ISS EVA

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Macro Strategy

THE ELECTION, PSYCHOLOGY, AND THE CONSUMER

Neutral

1. Savings rate OK?

Strength

1. Wealth effect positive
2. Debt situation OK

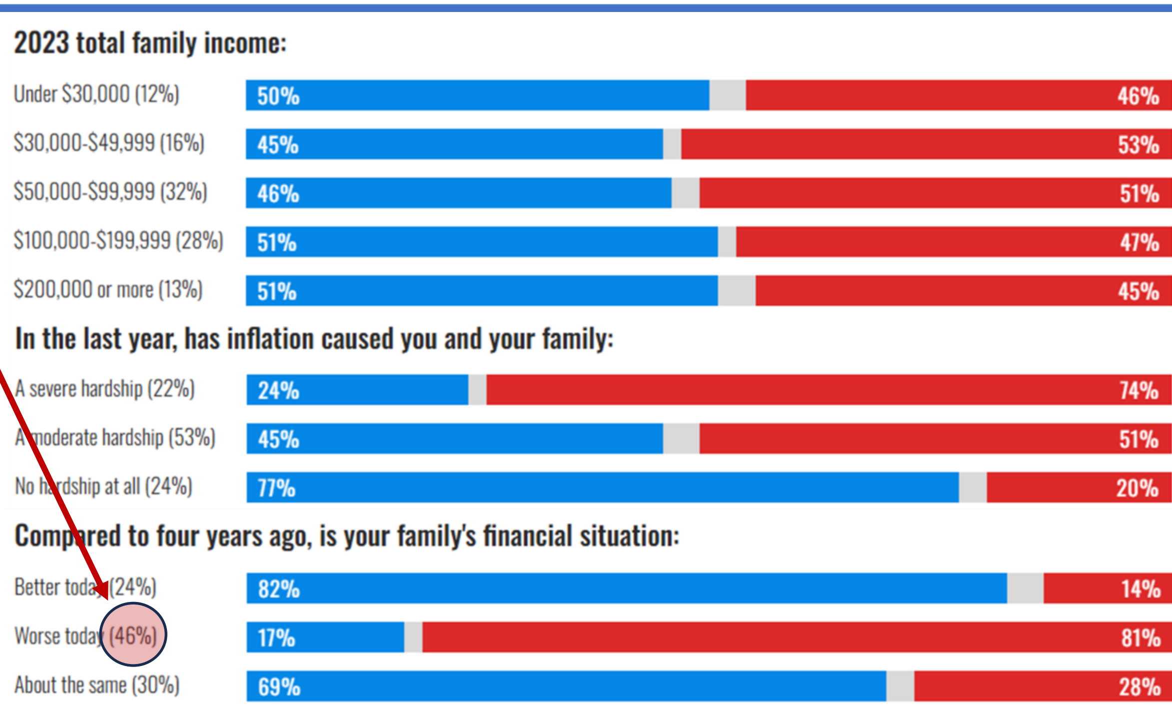
Weakness

1. Real wages
2. Job growth iffy
3. Cash cushion gone
4. Delinquencies rising
5. Interest rates rising

The election results are not surprising given exit polls, the weakening state of consumers, and psychology.

The average consumer is not in a great situation but also not a dire one (at least not yet) but opinions differ greatly depending on where you get your information. Those in the midde-income groups – those without much government support and without high enough income to overcome inflation hurdles – tended to vote Republican. While these families may have benefited greatly from the stimulus checks, that cash is mostly gone, while higher prices remain. The 46% who reported they are worse off today than four years ago voted 81% Republican. Ironically, those are the people that the Biden/Harris policies in 2021 and 2022 may have been meant to help most. Interestingly, they tended to vote for Trump despite markets believing Trump's policies (tariffs, restricting immigration, and deficits resulting in more government debt) are inflationary and will result in higher rates (market inflation expectations and rates rose as Trump's odds of winning rose in the polls before the election). Due to a plethora of behavioral biases, when conditions are deteriorating and poor (whether in perception or in reality) most people want to do something "different," no matter what it is. The state of the economy often influences elections, and this is magnified by media that sensationalizes reality and may give you only half the story.

Middle-Income Consumers Are Hurting and Voted for Change (Blue = Harris Vote and Red = Trump Vote)



ISS EVA, www.nbcnews.com/politics/2024-elections/exit-polls

The Economy Drives Elections

The economy was the most important issue in the election. According to a [Gallup poll](#) before the election, 52% said the candidate's economic positions were "extremely important" for their vote, and 32% more said they were "very important." Trump beat Harris – 54% to 45% – on being better able to manage the economy.

