

WHAT DO THE ELECTION RESULTS MEAN FOR POLICY?: THE REGIONAL ECONOMIC DIMENSION

Biden vs. Trump



- Many reasons for voting
- Our premise: Some of the Biden policies will enhance the competitive economic position of “blue” economies
- Understanding this narrative through regional economic modeling

In a nutshell



- Trump: traditional Republican (lower taxes and regulation) + restrictive immigration and trade policy
- Biden: traditional Democratic (higher taxes and government spending, regulation of businesses) + ? on immigration and trade [globalist vs. traditional position of labor on immigration and trade]

Economic Transformation



- Shift from natural resources, manufacturing to service and information economy
- Trump leans towards older economy (slowing transformation), Biden leans towards newer economy (speeding transformation)
- Tension between uniform national policies (uniform labor, environmental, health care) and differential state and local policies.
- Democrats: we need uniform policies; Republicans: we should let state and local governments dictate their own change

National vs. State Local



- Blue states lean toward new National Policies
 - These states have more labor, environmental regulation; more government support for housing, health care, and other services; higher taxes [yet, these policies reduce economic competitiveness]
- Red States lean toward state-determined policies
 - Lower regulations and taxes reduce business costs and are a key competitive advantage in these areas

Star Cities Model



- Compiled all of the 6 most populated counties into one Region labeled “Star Cities”
 - ▣ All these areas tend to be strongly Democratic-leaning in elections

- All other counties in the US labeled “Rest of US” as one region
 - ▣ Suburbs, Interior, Rural

- Assumption of Total US Employment=Baseline Employment

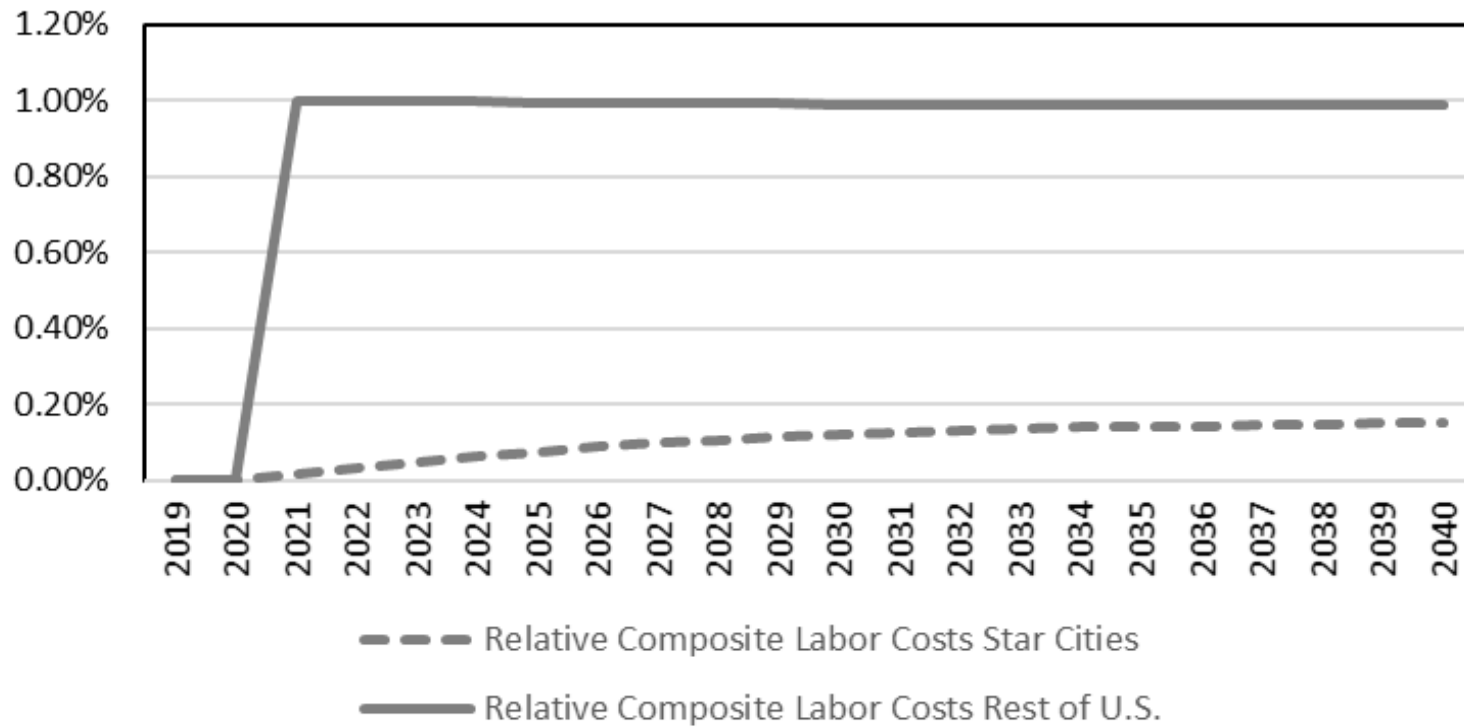
Policy Change: Labor Policy

- Simulation: Increased Compensate Rate by 1% in the Rest of the US
- Assumption: Star Cities have a high level of compensation of benefits and wages
 - ▣ Seattle-Minimum Wage is \$16.25
 - ▣ Paid Medical and Sick Leave Policies
- Federal Minimum Wage currently \$7.25

