US ELECTION 2020: POLITICS, PANDEMIC, AND MARKETPLACES

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In “Let’s Work Together”, Canned Heat sings:
“Together we stand, divided we fall
Come on now people, let’s get on the ball and work together…
When things go wrong, as they sometimes will
And the road you travel, it stays all uphill”.

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CULTURAL OVERVIEW: A HOUSE DIVIDED

Competing aphorisms and advice abound regarding the uncertainties, unpredictability, probabilities, risks, opportunities, and appropriate viewpoints and methods in marketplaces such as stocks, interest rates, currencies, commodities, and real estate. Political stages also fill with diverse adages, slogans, perspectives, approaches, insights, foresights, predictions, and explanations.

The American cultural scenes (economic, political, and social) and opinions regarding them interrelate, and these entangle relatively closely with numerous foreign ones in a globalized world. This reflects and encourages wide ranges in outlook and recommendations for behavior.

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American history reflects and describes a generally-shared culture, which the American Dream concept significantly reflects. However, over the span of about four centuries (and even in recent decades) that culture and interpretations of it have not been unchanging. The degree of consensus has varied. Moreover, not all groups have been equally able to participate in the economic, political, and social benefits (promises; valued “good” aspects) of the American Dream.

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Thus America, even when united, always has had some internal differences in viewpoint (including opinions on the proper applications of a generally shared cultural theory) and thus assorted episodes and varying degrees of conflict. Let’s concentrate on today’s political panorama, which reflects (is permeated by) economic phenomena and interests. Admittedly, we’re not dwelling in the Civil War era of the mid-19th century. And the present-day United States political landscape (its ideological and structural parameters) is not anarchic. Nevertheless, the nation’s current political situation displays extensive divisions across numerous fields. The number and sharpness of these splits arguably have been increasing over the past few decades, as well as increasing (or at least becoming more evident) since President Trump’s 2016 election campaign and triumph.

A rapid survey of the United States unveils a country significantly divided across belief (doctrinal) dimensions as well as group membership categories. Subjective views occur on a continuum. For example, not all so-called “conservative” opinions are identical. Or, a given “liberal” (or progressive or globalist) may support some “nationalist” policies. Of course not all members of a given racial (ethnic), sex, or age category embrace the same opinion on a given policy or set of them. Consequently, beliefs, groups, and individuals do not necessarily or inevitably all end up on the same side of a ledger. Moreover, definitions and applications of political and other cultural labels can and do change. How should we define and measure liberty, freedom, and equality?

Anyway, numerous divisions apparently exist. These reflect values, visions for what is "good", "bad", and "neutral". Cultural values inescapably involve emotions, not just reasoning; and emotions permeate the reasoning.

Look not only at (and within) the leading political parties, the Democrats (blue) and Republicans (red). The political spectrum reveals a range of opinions from left-wing to right-wing. Populists (which include left and right sides in orientation) battle against the "establishment" and associated elites ("the Man"; an entrenched political/economic/social power structure). Nationalists ("Make America Great Again!" is one mantra) fight against globalists (and multiculturalists); conservatives (or alleged reactionaries) combat liberals (perhaps some of these are progressives) and socialists (radicals; anarchists). Assorted political and economic "haves" fight in assorted ways with "have-nots". Ardent debates rage about economic inequality and opportunity as well as social mobility. Allegiance to "capitalism" and the "free market" (however defined) varies in scope and intensity. Other contentious issues include abortion, the environment (including climate change), health care, immigration, race relations, gun control, and international trade. Such viewpoints incorporate values and result in propaganda battles to advance aims and defeat foes.

Within American political life and its communities, note the language (metaphors) of war, battle, and violence. Also examine wordplay of love and friendship. For example, people may love (or hate) a political candidate or party and its policies.

Rather lofty US government deficit spending has become entrenched. And sometimes, like nowadays in the coronavirus era (which involves a war against the disease), most Americans appreciate a generous helping hand and support a large (expensive) economic rescue package. However, significant disagreement remains regarding the role and extent of the federal government in our lives. Fervent quarrels burst into the open as to the appropriateness of, relative importance of, and actual expenditure on specific programs.

What generic cultural classifications to which individuals belong nowadays reflect (and offer opportunities for and encourage) partisanship and rhetorical conflict? These are numerous. The body politic is fractured. Noteworthy divides exist on the basis of race/ethnic, sex/gender and sexuality, age/generation, geographical location (region of the country; urban/suburban/rural), religion/faith, and level of wealth/income.

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In politics, economics, and elsewhere in culture, although a subjective consensus sometimes develops and persists, participants also can and do disagree on what information (facts, evidence, factors, data, statistics) is relevant and on the relative importance of such variables, as well as on the proper means of organizing and evaluating such phenomena. Where widespread cultural divisions exist, as in America nowadays, such diverse debates (dissonance) relating to "the facts" at times can severely challenge the abilities of even knowledgeable and experienced forecasters to predict a particular outcome, such as the 2020 American Presidential election battle between Trump and Biden, with a high degree of confidence.

