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Research & Strategy Insights

US presidential election preview: You're fired?

Outlook for the 2020 vote, and the potential economic and market consequences

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Key points

- Presidential and Congressional Elections are less than 100 days away. However, if the elections were held tomorrow, polls suggest Democrat nominee Joe Biden would win and the Democrats could take both the House and the Senate.
- President Trump may recover from low ratings over the remaining months if the virus abates and the economy recovers. This would still be an uphill struggle to save the Presidency but could see Republicans retain a Senate majority.
- Biden proposes the most progressive programme in nearly half a century. The degree of control over Congress will determine the extent to which his proposals can pass.
- Biden's spending plans should deliver more of a short-term boost to the economy, although we expect meaningful fiscal support whatever the makeup of the next government. Biden's program looks likely to be more positive for US long-term growth prospects as well.
- Market reaction to a Biden election looks likely to be cautious and could add to short-term economic headwinds

Less than 100 days, but plenty could happen

The 22nd Amendment was passed in 1947 limiting the office of the President to two terms. This followed the death of Franklin D. Roosevelt during his fourth term. Since then the US has had 12 Presidents. Eight of those have been elected to continue in office (Lyndon Baines Johnson was not elected for his first term, becoming President after the Kennedy assassination). Three Presidents did not secure a second term, including Gerald Ford, Jimmy Carter and George H. Bush. Donald Trump will aim to avoid joining this small group of former US Presidents as he seeks a second term in office.

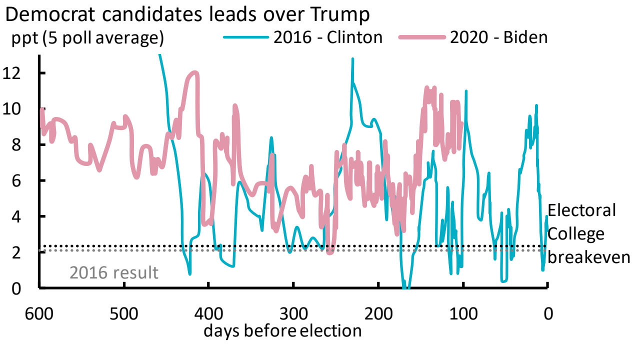
The following note considers the likelihood of this as President Trump competes with Democrat nominee and former Vice President Joe Biden. We describe the broader race for Congress, considering the separate dynamics for the battle for control of the House of Representatives and the Senate. We look at the policy alternatives that different electoral scenarios could deliver. And we describe the likely economic and market implications of different outcomes.

The Next President

With less than 100 days before election day, Joe Biden has a significant lead in both national polls and crucial battleground states. Over the last month, Biden has maintained an average lead of 9 points over Trump. Two polls in July estimated this lead at 15 points, one of which was the ABC News/Washington Post poll – one of the most accurate pollsters near election day in 2016.

It is not just the size of Biden's lead that is impressive: Biden has recently topped the 50% mark in several polls, reducing the number of 'undecideds' that Trump could win. According to polling website 538, Biden is only the third candidate to break 50 points at this stage in the race. The other two were both incumbents: Richard Nixon in 1972 and Ronald Reagan in 1984, who both went on to win by a large popular vote margin of 23 and 18 points respectively. Although a similar result in November would be highly unlikely, current polls suggest the President has a lot of ground to recover.

Exhibit 1: Biden extends persistent lead over Trump



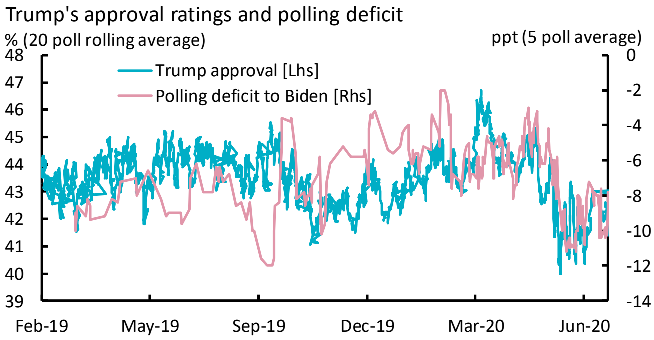
Source: 538, National Progress enter and AXA IM Research, July 2020

Admittedly four years ago, Hillary Clinton held similar-sized leads over Trump and went on to lose. As Exhibit 1 demonstrates, Clinton/Trump polling was much more volatile, perhaps in part reflecting how much of an unknown quantity Donald Trump was at that time. However, Clinton faced other obstacles. In 2016 the Democrats had been in office for two terms and since the Second World War only once has a party won three successive Presidential elections: Reagan and Bush (1981-1993). Last time, Trump successfully positioned himself as the candidate for change and even many that disliked him believed he would be an improvement on the status quo. In CNN's 2016 exit poll, voters who had an unfavourable opinion of both Clinton and Trump (18% of the electorate), broke for the latter by 17 percentage points.