Relative Labor Cost



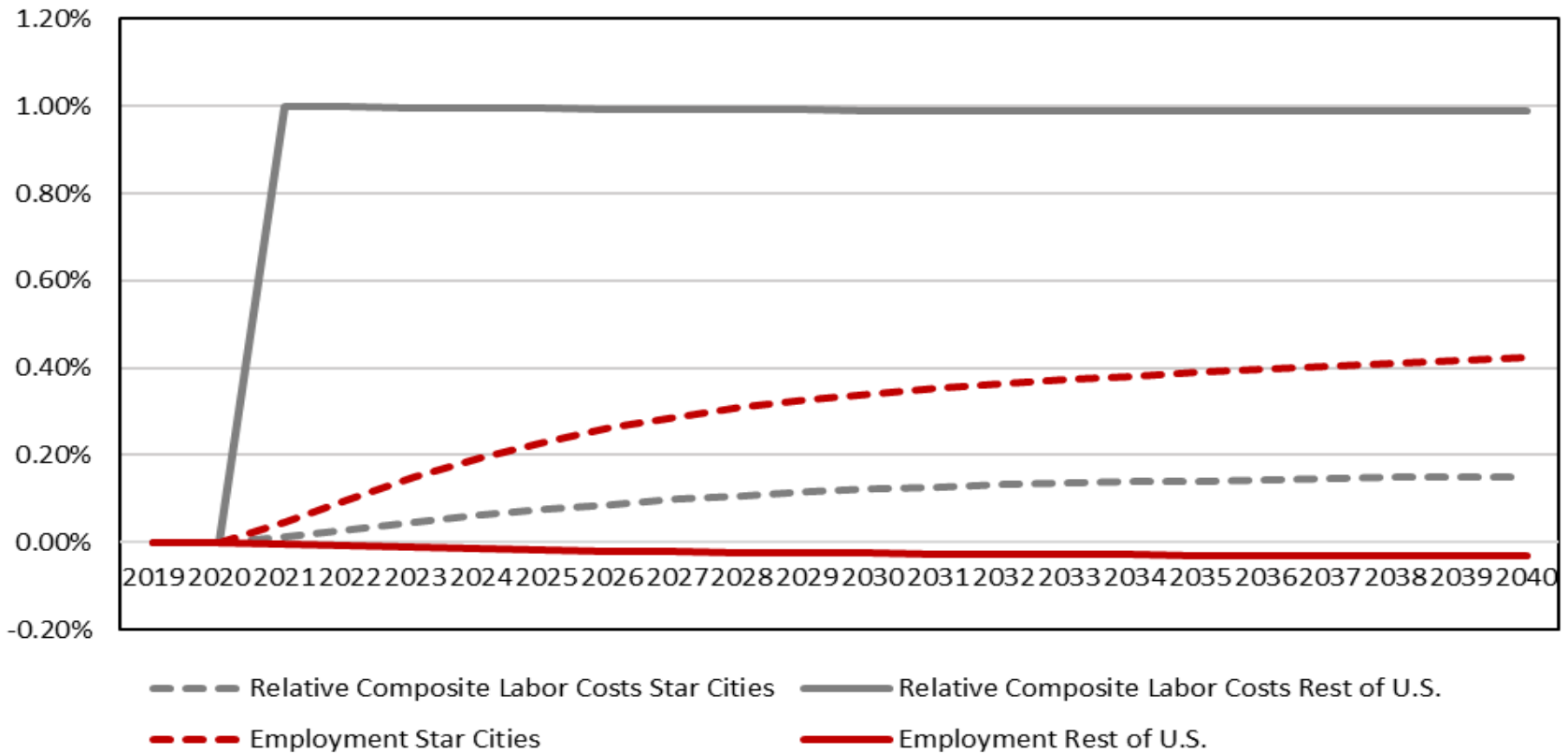
% Change in Relative Labor Cost



Labor Cost & Employment



% Change in Employment and Labor Cost



Policy Change: Environmental Policy

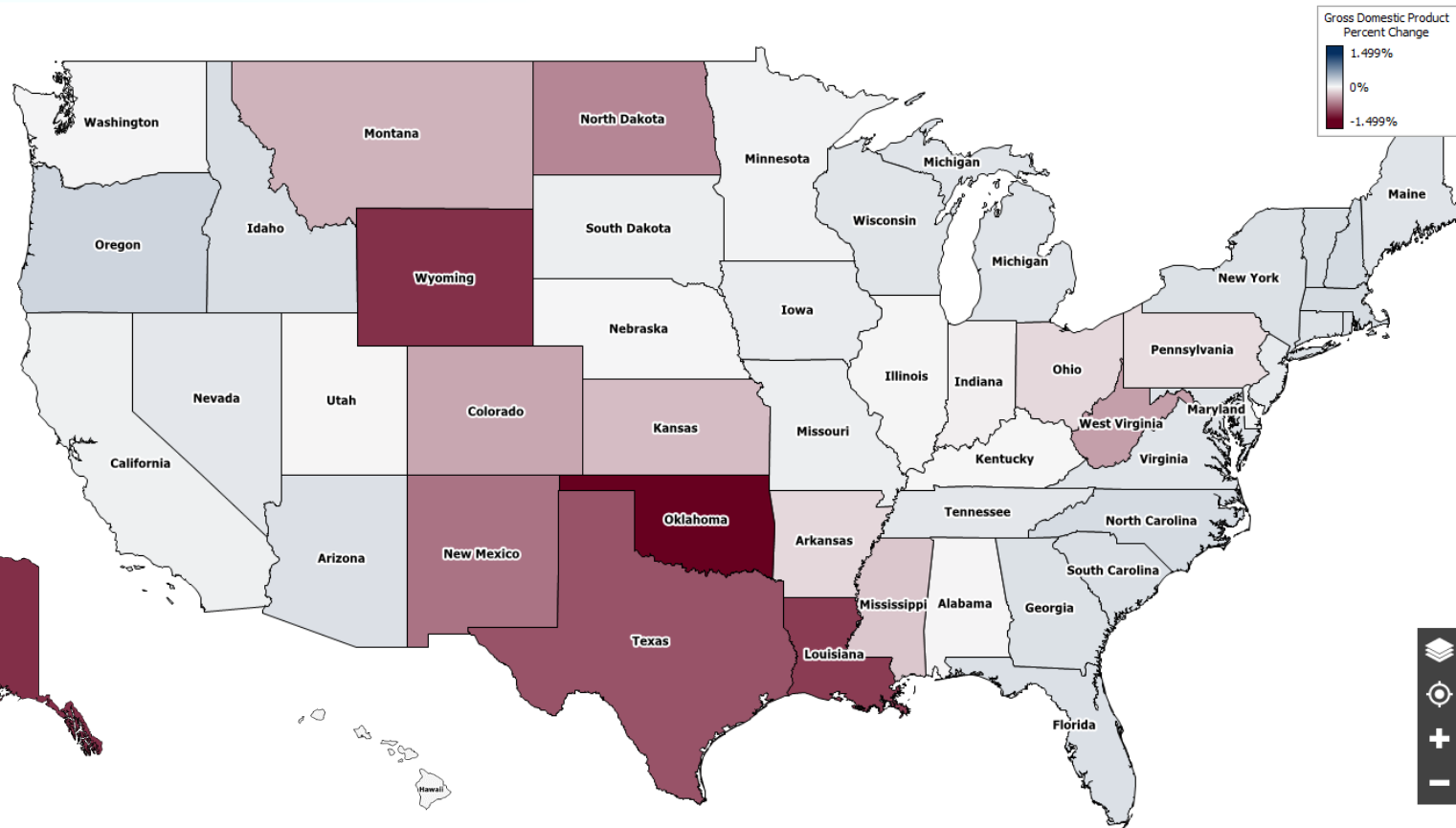


- Simulation: 10% Increase in Oil and Gas Production Costs
- Potential increase in environmental regulation, elimination of subsidies, etc. all could be attributing factors
- Direction of change exercise, looking at the assumed combined impact of potential energy policies