Moreover, to the extent that citizens have diminished faith in political institutions and leaders, this increases (encourages) the potential for cultural splits and wars. Arguments from authority may become less compelling to the "average citizen"; many disagreements tend to become harder to resolve. It's often difficult for enemies to make peace. This situation can boost the amount and loudness of divisive rhetoric and thus make it significantly harder to predict some outcomes.

History shows that a willingness to compromise, listen closely to and respect opposing views and values, and practice substantial civility ebbs and flows on political stages, even when differences between rivals are substantial. However, the American political scene during the Trump regime generally manifests a weakening inclination to do so by many participants. This increases the rhetorical racket.

The information revolution obviously is a complex topic. Nevertheless, the voices unleashed nowadays in cultural domains via mass communication media create and sustain Towers of Babel. And the internet in particular enables a "democratic" explosion of voices seeking to achieve some form of power, to become or remain relevant and influential. The massive amount of allegedly relevant information potentially important to "appropriate" cultural decision-making and the proliferation of supposedly satisfactory gurus and guides (opinion-makers) thereby at times can exacerbate the difficulty of predicting political and economic outcomes.

Objective truth (scientific "true for all" perspectives, methods, definitions, propositions, arguments, and conclusions, as in the Natural sciences) does not exist in cultural realms. Therefore cultural fields in principle and practice have unending disagreements, even though these vary in scope and intensity over time and in different places. Cultural speakers (including social "scientists" such as economists), in contrast to Natural (real; genuine) scientists such as biologists, chemists, physicists, mechanical engineers, and mathematicians, are not objective (or even mostly, approximately, or partly objective/scientific).

However, some statements made by participants in cultural fields are objectively (Naturally) false (lies). An example: picture someone saying that Napoleon Bonaparte, the French general, who fought at Waterloo in 1815, is really (not metaphorically) alive today.

And of course many politicians and their allies deliberately create rhetoric to present themselves and their policies in an appealing fashion in order to persuade (and even to mislead) others. Anyway, it is arguable that given America's current very substantial political divisions and avalanches of cultural information, and the widespread decline in acceptance of (faith in) traditional cultural authority, that the attitudes, statements, and actions of President Trump and many of his comrades in regard to "truth" have undermined a willingness of many citizens (and voters) to examine closely what "really is the truth".

In any case, cultural experts, guides, and participants in America and elsewhere, whether in economics, politics, or elsewhere, often associate their subjective viewpoints with language of rationality. Thus their enticing wordplay praises the viewpoint to which they adhere as being rational, reasonable, objective, logical, intelligent, natural, common sense, or wise. Such rationality language inevitably links to values of goodness and badness (and therefore involves emotions). Opponents often are disparaged or condemned as unreasonable, less reasonable, and so forth. In America's current divided political, economic, and social playground, because conversations and debates are permeated by diverse and appealing rationality opinions on assorted topics, it is challenging at the present time to assess what "overall" policies will prevail and which Presidential candidate voters will embrace in the upcoming national election.

PANDEMIC, POLITICS, AND PREDICTIONS

"For the first time, the IMF is seeking guidance from epidemiologists for its macroeconomic projections." International Monetary Fund blog (4/23/20)

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Everyone knows that the coronavirus pandemic and political (medical) responses to it have wreaked widespread and deep economic destruction around the globe. The ultimate extent of the damage and the timing and extent of the international and American economic recovery remain conjectural.

However, medical experts generally agree that the coronavirus probably will persist as a notable problem (risk) for at least the next several months, and thus through the US election period.

In some nations and regions, the coronavirus infection curve has been flattened or pushed downward. However, take a look at the Johns Hopkins Coronavirus Research Center map, especially the "Daily Cases" portion. As of early June 2020, the global infection rate appears steady and high. To some extent, this may reflect more widespread testing. However, it also can indicate ongoing disease spread and a severe challenge of eradicating it substantially in the near term. Although America's infection rate peaked several weeks ago, daily cases unfortunately remain fairly high.

Whether the coronavirus behaves the same way as the flu on a seasonal basis is unknown. Yet remember that in America, flu activity often begins to increase in October and November. Most of the time flu activity peaks between December and February, but it can last as late as May (America's Centers for Disease Control and Prevention).

Suppose the coronavirus seasonality happens to substantially mirror that of influenza. Although the flattening and downward slope of the US coronavirus infection curve recently partly reflects control (lockdown and medical treatment) measures, it may involve a seasonal tendency. Thus ongoing noteworthy coronavirus case totals in America over the summer (even if lower than prior peak amounts) probably would be ominous for the autumn (and therefore for the US economy). In any case, a seasonal increase in October and November would coincide with growing excitement regarding the US 2020 election outcomes.