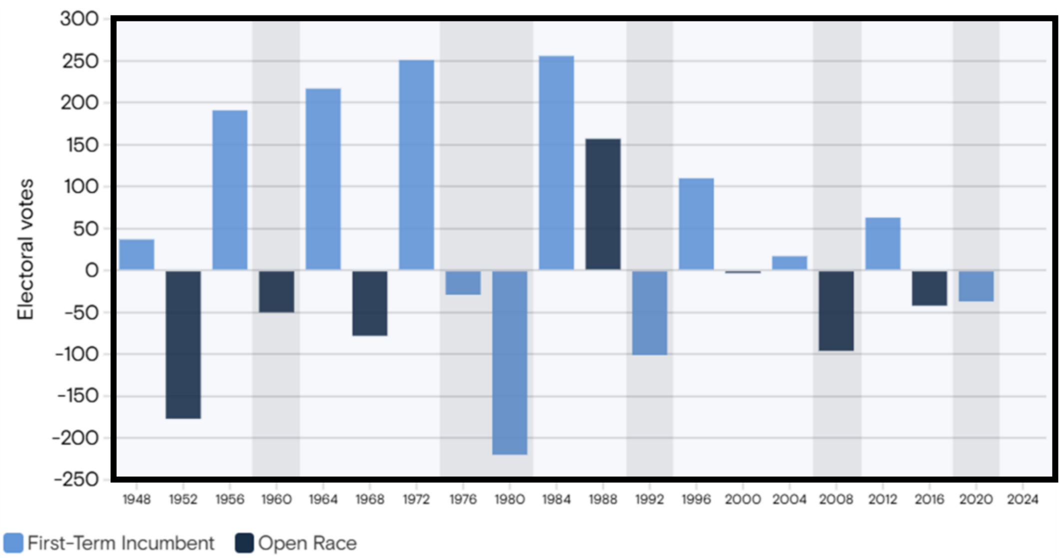
[Goldman Sachs shows that outside of recessions, the incumbent president normally wins](#). However, we did not have a recession and Harris – who's tied to incumbent Biden – lost.

Hmm… did we have a recession? It may feel like a recession for some.

Since June 1993, real wages have grown 0.8% and 0.9% per year using overall CPI and core CPI ex food & energy, respectively. Since 2020, real wages have been up just 0.6% and 1.8% total, and real wage growth using overall CPI was negative as late as May 2024. Given taxes on higher wages, real income is slightly lower than four years ago.

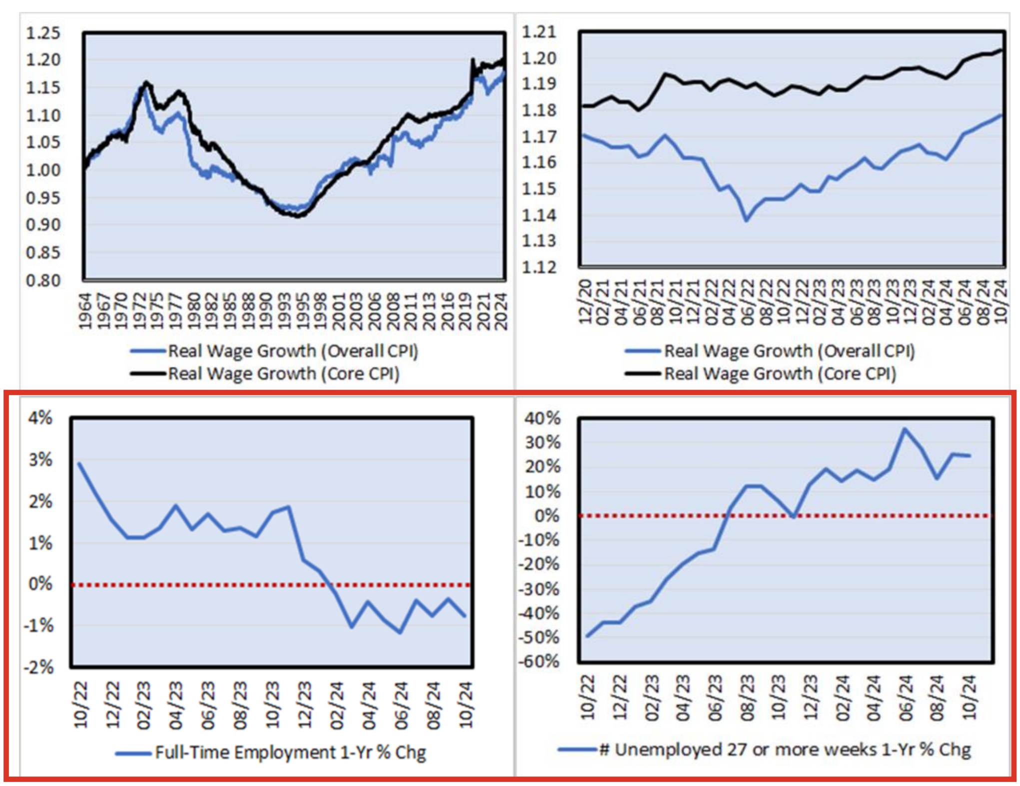
Full-time employment growth is negative, and those unemployed more than 27 weeks – and not eligible for unemployment benefits – is up 25%.

US Incumbent Presidents Typically Win Outside of Recessions



[Goldman Sachs](#), NBER, National Archives
Notes: Shading indicates a recession was underway the year before or the year of a presidential election. Data show total electoral votes minus 270 votes.

