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The Economics Behind US Presidential Debates: A Deep Dive into Key Issues



Nilanjan Banik
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“It is the economy, stupid,” former US President Bill Clinton used this slogan successfully, in his presidential campaign in 1992 against the incumbent George W. Bush.

Economic issues have again acquired primacy in the ongoing US elections given the rising income inequalities and inflation, hurting the middle class voter. The last presidential debate between Donald Trump and Kamala Harris was marked by numerous arguments and counter-arguments, but much of the discussion focused on economics and how each candidate plans to address the aspirations, ambitions, and dreams of the Americans.

Businesses and consumers

There is a perception that Trump is likely to succeed in this election since he is being funded by major corporations and supported by the [White Protestants and Catholics](#). Historically, US business leaders have consistently [supported Republicans](#). Between 2007 and 2017, 57% of the CEOs of S&P 1500 companies contributed politically to the Republican Party, 19% gave to the Democrats, and the rest split their contributions between the two parties.

In fact, big businesses support Trump’s plan to cut corporate taxes but they are wary of his proposal to increase tariffs. The business groups also appear to oppose Harris’s proposal to address price gouging, which seek to implement a law that would prevent grocery and pharmaceutical companies from raising prices beyond a certain limit.

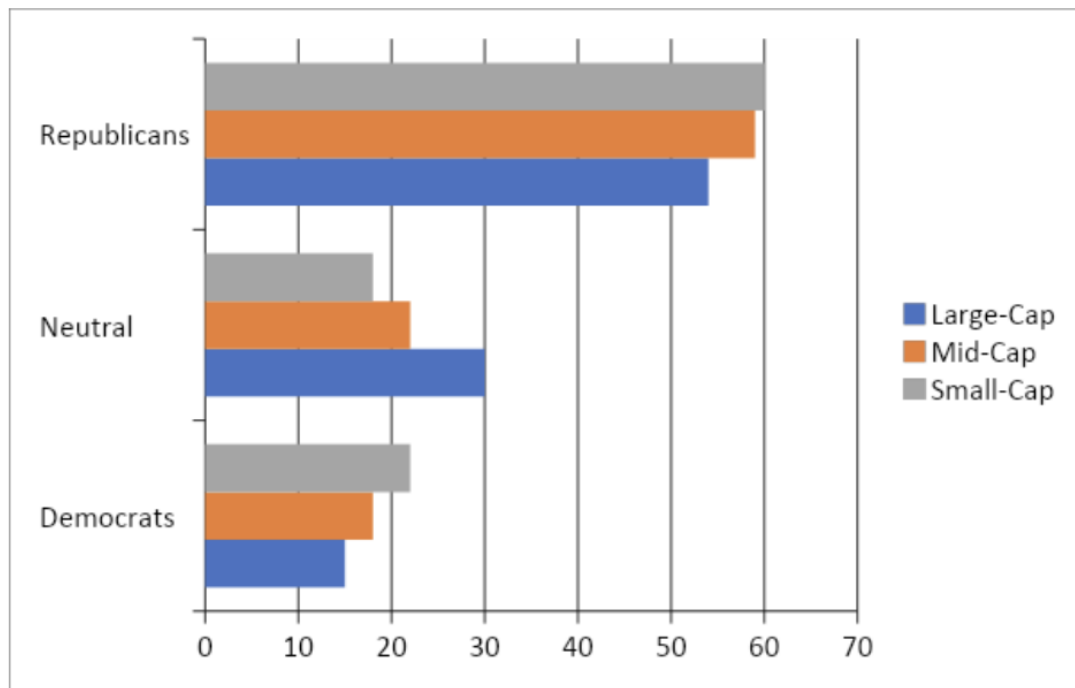


Figure 1: Political contributions (%) by CEOs of S&P 1500 companies, categorised by market capitalisation, namely, small-cap, mid-cap, and large-cap. Source: [Cohen et. al. \(2019\)](#).

Harris aims to diminish the influence of big businesses backing the Republicans by reaching out to smaller businesses and consumers. For the small businesses she wants to give [tax break of \\$50,000](#). For the consumers, Harris has proposed increasing tax breaks for families with children, providing more affordable care for the elderly, and offering credits to first-time home buyers, among other initiatives. The average cost of childcare is approximately [\\$11,582 per year](#). The cost of childcare has risen nearly twice as fast as the inflation rate, largely due to a labour shortage in the sector.