The head of the Centers for Disease Control and Prevention warns that America faces a risk of a second coronavirus wave. The CDC director raised the prospect of more lockdowns in colder months to contain the crisis. And that wave may coincide with ("add on" to) medical problems from the flu (Financial Times, 5/22/20, p3). Surveys suggest America and the rest of the world is still far from achieving herd immunity for the virus (NY Times website, 5/29/20). Keep in mind that scientists believe the vast majority of infections are undetected.

Mountains of money are being spent on inventing a coronavirus vaccine. Whether one will be discovered, especially anytime soon, remains conjectural. However, most scientific experts doubt whether an effective vaccine will be available before the end of calendar 2020. Some hope readiness (preparedness) for widespread distribution will exist around twelve to eighteen months from now. But this may turn out to be optimistic. There first must be extensive clinical trials. Some of these studies may take years to complete. And the virus may mutate, perhaps becoming more virulent. (See the Financial Times, 5/23/20, p6 and 5/27/20, p4).

Although the American economy is opening up gradually, widespread uncertainty remains as to whether and to what extent there will be a resurgence of the virus later this year. The uncertain scope of the coronavirus problem this summer and fall in the United States (and elsewhere around the globe) makes it especially challenging to assign high degrees of probability to economic (and political) forecasts. And the lack of medical definitiveness also intertwines with competing and often fierce political (economic) opinions as to whether, where, and to what extent a shutdown should be reinstated. Moreover, diverse assessments regarding the quality of past and present governmental actions, especially Presidential ones, regarding the coronavirus and how to deal with it will not disappear anytime soon.

Consequently, as scientific (objective) uncertainty regarding the coronavirus connects with cultural questions and opinions regarding the potential strength of the American economy as well as with competing cultural (subjective) viewpoints related to the appropriate political (economic, social) response to the disease, significant debates and disagreements will continue over the course of the next several months. This lack of widespread political, social, and economic harmony (competing loud voices; numerous noisy factions) encouraged by the disastrous pandemic magnifies the difficulty of predicting America's 2020 national election outcomes, particularly the Presidential one (on an electoral basis).

CAMPAIGNS: THE 2020 US NATIONAL ELECTION

In the movie "The Last Hurrah" (John Ford, director), a character asks: "What would you consider the greatest spectator sport in the country today? Would you say it was baseball, basketball, football? It's politics. Millions and millions of people, following it every day in the newspapers, over the TV, and the radio."

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These diverse and deep cultural divides and the related vicious wars of words in the United States reflect and create substantial political and economic uncertainty there. So do the coronavirus pandemic and potential responses to it. Moreover, the speed and extent of America's economic recovery from the pandemic shock remains unclear. Nevertheless, political and marketplace players still should attempt to gauge probabilities for America's 2020 overall national election results.

Former Vice President Joseph Biden probably will defeat President Donald Trump on an electoral vote basis, though this is a fairly close case. Though the national popular vote count difference does not determine the Presidency, Biden will win that as well. On the Senate front, Democrats probably win the Senate, though this currently is a difficult call. The Democrats likely will retain control of the House of Representatives.

Election Day is November 3, 2020. Five months of course is a long time in politics and economics; much can happen which might significantly affect probabilities and outcomes between now and then. Thus an observer reasonably may revise its subjective assessments and predictions.

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Donald Trump lost the national popular vote count to Hillary Clinton by 2.1 percent. Trump received 46.1 percent of the total vote and Clinton captured 48.2 percent (Federal Election Commission, "Federal Elections 2016"; 12/10/17). As in 2016, Trump probably will lose the popular vote. It currently looks probable that Biden will beat Trump by more than 2.1 percent. Why?

According to RealClear Politics ("RCP"; see its website, 6/3/20; overall/summary poll averages sometimes can change within a given reporting day as new polls are added), an average of recent polls (5/17/20 to 6/3/20) gives Biden a 7.8 percent lead over President Trump, 49.9 percent to

42.1pc. This significant margin substantially exceeds 2.1 percent. Moreover, Trump's overall job approval rating of only 43.6 percent is 10.6 percent beneath his 54.2pc disapproval level. Another political analysis group, FiveThirtyEight ("538"; see its website; 6/3/20) also reports a substantial net negative reading on Trump's overall performance: 42.8 percent approve, 53.8pc disapprove, for a net disapproval of 11.0pc.

Congressional voting patterns do not always resemble those in regard to the Presidency. However, at present in the 2020 race, for the generic Congressional vote, Democrats enjoy a clear lead over Republicans. RCP gives the Democrats a 6.6 percent advantage (47.3pc for the Democrats less 40.7pc for the Republicans); 538's opinion research also shows the Democrats hold a healthy lead of 7.8pc (48.7pc for them versus 40.9pc for the Republicans).