Presidential Elections have a rich history of swings in voting. In 1988, Dukakis led in national polls by almost 5 points in late June, but eventually lost by nearly 8 points. More recently, President George W. Bush was 8 points clear at a similar stage in 2000, yet eventually lost the popular vote (albeit winning the electoral college). Adding to this, current polling is conducted among registered voters. When only 'likely voters' are polled, Trump's deficit is marginally smaller.

Moreover, President Trump is now the incumbent and is currently overseeing multiple crises – health, economic and race relations. This has put significant downward pressure on his approval ratings – currently hovering above 40% – which are highly correlated with his national polling (Exhibit 2). The coming months should see the US regain control over the virus, while the economy posts signs of rebound and unemployment falls further. These should all bolster the President's approval even if nothing else happens. There is also time for significant campaigning and of course inevitable unforeseen 'events'. That said, a warning for Trump is that he is unlikely to pick up as many votes from the disaffected this time. A recent poll suggested that only 13% now hold unfavourable opinions of both candidates – itself a positive development. Among those, Biden outperforms Trump by 29 points.

Exhibit 2: Trump losing, rather than Biden winning

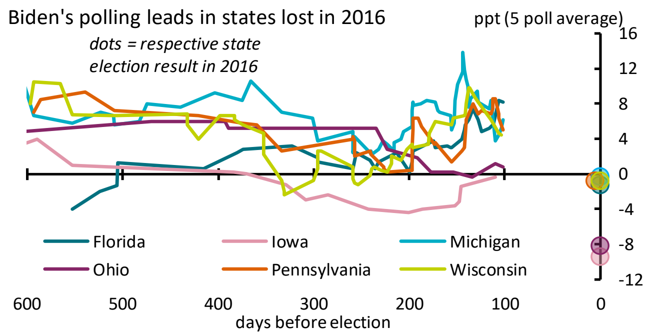


Source: 538 and AXA IM Research, July 2020

However, the President of the United States is not elected by a national popular vote. Instead they must win the electoral college vote. A candidate needs 270 of 538 electors, divided between states, to win. This is how President Trump won in 2016, despite losing the popular vote by 2.1%. Trump won in key marginal states, particularly in Rustbelt areas that have suffered industrial decline.

Although the electoral college system increases Trump's chances of re-election, even here his chances currently look low. Four years ago, Trump won 304 electoral votes, including taking Florida (29 electoral votes), Iowa (6), Michigan (16), Ohio (18), Pennsylvania (20), and Wisconsin (10) from the Democrats. However, current polling suggests he will lose Florida, Michigan, Pensylvania and Wisconsin, worth 75 of the electoral votes he gained in 2016 (Exhibit 3).

Exhibit 3: Polling in 2016's marginal gain seats

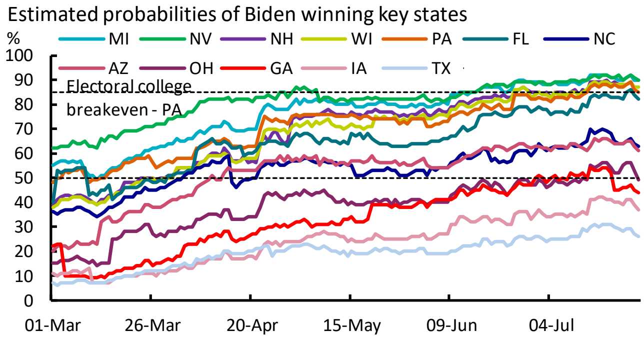


Source: 538 and AXA IM Research, July 2020

Weakness in key 2016 battlegrounds are just the start for the President. Current polling also suggests that Arizona, Georgia, North Carolina, and perhaps even Texas could be competitive this time. The average of the last six polls in Texas (23 June-12 July) has Biden up 0.2 points. This is within the margin of error, but Trump won here by almost 9 points four years ago – an indicator of the magnitude of the swing against him.