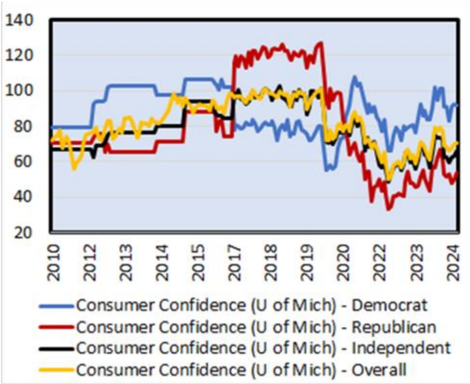
Real Wages Barely Up Over Four Years, and Recently Full-Time Employment Down & Long-Term Unemployed Up



ISS EVA, FactSet, BLS, DOL; Wages → Average Hourly Earnings of Production and Non-Supervisory Employees

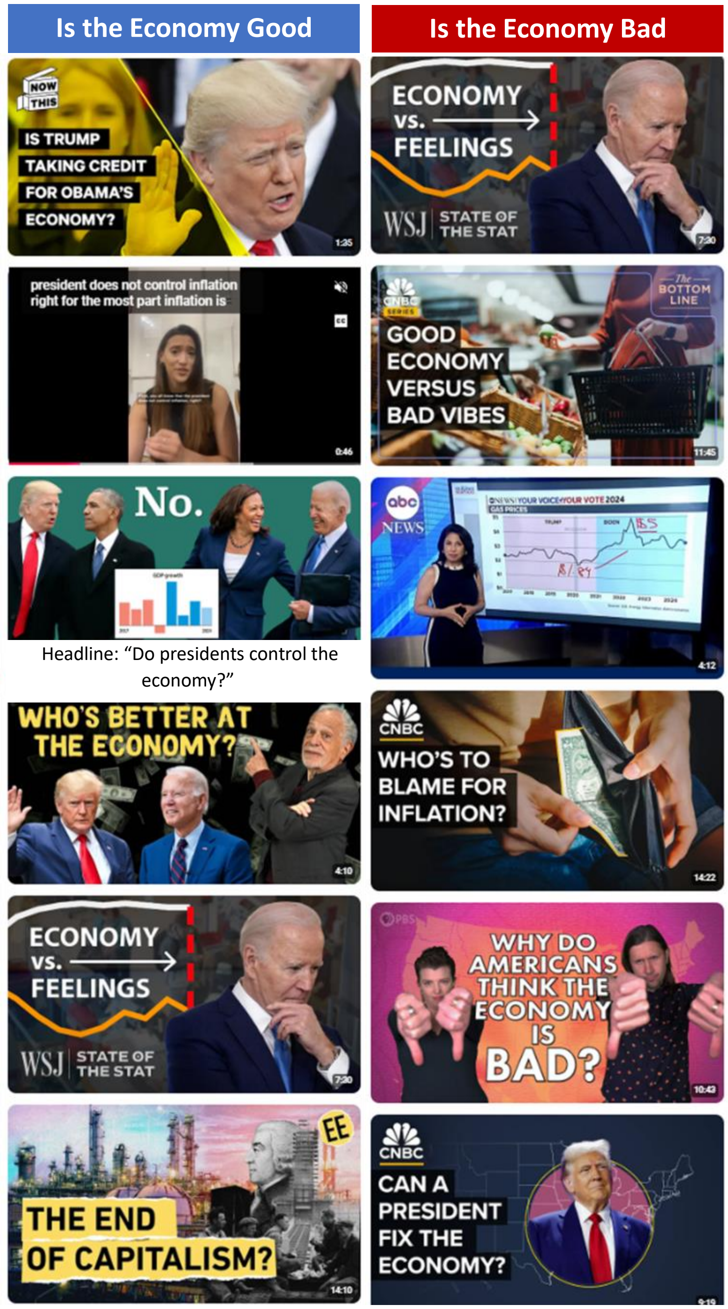
`Does Reality or What You Watch and Read Matter to Views?

Republicans are Pessimistic



ISS EVA, FactSet, University of Michigan

Top 6 Hits from YouTube Search on the Economy



ISS EVA, YouTube search "Is the economy good" and "Is the economy bad," November 18, 2024

Consumer confidence is down overall, but near highs for Democrats and lows for Republicans.

Does today's media tell partial stories? In 1949, lawmakers were concerned that the three networks – ABC, CBS, and NBC – could misuse their oligopoly and not present the opposing view. The Fairness Doctrine reqiuired both sides of issues to be presented. In 1985, the FCC Chairman repealed this doctrine, but Congress opposed the repeal and attempted to codify it. However, President Reagan vetoed the law – despite it possibly helping him, as his policies were perceived to be under attack in the media. Still, this rule was in the Federal Register until being dropped in August 2011. Over the last decade, opposing networks (Fox for Trump vs MSNBC and perhaps CNN for Biden/Harris) have dominated, and since people like to watch news that matches their views, perhaps they tend to only watch one and get half the story.

