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The economists' guide to choosing between Trump and Clinton

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The parties have spoken and after a brutal campaign season, Donald Trump and Hillary Clinton are now the official presidential candidates of the Republican and Democratic parties. Now the real fight begins, and the economy will be a key – if not *the* key– battleground.

More than 90% of voters have said that the economy is extremely important to them. The Guardian asked three economists to weigh in on what we can expect from a Trump or Clinton White House. Here is what they had to say:

Donald Trump is 'not a normal candidate'

Normal presidential candidates put forth proposals that usually have been vetted by policy experts. They also generally have track records from their time as elected officials. The combination of these factors allows external observers to make semi-reasonable predictions on what policies might get adopted if they get elected and to then speculate on how those policies might affect the economy.

Trump is not a normal candidate. To be generous, his views on major economic issues are eclectic. He promises a big tax cut, but it's probably not very serious since he has no concomitant plan to restrain the growth of government spending. He threatens to impose steep tariffs, which would risk triggering a trade war, but he claims protectionism would merely be a stick to extort concessions from trading partners.

He makes noises about potentially defaulting on debt but then pivots and says the debt can be financed by printing money. It's not clear which would be the frying pan and which would be the fire, but either approach causes angst among most economists. And we can't forget Trump's signature issue of immigration. Tougher border enforcement generates a lot of debate about whether America benefits from more low-wage labor, but that controversy would seem minor if Trump actually launched a campaign to locate and deport the 10-million-plus people who already are in the country illegally.

With all this uncertainty about what Trump really believes, it's impossible to guess which policies will change and how the economy would be impacted.

For what it's worth, libertarians generally fear that Trump ultimately would govern as a left-leaning populist.

Though a Trump victory presumably would mean continued Republican control of the House and Senate, so it would be interesting to see whether traditional Republicans in Congress (who claim to believe in smaller government) would be able to control their seemingly uncontrollable leader.

Daniel Mitchell is a senior fellow at the Cato Institute. He specializes in fiscal policy, particularly tax reform, international tax competition, and the economic burden of government spending.

Trump could 'drive inequality in America to the highest level on record'

The most pressing problem in America today remains skyrocketing inequality. If trends since 2010 prevail, by 2018 the income share of the top 1% will be 23.7%, the highest level that figure has reached since the eve of the Great Depression in America. Reining in the growth of inequality is a multifaceted project of decades that requires higher wages, stronger unions, public investments in infrastructure and education from pre-K to post-secondary. It's hard to imagine any president implementing such an ambitious agenda by 2018. There is one concrete policy change that can be achieved by 2018, which is the crucial first step to finance the investments needed to achieve more broadly shared prosperity in America – higher taxes on the top 1%.

The Tax Policy Center has analyzed the plans of all three remaining presidential candidates and concluded that the Sanders tax plan would raise the average tax rate on the top 1% to 55.4%, under the Clinton plan it would rise 3.4 points to 36.2%, and under the Trump plan it would fall 11.7 points to 21.8%.

By moving in the wrong direction, the Trump plan would accelerate the growth in the income share of the top 1% as the Bush tax cuts did in the early 2000s and by 2018 drive inequality in America to the highest level on record. Both the Clinton and Sanders plans would move decisively in the direction of reducing inequality with the divide between the two plans, like the divide between their passionate supporters, reflecting not as much a differing direction as a differing scope of their ambitions.

Mark Price is a labor economist at the Keystone Research Center.

Trump's policies would lead to 'fear and disruption'

The net effect of Trump's program will be to cause considerable economic disruption but little if any net gain in employment or output, even while raising the risk of a major economic crisis. Trump proposes to lower taxes and to reduce business regulation and foreign competition for American businesses and jobs. While raising income for the rich, the tax cuts will do little to promote economic growth; tax-cutting has been tried repeatedly over the past 35 years and does little to stimulate the economy, especially in a depressed economy where people and businesses save tax cuts rather than invest or spend. While high tariffs on Chinese or Mexican imports would shift some production to domestic suppliers, the effect will be muted because footloose suppliers will move to other sources not facing the tariffs. Any gains from reduced imports will also be offset by losses among American export industries, such as high technology, entertainment and business services.