We track The Economist's forecasting model, which estimates a likelihood of the results in each state (Exhibit 4). If Biden won all the states where the Economist estimates the probability of winning is greater than 60%, he would win the electoral college comfortably by 338-200 votes.

Exhibit 4: Estimated probability of seat wins



Source: The Economist and AXA IM Research, July 2020

State polling is of course related to national polling. Using elasticities that show how sensitive each state's polling is compared to the national environment estimated by 538, we show that President Trump would need Biden's national lead to fall back to 2.8 points from 9, in order to win the electoral college if the electorate were identical to 2016. In fact, the Center for American Progress estimates that white voters without a college degree – a demographic that voted heavily for Trump by 63% in 2016 – will fall by 2.3 points as a share of total voters from 2016. Applying these demographic changes, Biden's national lead would need to fall back to 2.3 points – only a little above Clinton's 2.1 – to lose the electoral vote. Although there is inevitably some margin of error in these estimates, the President clearly faces a huge challenge to be re-elected in November.

The race for Congress

The House of Representatives

The House of Representatives is made up of 435 seats, each of which is contested every two years. The Democrats currently hold a majority in this chamber with 232 seats, while the Republicans hold 198 seats (the difference is made up with 1 Libertarian and 4 vacant seats). With a swing in national mood towards Biden's Democratic Party we might expect if anything a larger majority. Current polling by the Cook Report suggests that Democrats have a 221 to 189 lead over the Republicans with 25 seats too-close-to-call (pollster 270towin has the numbers at 223-193 and 19). This suggests that Democrats are currently on track to retain their majority in the House and may even extend it if a national swing in the polls sees more than half of the unattributed seats falling in favour of the Democrats.

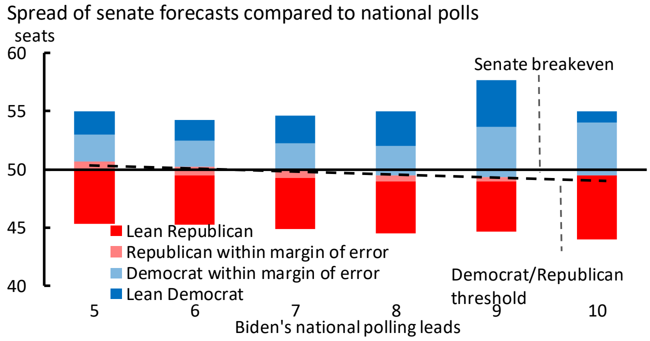
The Senate

The race for the Senate is more convoluted. The Senate is currently split 53 seats for the Republicans and 45 seats for the Democrats (although two independents caucus with the Democrats). In the Senate, each seat is contested only every six years. This means that in any Presidential/mid-term election one-third of the seats are up for grabs. This time around there are 35 seats up for election in the Senate, with two special elections following the death of Arizona Senator John McCain (R) and the resignation of Georgia Senator Johnny Isakson (R).

Of the 35 seats up for election this time, 23 are currently held by Republicans and 12 by Democrats. This provides Democrats with an advantage with fewer of their seats contested. However, within this 35, most are considered safe for both parties. Currently only around 12 races are considered competitive – with polling suggesting a margin of 10% or less.

According to 270towin, current polls suggest that, in seats that poll with confidence, the Democrats should gain 1 seat and the Republicans lose 7, taking the parties to 46 a piece – the remaining 6 are seats that are considered too close to call. An even split in those seats would give the Democrats an effective majority once the independent seats are accounted for (49 plus 2). However, the Democrats look likely to lose the Alabama seat they gained in 2017, and independent forecasters (including Sabato and the Cook Report) suggest a split of 44 Democrats and 49 Republicans with only 5 seats too-close-to-call, something that would see the Republicans retain the majority if evenly split. Either way the race for the Senate appears finely balanced for now.

Exhibit 5: Polling for Senate related to Presidential polls



Source: 538, 270towin, Daily Kos, Real Clear Politics, Sabato and AXA IM Research, July 2020

The races for the Presidency and for Congress are not independent events. Part of the reason Democrat polling suggests they are close to taking the Senate is that Biden is doing well and the national environment is favourable to the Democrats. If that persists, Democrats have a good chance of taking the Senate. However, a Trump/Republican revival would see the chances of this fade. Exhibit 5 illustrates that polling for Senate seats is positively correlated with the national polling for the Presidency. However, even this truth is subject to qualification and we note that a couple of states (for example Alabama and Kentucky) show stronger support for the Republican incumbent as Biden does better in national polls – "rallying the base".