Further contributing to polarized perceptions, more people tune into social media (this is where Trump is the expert). Pew research notes at least 54% get their news sometimes or often from social media, and social media makes money by advertising. Sensational material attracts more eyeball time and thus more advertising revenue. For instance, I searched YouTube for "Is the economy good" and "Is the economy bad." If you searched the former, you're likely optimistic and may be for Biden/Harris. The first hit says Trump took credit for Obama's economy, the second and third say presidents don't impact inflation and the economy (so don't blame Biden). The sixth hit blames capitalism. If you're pessimistic, you learned with the first hit that Biden is sad, with the second and third that prices are up, and the sixth that a president can fix the economy, with Trump looking up. This was a fresh search, but if YouTube learns your views then I expect you would see more sensational results or you could simply click the most sensational links above.

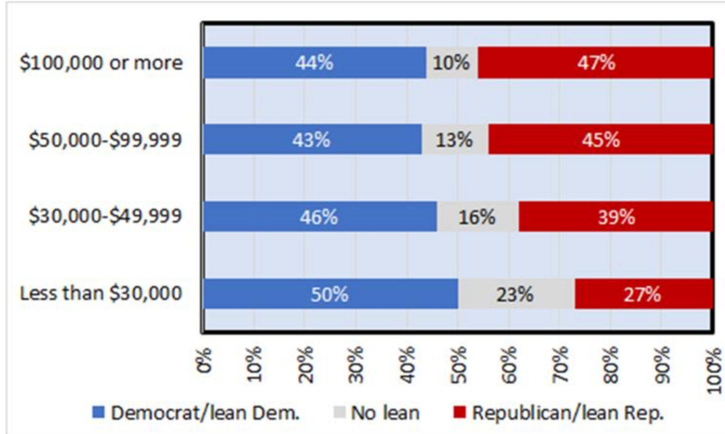
Are the Parties Changing?

Are the parties changing, or at least perceived to be changing?

Republicans are historically wealthier. Then, why did they vote, on average, for Harris? See page 1: 51% who make $100-$199,999 and $200,000 and above voted for Harris.

Who is more likely to write a review on a product, the one dissatisfied or satisfied? If one's situation is poor, one is more likely to vote. Inc.com notes that 91% of customers who are not happy won't do business again, while only 42% of happy customers purchase again, and dissatisfied customers typically tell 9 to 16 people about their experience.

Republicans Historically Wealthier



ISS EVA, Pew Research Center

Wealthier More Likely to Vote

Income	A Reported registered Percent	B Reported voted Percent	C Income Percent	D = B * C Product Percent	E = % of D Weighted Voter Percent
Total	67.8%	62.7%		66.0%	100.0%
$0 to 29,999 *	53.0%	44.3%	21.0%	9.3%	14.1%
$30,000 to $99,999 **	70.3%	64.3%	38.1%	24.5%	37.1%
$100,000+	82.4%	78.8%	40.9%	32.2%	48.8%
Income not reported	51.7%	48.1%			

* To $34,999 for percent of income
** From $35,000 for percent of income
Note: registered and voted data based on 2020 and income based on 2023

ISS EVA, US Census Bureau

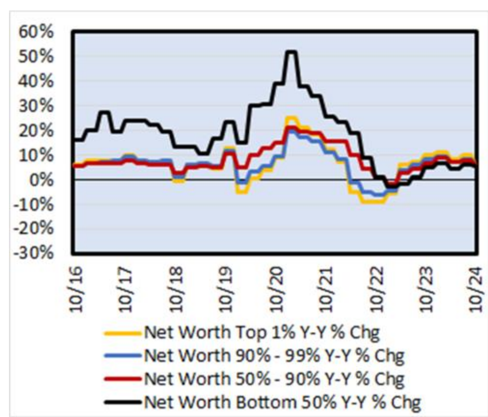
Those in the upper income (> $100,000) tend to vote Republican and tend to vote more often, which gave Trump an edge over Harris. On the other hand, they were more likely to be happy as they are not affected as much by inflation and have made much more in the stock market, so they were less likely to vote in this election than normal.

Trump rallies those in the rural areas (they often like their guns) who tend to have lower income (according to the Census Bureau, median income in cities is $83,590 in 2023 versus $63,520 outside cities), and on average (except for those below $30,000), they voted for Trump (rural voters selected Trump 64% of the time and urban voters went 60% for Harris).

On the other hand, perhaps those in the upper-income groups – who traditionally voted Republican – changed their vote because they can most afford to support Democratic policies on DEI and climate change because they are less focused on filling their stomachs, since they are full. My colleague, Dr. Yong-cheol Kim, suggests ideologies are changing and I agree (so does ChatGPT, but it was difficult to find research on support for DEI and climate change by income). Perhaps upper-level income citizens have more access to education that may expose them to diverse perspectives, while lower-income people may prioritize jobs, wages, and housing over DEI. Higher-income groups can also absorb costs for climate policies and adopt technologies (electric vehicles, solar panels, etc.), but middle-income groups may see these costs as a financial burden.