Oil + Gas Production Cost Increase (10%) GDP 2030

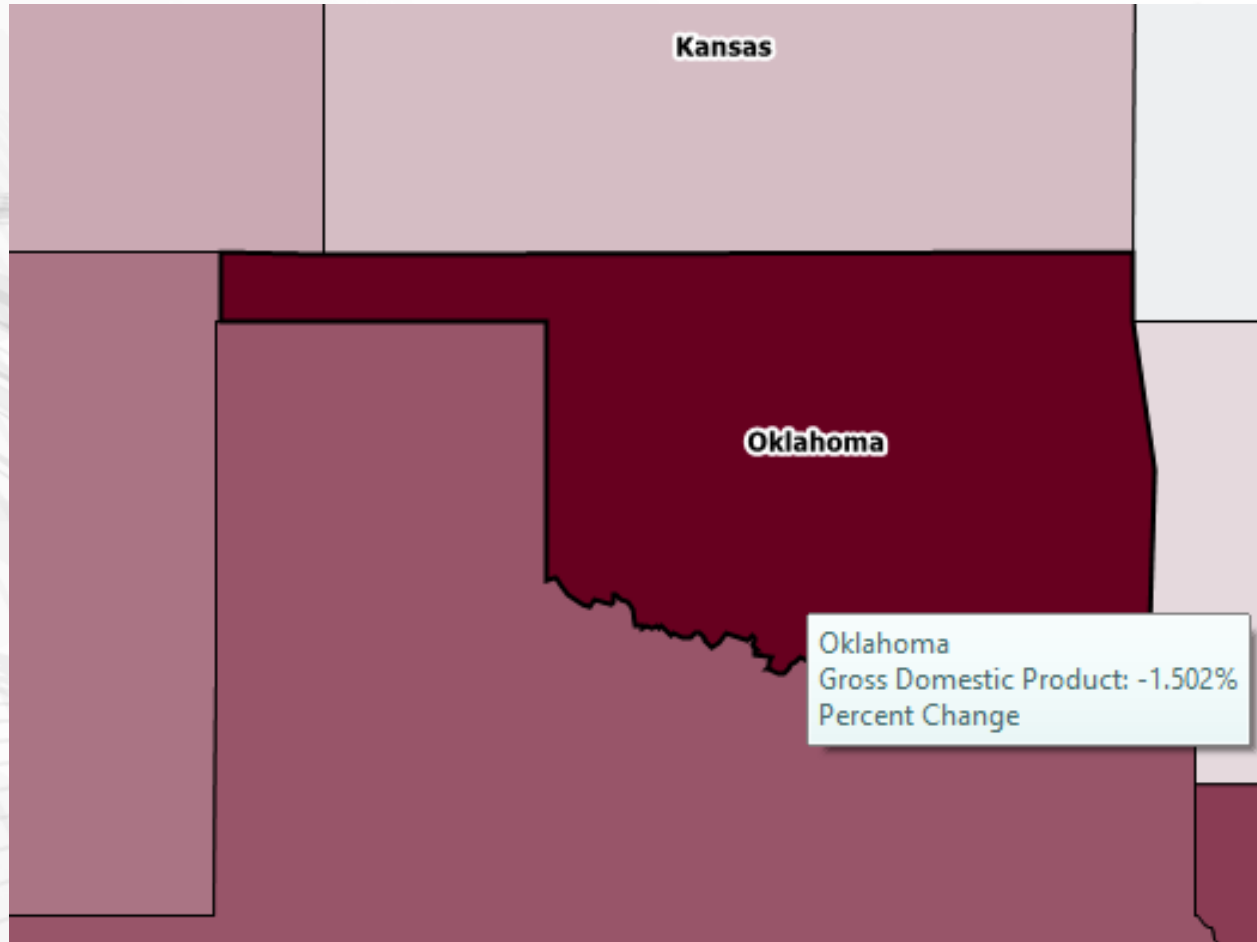


Year	Category	Comparison Type	Forecast	Comparison Forecast
2030	Gross Domestic Product	% Change	USOILPriceIncrease	Regional Control for RSQE_Baseline