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As Trump's surprising victory in the 2016 election of course decisively underlined, winning the overall popular vote does not necessarily translate into winning the electoral vote and thereby becoming President. Of the 538 available electoral votes, with 270 therefore needed for victory, Trump harvested 304 and Clinton earned 227 (seven electors voted for others).

Whether a state is "in general" a battleground (or swing) state in a Presidential any other election can change. Whether or not a particular state is a swing state can switch between election periods. A swing state in the 2020 Presidential fight may not have been one in 2016, for example. Also, in regard to a particular election year, a state which once seemed fairly certain to elect a given candidate may become "in play" as a battleground state as election day nears; a state that started out as closely contested can over the course of a campaign turn into a safe seat for a competitor.

In any case, several of the states which were closely decided in 2016 (some with razor-thin margins) appear to be battleground states in the 2020 war for the Presidency.

Look at eight closely-decided (swing; narrow percentage margin of victory) states in the 2016 Presidential election. They represent 117 electoral votes. Data is from the Federal Election Commission. In the table, PC equals percent; DT means Trump, HC refers to Clinton.

State	Number of Electoral Votes	Trump's PC of the State Vote	Clinton's PC of the State Vote	Winner + PC Margin
Arizona	11	48.7 percent	45.1 percent	DT; 3.6
Florida	29	49.0	47.8	DT; 1.2
Michigan	16	47.5	47.3	DT; .2
Minnesota	10	44.9	46.4	HC; 1.5
Nevada	6	45.5	47.9	HC; 2.4
North Carolina	15	49.8	46.2	DT; 3.6
Pennsylvania	20	48.2	47.5	DT; .7
Wisconsin	10	47.2	46.5	DT; .7

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Admittedly, pre-election polls have a margin of error. And some polls are better than others. Of course opinions and voting plans can change, perhaps greatly, by Election Day.

In addition, overall estimates of the national popular vote margin between candidates do not mandate outcomes in a particular state, or in the final electoral vote count. In practice, for example, Biden could grab greater percentages nationally, perhaps via places such as California and New York, than did Clinton in 2016 and still lose numerous swing states as well as the overall electoral vote. However, this potential outcome at present looks unlikely. Biden probably will capture sufficient battleground states to win the overall 2020 electoral vote.

Biden's current lead of 7.8 percent in overall general election polling data over Trump exceeds Clinton's 2.1 percent popular vote margin by 5.7 percentage points, a substantial amount. Keep in mind Trump's high overall net disapproval rating nowadays, as well as the generic Congressional ballot differential favoring Democrats. These various overall popularity measures probably point to a Biden electoral triumph in November 2020, especially as Trump's actual vote margin of victory in several key states (which nevertheless propelled him into the Presidency) was very narrow. In the six battleground states listed above that Trump won, his average margin of victory was just under 1.7 percent. In these six swing states, his largest margin was 3.6 percentage points.

Also, most voters probably view Biden as a less controversial candidate than Hillary Clinton. A significant percentage of voters who were unsupportive or hostile to Clinton in 2016 (and that voted for Trump or a third party candidate, or that did not vote at all) probably are more favorably disposed to Biden in 2020.

Assume a notable shift in the popular vote within the battleground states toward Biden in 2020 relative to the distribution between Clinton and Trump in 2016. Based upon the current estimated overall national vote, his nearly eight percent lead relative to Clinton's ultimate 2.1 percent one, Biden probably will win the electoral vote of most of these swing states. Since Trump was the winner in six of these eight states, and thereby captured 101 of the 117 electoral votes, he has more to lose from the electoral vote count perspective than does Biden. A modest percentage move in the popular vote within them toward Biden can dramatically damage Trump's chances for an electoral victory.

Suppose all the electors in the 2016 election had cast their votes in the Electoral College according to popular vote guidelines. Of the seven rogue electors, the Trump column thereby adds two, giving it 306 electoral votes; Clinton gains five, making its 2016 electoral total 232.

Assume that in 2020, Minnesota and Nevada remain in the Democratic column. Assume all electors vote in the Electoral College as the popular vote for each of their states suggests they should. Therefore, if Biden gains only 38 of the 101 electoral votes which Trump captured in the other six states in 2016, Biden wins the Presidential election (232 votes from 2016 plus 38 gives him 270, or two more than Trump).

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Biden's choice of his vice-presidential running mate probably will influence the 2020 Presidential outcome to some extent. Visionaries agree that overall voter turnout, and that of particular groups within the electorate, also will be important.

To what extent will Trump benefit from being the incumbent?

