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## Market View

# Harris vs Trump: economic visions collide as the election heats up

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### At a glance

- Harris's momentum grows: support surges across the board, showcased at this week's Democratic convention.

- Divergent economic plans: Harris proposes tax increases on corporations and high earners to support low- and middle-income workers, while Trump focuses on tax cuts and deregulation to reduce costs for consumers and businesses.
- Impact on Federal deficit: Harris's plans could increase the deficit by \$1.7 trillion over the next decade, while Trump's tax cuts could add \$7 trillion, according to the Committee for a Responsible Federal Budget.

It seems hard to believe it has only been four weeks since Kamala Harris took over the Democratic nomination, after President Joe Biden stepped aside over concerns of his age and health. Some pundits were initially unconvinced Harris was the suitable candidate to take over from Biden, citing apprehensions over her track record as vice president, including her efforts addressing the pressure at the US-Mexico border.

However, since becoming the Democratic nominee, enthusiasm for Harris has been robust, fervour that appears to have gained momentum during this week's Democratic convention. Thousands gathered in Chicago to hear speeches from prominent Democrats such as Barack Obama and Bill Clinton. Harris spoke on Thursday, presenting herself as a forceful and efficient leader who would unite the country. The former prosecutor also made the longest case against Donald Trump as a candidate, saying he is a threat to democracy, global stability and women's rights.<sup>1</sup>

Heading into the end of August, Nate Silver's FiveThirtyEight election model, which inputs a range of polling data by weighing it according to reliability, has Harris narrowly ahead of Trump, with polling giving her a 47% chance of winning.<sup>2</sup>

According to the Cook Political Report, Harris leads Trump in all swing states except Nevada.<sup>3</sup> Her selection of Minnesota Governor Tim Walz as her vice-presidential candidate appears to resonate with voters in swing states, as the former social studies teacher shows an ability to cut through political jargon and deliver a straight message.

## Economic plans

This week, we take a closer look at Harris and Trump's plans for the economy. Harris's plans include large tax increases on corporations and high earners to help assist low-and middle-income workers who struggle to increase wealth. She will also provide tax breaks to companies seen as delivering economic benefit, such as manufacturing technologies used to combat climate change and building affordable housing.<sup>4</sup>

She pledged to send up to \$25,000 in down-payment assistance to every first-time buyer over four years and direct \$40 billion to construction companies that build starter homes. She has also called for a ban on corporate price gouging where companies are seeing increased profits

as prices rise, an effort to punish companies for unfairly pushing up food prices. Questions remain over which tax increases Harris would favour to offset tax cuts and spending programs. The Committee for a Responsible Federal Budget estimates that Harris's plans would raise the federal deficit by \$1.7 trillion over the next decade, if no additional funds were raised.<sup>5</sup>

Trump meanwhile has promised to help consumers by bringing down the cost of car insurance in the first 100 days of his presidency and cutting energy prices in half.<sup>6</sup> He has also pledged to impose new taxes on all imported goods, which he says will force more companies to make goods in America. Previously Trump said he would tax imports at 10%, but he now says the rate could be as high as 20%, which would be paid by US importers, not foreign countries.

## Tax cuts

Tax cuts are on Trump's agenda, such as eliminating taxes on tips – about 4 million people worked in tipped occupations in 2023, or about 2.5% of all employment, according to the Budget Lab at Yale University, but over a third earn too little to owe federal income tax.<sup>7</sup> Other tax cuts include eliminating federal income taxes on Social Security benefits, which would offer assistance to an important voting demographic for Trump—senior citizens.<sup>8</sup>

Trump also aims to roll back federal regulations of businesses, such as environmental regulations and restrictions on oil drilling on some public lands, which could benefit small businesses. The Committee for a Responsible Federal Budget estimates Trump's tax cuts could add \$7 trillion to the deficit over a decade, only some of which would be offset by tariffs or repealing tax breaks.<sup>9</sup>

Harris and Trump will face each other in their first televised debate on 10 September, where they will no doubt further outline their economic plans. For now, both candidates have sent clear messages to voters about their own economic visions and goals for a more prosperous economy, but they disagree almost entirely about how to get there.

[1] New York Times, <https://www.nytimes.com/2024/08/22/us/politics/kamala-harris-dnc-speech.html>

[2] 538, <https://projects.fivethirtyeight.com/polls/president-general/2024/national/>

[3] Independent, <https://www.independent.co.uk/news/world/americas/us-politics/harris-trump-poll-latest-updates-2024-election-states-b2598448.html>

[4] New York Times, <https://www.nytimes.com/2024/08/16/business/economy/harris-trump-economy-inflation.html?smid=nytcore-ios-share&referringSource=articleShare&sgrp=c-cb>

[5] Committee for a Responsible Federal Budget, <https://www.crfb.org/blogs/kamala-harris-agenda-lower-costs-american-families>

[6] US News and World Report, <https://www.usnews.com/news/national-news/>

[articles/2024-08-14/trump-lays-out-economic-plan-everything-from-cutting-taxes-paying-off-the-debt-to-drill-baby-drill](https://www.nytimes.com/2024/08/14/trump-lays-out-economic-plan-everything-from-cutting-taxes-paying-off-the-debt-to-drill-baby-drill)

[7] CNN, <https://edition.cnn.com/2024/08/15/politics/harris-trump-economy-policies-inflation/index.html>

[8] CNN, <https://edition.cnn.com/2024/08/15/politics/harris-trump-economy-policies-inflation/index.html>

[9] New York Times, <https://www.nytimes.com/2024/08/09/business/trump-harris-taxes-economy.html>

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