The upper-income groups could also have been – rightly or wrongly, as I am not taking sides – more likely to question Trump's character and vote for Harris.

Bottom 50% on Roller Coaster Ride!



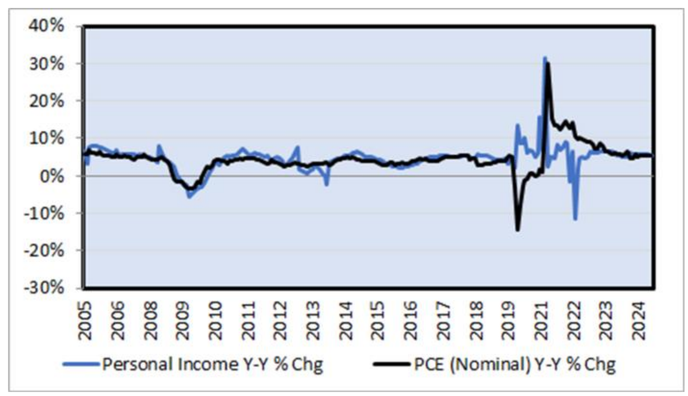
ISS EVA, FactSet, Federal Reserve System

State of the Consumer (On Balance, Weakening)

Consumers can increase spending (1) with wage gains (improving slightly relative to inflation but essentially unchanged over the past four years), (2) by gaining jobs (job growth is slowing, and the gains have been in part-time roles), (3) by dipping into cash reserves (essentially gone), (4) with gains from lower interest rates (rising), (5) by decreasing their savings as ratio of income (opportunities to decrease remain), (6) by capitalizing on gains in wealth (positive for all income groups), and (7) by increasing borrowing (this is occurring) if there's capacity (appears available but delinquencies are rising).

Neutral	Weakness
2. Savings rate OK?	6. Real wages
Strength	7. Job growth iffy
3. Wealth effect positive	8. Cash cushion gone
4. Debt situation OK	9. Delinquencies rising
	10. Interest rates rising

Income Initially Rose and Spending Fell During Covid-19



ISS EVA, FactSet, BEA

WEAKNESSES

Real wages (weakness)

Real wage growth has been barely up (and has been up even less when considering taxes on income gains) over the last four years (see charts on page 2).

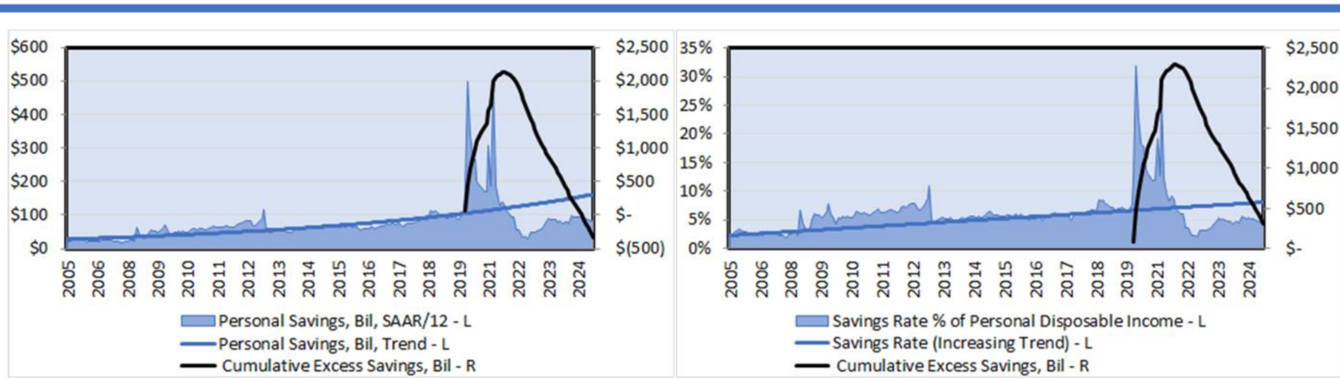
Jobs (weakness)

Job growth has slowed and is running negative for full-time jobs (see chart on page 2). The Good and Bad on Employment discusses problems below the rosy headline claims and job numbers.

Cash cushion gone (weakness)

During the pandemic, the government issued stimulus checks to the population, and simultaneously, the public cut back spending as they could not go (1) out to eat, (2) on vacations, (3) to the doctor (elective procedures were delayed), etc. (see chart above where the blue line is above the black line). Personal savings skyrocketed (see spikes below). Excess savings is the extra savings beyond "normal," which provided cash to spend over the subsequent years (see chart above where the black line is above the blue line). The low cost of financing from the Fed keeping rates low, stimulus checks, and various government packages (infrastructure, CHIPS, IRA, student debt, etc.) raised demand when supply was constrained and resulted in inflation.