How will independents vote in 2020? A recent Gallup poll (5/1-13/20) asked: "In politics, as of today, do you consider yourself a Republican, a Democrat or an independent?" Twenty-eight percent answered Republican, 31 percent said Democrat, and 37 percent indicated independent. In 2016, the Libertarian Party candidate had about 3.3pc of the Presidential popular vote, the Green Party leader 1.1pc. How significant will be votes for third parties in 2020, especially in battleground states?

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Before Abraham Lincoln became President and the outbreak of the American Civil War, he stressed regarding the slavery issue: “A house divided against itself cannot stand.” (Speech, “A House Divided”; Springfield, Illinois, June 16, 1858). He added: “I do not expect the house to fall—but I do expect it will cease to be divided.”

President Trump definitely has an army of devoted supporters who will praise and vote for him. However, many American citizens and probable voters likely are fatigued with the great divisiveness within the United States in recent years. They may seek leadership which promises (offers hopes for) increased unity (and greater willingness to compromise). Biden may offer such a choice, especially in contrast to Trump.

Trump’s frequently inflammatory and polarizing (and sometimes erratic) rhetoric and actions over the past four years probably will cause some of his past supporters to abandon him. His talk and behavior may encourage some other citizens who had remained on the sidelines to venture out and vote against him. The significant turnover in important posts within his Administration, a symptom of his disruptive inclinations, also may trouble some voters. Membership and leadership in political arenas does not require sainthood; and observers in general do not expect politicians to be entirely honest. However, President Trump has displayed a remarkable inclination to exaggerate, misrepresent, mislead, and tell lies. Some may ask if Trump really drained the swamp during his tenure, or if he is truly making America great again. Some may wonder if his reelection will increase rather than mitigate existing national divisions and conflicts.

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America’s political game of course has local aspects. Races for the two houses of Congress are part of the competition, and outcomes there have national implications. Although the House of Representatives probably will remain Democratic (note the recent generic ballot percentages), the Senate outcome is unclear.

The current Senate breakdown is 53 Republicans and 45 Democrats, with the two independents caucusing with the Democrats. Can the Democrats gain control of the Senate? It helps that of the 35 seats open for battle, 23 are held by Republicans.

According to the Cook Political Report (5/15/20), of the 12 Democratic seats, none of those seats are toss-ups (no clear advantage to either party). Ten of the 12 are solid or likely Democratic in its opinion, and one leans Democrat. However, one of them leans Republican. Suppose the Democrats lose one of their seats. To capture (control) the 100 seat Senate, they then will have to win four seats from the Republicans (46 plus four) if Biden wins (Democrats will hold the tie-breaker in a 50-50 Senate split), and five if Trump is re-elected. The Cook Political Report’s opinion is that four of the 23 Republican seats are toss-ups, with another five leaning Republican.

This breakdown of the relative strength of the Republican Senate seat holding indicates that the Republican hold on Senate probably is at significant risk. Senate race results of course are not determined by Presidential ones. Incumbent Senators often possess election advantages. However, Biden’s current notable lead in Presidential polls (and to some extent, Trump’s overall net unpopularity), if maintained as the election nears, increases the likelihood that Democrats will gain control of the Senate.

TAKING SHAPE: ECONOMIC RECOVERY AND POLITICAL OUTCOMES

The famous military philosopher and analyst Carl von Clausewitz states in "On War" (Book Two, chapter 3; italics in original): "Rather than comparing it [war] to art we could more accurately compare it to commerce, which is a conflict of human interests and activities; and it is still closer to politics, which in turn may be considered as a kind of commerce on a larger scale."

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Economic conditions and trends, including anticipated ones, are not the only considerations determining US national (particularly Presidential) election outcomes. But political experts agree they are extremely important ones. All else equal, a strong, or at least fairly strong economy, probably favors an incumbent President seeking reelection and their party. Of course Trump can blame the coronavirus for economic weakness. Yet all else equal, a feeble GDP probably benefits Biden and Democrats at the expense of Trump and Republicans. Consequently, the actual and apparent speed, shape, and extent of the American (and global) recovery as early November 2020 matters a great deal.

Opinions differ regarding the future velocity, pattern, and distance of America's economic ascent.

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The Congressional Budget Office predicts that America's real GDP will crash by -11.2 percent during second quarter 2020 relative to the preceding quarter, at a devastating annual rate of around -37.7 percent (5/19/20; Table 1).

But many forecasting gospels are optimistic that despite the great coronavirus damage (and notable risks of further waves of the virus later in the year), the US recovery will be rather (or very) rapid and strong (V-shaped), probably beginning during 3Q20. The CBO generally has faith in the nation's economic recovery. It asserts real economic growth in 3Q20 will jump five per cent quarter-on-quarter, with 4Q20 marching up 2.5pc versus 3Q20. The annual growth rate of real GDP soars 21.5 percent in 3Q20 and 10.4pc in 4Q20. Even though full calendar year 2020 real GDP slumps at an annual rate of -5.6 percent (4Q of one calendar year to the 4Q of the next), calendar 2021 output increases 4.2pc.

