



## **Rodney's Take**

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#### **The Virus and the Vote, From an Economic Viewpoint**

For two months, the airwaves have been filled with news of the pandemic and the economic shutdown. Just as many of us became armchair geopolitical strategists in the weeks and months after 9/11, now we're amateur viral epidemiologists and economists, arguing about the spread of the virus and the correct government response.

I'm getting tired of the news on these fronts. We're at the point of rehashing information. We've staked out our positions, and now we'll have to wait for time to show who got it right, Sweden or most other Western nations.

But as parents became teachers and we learned to live in close quarters, we were saved from something else... political advertising. We got a reprieve, but it won't last.

There's still an election on the horizon. Soon it will take center stage. Many of the talking points will remain the same as they were before the virus and shutdown, but now they have an added component. The

question of who won and who lost during the flu season will play a major role in the narrative as we head to the polls, and it will highlight a glaring divide among American voters...age.

In the 2018 mid-term elections, more voters under 50 turned out at the polls than voters over 50, the first time that's happened since at least since the late 1970s. A bright line is drawn between the Boomers, with the youngest among them now in their mid-to-late 50s, and Generation X. As we go to the polls this year, 23% of the electorate will be over 65 years old, but the Boomers and older generations will be just 40% of voters, down from 70% in 2000. Millennials and Generation Z are taking control.

The largest divergence between conservative and liberal voters by age and sex exists among Millennial women. Over the last 15 years, this group shifted from 35% conservative leaning and 55% liberal leaning to 23% and 70%, respectively.

Younger voters are less likely to own stocks and homes, and therefore are less likely to have participated in the general rise in asset prices during the 2010s. The economic shutdown put more than 30 million people out of work, many of whom are young service workers without significant assets to help them through these difficult times. It will get worse before it gets better.

Several weeks ago I pointed out that lenders will have little reason to work with potential borrowers with poor credit or to make risky business loans. Through various relief programs, the government is driving banks to make hundreds of billions of dollars in loans that carry the backing of Uncle Sam. By focusing on these loans, banks can minimize repayment risk. Who would lend to a start up in this environment?

Auto lenders are now offering 0% for seven years to borrowers with good credit, while closing the door on sub-prime borrowers, a mainstay of their business over the last five years. JPMorgan Chase recently raised the minimum down payment in its main mortgage program to 20% and the base credit score to 700. It seems everyone is re-verifying employment, and with good reason.

As we deal with the economic aftereffects of the pandemic, we're losing our appetite for risk, which reduces economic opportunity for those on the margin, who tend to be young.

These voters will be courted with strong messages of "us" vs. "them," which will bleed into policy proposals. This goes beyond a public option for healthcare and moving corporate taxes halfway back to their 2017 levels. Think taxes on financial transactions, higher estate taxes, some form of a wealth tax at the national level, and possibly even a consumption tax. On the state and local level, we'll get more of the same, plus calls for higher property taxes and increased sales taxes.

Economically, this isn't a case of right and wrong, it's a discussion of how wealth has been distributed through the nation in recent years and of how there could be a loud call to adjust that distribution. Do we let the Fed keep pumping up the asset bubbles, which skew benefits to older, wealthier Americans, or do we use the taxing authority of the nation to funnel some of the wealth to those who didn't participate and, typically, are younger?

As the election gets closer and the messaging gears up, pay attention. I don't know who will win; that's not the point. I wouldn't be surprised to see some version of these thoughts from both parties, because they both need something to win in November... a lot of support among young voters.

Rodney