Excess Savings is Gone, at Least for Most Consumers



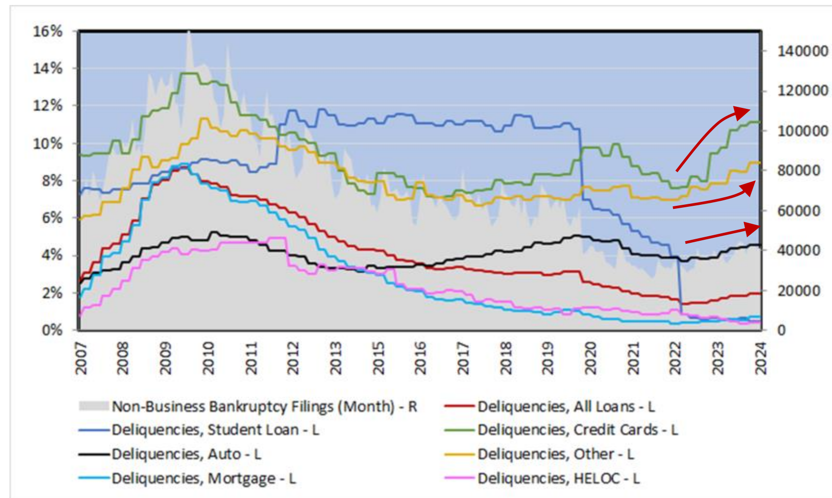
ISS EVA. FactSet. BEA

State of the Consumer (On Balance, Weakening)

Plus, capacity utilization was high, and the unemployment rate was low before Covid-19 hit, which meant the economy was out of spare capacity at the start.

[The San Francisco Fed suggests the excess cash was -$291 billion in September]. Above, I illustrate two other estimates with the same conclusion – excess cash is gone. On the left, I show that excess cash is -$344 billion, using the trend growth in savings from November 2004 to February 2020 (0.77% per year). On the right, I estimate excess cash to be $304 billion, using the trendline growth rate of the savings rate from November 2005 through February 2020 (Covid-19 hit in March) and extrapolating it to today.

Delinquencies Rising



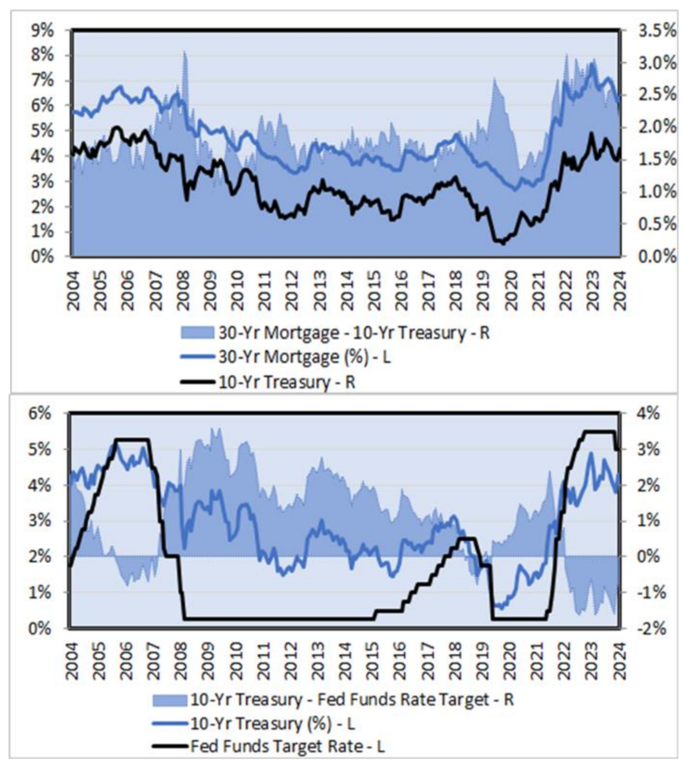
ISS EVA, FactSet, Federal Reserve

Delinquencies rising (weakness)

We know that consumers are beginning to hurt because delinquencies are rising.

While housing and HELOC loan delinquencies are low, as are student loans (likely because of government involvement), delinquencies for other loans are rising. 2.0% of all loans are 90+ days delinquent, which is low versus 3.2% just before Covid-19 hit in February 2020 and 8.7% in the worst of the Great Financial Crisis (GFC). However, there are rising defaults on loans for short-term spending (non-home and non-education), where the impact of delaying payment may not be as severe. Auto loan delinquencies are most of the way to Great Financial Crisis levels, and credit card delinquencies are rising and are now 11.1%.

