

BIDEN AND THE DECADE OF EUPHORIA

On Tuesday, 3 November, the United States (US) elections kicked off. Unlike previous elections where we knew who the winner was about a day later, we were still wondering who the next US President would be when we reached the weekend. Election polls were, however, starting to favour the Democratic nominee, Joe Biden, who only needed six more state electoral votes to win. Biden was leading in Nevada, Pennsylvania and Georgia, any one of which would have given him the victory. Eventually on Saturday, 48 years to the day after he was first elected as a senator, Biden was declared the victor.

An initial concern was that we would see a blue wave during this election, where Democrats would sweep through and not only win the presidency but also the Senate and the House of Representatives. In this case, they would be able to implement many socially friendly reforms at the cost of American capitalism. Even though Biden won the election by a substantial margin, the Republicans will keep the Senate and, therefore, be able to prevent the Democrats from more social spending on healthcare, more taxes and tighter regulations on firms. The Democrats have a keen interest in restraining the power and influence of especially large US tech firms. Now, the big question is whether Donald Trump will accept defeat or contest his loss. He has been outspoken about election fraud and has already filed various lawsuits and requested recounts in some states. His claims, that lack substantial evidence, seem to have fallen on deaf ears.

The US markets were just as unsure about the outcome and influence of the election but, after a 9% decline since September's high, the S&P 500 slowly started to recover. In addition to all the monetary support that US markets have been enjoying, it seems as if there is some relief that the blue wave did not sweep over the US. There is also optimism about a second COVID-stimulus package which was initially delayed by the Democrats but that would greatly boost the purchasing power of the US consumer. If that was not enough, markets seem positive about a potential vaccine and, even more so, about the unbundling of Trumpism. Biden has already said that he would bring the US back into the Paris Agreement on global warming (not good news for US shale and gas) and undo Trump's decision to leave the World Health Organization (WHO). Biden will also most likely re-join the Iran nuclear deal, impose higher taxes (on corporates and the wealthy), and undo the trade war against Europe and China (who stand to gain the most from Biden's victory).

From all of this, the US and the broader global economy will most likely enjoy a period, maybe even a decade, of euphoria. It seems that the season of ruffling feathers and dusting off old, stagnant mindsets is over and has been replaced with more of the same, making friends whilst trying to win important fights outside of the public domain. A strategy that did not work well for the US in the past, especially not for the average American household.