The higher cost of childcare has implications for inter-regional mobility. Many working families prefer to stay in the same neighbourhood as their parents due to this cost, even if it means passing up better-paid jobs in other states. In this regard, Harris's promise of a [\\$6,000 tax cut](#) for families with newborns and the assurance that no one earning under \$400,000 will face a tax increase will help support the American middle class. Harris also promises to build [3 million](#) new homes over four years and provide up to [\\$25,000](#) in assistance to first-time buyers. This move is designed to increase housing availability and help contain inflationary pressures in the real estate market.

However, historical evidence suggests it is not easy to build houses in the US. The housing market is tightly regulated. [Studies](#) pointed out stringent zoning regulations, such as height limitations and historical site preservation, increased housing costs in New York City by an average of 50%.

In 2021, in the US, there was a [shortage](#) of 7.3 million affordable homes and rental units, [an increase of 500,000](#) from just two years earlier. And the situation is deteriorating largely due to a group of "Not in My Backyard (NIMBY)" supporters who believe that increasing residential development will erode the openness, privacy, and exclusivity of their neighbourhoods.

NIMBYs are motivated by concerns that kids will no longer be able to play in the streets, increased traffic will disrupt suburban life, and schools will become overcrowded with new students. The [legislators seem](#) to be yielding to the anxiety of their suburban constituents and a smaller yet vocal group of NIMBYs who oppose development in New York City. This issue regarding residential housing will be a tough challenge to address, even if Harris wins the election.

Immigration

Immigration affects businesses, society and employment opportunities. Trump has repeatedly pledged that, if re-elected, he will implement “the [largest domestic deportation operation in history](#)”.

Trump criticised the Biden-Harris administration for being lenient on immigration, claiming that their policies have allowed “[terrorists,](#)” “[criminals,](#)” and “[drug dealers](#)” to enter the US. Additionally, a more liberal approach to immigration contradicts Trump’s own “America First” policy. It may be common perception that the migrants might take away jobs and lead to unemployment issues. However, this may not always be the case.

Whether for high-skilled or low-skilled positions, the US has a historical record of effectively utilising foreign migrant labour without significantly displacing native workers and increasing the wage.

A recent analysis by the [Brookings Institution](#) estimated that employers could add 160,000 to 200,000 jobs per month this year without significantly leading to a rise in wage or price inflation. The June 2024 unemployment rate of 4.5% is considered low by historical standards. Inflation has dropped below 3%, down from a high of [9.1% in mid-2022](#).

[A study at the Yale University](#) found that without immigration, the labour force would have decreased by about 1.2 million people from 2019 to the end of 2023 due to population aging. The nation’s aging population are leading to labour shortages in some industries and may result in a smaller workforce paying taxes to support federal programs like Social Security and Medicare.

Take for example, the State of Maine in the East Coast. With a median age of [45.1](#), Maine has the [oldest population](#) of any US state. Maine is known for its abundance of lobsters and its large older population, many of whom are increasingly unable or unwilling to catch, clean, and sell these crustaceans, which constitute a \$1 billion industry for the state. As a result, companies are turning to foreign-born workers to fill the gap. As the US as a nation ages overall, Maine provides a glimpse into the potential economic impact and highlights the crucial role that low-skilled immigrants are likely to play in filling the labour market gaps created by the retirement of native-born workers.

While the influx may present near-term challenges, it is also enhancing the American economy’s potential. Employers are able to hire more quickly, thanks in part to the influx of labour. The [Congressional Budget Office](#) has revised its population and economic growth projections for the next decade upward, reflecting the positive impact of this new wave of newcomers. Immigration could help reduce the federal deficit by stimulating economic growth and expanding the working-age tax base. Data suggests that immigration has contributed to a growth of [1 million in the labour force](#), annually. Job growth has been strongest in childcare, leisure, hospitality, and construction and most part of the labour requirements are complemented by migrant workers.

Slower growth in Japan and continental Europe can be attributed to an aging population and historically a restrictive immigration policy. As populations in wealthier nations age, GDP growth tends to slow, support costs rise, and government budgets come under increased pressure. Many empirical studies have found that GDP growth slows roughly one to one with declines in labour force and population growth. Viewed through this lens, the US's openness to labour immigration has helped maintain the US consumption — a key component of GDP.

Nilanjan Banik is professor, Mahindra University, Hyderabad. He can be reached at .

