

Nam, Chang-woon

Article

Introduction to the issue on US Presidential Election 2024: What's next for global politics and the world economy?

EconPol Forum

Provided in Cooperation with:

Ifo Institute – Leibniz Institute for Economic Research at the University of Munich

Suggested Citation: Nam, Chang-woon (2024) : Introduction to the issue on US Presidential Election 2024: What's next for global politics and the world economy?, EconPol Forum, ISSN 2752-1184, CESifo GmbH, Munich, Vol. 25, Iss. 5, pp. 3-4

This Version is available at:

<https://hdl.handle.net/10419/304344>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Introduction to the Issue on

US Presidential Election 2024: What's Next for Global Politics and the World Economy?

Chang Woon Nam

On November 5 of this year, American voters will have a choice between former Republican President Donald Trump and Vice President Kamala Harris, who was named the Democratic nominee after President Joe Biden's decision not to run for the presidency again. A record number of countries are holding elections this year, but this US presidential election is likely to be one of the most important due to the country's influence on the global stage. Although the world is currently suffering from wars, rising tensions between major powers, and other geopolitical risks, most of these have not radically affected the outlook for economies and markets in the short term. However, many fear that this could change if the US returns to an aggressive "America First" stance. On the other hand, Harris is seen as the candidate of political continuity who will maintain many of Biden's economic and foreign policy measures.

Domestically, Mr. Biden has increased investment in infrastructure and manufacturing, clean energy, and expanding job opportunities as part of "Bidenomics," which has led to strong growth during his presidency, but also to inflation and rising government debt. Mr. Trump, in turn, has blamed his successor's huge government spending for inflation and promised a return to lower taxes and less regulation. Aside from such differences in the fiscal policy priorities of the two candidates, of which change could also have multiple cross-border spillover effects, the 2024 US elections are seen more than ever as a pivotal moment in global politics and have the great potential to reshape international trade, climate policy, and the geopolitical landscape.

Democrats and Republicans agree on some issues, such as the strategic rivalry with China, the protection of domestic production, and access to strategic technologies. But the parties also disagree on issues that are of crucial importance to Europeans, such as climate protection, the war in Ukraine, and the United States' relations with its allies. The potential for a shift towards nationalist and populist rule (including in relation to migration issues), and the weakening of postwar institutions could also redefine international relations.

This issue of EconPol Forum contains nine articles on the impact of the upcoming US presidential election on global politics and the world economy. They not only critically compare the economic, environmen-

tal, and foreign policy proposals of the leading candidates, but also assess the potential consequences of their policy differences for the US domestic economy and politics, as well as their significant global spillover effects. The authors also make some policy suggestions on how Europe and other regions of the world should use their geoeconomic and geopolitical strategies to counter US protectionism and other discriminatory measures and help build a reformed and more legitimate international order.

In terms of future economic policy priority, *Barry Eichengreen* calls for the next US president to immediately tackle the country's chronic budget deficits and spiraling debt, while neither candidate is committed to free trade. Yet, Trump's trade policies will be driven by hostility towards China, while Harris's will be more influenced by climate and labor standards. One major difference between the two candidates is on climate policy, where Trump proposes to once again withdraw the US from the Paris Agreement, while Harris was a proponent of the New Green Deal in 2019. Trump promises to lower the cost of living by eliminating red tape and restrictions on oil and gas exploration and production, while Harris has promised to eliminate price gouging and provide subsidies for affordable housing.

Anders Åslund points out that the main differences between Trump and Harris also lie in the areas of immigration and taxes. Trump wants to deport all illegal immigrants, while Democrats want well-regulated legal immigration from the standpoint of limiting disruption to the US labor market, while controlling illegal immigration but offering illegal immigrants the opportunity to legalize their stay in the US. As for taxation, Trump supports billionaires, calling for minimal taxes on them and their businesses, while Harris wants higher taxes for corporations and the wealthy. Democrats talk a lot about the need for green energy, which is developing faster in Republican-led states because they don't insist on so many regulations.

