



To the point!

Cross-Asset- and Strategy-Research

For Trump, it's back to square one

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With Biden's resignation, the race is wide open again. That's good!

"There are decades where nothing happens, and there are weeks where decades happen." This quote is mostly attributed to Lenin. For good reasons, he's rarely quoted in this column. But this time, his words perfectly capture the past week in the U.S. First, the literally close shave with an assassination attempt on the Republican candidate Donald Trump, followed by the first resignation of a sitting president from candidacy since Lyndon B. Johnson in 1968. Yet, no incumbent has ever thrown in the towel as close to the election date as Joe Biden did last Sunday.

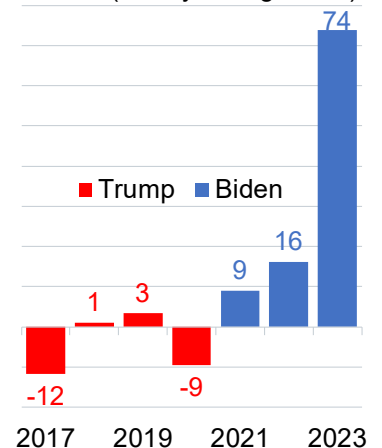
Looking back at Biden

Biden's withdrawal was by no means surprising. Since his calamitous TV debate performance, the writing was on the wall. To ensure that Biden's tenure isn't solely remembered for the setbacks, misfortune, and blunders of the past few months, a concise recap of his time in office is in order. Under his administration, America once again proved itself as a reliable transatlantic ally, not least through its solid support for Ukraine. The fact that U.S. aid was frozen for months can be solely attributed to Republican obstructionism in Congress. For the first time, Washington unreservedly acknowledged its shared responsibility in tackling the climate crisis. Ironically, the Inflation Reduction Act (IRA) sparked an industrial investment boom (see Fig. 1), especially in states that have suffered from deindustrialization – regions where support for Trump is strong, never mind that he had been unable to help industry nearly as much as Biden has done.

On the negative side, Biden's administration must be faulted for its indifference to the further deterioration of the fiscal situation. According to IMF calculations, the overall structural deficit of the

Bye Bye Biden

Fig. 1: Real private fixed investment in manufacturing in the U.S. (Yearly change in %)



Source: Federal Reserve Bank St. Louis, LBBW Research

U.S. was already at a hair-raising 6.5% of GDP under Trump. During Biden's term it has grown to more than 8. No party has the courage needed to defuse this fiscal time bomb.

Looking ahead to Trump

Trump has already promised further tax cuts should he be elected. These would further undermine the credibility of public finances. As recently described in a former edition of [To the point](#), Trump's other economic policies are also highly risky and could even threaten the independence of the Federal Reserve. For export-oriented Germany, it would be a disaster if Trump were to implement his protectionist plans. Therefore, it's welcome news that the race for the White House is open again.

Why Kamala Harris could change the game

I'm often asked how it came to be that two elderly gentlemen, well past their mental prime, ended up as the front-runners. Politicians in the U.S. tend to be older than their counterparts in Europe (refer to figure 2). Moreover, most of them are quite wealthy. This is partly because U.S. politicians don't owe their parties anything. They don't get into Congress through party lists but through primary battles after costly election campaigns they must finance themselves. Wealth and age often go hand in hand. Thus, spring chickens are few and far between in U.S. politics.

Biden's likely successor as candidate, Vice President Kamala Harris, could score points because she represents a stark contrast in this regard: Harris is 18 years younger than her opponent. She is also a woman and the daughter of immigrants from Jamaica and India who have realized the American dream. This should enable her to appeal to voter segments where Trump may struggle to gain traction. The presidential election may yet become a nail-biter. I am deeply grateful for this turn of events.

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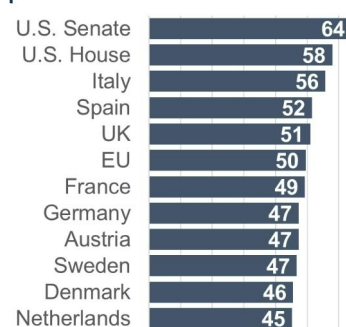
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Under Biden's leadership, the deficit continued to worsen.

Fig. 2: Average age of parliamentarians



Source: Inter-Parliamentary Union, European Parliament, LBBW Research. National data refers respectively to the Lower Chamber.