According to the CBO, the nation's consumer spending (personal consumption expenditures; Table 2) craters -11.6 percent in 2Q20, but it rebounds 8.0pc in 3Q20 and a further 2.5pc in 4Q20. Though consumer spending plummets at an annual rate of -4.1 percent in calendar 2020, it edges up 1.2pc in 2021.

An influential clan of Wall Street investment guides and their media friends monitoring American stocks (using the S+P 500 as a benchmark) devotedly assert that US corporate earnings will soar higher during calendar 2021.

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Nevertheless, the buoyant hopes of the CBO, Wall Street, and Republican politicians for a rapid and robust (V-pattern) recovery probably will be disappointed. "American Consumers: the Shape We're In" (5/4/20) noted regarding the prospects for United States economic growth that much depends on the situation and attitudes of the American consumer. US consumer spending represents a major share of American GDP, about 68.0 percent (Federal Reserve Board; Z.1, "Financial Accounts of the United States", Table F.2; 3/12/20).

“American Consumers” concluded: “America’s economic recovery probably will be slow rather than fast (or even fairly quick on a sustained basis). Optimism heralded by the IMF and many other leading institutions, enthusiastic gospels from US ‘investment’ gurus regarding magnificent corporate earnings in calendar 2021, and similar propaganda likely will be disappointed.” The essay emphasized: “a survey of several key US variables closely linked to the situation of the American consumer nevertheless suggest that the injury to the American consumer ‘in general’ and thus the country’s overall economy has been and will continue to be severe. A very substantial portion of the general public is in rough shape.”

Viewpoints regarding American unemployment levels for April 2020 and thereafter are diverse. And there are various definitions of “employment”. However, everyone agree that unemployment skyrocketed in recent weeks. Even if unemployment declines substantially, it probably will remain very high. From the election standpoint, that endangers Trump’s prospects.

The US civilian unemployment rate in April 2020 was 14.7 percent (Bureau of Labor Statistics (Table A-1; 5/8/20). Compare March 2020’s 4.4 percent headline unemployment rate. Employment fell sharply in all major industry sectors in April 2020. April 2020’s level is the highest rate in the history of the series (seasonally adjusted data back to 1948).

An alternative and broader of unemployment (“labor underutilization”, Table A-15; U-6) gives a dismal rate of 22.8 percent for April 2020 (March 2020 was 8.7pc). This disastrous unemployment level rivals that of estimates during the Depression. In 1933, US civilian unemployment reached an estimated annual average of 24.9 percent. Compare 1929’s 3.2 percent. Though unemployment declined after 1933, it remained high for years thereafter. In 1937, it averaged 14.3pc. (See Bureau of Labor Statistics, “Labor Force, Employment, and Unemployment, 1929-39: Estimating Methods”, Table 1).

The Depression Era of course differs in numerous respects from today, with a highly accommodative central bank monetary policy nowadays a critical distinction. And there is massive deficit spending in the current environment.

Congressional Budget Office estimates regarding US headline unemployment do not reach Depression peaks, but they are very lofty from the historic perspective. The CBO believes the headline unemployment rate will average around 15.1 percent during 2Q20, reaching 15.8pc in 3Q20. It predicts 11.5 percent unemployment for 4Q20 (around 2020 election time), with 2021’s annual average a substantial 9.3pc (Table 1).

Current sky-high unemployment levels probably suggest that consumers “in general” will not rush to increase their spending over the next several months, and perhaps for much of calendar 2021 as well. Even if there is a recovery bounce from some boost from consumer spending, the related expansion probably will not reclaim lost real GDP ground substantially for quite some time (compare 4Q19 and up until February 2020) soon.

American household debt swelled in arithmetical terms over the past few years. According to the New York Federal Reserve Bank (May 2020), aggregate US household debt at the end of 1Q20 tallied $14.3 trillion dollars, vaulting above the zenith achieved during the global economic crash (3Q08) by about $1.6 trillion. Substantial gains in US household net worth following the 2007-09 worldwide economic disaster mitigated the risks and burdens of this growing debt. However, in the context of the US economic downturn beginning in 1Q20 (and the spike in unemployment), this sizable debt obligation probably will hamper consumer spending and slow the economic recovery.

Given America's significant wealth inequality, a relatively small percentage of households controlled a substantial proportion of the total $111.8 trillion grand total net worth as of end 4Q19. Based on wealth percentile, the top ten percent owned 70.2 percent. The bottom 50 percent controlled merely 1.5pc (less than two percent). For the distribution by income percentile, the top twenty percent at end 4Q19 controlled 73.0 percent, the middle forty percent (40-80pc) owned 21.0pc; the bottom 40 percent held a meager 5.9pc. See the Federal Reserve's "Distribution of Household Wealth in the U.S. since 1989" (3/20/20). Also, US median annual household income in 2018 was about $63,200, a modest level (US Census Bureau, "Income and Poverty in the United States: 2018", 2018 dollars; 9/10/19). Thus as calendar 2020 started, a great many US consumers probably were (and are) not significantly insulated from the 2020 economic debacle.