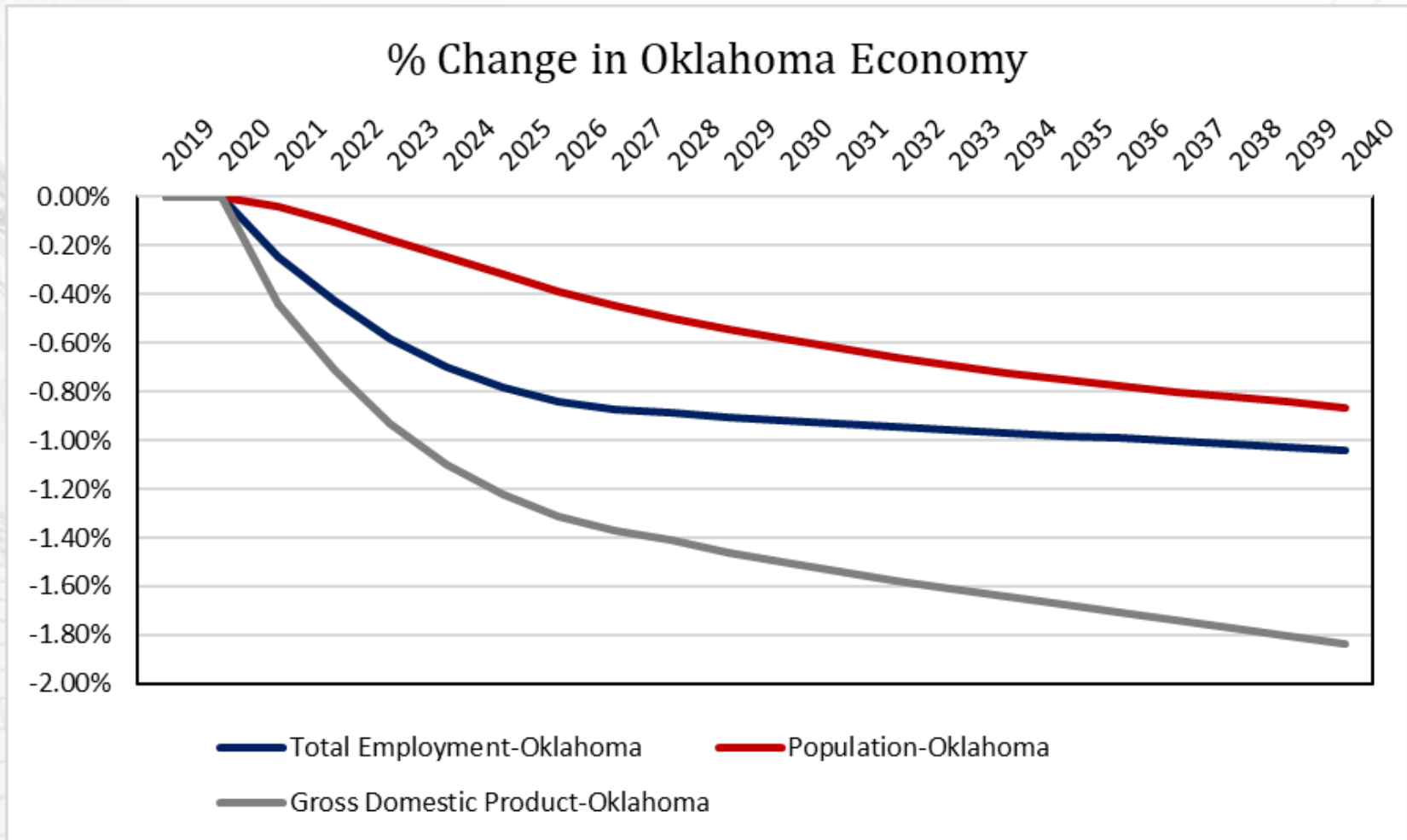


what does **REMI** say? sm

Oil + Gas Price Increase Outlook: Oklahoma

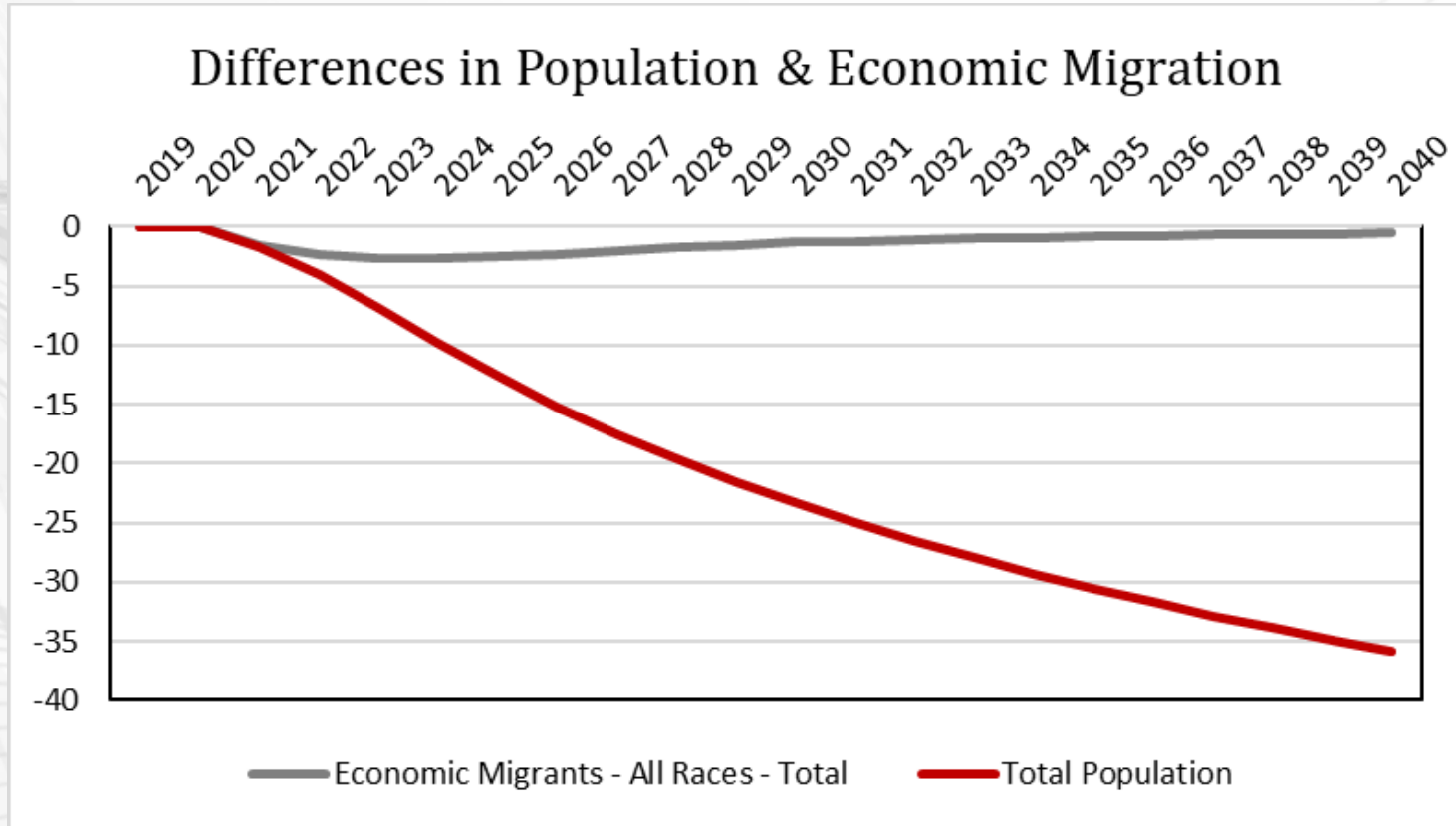


