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Potomac Perspective

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A week into the Harris campaign, we look at what, if anything, has changed. Spoiler alert: A lot, but not much. We begin this note with a brief comparison of the Trump and Harris agendas regarding tax, health care, and trade. We expect Vice President Harris will run on the Biden platform, but we include proposals from Ms. Harris's 2020 campaign. Even though she might not mention these proposals, we expect the Trump campaign will, and we want to highlight where we think there could potentially be some headline risk for investors.

HARRIS VERSUS TRUMP: POLICIES

The change at the top of the Democratic ticket to Kamala Harris from Joe Biden raises questions about the platform on which she will run. The Harris campaign has not released its own agenda, but our assumption is she will run on the Biden platform. There is simply not enough time to pivot to a new program. As the sitting Vice President, and given the circumstances of her candidacy, it is unlikely she could open significant space between her and President Biden in the narrow timeframe that exists between now and Election Day. Furthermore, the platform on which she ran on for the 2020 Democratic nomination was clearly intended to appeal to the Democratic Party's left wing and would not be palatable to the general electorate. Still, her past views cannot simply be ignored.

The Trump campaign will not ignore them, so they will be in the news in the coming months. Positions that were put forth in her 2020 primary campaign will raise the potential headline risk going into this fall's contest, but we also note that even if she were to win and chose to revisit parts of her 2020 platform, the agenda's prospects would be dim. We expect November's election will result in a closely divided Congress, which would make it difficult to enact partisan legislation.

In the table below, we take a look at proposals from Donald Trump and Kamala Harris related to tax, healthcare, and trade policy. For Harris, the bullet points indicate proposals from the Biden platform which we assume she will adopt. Asterisks and italics indicate positions taken by Harris during her 2020 campaign and her time in the U.S. Senate.

ISSUE	TRUMP	HARRIS
Taxes	<ul style="list-style-type: none"> – Extend the Tax Cuts and Jobs Act of 2017 (TCJA) – Cut the corporate tax rate to as low as 15% 	<ul style="list-style-type: none"> – Raise taxes on individuals earning >\$400,000. Possibly extend TCJA for lower income brackets. – Tax investment income >\$1 million as ordinary income. – Raise corporate income tax rate to 28% (proposed 35% rate in 2020). – Increase stock buyback tax to 4%. <i>*Financial transaction tax.</i> <i>*4% "income-based premium" on households earning >\$100,000 to pay for Medicare for All.</i>
Healthcare	<ul style="list-style-type: none"> – Possibly try to repeal the Affordable Care Act (ACA) 	<ul style="list-style-type: none"> – Expand ACA. <i>*Medicare for All.</i>
Trade	<ul style="list-style-type: none"> – Increase tariffs on Chinese imports up to 60%. – 10% global tariffs. Likely to push for changes in U.S., Mexico, Canada Agreement (USMCA) as part of 2026 review. 	<ul style="list-style-type: none"> – Maintain current tariffs on China. <i>*"Not a protectionist Democrat" (2019).</i> <i>*Voted against USMCA based on climate concerns.</i>

* Proposed as part of campaign for the Democratic nomination in 2020

Source: Campaign websites and Stifel Washington Policy Strategy

THE STATE OF THE RACE: THE MORE THINGS CHANGE, THE MORE THEY REMAIN THE SAME

In the week following President Biden’s decision to withdraw from the presidential election, everything has changed, yet little has changed. The presidential race is effectively back to where it was before the Biden/Trump debate on June 29. The battleground states before last week’s announcement from Mr. Biden are still the battleground states today. There have been very few state polls out this week, but those seem to tell a story similar to the national polls: a small positive move in Ms. Harris’s direction as she has reenergized Democrats.

Ms. Harris’s campaign is still in the honeymoon stage. This should continue for the next four weeks, during which time she will announce her running mate and deliver her acceptance speech at the Democratic National Convention (August 19-22). These are opportunities to add to her momentum. Whereas we thought a Biden/Trump race was largely settled because of voters’ familiarity with both candidates, the fact that Ms. Harris is slightly less well known and represents more of a contrast could mean the race will now revert to a more traditional mode in which more voters wait to make up their minds until after Labor Day. If this view is correct, we will need to see what polls show in a month.

If Ms. Harris can build on her recent gains in the polls, she has a chance to win the November election. However, if her bounce in the polls fades, Mr. Trump would be in a strong position to win.

As of now, we continue to see Mr. Trump as the favorite. The odds of him winning might have slipped slightly compared to two weeks ago, but he still maintains an edge in our view. Voters' view on the economy and the direction of the country pose big challenges for Ms. Harris. For example, a recent *Wall Street Journal* poll showed Mr. Trump has a 12-point advantage over Ms. Harris regarding which candidate would be best able to handle the economy, which happens to be voters' top issue. Also, according to the RealClearPolitics average, over 66% of voters think the country is on the "wrong track." This does not help the incumbent party.

As we have previously pointed out, Mr. Trump has shown in the past two elections that he has an advantage in the Electoral College. As long as he is within four points in national popular vote, he has a good chance of winning the election. In 2020, he lost the national popular vote by just over four points and narrowly lost the Electoral College. In 2016, he lost the national popular vote by just over two points and narrowly won the Electoral College. All of this suggests he is in a good position to win, but we reiterate we might have to wait until after Labor Day to see if the race has truly changed.

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