will more effectively unleash business owners' animal spirits.

“Overall, I think Trump will be better for the U.S. economy,” says economist Chris Edwards of the libertarian Cato Institute. “Trump will be better from a free-market perspective.”

More layoffs?: Biden’s campaign has put forth a detailed blueprint of his infrastructure and other proposals that it says will create 12 million jobs. Trump has vowed to create 10 million jobs in 10 months but didn’t specify how.

Here’s a breakdown of their proposals:

Taxes

Biden: His administration would raise taxes and eliminate loopholes for individuals earning more than \$400,000, restore tax rates to their level before Trump's tax bill was enacted; subject incomes above \$400,000 to the 12.4% Social Security payroll tax (it now phases out at \$138,000); and begin phasing out itemized deductions at incomes of \$400,000.

Also, it would tax capital gains and dividend income at ordinary rates for incomes above \$1 million. And increase the corporate tax rate from 21% to 28%, among other changes.

Upshot: The Tax Policy Center says the increases would boost tax revenue by \$4 trillion over the next decade.

Economist Nancy Vanden Houten of Oxford Economics says she supports the plan because it targets wealthy individuals who likely would save, rather than spend, their tax windfall, doing relatively little harm to the economy.

But Cato’s Edwards argues it’s the wealthy who launch entrepreneurial ventures that expand the economy. Increasing their income and capital gains taxes will discourage such activities, he says.

“It would be a harsh blow to America’s innovation economy,” he says.

Trump: In his nomination speech, he suggested he’ll propose cutting individual taxes but didn’t say which.

“I will cut taxes even further for hard-working moms and dads,” he said. “I will not raise taxes. I will cut them, and very substantially.”

Trump also has said he’s considering reducing taxes for the middle class and on capital gains. Any such changes would have to be approved by Congress.

Hunkering down: An outline released by his campaign lists a “Made in America” tax credit and tax credits for companies that bring back jobs from China. It also cites 100% expensing deductions for industries like pharmaceuticals and robotics that bring manufacturing back to the U.S.

As part of Trump’s flurry of executive actions in August, he ordered the Treasury Department to let employers defer payment of certain payroll taxes from September 1 to the end of the year for Americans earning less than \$100,000 a year.

Upshot: The Tax Foundation says it's difficult to analyze the ideas without more details. But the group says the current tax code structure would make a middle-class tax cut difficult.

“The benefit of rate reductions would accrue to top earners as low earners face reduced (or zero) taxes.”

In 2017, Trump spearheaded a \$1.5 trillion tax reform – the Tax Cuts and Jobs Act -- but the Tax Policy Center said most of the benefits went to the wealthiest households.

Zandi agrees with the Tax Foundation that it's difficult to assess the tax proposals because Trump doesn't provide specifics.

He says, “Tax cuts provide a small economic bang for the buck, adding significantly to the nation's debt load and providing little economic lift.”

New spending

Biden: He plans to upgrade the nation's roads, bridges and highways; build a clean energy economy; invest in research and development to bolster manufacturing; ensure the government and its contractors buy American products; provide tuition-free community college; ensure access to affordable child care and universal preschool; and provide aid for Americans to buy or rent homes.

Upshot: Van Houten says the programs would help low- and middle-class households, significantly bolstering economic and job growth.

“Those are policies that have a big bang for the buck and generate a lot of economic activity,” Zandi says, a strategy he says is badly needed as the economy struggles to reclaim lost jobs.

Oxford says the programs would cost \$7 trillion over 10 years, more than the \$4 trillion generated by the tax increases. Van Houten says piling another \$3 trillion onto a national debt – that already has swelled by about \$2.5 trillion this year alone in response to the pandemic – is “manageable.”

“We need to get back to full employment,” Zandi says. “Once we get the jobs back, we can quickly pivot” to reducing the debt.

But Edwards opposes government decisions to fund programs that he says would be better made by private industry.

Trump: His administration would launch a space warfare branch of the military known as space force and establish a permanent manned presence on the moon; build the world's “greatest infrastructure system;” fully fund police and law enforcement, and partner with other countries to clean up oceans.

