Impacts of Barack Obama being elected President of the United States

Americans have chosen Democrat Barack Obama as the next President of the United States. He will not take up his duties in the White House until January 20, but assembling his transition team and appointing key figures in his future administration will set the tone for his time in office. Here are a few factors to think about regarding the potential impacts of electing Obama.

- **A break with the Bush years:** President Bush’s two terms did not bring any shine to the American economy. The current administration’s satisfaction rate is very poor, and Bush was no longer managing to reassure either the markets or Americans during this period of turmoil. A change of president resulting from a clear, unambiguous vote can only be good for consumer confidence, as well as for markets, which are not fond of uncertainty. The issues of the Iraq War and the environment also contrast sharply with the approach favoured by Bush.

- **More redistribution of wealth among society’s classes:** Just like the defeated Republican candidate, the main (most expensive) measure promised by Obama is renewing the tax cuts instituted by Bush in 2001 and 2003. However, the President Elect indicated that he would raise the tax rates for the highest income brackets, and put forward more tax credits for the less well off. Note that, in 2007, the median income was lower than it was in 2000.

- **New measures to stimulate the economy:** At the end of the campaign, the candidates were making more and more promises about getting the economy out of its current slump. Among other things, Obama put forward a tax credit for job creation, an infrastructure spending plan, and a moratorium on home seizures. Congress could adopt these measures or other forms of stimulus before power is handed over in January. It is clear, however, that there will be another economic stimulus program.
• **Paulson Plan to continue:** Barack Obama voted for the Paulson Plan when it was passed by the Senate. This financial institution rescue plan should not be compromised. Following bank recapitalization, other measures, such as buying up struggling securities, will move ahead.

• **A less free trade approach:** The Democratic platform clearly states that “Obama and Biden believe that NAFTA and its potential were oversold to the American people”; they wish to “fix” the Agreement. The changes sought primarily deal with labour and environmental standards. In some interviews, the Democratic candidate did soft pedal his concerns about the Agreement and signalled that he did not intend to reopen NAFTA “unilaterally.”

• **Budget deficits will remain large:** The current economic situation, bailout attempts and Barack Obama’s promises lead us to believe that U.S. public finances will not be able to improve in the near future. The federal government’s debt levels will remain high, which means that the next president will be in a precarious position. A number of the promises mentioned during the campaign may have to be put aside or postponed, especially if Congress decides to make its short-term priority new economic stimulus measures. Some problems affecting Americans, like a lack of health insurance coverage or underfinancing of social programs, could continue to remain unsolved.

• **Little impact for the financial markets:** The safe haven value of the American bond market and the greenback should offset the consequences of additional government debt. The global situation, broad economic cycles, evolution of prices for goods like oil and monetary policy should still have more effect on the markets than the results of the vote. Some sectors of the stock market (alternative energy, basic consumption, etc.) could get a boost, however. In the near future, uncertainty will have more of an influence on the stock market than the positive effect of electing Barack Obama.

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NOTE: For more information about the American elections, please see our Economic Viewpoint “The November 4th elections and the U.S. economy” on October 21, 2008.