The Political Outlook for 2020
Implications for Businesses and the U.S. Economy

Held Tuesday, January 14, 2020
Kellogg Global Hub
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Event description: The presidential and congressional elections in November 2020 will have profound social and economic consequences in the United States and around the globe. Renowned political experts discussed the political landscape for the upcoming year—providing their perspectives on the state of various national elections and what the outcomes will mean for the U.S. economy.

Panelists:

- Sarah Frostenson, FiveThirtyEight's political editor
- Mark Spindel, former CIO for the World Bank/IFC and Founder and Chief Investment Officer. Potomac River Capital
- Tabitha Bonilla, Northwestern Political Science professor

Moderator

- Professor Nicola Persico, Kellogg

Sarah Frostenson, FiveThirtyEight Politics Editor

A good rule of thumb, generally speaking, is if the economy is good, then the incumbent tends to do well. So under Trump, the employment rate is 3.6% as of December. It's the lowest it's been in 50 years. The GDP has continued to grow at 2%. That's not historic, but that's not *bad*. And voters even rate Trump as high as 52% in polls of his handling of the economy.

But that's about a 10 point difference from where he is overall in terms of their job approval rating. That 10 point gap between how voters rate Trump on his job performance and the economy actually tells us quite a bit. And that's namely that there are other issues that voters are considering this election that aren't tied to the economy.

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Mark Spindel. Founder, Chief Investment Officer at Potomac River Capital, LLC

There are limits to conventional monetary policy, especially as interest rates approach zero. The Fed has little dry powder left, if any new signs of weakness appear. That means fiscal policy will need to do more, pulling the fed and the politicians who oversee it ever closer together, challenging an already challenged institution.

Will equity markets take comfort from an even bigger round of monetary and fiscal stimulus? Or will fears that divided government, in which different parties control the House, Senate, and the White

House, put limits on both, preventing policymakers from addressing a downturn before or after one develops?

I should add that even though interest rates and inflation are low, debt levels are high. We shouldn't take for granted that conditions will remain this way and that we can always keep borrowing so cheaply. These seem to me to be the bigger drivers of asset prices going forward.

The presidential and congressional elections matter a lot, but I want to underscore for you that the markets alone aren't determining the outcome for the election any more than the election itself will determine the outcome for markets.

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Tabitha Bonilla, Assistant Professor of Human Development and Social Policy, Northwestern University

Voters don't have all of the relevant information that they need to make decisions. So an example of this may come from some work that I have done on the connection between human trafficking and immigration: Most people don't really understand what human trafficking is. They don't understand how it differs from smuggling. They don't understand that it's not just forced prostitution. But in experiments where I'd help inform the public that immigration and human trafficking are closely linked together, and that more closed borders can lead to higher levels of human trafficking, voters then become much more supportive of open borders and much more willing to think about globalization.

These have been lightly edited and condensed for clarity.