The Senate race looks too close to call at this stage. A last-minute narrowing of the polls could see the Senate retain its Republican majority, but if Biden continues to do well in the coming months, the Democrats could yet snatch a clean sweep. However, it is important to make the distinction between a Senate majority and a super-majority. US legislation requires a super-majority (60 or above) to avoid a filibuster – a longstanding defining feature of the Senate that allows Senators to block the passage of a bill by debating at length or introducing other procedural measures. Polls suggest no chance of either party achieving a super-majority. This will mean the reconciliation process – the process that President Barack Obama used to pass the Affordable Care Act and President Trump used to pass the Tax Cut and Jobs Act 2017 (TCJA) – will again be used, bringing with it its own restrictions for the implementation of legislation.

Policy implications

Biden's proposals

It is incumbent on the challenger to set out their policy agenda as an alternative to the current government. Joe Biden has set out what we believe to be a clear and ambitious manifesto. While this is more moderate than proposed by several opponents in the Democrat Primaries, it still appears the most progressive programme proposed by a Presidential candidate since Lyndon Baines Johnson's campaign in 1964.

The Biden agenda includes a bold proposal to raise around $4tn (around 15.5% of GDP) in revenues over the coming decade. However, this revenue-raising plan would aim to finance $1.3tn (5.1%) in infrastructure spending, $1.7tn (6.7%) in climate change investments, $750bn (2.9%) in healthcare reforms and invest $640bn (2.5%) in housing, as well as raising the minimum wage and forgiving student debt. Biden's spending programme is relatively detailed and its outlook has been refreshed in recent speeches. These include:

Infrastructure spending ($1.3tn over 10 years), to include
- $400bn on clean energy research and innovation
- $100bn to modernise schools
- $50bn roads, bridges and highways
- $20bn rural broadband
- $10bn transit projects for high-poverty areas

Climate Change ($1.7tn over 10 years), to target
- Leveraging funding from additional partners targeting $5tn
- Net-zero emissions no later than 2050
- Rejoin the Paris Accord

Healthcare
- To insure 97% of Americans, projected cost $750bn over decade
- Lower the eligibility age of Medicare to 60 from 65
- Reduce limit on cost of coverage to 8.5%
- Eliminate 400% tax credit eligibility

Biden plans a number of tax measures including a rise in the top-rate federal income tax to 39.6% from 37%, an increase in social security tax on earnings above $400k and to impose the standard income-tax rate for capital gains and dividends for those earning in excess of $1mn. Biden also plans to raise taxes on corporate America, aiming to increase the corporate tax rate to 28% from 21%; to double the tax on profits of foreign subsidiaries by raising the Global Intangible Low Tax Income (GILTI) rate to 21%; and to introduce an Alternative Minimum Tax based on 15% of book income. The Tax Policy Centre[1] estimates that this would raise around $4tn over the coming decade, with meaningful distributional effects. Some 93% of the increases are estimated to fall on the top 20% of earners, 74% from the top 1% and 46% from the top 0.1%. These groups would face a 5.7%, 17.0% and 23.4% respective reduction in after-tax income. The American Enterprise Institute[2] comes to a similar $3.8tn expectation.

Biden has also pledged a number of labour market measures. A key initiative will be to raise the Federal minimum wage to $15/hour (from $7.25), to scrap the tipped-minimum wage ($2.15) and to extend coverage to farm and social care workers that are currently excluded[3]. Biden also plans to reform temporary visa programs, increase employment-based green cards and boost short-time work programs.

Coronavirus has shifted the economic landscape dramatically since Biden first proposed this manifesto. Moreover, there is no commitment to a timeline for these plans. As we have seen with previous presidencies, even priorities can take time to pass into legislation – the TCJA was not passed until December 2017. With the impact of the pandemic on the US economy, we fully expect fiscal policy to remain supportive at least through 2021 and this may impact the sequencing of implementation, with spending measures perhaps being enacted before financing measures to ensure expansionary fiscal policy.