Economy-Oklahoma

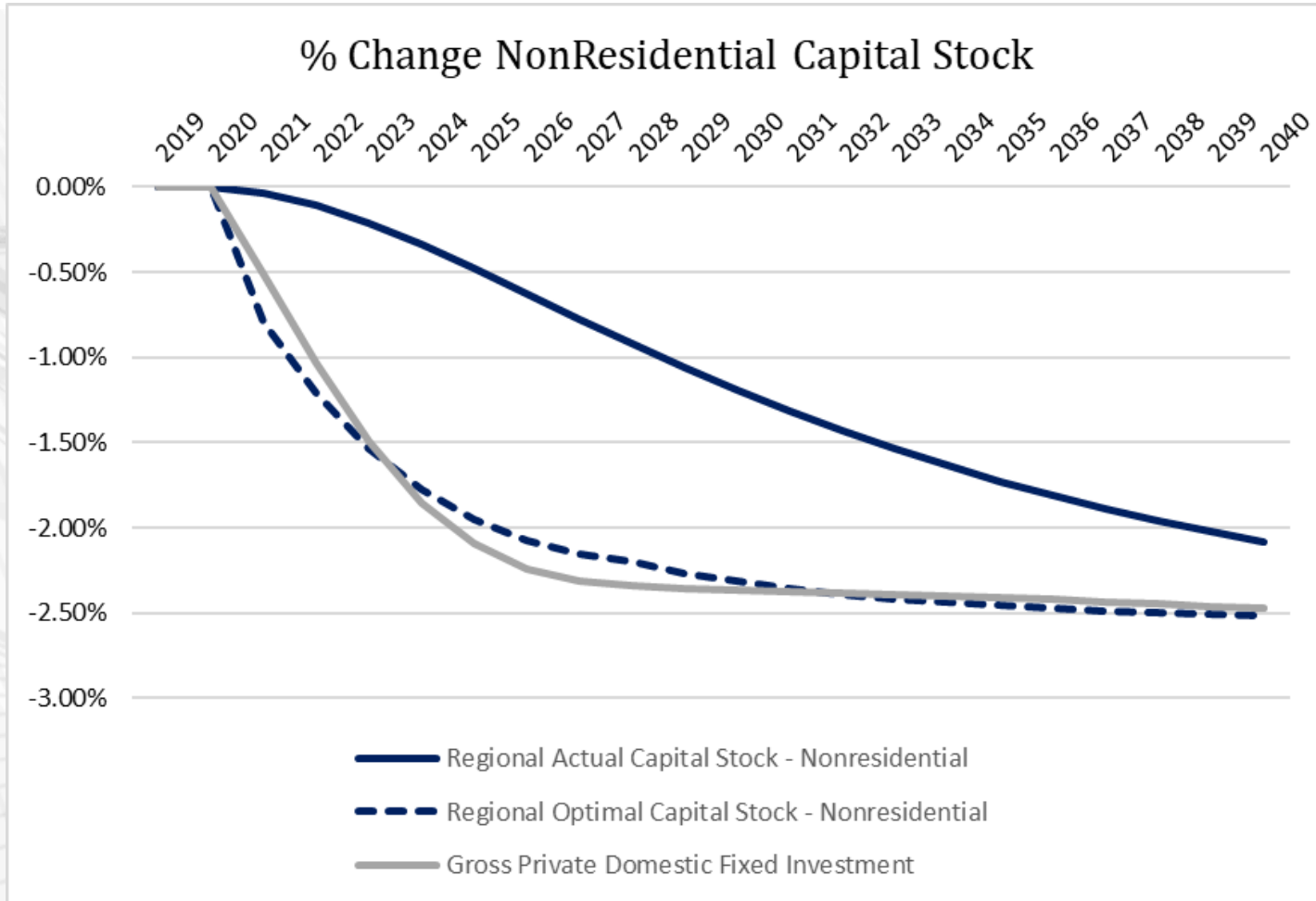


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Population and Economic Migration-Oklahoma



