What to Expect in the Wake of U.S. Elections

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The New U.S. Political Configuration

In all likelihood

• President Joe Biden in the White House
• Small Democratic majority in the House of Representatives
• Razor-thin Republican majority in the Senate
What It Means for the Policy Process

1. Biden will nominate centrist judges and officials

2. For Congress, two possibilities:
   - Gridlock and brinksmanship; or
   - Compromise & incremental legislation

3. For Biden, strong pressures to use:
   - Executive orders to pursue domestic policy goals
   - International agreements *not endorsed* by Congress to commit the United States to policy goals that don’t command a political majority.
Outlook for Domestic Economic Policy

1. New U.S. fiscal support in late 2020 or early 2021
   • Small scale, unless pandemic & economic fallout worsen a lot
   • More support for unemployed workers
   • Modest aid to state and local governments


3. Large tax hikes? No.


5. Legislation to kill the fossil fuel industry? No.
Outlook for Fed Monetary Policy

1. **New monetary policy framework**: Fed pledges not to raise policy rate till it sees clear evidence of a sustained rise in inflation above its 2% target – even if unemployment falls sharply.

2. The Fed will pursue an accommodative monetary policy and near-zero nominal interest rates till the end of 2023, by the Fed’s own assessment.

3. **What it means for South Korea**: low rates for long
1. Greater efforts to foster cooperation in COVID-19 containment efforts – e.g., modest funding of vaccine deployment in poor countries.

2. Efforts to (re-)build foreign and domestic support for international economic cooperation.
   • Can President Biden restore trust in the WTO and WHO? Will he try?
   • Rescinding the Section 232 tariffs on steel and aluminum: Sound economics and a good way to signal a more collaborative stance.

3. Renewed efforts to police tax avoidance by multinational corporations
Policy toward China

Many issues and points of friction:

• Intellectual property practices
• Industrial subsidies
• Market access
• WTO reforms
• Political repression in Hong Kong
• Human rights violations in Xinjiang
• Threats to Taiwan
• South China Sea sovereignty claims
Labor Market Developments

Employment Rate of Persons Aged 25 to 54

- United States
- South Korea
The Shift to E-Commerce and Delivery

Have you started or increased usage since Covid-19 began?

- Online streaming
- Grocery delivery (26%)
- Restaurant curbside pickup
- Restaurant delivery
- Store curbside pickup

Reproduced from today’s Wall Street Journal.

For more on how COVID-19 is driving a major reallocation of jobs and workers in the labor market, see my paper with Bloom and Barrero, “COVID-19 Is Also a Reallocation Shock,” forthcoming in the Brookings Papers on Economic Activity.
COVID-19 Compelled U.S. Firms and Workers to Experiment at Scale with Working from Home

“If you’d said three months ago that 90% of our employees will be working from home and the firm would be functioning fine, I’d say that is a test I’m not prepared to take because the downside of being wrong on that is massive.”

– James Gorman, CEO of Morgan Stanley*

*Cited in Cutter (2020)
WFH Share of Paid Workdays Before, During, and After COVID-19

Source: “Why Working from Home Will Stick” by Barrero, Bloom and Davis (2020) based on surveys of 15,000 working-age persons across survey waves fielded in May, July, August, and September/October 2020. We re-weight responses to match the shares of working-age persons in the 2010-2019 CPS in each {industry x state x earnings} cell.
“In all candor, it’s not like being together physically.…[But] I don’t believe that we’ll return to the way we were because we’ve found that there are some things that actually work really well virtually.”

– Tim Cook, CEO of Apple*
COVID-19 Shifted Patent Applications to Technologies that Support WFH

WFH Patents as % of Patent Applications

From Bloom, Davis and Zhestkova (2020), updated