More broadly there is uncertainty as to what a Biden Presidency would mean in terms of globalisation. Biden has committed to $400bn of procurement investment in US-made products in the first four years. This suggests that "America first" nationalism is not a partisan development. Insofar as these investments would not otherwise have been made, this

[1] Mermin, G.B., Khitatrakun, S., Lu, C., Matheson, T., and Rohaly, J. "An Analysis of Former Vice President Biden's Tax Proposals", Tax Policy Center, 5 March 2020.
[2] Pomerleau, K, DeBacker, J and Evans, R.W., "An Analysis of Joe Biden's Tax Proposals", American Enterprise Institute, June 2020.

[3] Analysis is split to the impact of a rise in the minimum wage, with consensus that it would lift many US households out of poverty – CBO estimates 1.3mn – but more uncertainty as to any impact on unemployment, CBO suggesting a 1.3mnæ increase in jobless, while Berkley University research has suggested a negligible effect.

suggests an increase in costs to domestic purchasers, or a reduction in quality. However, a McKinsey study suggested that these sort of polices could create an additional 2m manufacturing jobs and add around 2½% to GDP by 2025.

Biden is also unlikely to immediately end hostilities with China, not least as the American public are committed to addressing issues with China, leaving little room for political manoeuvre. With tensions around the South China Sea, Hong Kong Security Law, human rights for Chinese Uighurs, and ongoing trade disputes (including intellectual property theft and forced technology transfer) it will be difficult for any US leader to de-escalate issues with China in the immediate future. However, Biden, like President Obama before him, has committed to a more multilateral approach, which could reinforce international trade laws and reduce ineffective grandstanding confrontations. This may include a more active re-engagement with the World Trade Organisation (WTO).

Trump's Second Term

By comparison, it is challenging for the incumbent to propose a new set of policy goals amid the daily process of governing, and particularly in the grip of a national crisis. But it is certainly less obvious what the policy priorities would be for President Trump in a second term. The President was asked exactly this question on the sympathetic Fox News Channel. The extract below provides the opening of his answer. It did not provide any clarity on what the priorities would be.

"Well, one of the things that will be really great, you know, the word experience is still good. I always say talent is more important than experience. I've always said that. But the word experience is a very important word. It's a very important meaning. I never did this before – I never slept over in Washington. I was in Washington I think 17 times, all of a sudden, I'm the President of the United States. You know the story, I'm riding down Pennsylvania Avenue with our first lady and I say, 'This is great.' But I didn't know very many people in Washington, it wasn't my thing. I was from Manhattan, from New York. Now I know everybody."

President Trump, 26 June 2020

Other policy statements have provided some insight into areas that the administration might pursue in a second term. The State of the Union address had hinted at some areas of forward-looking policy

- Education
- Healthcare reform
- Infrastructure spend, including high-speed internet
- Immigration controls
- Artemis Moon and Mars mission

Since January, the President has suggested a "very big" middle-class tax cut for 2021 – although a proposed deadline for further detail has passed. He told CNBC that he would "take a look at" social security. And he talked about a "fantastic" plan for healthcare. More concretely, the President's Fiscal 2021 Budget in March proposed more than $2tn in spending cuts over the next decade. However, the onset of the global pandemic has hijacked policy since and may explain why more detailed policy prescriptions have not emerged.

Much has changed since the onset of coronavirus. As described above, the pandemic creates incentives for a Republican government to lead with additional fiscal stimulus. This would likely arrive in the form of another payroll tax cut programme – as currently championed by White House Chief Economic Advisor Larry Kudlow. We would also expect further jobs-related immigration restrictions, additional disengagement with multi-lateral institutions, support for the traditional energy sector and an infrastructure programme.

Beyond these specific policy initiatives, we would also expect a second-term Trump Presidency to follow along similar lines as seen in the first. Confrontation with China would likely grow, with none of the areas of tension resolved in the first term. The administration's refusal to engage on a multilateral front has resulted in several bilateral clashes. These look likely to expand to include clashes with traditional allies in Europe over issues such as digital taxation and climate change. These issues look likely to continue the reversal of globalisation – certainly for US producers – and increase market uncertainty.

The Economic Impact

Before we consider the impact that different electoral outcomes could deliver, we stress the unusual nature of this election. Although elections have been held in the depths of economic crises before (most recently Obama in 2008), this is the most profound shock and carries the highest uncertainty since the Second World War. As such, circumstances are likely to dominate policy next year – the US is likely to require accommodative fiscal policy regardless of the election result.