Capital Stock-Oklahoma



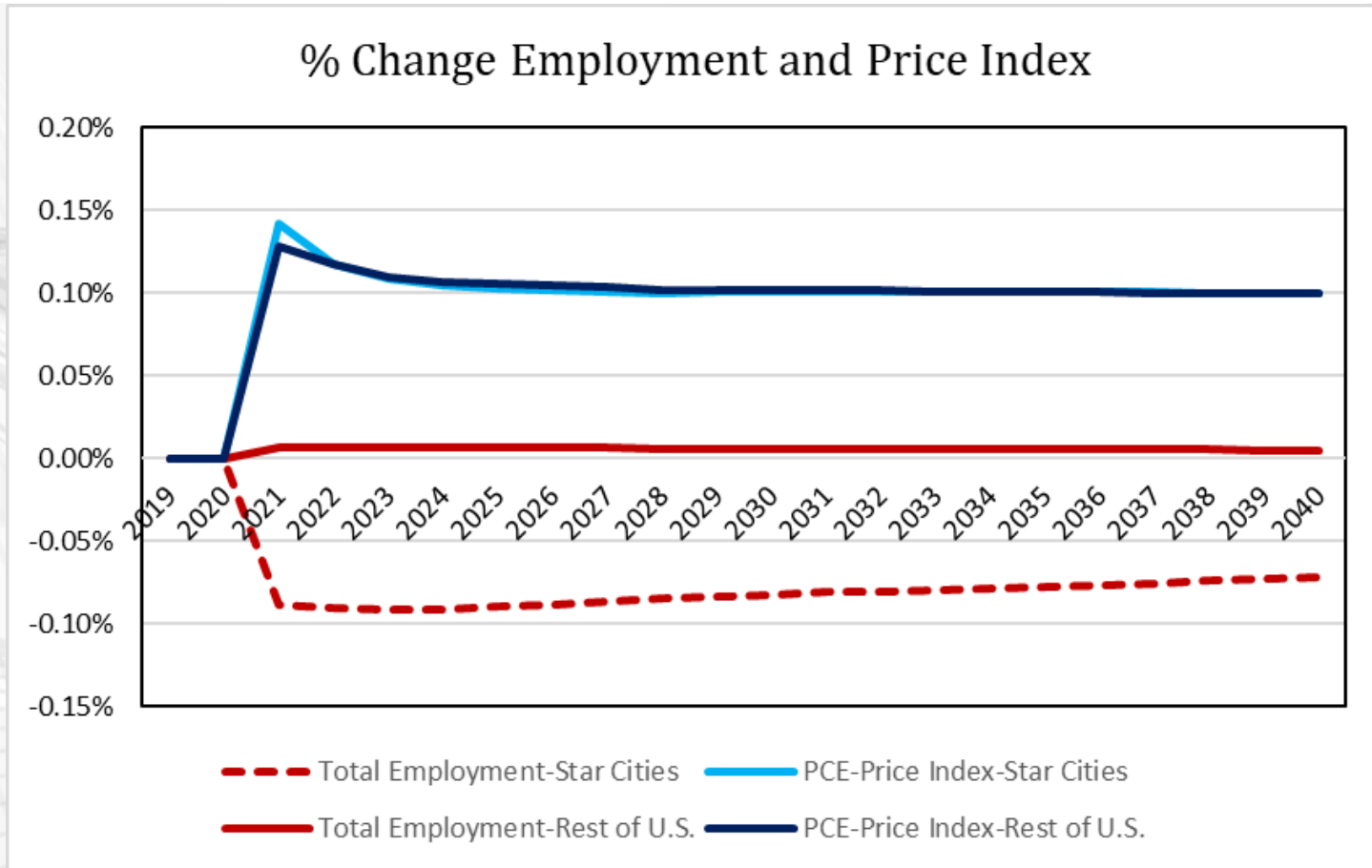
what does **REMI** say? sm

Trade Policy



- Simulation: Increase Foreign Import Costs in Motor Vehicle Manufacturing by 10%
 - ▣ Equivalent to looking at a tariff on this specific industry
- No specific position at the moment by Biden Administration, exercise is to understand what a tariff can do to the regional economies and industries

Increase in Foreign Import Costs



Employment Change Inside Look: Manufacturing Industry



Region	Industries	Units	2020	2021	2022	2023	2024	2036	2037	2038	2039	2040
Star Cities	Manufacturing	Thousands (Jobs)	0	-0.121	-0.458	-0.731	-0.94	-1.449	-1.441	-1.434	-1.425	-1.416
Rest of U.S.	Manufacturing	Thousands (Jobs)	0	75.954	73.193	66.698	61.604	48.545	48.801	49.058	49.327	49.601

Tax Policy Change



- Simulation: Increased personal income tax by 500 billion, and transfer payments increased by 500 billion
- Potential Biden Policy that would have a relative benefit for Republican-leaning areas
- Exercise meant to demonstrate a personal income tax that is redistributed to areas by population
 - ▣ “What if” scenario