Corporations obviously are not all the same. Some American corporations depend more on consumer spending than others. However, relative weakness in the US consumer universe probably means that corporate earnings for 2021 will not be nearly as great as bulls predict. Besides, actual earnings for 2021 by definition occur post-election 2020. In any case, despite massive monetary easing (money printing and other programs) and gigantic deficit spending, actual 2020 earnings reports during election season 2020 probably will be feeble (even from the perspective of fans of the V-shaped scenario). This will tend to injure Trump's election prospects.

Many US voters nowadays probably worry about housing trends. These include not only home prices. Many renters fear eviction.

Recent widespread unrest across the nation probably displays more than concerns about racial justice. The protests and extensive media coverage also indicate widespread and current economic difficulties and challenges. Moreover, many important economic issues (problems), such as substantial wealth and income inequality (and related political and social divisions), preceded the coronavirus pandemic. The top one, 10, or 20 percent of wealth owners and earners (the "haves") of course have fewer votes than the majority of citizens. Of course many Democrats, not just Republicans, belong to the fraternities of the "haves". Big business and Wall Street are not entirely Republican. Of course factors other than financial ones (for example, think of nationalist ideology and identity politics) influence support for Trump and many other politicians. Yet all else equal, a relatively weak economy and an economic (and political and social) structure widely viewed as "unfair" probably reduce the probability that Trump (and several other Republicans involved in tight Congressional races) will win in November 2020.

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"What we don't know is what the shape or timescale of the recovery will be. It's going to be some time before we have a clearer view of the effects on other industries [in addition to those of travel, hospitality, and retail, such as] autos, higher education, manufacturing, and professional services." John C. Williams, President of the Federal Reserve Bank of New York, "The Economy in the Time of Coronavirus" (5/21/20)

Suppose there indeed is a powerful, V-shaped US economic recovery. Yet even if ultimately historians declare this occurred, probably much of the evidence of this will appear after Election Day in November, only about five months from now. If so, Trump will achieve only limited benefit (credit) by the time voters cast ballots.

MARKETPLACE OUTCOMES

In the film "Wall Street" (Oliver Stone, director), Gordon Gekko claims: "It's all about bucks, the rest is conversation."

Cream sings in "Politician": "Hey now baby, get into my big black car
I wanna just show you what my politics are."

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American political games (including their rhetoric) influence assorted financial playgrounds in diverse and often-changing fashions. Over the next several months, some marketplaces probably will be more affected by apparent United States national election probabilities and actual outcomes than others. What is the probable "overall" relevance (importance) of trends in and results for the 2020 American national election competition over the next several months for United States stocks (the S+P 500), interest rates (the US Treasury 10 year note), and the dollar? The following overview admittedly simplifies complex phenomena and situations.

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Let's start with US government interest rates. Though yields for and movements of the US 10 year note reflect and respond to a variety of factors, the Federal Reserve (assisted by central banking colleagues elsewhere) is largely running the show and will continue to do so through the election season. To protect the nation's economy and ensure sufficient recovery, the Fed will do "whatever it takes". It will keep engaging in massive quantitative easing (money printing) and yield repression (and other schemes).

Unemployment is and likely will remain lofty. What will the Fed target be as to an acceptable unemployment height? It surely will not be close to ten percent or more. (The Fed meets 6/9-10/20. It will release updated economic projections following this gathering). "Too high" inflation currently does not present a problem to Fed luminaries; they probably are worried more about too low inflation (or potential deflation). In general, given the economic carnage encouraged by the coronavirus pandemic, both parties at present support the Fed's highly accommodative policies. And the Fed (like other central banks) does not want to encourage either right or left wing populism. So America's national election campaign debates, probabilities, and actual results (winners or losers of the Presidency and so forth) do not matter a great deal for government yields in the near term.

Of course over the long run (in the post-election period), not only the unemployment and inflation situation (and economic growth) influence Fed policy and government rates. So will large budget deficits and debt levels (both current and prospective), US dollar trends, stock marketplace levels and patterns, and other considerations.

Though the Fed substantially can manipulate Treasury marketplaces, doing so in American corporate yield battlegrounds is more difficult for them. Should the US economy weaken in upcoming months, watch for widening yield spreads.

