



The midterm legacy in the US: the first elections for Trumpism

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There will be a lot at stake on 6 November, when the midterm elections take place in the United States. The result, which some will interpret as a kind of referendum on Donald Trump's presidency and the Republicans, will serve to shape the country's future political landscape.

The United States goes to the polls every two years:

- All the seats in the House of Representatives (435) are to be contested. Currently, the Republicans control the House with a margin of 238 seats to 193 (with four vacant seats).
- Of the 100 seats in the Senate, 35 are up for election. The Republicans currently control the Senate by 51 seats to 49.
- Governors in 36 states will be elected. As of today, 26 of these governors are Republican, 9 are Democrats and 1 is an independent candidate.
- Thousands of state senators and representatives will be elected or will leave their posts. Interestingly, the state leaders elected this autumn will also play a role in redefining the electoral districts for the House of Representatives and the state legislatures for the 2020 US Census. This could change the electoral map altogether.

Regardless of the result of the election, the debt ceiling is expected to remain a controversial and difficult subject going into 2019. Basically, the Democrats are looking to increase state spending and increase minimum wage. Meanwhile, the "new" Republicans want to cut state spending and lower taxes.



Possible scenarios

- Scenario 1: The Democrats win the majority in the House of Representatives and the Republicans continue to control the Senate.
- Scenario 2: The Republicans hold the majority in both chambers.
- Scenario 3: The Democrats take both chambers.
- Scenario 4: The Republicans lose the lower chamber but win a supermajority in the Senate.

Scenarios 1 and 4 appear to be discounted by the market. They would mean a divided Congress, with a Democratic majority in the House of Representatives and a Republican majority in the Senate. A divided Government would probably cause a stalemate in Washington until the 2020 presidential elections. This happened during the Obama administration, although with less confrontation. This scenario would frustrate political action to raise the debt ceiling and increase budgetary constraints.

In **scenario 2**, a Congress controlled by the Republicans would probably cause another round of tax reforms and spending cuts for national programmes. A further round of tax reforms could moderately drive growth, although spending cuts would likely cancel out the gains.

In the event of **scenario 3**, the Democrats would take control of both chambers of Congress. In this situation, we could see a more complicated relationship and more confrontation between Congress and President Trump, increasing the chances of a government shutdown. This could have a negative or very negative effect on confidence in the economy. The new Democratic Congress would try to impeach the President.

The Democratic economic agenda in the event of winning a majority in the House of Representatives would be as follows (although it is purely illustrative, as Trump would have the power to veto all laws):

- **Infrastructure spending:** The Democrats in the Senate have developed a one billion-dollar infrastructure plan to repair and modernise highways, railways and other public works systems. The cost would be covered by raising the corporate tax rate (again) to 25% and reverting some of the individual tax cuts.
- **Health care:** The Democrats are proposing protecting and expanding the Medicare, Medicaid and Social Security programmes.
- **Minimum wage:** As part of the platform, many candidates are proposing an increase to the minimum wage. The Democrats in the Senate presented a bill last year that



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would increase the federal minimum wage from \$7.25/ hour to \$15/ hour for 2024 and index it to inflation from then onwards.

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