Moreover, the economic impact of the election will not only depend upon the Presidential election, but on Congressional elections. We argue that a unified government (President, Senate and House all from the same party) has more chance of passing legislation than a mixed government – and a super-majority government, which we argue is unlikely, even more so. While not the total universe of potential outcomes, we consider three scenarios

- Biden President, United Congress
- Biden President, Mixed Congress
- Trump President, Mixed Congress

A united government led by Biden would look to enact his progressive manifesto. Even the restrictions of reconciliation – principally that measures need to be budget neutral over a 10-year horizon – allow significant flexibility, as illustrated with the TCJA. By contrast, a mixed government is likely to deliver less support for economic activity than a unified government, although we would still expect some discretionary fiscal stimulus. Such stimulus would likely be constrained to areas that both parties could agree on – delaying stimulus while compromise is sought and restricting it to certain areas, likely including infrastructure spending.

An expectation that a mixed government would deliver less overall stimulus also has implications for Federal Reserve (Fed) monetary policy. This is likely to have to remain more accommodative for longer – at the margin extending the period for which we would expect active balance sheet expansion and delaying any prospect of higher interest rates.

We argue that a Democrat-led stimulus is likely to focus more on spending measures than tax cuts and that this will be a more effective boost to activity in the short term. Admittedly a Republican tax cut now, when many US households are income-constrained and with ample economic spare capacity, would likely have a much more positive economic impact than in 2018 – the fiscal multiplier should be higher. Looking at Congressional Budget Office (CBO)[4] and Fed[5] discussions of the fiscal multiplier: the multiplier is likely to be higher for spending increases than for tax cuts. The CBO estimates a multiplier range of 0.5-2.5% for Federal government spending and 0.4-2.1% for transfers to individuals, but 0.3-1.5% for a two-year tax cut to lower- and middle-income individuals and a smaller 0.1-0.6% for higher-income recipients. This suggests that a spending-backed fiscal stimulus will be more effective in lifting economic activity, particularly as spending is likely to benefit lower income households with higher marginal propensities to consume.

This election is also likely to raise longer-term issues for the US economy. Biden's push towards public investment will shift the balance of public and private investment in the US. Over the longer term we consider private investment to be more efficient – to generate higher levels of societal welfare – than public investment. However, we acknowledge key issues that change the balance of those arguments right now. First, at this point in the economic cycle private investment is likely to be deterred by elevated short-term uncertainty – requiring public investment to fill the gap as fiscal stimulus. Second, private investment delivers an inadequate provision of public goods – this is very much the case for climate-change-related investment, but also addresses issues surrounding education, healthcare and policing. Third, the Biden programme looks to address inequality. Although levels of inequality include some aspect of political choice and preference, there is growing economic evidence identifying inequality itself as a headwind to economic growth. Biden's progressive manifesto aims to reduce inequality, which could also prove a longer-term support to growth. We believe that these longer-term spending priorities, including infrastructure, are likely to be net positive despite the significant tax revenue raise scheduled over the same period.

Finally, we do not believe that President Trump's unilateral policies on trade have reached a beneficial conclusion for the US. The Phase One trade deal is not delivering a meaningful boost to US exports in part because of the impact of the pandemic. Meanwhile average tariffs in the US have increased significantly, with most evidence suggesting the cost of these tariffs has been borne by US producers and consumers, not foreign exporters[6][7]. Insofar as Biden promises a more multilateral approach to addressing ongoing breaches of international trade law for China and other US trade partners, we think this will provide a more effective route of recourse without tightening financial conditions.

Qualitatively, we consider a scenario where Biden is President over a unified Democrat Congress as providing the most effective boost to short- and long-run US growth prospects. We see Biden presiding over a mixed Congress as less stimulative, although we expect Congress to still provide short-term fiscal stimulus. We envisage a second term for President Trump with a mixed Congress as providing the least positive impact for the US economy. Again, we would expect Congress to provide fiscal stimulus to support short-term prospects, which may also be bolstered by more favourable financial conditions (see below), but we are more concerned about long-term prospects in this scenario. A fuller, more quantitative assessment is difficult before election results and precise policy proposals.

The Market Impact

The market reaction to the 2016 Presidential Election was swift. Following a speech from new President Trump that soothed concerns regarding protectionism, markets began to consider tax cuts and deregulation. The S&P index rose by over 2% after a day, just under 4% after a week and by just under 9% by the end of the year. By contrast, the S&P fell by of 14% (25% at worst) in the weeks after the election of President Obama in 2008.