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What does the 2020 American national election campaign portend for the dollar over the next several months? American politicians traditionally declare they desire a "strong" dollar (though not one that is "too strong"). They do not want one that is "too weak". However, President Trump and most Republicans and Democrats nowadays probably want the US dollar to depreciate at least a modest amount from recent high levels. Take a look at the Fed's "Real Broad Dollar

Index" (H.10, goods and services combined; monthly average; "TWD"). The important December 2016 pinnacle in the TWD was 110.0. Though it dipped to 100.2 in February 2018, it appreciated thereafter. In March 2020, it broke above December 2016's elevation, reaching 111.7; in April 2020, the TWD rose to 113.4 (113.0 in May 2020). Compare the March 2009 peak at 101.5 during the bloody 2007-09 global economic disaster.

America's key political parties believe that a US dollar decline will assist economic growth, a laudable goal in current challenging economic times. Also, huge recent national deficit spending (and fairly significant prospects for more over the next several months) and the towering long-run debt challenge (which preceded the coronavirus) tend to weaken the dollar, especially if American fiscal extravagance looks greater than that of other leading nations. Competitive depreciation nevertheless may make a substantial dollar decline difficult.

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Bullish and bearish trends for the S+P 500 depend on an armada of interrelated factors such as US and overseas economic growth, corporate earnings and valuations, interest rate levels and trends, the dollar, and commodity prices. In contrast to patterns in US Treasury yields and the overall (TWD) dollar, actual results in the 2020 American national election likely will matter a great deal for levels in and trends for American equities. Why?

If the Democrats capture the Presidency, Senate, and House, it is likely that taxes eventually will be increased. Orations supporting higher taxes will employ the language of fairness and a desire to achieve greater economic (and political and social) equality, opportunity, and mobility. If the economy is very weak after the election, tax rises might be postponed for a while.

The resulting new tax law probably will involve at least a partial reversal of the tax "reform" legislation enacted in December 2017. If so, corporations and high-earning individuals will pay higher taxes. The 2017 tax reform played an important role in boosting corporate earnings and thus American benchmark stock prices. So all else equal, reversal of tax reform will tend to weaken American stocks. Other tax breaks benefiting some corporations and the wealthy also may disappear. Perhaps the capital gains tax will increase. To what extent will share buybacks be discouraged? Legislators will discuss a wealth tax, even if it is not passed.

Suppose that sometime in the months before November 2020 confidence becomes widespread throughout "the nation as a whole" that it is highly probable Democrats will sweep to victory in the Presidency, Senate, and House. Then US equity prices likely will tend to decrease.

If Trump wins the 2020 election, such significant tax boosts likely will not occur. Suppose Trump loses, but the Republicans maintain control of the Senate. A Republican Senate probably would block a major set of tax increases, but a modest overall boost might occur down the road once the economy was relatively robust.

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Senator Bulworth says in the movie "Bulworth" (Warren Beatty, director): "Obscenity? The rich is getting richer and richer while the middle class is getting more poor."

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Widely-watched American stock indices such as the S+P 500 and Dow Jones Industrial Average are signposts which traditionally (in general) have reflected the overall health of and potential for the American economy. Wall Street and its economic and political allies love to praise and promote bull market trends in American stocks.

The sharp rally in the S+P 500 benchmark since late March 2020 (3/23/20 low at 2192), and the recent relatively high resulting stock prices, nevertheless do not necessarily (probably) "forecast" (or mandate) that real consumer (and other) spending and real GDP will recover quickly or significantly (especially on a sustained basis). Neither do they necessarily predict a Trump victory.

According to RealClear Politics, a negative overall opinion of Trump exists (see above) even though polls show a net approval of 6.2 percent of his handling of the economy (50.7pc approve of his economic management, whereas 44.5 percent do not; 5/8/20 to 6/2/20 polls).

Moreover, it is arguable that to some extent (especially in recent times) United States stock weathervanes such as the S+P 500 do not fully (or even adequately) represent (parallel) Main Street conditions. High ("good") American equity prices may not manifest that the overall economy is strong. To some extent, sustained interest rate yield repression alongside massive money printing helps to encourage those with cash to look for return (yield) in stocks. Moreover, in an era of significant wealth and income inequality, in today's divided nation, many voters may not be overly impressed or pleased by lofty S+P 500 prices. What's apparently good for Wall Street (sometimes equated to or at least linked with "big money" and the wealthy) and stocks may not look as appealing to much of Main Street. Some citizens may view the S+P 500's strength as representative of an unjust division between the haves and have-nots.

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For further marketplace analysis, see other essays such as "American Consumers: the Shape We're In" (5/4/20); "Crawling from the Wreckage: US Stocks" (4/13/20); "Global Economic Troubles and Marketplace Turns: Being There" (3/2/20); "Critical Conditions and Economic Turning Points" (2/5/20); "Ringing in the New Year: US and Other Government Note Trends" (1/6/20). On America's cultural front in general and its political arena in particular, see also "America: a House Divided" (12/7/15).

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