

FOCUS · Clintonomics vs. Trumponomics

Hillary Clinton and Donald Trump, the two US presidential candidates (November 8), propose two totally opposed political, economic and social programmes; so much so that we must ask ourselves about each programme's potential implications for the US economy.

Taxes and public expenditure, international trade and immigration are the three key issues for both programmes while the need to increase spending on infrastructures is undoubtedly the only thing they actually agree about (see the table).

With regard to the fiscal area, both candidates defend the need to increase spending¹ but while Clinton targets tax hikes, especially for the higher income bracket, Trump defends extensive tax cuts which are widespread but mainly benefit high earners. This position by the Republican candidate has been widely criticised due to the sharp rise in public debt it would entail. In particular, and according to the independent Committee for a Responsible Federal Budget, Trump's fiscal programme would push total US public debt from its current figure of 104% of GDP up to 143% by 2026. On the other hand, the increase in expenditure proposed by Clinton would largely be offset by larger tax revenues. In this case, and according to the same organisation, public debt as a percentage of GDP would hardly change, reaching 107% of GDP by 2026.²

Apart from such fiscal issues and their consequences for the country's coffers, also of concern are the potential effects on the country's growth of measures regarding its tax system, public spending, international openness and immigration. In this respect Trump's programme performs badly in comparison. Although more

expenditure on infrastructures should improve US growth potential in the medium term, the high level of public debt and tax cuts proposed would limit its capacity to increase spending. The country's economic potential would also be harmed by the greater economic isolation proposed by the Republican candidate, particularly his plan to deport over 11 million illegal immigrants and increase trade barriers with Mexico and China, countries he accuses of taking advantage of their relations with the US.

Once again, at the other end of the scale, Clinton supports the controversial legalisation of a large number of undocumented immigrants, as well as other measures to open up the country to migratory flows. With regard to commercial ties between the US and the rest of world, and although Clinton is by no means a solid defender of free trade, she adopts a conservative position which would help keep the country's current trade relations as they are. On the whole Clinton's policies are not too far from the current status quo, so it is reasonable to conclude that, in the medium term, growth in the US economy would remain around the rates observed today.³

Nonetheless, and before we finish, it should be noted that neither Clinton nor Trump are likely to implement their programmes 100%. For this to be feasible, the same political party would have to win both the Presidential elections and also a comfortable majority in both houses (also with elections on November 8, with all the seats in the House of Representatives being renewed and a third of the Senate). The most likely scenario of a legislature without any clear majority would result in less radical and more conservative policies.

	Hillary Clinton	Donald Trump
Taxes and public spending	▲ Taxes (especially high-income)	▼ Taxes (especially high-income)
	▲ Infrastructure spending (\$275 billion in 5 years)	▲ Infrastructure spending (not specified)
	▲ Education spending (\$500 billion in 10 years)	▲ Defense spending (not specified)
	▲ Health spending (\$400 billion in 10 years)	Repeal Affordable Care Act (Obamacare)
International trade	• Moderate trade policies (status quo)	• Exit Trans-Pacific Partnership • Big tariffs for China and Mexico
Immigration	• Path to legalization for undocumented immigrants living in the country	• Massive deportation program • Limit immigration

Source: CaixaBank Research, based on both candidates' stances on key issues, Committee for a Responsible Budget, Deutsche Bank and Moody's Analytics.

1. While Clinton provides extensive details on the almost 40 measures contained in her programme, Trump tends to limit himself to providing very general information on different points of interest.

2. Other studies, including the one produced by the Tax Policy Center, offer similar estimates for both programmes. The softer version of Trump's initial tax proposal, used as a basis by many of these analyses, does not result in any radical change in the estimates.

3. Moody's Analytics predicts average annual economic growth in 2016-2026 of 1.4% should Trump win; 2.4% should Clinton win and 2.1% with no change in the current policies. Along the same lines, Oxford Economics and the Peterson Institute for International Economics point to significant losses in the level of GDP and employment should tariffs be increased on goods from Mexico and China and deportations carried out, as announced by Trump.