While we fully acknowledge that a range of policies would have different impacts on specific sectors, we are aware of considerable concern that a Biden win could see a broad-based adverse reaction, largely in anticipation of plans to increase personal and corporate taxation and to lean against the de-regulation of the past four years.

[4] Whalen, C.J. and Reichling, F., "The Fiscal multiplier and Economic Policy Analysis in the United States", CBO, Feb 2015.

[5] Wilson, D.J., "The COVID-19 Fiscal Multiplier: Lessons from the Great Recession", FRBSF, May 2020.

[6] Flaaen, A., and Pierce, J., "Disentangling the Effects of the 2018-2019 Tariffs on a Globally Connected U.S. Manufacturing Sector", FRB, Dec 2019.

[7] Amiti, M., Redding, S.J. and Weinstein, D.E., "The Impact of the 2018 Tariffs on Prices and Welfare", The Journal of Economic Perspectives, Fall 2019.

Current market discussions that a Biden administration may not deliver on a pledge to raise corporate taxes to 28% suggest scope for disappointment if these pledges are fulfilled. The introduction of an alternative minimum tax based on book income may also impact earnings volatility, as well as leading some companies to pay higher taxes. Moreover, the increase in the international (GILTI) tax to 21% may have particular resonance for the tech sector. Finally, markets may fear further regulation. Biden has in the past not ruled out the break-up of Facebook, questioning the outlook for the tech giants that currently make up around one quarter of the S&P.

The potential Democrat administration appears prepared to boost the economy as a whole while looking to rebalance the benefits between corporate and household sectors. This is something that looks set to weigh on markets. However, several arguments could mitigate this.

First, although the choice of government is important, the progress of the US economy as it recovers from the coronavirus shock should dominate the market outlook. Our outlook for ongoing fiscal support, whatever the form of government, should continue to underpin markets.

Second, our analysis suggests that longer-term growth prospects will be better served under a Biden presidency. Ultimately this stronger economic outlook should underpin US corporate fundamentals, including stronger earnings growth and profits.

Third, markets should already price the likelihood, certainly the decent possibility of a Biden Presidency. Again, while we argue that there are more dominant themes prevailing, it would not make sense for markets to see the likelihood of a Biden win for months in advance only to correct after his election in three months' time. However, the corollary of this argument is that financial markets may increasingly adjust to a rising expected outcome as the election draws ever closer and current polling has less time to change.

As such we believe a Biden Presidency would be met with an initially cautious response from markets. However, as with the economic impact, the split of Congress, not just the outcome of the Presidential race will be important for markets. They may also be concerned that a split Congress would deliver less stimulus than a unified one. But they might take solace that a split Congress would curtail the implementation of either policy agenda.

Unconventional outcomes

With President Trump being an unconventional President and this election taking place against a backdrop of a global pandemic, it threatens to be an unconventional vote. We therefore conclude with some brief thoughts about the possibility of unconventional outcomes.

In a recent CNBC interview, President Trump refused to answer whether he would "accept the results of the 2020 election". He replied "it depends". The President went on to assert that "mail-in voting is going to rig the election". Mail-in voting is being extended in some states to mitigate the risks of coronavirus. But mail-in voting adds to broader concerns about voter suppression, abuses in disqualifying voters and counting votes. This list of concerns raises the risk not only of a delay to the election results (mail-in voting could add up to a week before final numbers are declared), but also legal proceedings. Biden recently added to this concern by announcing that he had gathered a group of 600 lawyers ahead of the election. This brings back memories of the 2000 Bush-Gore election, which was ultimately resolved by a Supreme Court decision on 12 December, only just in time for the 18 December Electoral College meeting and 6 January Congressional approval. A protracted legal battle could mean that votes were still contested or disqualified by 14 December when the Electoral College is scheduled to meet this year.

The US Constitution sets out the process to be followed if neither candidate has achieved a majority of 270 electoral votes by the time the Electoral College meets. In this instance the House of Representatives selects the President and the Senate the Vice President. However, each state only casts a single vote. As things stand, despite Democrats holding a majority of seats in the House, Republicans hold a majority of the House delegation in each state (26 out of 50): Republicans would thus choose the President. But this is close, and a handful of seats could flip Democrat control to a majority of States, leading to Democrats choosing the President. Even the Constitution is silent on what happens if the House is split 25 for each party.

Against a backdrop of elevated uncertainty, a protracted election outcome would add to business and market uncertainty alike, not to mention bipartisan rancour. This is one outcome we can universally hope to avoid.

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