Upshot: Trump has not released the costs of his proposals. Zandi says, “The spending he is proposing is small and will not provide a meaningful boost to the economy.”

Trade

Biden: The Democratic candidate has talked tough on China. His website says he'll "take aggressive enforcement actions" against the country's dumping of products in the U.S. below cost, its currency manipulation and other practices. But Biden says he'll rally U.S. allies to confront China rather than take on the country by itself.

Although he has suggested he would remove Trump's existing tariffs, an aide clarified that he'll re-evaluate them after he takes office, according to The Washington Post.

Upshot: Van Houten says Biden's strategy has a better chance of succeeding by enlisting the support of other nations. And Zandi says the removal of tariffs would reduce the cost of Chinese imports for American consumers and lead to the lifting of Chinese counter-tariffs on U.S. exports.

Trump: He recently threatened tariffs on companies that don't move jobs back to the U.S. from overseas. Says he would not grant federal contracts to firms that outsourced to China. And would bring 1 million jobs back from China and hold that country accountable for allowing the virus to spread around the world -- that originated in Wuhan -- though he was not specific.

Trump already has imposed tariffs on \$360 billion of Chinese imports.

Upshot: Zandi says Trump is doubling down on a trade war with China that has severely hurt the U.S. economy while delivering minimal benefits. A Moody's study last September found the fight already had cost America's economy nearly 300,000 jobs and 0.3% of gross domestic product by raising costs for consumers and curtailing U.S. exports through Chinese counter-tariffs.

Under Trump's Phase 1 trade deal that suspended future tariffs on Chinese imports, China agreed to expand purchases of U.S. goods and services by \$200 billion in 2020 and 2021. As of last month, China had bought 24% to 58% of its year-to-date target, depending on the product, according to a recent report by the Peterson Institute for International Economics.

China also agreed to impose harsher penalties for intellectual property theft but it's unclear if Beijing is enforcing such provisions, says a Brookings Institution report this month.

"Ultimately, the phase one agreement disappointed because it, along with the trade war, severely damaged the U.S. economy while failing to make significant progress in fundamentally resolving the structural imbalances the U.S.-China trade relationship," the Brookings study says.

Regulations

Biden: The candidate says he'll roll back much of Trump's cuts, especially environmental rules for the energy industry as he looks to combat climate change with his clean-energy plan.

Upshot: Adding rules that require clean energy, for example, will increase costs for consumers. But Zandi says it will address the potentially larger economic costs of climate change, such as hurricanes and other natural disasters.

Trump: The president says he'll continue to aggressively cut regulations. He initially promised to scrap two rules for each new one and the Competitive Enterprise Institute says he has more than met that goal.

Upshot: Edwards says Trump's regulations have unshackled businesses and sparked more investment and hiring. Zandi says no studies have shown that slashing regulations benefits the economy broadly.

Minimum wage

Biden: The candidate supports raising the minimum wage to \$15 an hour.

"People are making six, seven, eight bucks an hour," Biden said during the last debate. "They deserve a minimum wage of \$15. Anything below that puts you below the poverty level. And there is no evidence that when you raise the minimum wage, businesses go out of business. That is simply not true."

Trump: During the debate, he said he would consider raising the federal minimum wage to \$15 an hour from \$7.25 "to an extent" but he prefers leaving the matter to states, which could set the pay floor based on the cost of living in their regions. Raising the national minimum wage, he says, would lead small businesses to lay off workers.

"How are you helping your small businesses when you're forcing wages?" Trump said. "What's going to happen, and what's been proven to happen, is when you do that, these small businesses fire many of their employees."

Upshot: A Congressional Budget Office study last year found that raising the federal pay floor to \$15 would boost the wages of 17 million workers. Another 10 million workers earning slightly more than \$15 per hour might also see their wages rise as well, the report said. But 1.3 million other workers would lose their jobs as businesses offset their higher costs.

Several states are already gradually raising their base pay to \$15, and dozens of cities and counties, along with leading corporations such as Amazon, are already there. A minimum wage hike to \$15 will have little negative impact if it occurs gradually and follows market trends, Zandi says.