Similarly, if undocumented workers are repatriated, it would open some jobs but the net effect will be small and may not even be positive. Many positions vacated by repatriated immigrants will stay vacant for lack of willing workers, and any gains must be balanced when businesses fail because they have lost immigrant labor. The Trump fiscal policy will have some stimulative effect; increased economic activity will come from increased spending building walls, and on immigration and customs enforcement and the military.

Any economic growth from the Trump trade and fiscal policies must be balanced by reduced investment due to increased uncertainty coming from his aggressive foreign policy, and the danger that reducing financial market regulation will open the door to misbehavior like that which brought on the crisis in 2007 to 2009. Fear and disruption will discourage investment, reducing employment and output. And reductions in employment will be particularly hard on workers because Trump plans further cuts in the social safety net. While he is pledged to maintain social security retirement and Medicare benefits, he has proposed putting time limits and further restrictions on other programs, including unemployment insurance and supplemental nutrition (food stamps). Should the economy face a major recession, cutbacks in these social insurance programs will further compound the economic downturn.

Gerald Friedman is a professor of economics at the University of Massachusetts Amherst.

Clinton's plan: incremental leftism

There's no mystery about the fact that she would move public policy incrementally to the left. Some tax increases, but not giant tax increases. Some new regulations, but not complete government takeovers of industry. A bigger burden of government spending, but not turning America into Greece. An increase in the minimum wage, but not up to $15 an hour. More subsidies for higher education, but not an entitlement for everyone. And some restrictions on trade, but no sweeping reversal of the pro-trade consensus that has existed since the second world war.

And, needless to say, she won't support the types of entitlement reforms that have attracted support in the GOP-controlled House and GOP-controlled Senate.

Then again, she says she will have her husband serve as some sort of economic czar. And given Bill Clinton's pro-market record, that implies a more centrist approach and an ability to strike big deals with congressional Republicans.

It's just a guess, but incremental leftism almost certainly will characterize a Clinton presidency, which presumably means a continuation of the current weak economic expansion.

Though everything written about Clinton is speculative because we don't know whether she will have sufficient coattails to help congressional Democrats regain control of the House and Senate. – *Mitchell*

A crackdown on Wall Street?

While Clinton would do little to change the direction of the economy, her program will raise employment a little while improving wages and living conditions for working people, especially women, and those in families with young children and those still without health insurance. Clinton has proposed to continue the economic policies of the Obama Administration including its support for free trade and a path-to-citizenship for undocumented immigrants, as well as advocating Obama proposal for an increase in the minimum wage (in her case to $12/hour), as well as small tax increases on the very rich, on large estates, and on financial institutions. Were these to be enacted, it would raise wages for as many as 40 million workers and narrow somewhat the gap between rich and poor. (The increase in the minimum wage would help some workers and would push up effective demand slightly, but its impact would be muted by the enactment of higher state minimum wages elsewhere, including in California and New York.)

She has also proposed increase access to community colleges, expand family leave and childcare, and provide more access to health insurance through the Affordable Care Act; these programs would provide real gains for millions of middle income working people.

Perhaps the most significant Clinton proposals are in the regulation of financial markets, a major source of the economic crisis of 2007 to 2009. Clinton favors strong enforcement of Dodd-Frank and would go further in regulating banks and financial markets to reduce the use of risky financial vehicles. Increased regulation and taxation of risky activities by banks and other financial institutions might also help the economy by reducing the risk of a major financial meltdown. By reducing fear of financial market collapse, tighter regulation may also encourage greater investment, stimulating employment and economic growth. – *Friedman*