Mortgage Rates Are Not Necessarily Coming Down



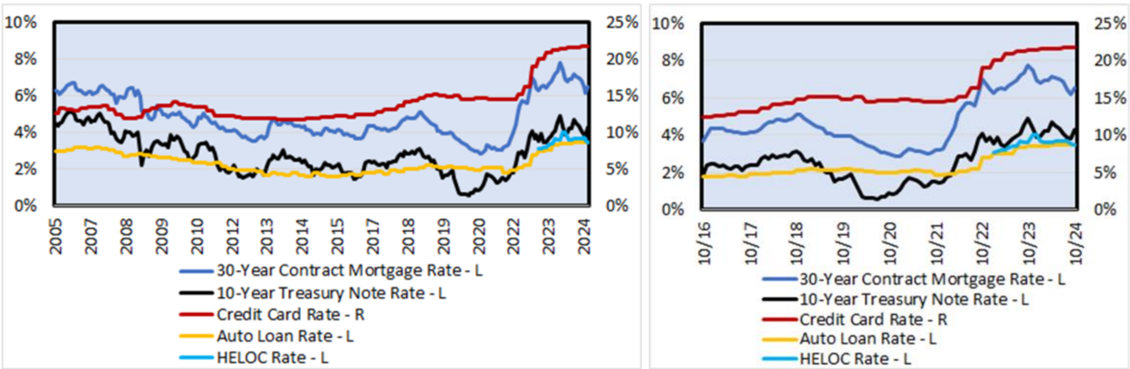
ISS EVA, Freddie Mac

Interest rates rising (weakness)

You may be scratching your head and saying "Interest rates are declining, not rising." That's not true. Interest rates are on the rise overall. [The average rate on outstanding mortgages is 4.2%], but the current 30-year average mortgage rate is 6.4%. Mortgages make up much of consumer debt (see graph on next page). The mortgage rate spread to 10-year rates appears high but keep in mind that the duration of mortgages is longer – and volatility higher – as few want to refinance at a higher interest rate. Even if the spread comes down to normal (about 1.8%) from the current 2.1%, mortgage rates would still be 6.1%. You say, "The Fed is lowering the Fed Funds rate." To this, I reply, "But the 10-year Treasury Note is 0.7% below the Fed Funds Rate (* through October), and the normal spread is +1.0%." Taking both above spreads into consideration, a normal mortgage rate is perhaps 1.4% *higher.*

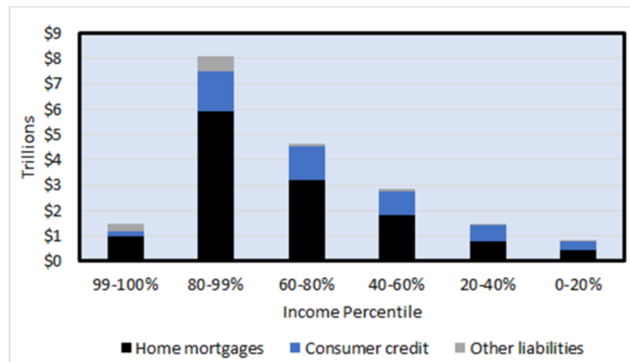
State of the Consumer (On Balance, Weakening)

Rates Have Not Come Down



ISS EVA, FactSet, Bankrate, Federal Reserve, Mortgage Bankers Association

Majority of Consumer Debt for Mortgages



ISS EVA, Federal Reserve; Q2 2024

Credit card rates and auto rates have yet to come down despite the lower cost of funding. Why? Perhaps it's because risk (delinquencies) is rising?

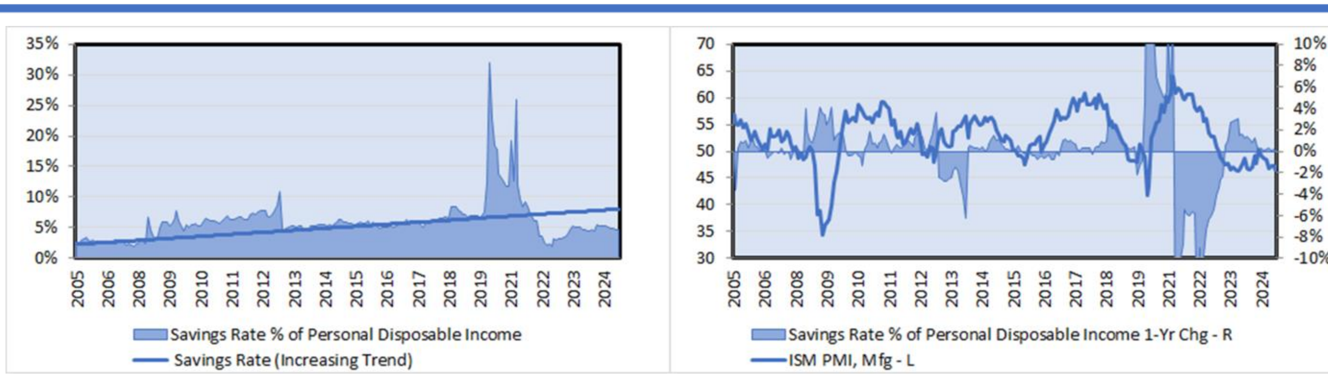
The bad news about the consumer was discussed above, so let's now turn to review some positives. We'll start with the savings rate, which I categorize as neutral because it is low but can go lower. The positives include (1) consumers can capitalize on gains in wealth and (2) increase borrowing.