Specifics of Transfer Payments



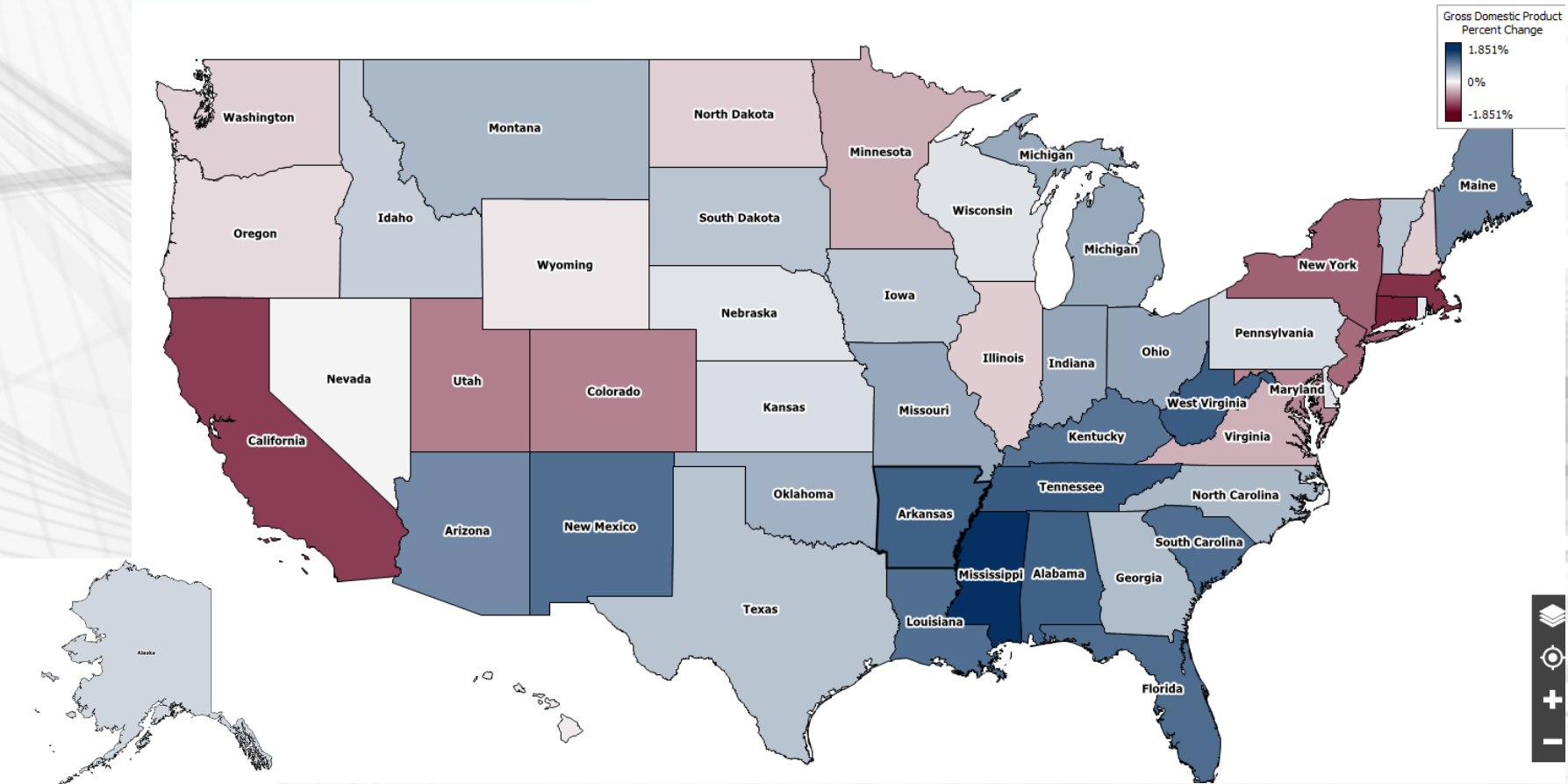
Details

- Social Security benefits
- Other retirement and disability insurance benefits
- Medicare benefits
- Public assistance medical care benefits
- Military medical insurance benefits
- Supplemental security income (SSI) benefits
- Earned Income Tax Credit (EITC)
- Supplemental Nutrition Assistance Program (SNAP)
- Other income maintenance benefits
- State unemployment insurance compensation
- Other unemployment insurance compensation
- Veterans benefits
- Education and training assistance
- Other transfer receipts of individuals from governments
- Current transfer receipts of nonprofit institutions
- Current transfer receipts of individuals from businesses

Map: 2022 % Change in GDP



Year	Category	Comparison Type	Forecast	Comparison Forecast
2022	Gross Domestic Product	% Change	Tax	Regional Control for RSQE_Baseline



what does **REMI** say? sm

Conclusion



- Biden's policies are likely to tilt towards increased national regulation, government support of social needs, and higher taxation.
- These policies are likely to provide a competitive advantage to "blue" states and counties, due to their economic structure (concentrated on information and services vs. national resources and manufacturing), and by leveling differences in state and local tax and regulatory costs.
- Presented a policy of raising income taxes and transfer payments to show how they benefit republican-leaning states
- Modeling can show this narrative in a quantified simulation framework.

Q&A Session