Kimberly A. Clausing argues that to effectively address the enormous fiscal challenges caused by huge deficits and debt, spending cuts alone are not enough, but that the US needs to build a tax system that is better suited for this purpose. Candidate Trump and the Biden-Harris administration are very far apart on fiscal policy issues. The Trump campaign has proposed budget-damaging extensions of provisions of

the Tax Cuts and Jobs Act in addition to new tax cuts; the proposed revenue increases (including tariffs) and unspecified spending cuts would not be enough to avoid a sharp increase in the deficit. In contrast, the Biden-Harris administration has proposed many potential tax increases to meet US fiscal needs without significantly burdening most Americans. The election will also have an impact on the distributional effects of key tax policy priorities: Trump's proposal for a tax policy shift that includes lower income taxes and higher tariffs would make the US tax system less progressive, while the Biden and Harris proposals emphasize tax policies that would increase its progressivity.

Instead of addressing the projected debt burden, which is unprecedented and unsustainable, *William McBride* and *Erica York* criticize that both candidates' fiscal plans will likely exacerbate the trajectory of US debt and slow economic growth. Harris's proposals of higher taxation of top earners and companies (including raising the corporate tax rate to 28 percent), and significantly greater redistribution via tax law would shrink the US economy by around 1.6 percent and fail to generate the revenue needed to cover increased spending. Trump's tax policy of making the 2017 tax cuts permanent and further lowering the corporate tax rate could boost growth, but his aggressive tariff strategy would damage the economy and would not be enough to pay for the tax cuts.

Markus Jaeger believes that foreign trade and macroeconomic policies under a Harris administration would offer broad continuity with the Biden administration, while policies under another Trump administration would have the potential to be highly disruptive. Although US national security-focused trade and investment policies will be further tightened in the context of US-China strategic competition, Trump's trade policies could prove highly destabilizing to the global trading system, seriously straining US-EU trade relations and leading to a full-blown trade war with China. The EU should use its new geoeconomic tools to prevent discriminatory measures by the US, while signaling openness to negotiations on how best to defuse the transatlantic economic conflict.

The US is Germany's largest trading partner. A simulation carried out by *Andreas Baur*, *Lisandra Flach* and *Dorothee Hillrichs* shows that German exports to the US and China will fall significantly in response to potential new tariffs announced by Trump during his election campaign – a 20 percent tariff on all US imports combined with a flat 60 percent tariff on US imports from China. However, the negative direct impact of these US tariffs will be partially offset by trade diversion in the form of increased trade between Germany and other countries, resulting in an

overall 2 percent decline in German exports. Germany and the EU should not only work more intensively on new trade agreements to mitigate the risks of such protectionist measures by the US, but also strengthen their single market in order to remain an attractive trading partner for the US.

As for possible changes in American foreign and security policy, *Mark N. Katz* believes that Harris is likely to continue President Biden's foreign policy, and just as Biden continued former President Trump's foreign policy, a reelected Trump is likely to continue much of Biden's. Many see that Trump's criticism of NATO is aimed at getting European members to spend more on defense, not getting the US out of the alliance, and that he doesn't want Ukraine to collapse on his watch and fall into Russia's hands. Nevertheless, Europe should not only increase defense spending to encourage the US to maintain its NATO commitment, but also step up planning for an independent European defense in case the US commitment becomes unpredictable or wanes.

Valentino Larcinese emphasizes that the role of money in US politics has increased impressively in recent years and argues that reforming the campaign finance system is one of the most pressing challenges for the future of US democracy. Currently, money from individuals, corporations, and trade unions can flow to candidates without regulation, restriction or, in some cases, transparency, while there is growing evidence that such donations are increasingly influencing politicians and – through issue advertising – the political agenda as well as the prominence of particular issues in the public debate. This development, in turn, also tends to have an impact on economic policy in the US: wealthy donors are generally much more conservative on economic issues than the population as a whole.

The world is in a period of severe political and economic turmoil. *Pádraig Carmody* and *Paul S. Ciccantell* emphasize once again that the political outcome of the 2024 US presidential election has great potential to either accelerate the process of global disintegration or support the construction of a reformed and more legitimate international order. The way in which the competition between the US and China is played out appears to be the key to global stability and prosperity. Not only Europe, but also other regions of the world, including Asia and the Global South, need to prepare for shocks that a potential Trump victory could bring: the stakes are high for both the US and the world.

We hope you enjoy this Policy Debate of the Hour!