<u>NEUTRAL</u>

Savings rate OK (neutral)

The current savings rate is 4.6%. While down from 5.5% in January, it is still above the depths of 2.0% in June 2022. However, assuming the trend is intact, it should be 8.0%. The savings rate has been increasing over time, which makes sense due to the aging population. Consumers perhaps under-saved the last few years because of the cash hoard, but with it gone, the savings rate could rise, which it does in times of economic turmoil. Still, 4.6% is positive so consumers could still save less and spend more; however, under-saving probably does not make people feel good and may have impacted the election results in Trump's favor.

Savings Rate Can Decrease Further, and a Change in Savings Rate Is Often Counter-Cyclical



ISS EVA. FactSet. BEA. ISM

State of the Consumer (On Balance, Weakening)

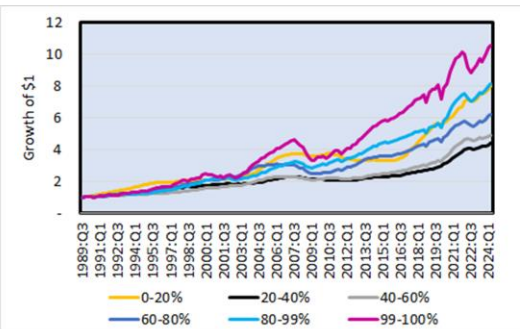
STRENGTHS

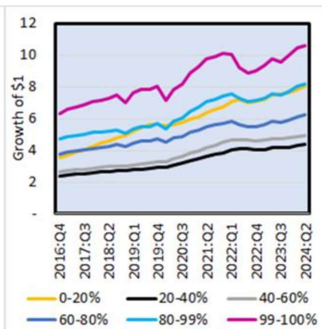
Wealth effect (strength)

Wealth has risen across all income levels during both Trump's presidency and Biden's. However, all income brackets grew less under Biden than under Trump, so if citizens voted based on their pocketbooks and attribute the economy and wealth creation to presidents, then it makes sense that Trump won the election. (Note: My research shows that leaders (corporate, etc.) are sometimes unfairly blamed for poor performance and rewarded for good performance, which could be due to factors outside their control (Fed policy, competitors, changing trends, industry dynamics, the economy, etc.))

Those who tended to vote for Trump (see exit survey on page 1) fall in the 20-60 percentile on income, and their gains in wealth under Biden were higher than those in the upper-income levels (60-100 percentile), who tended to vote for Harris.

Wealth Rose for Everyone, but the Bottom 20% Rose the Most Under Biden/Harris



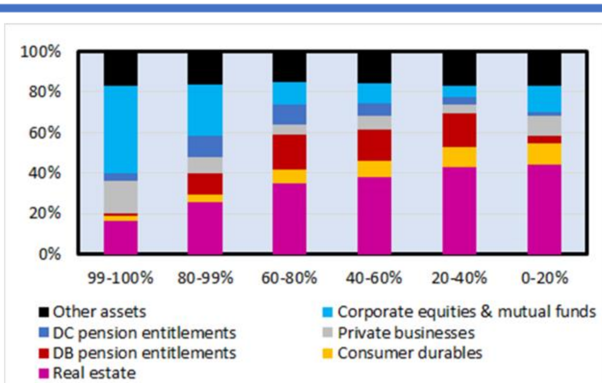


Income Percentile	Rise 4Q 2016 - 4Q 2020	Rise 4Q 2020 - 2Q 2024	*Top* of Range (2023)
0-20%	69%	43%	$33,000
20-40%	39%	31%	$62,200
40-60%	44%	29%	$101,000
60-80%	36%	21%	$165,300
80-99%	36%	26%	Top 10%
99-100%	40%	19%	$234,900

ISS EVA, Federal Reserve, US Census Bureau

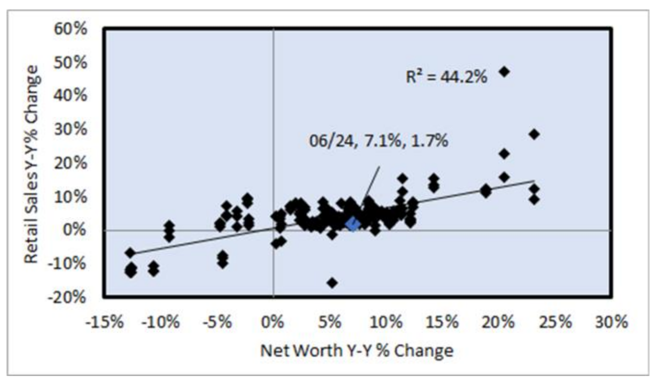
This doesn't quite make sense if people voted based on their net worth, which suggests that one-sided media (Fox versus MSNBC) or social media (see discussion on page 3) told only half-truths to their perhaps either mostly Republican or Democratic listeners, or that the ideology (see discussion on page 4) of Democrats and Republicans is changing. However, those under $30,000 income tended to vote for Harris, and their wealth rose significantly under Biden (the best of all income quintiles), and they may fear that a Trump administration could cut some of their benefits.

Much of Wealth Tied Up in Homes for Lower-Income and in Investments for Upper-Income Groups



ISS EVA, Federal Reserve; 2Q 2024

Wealth Impacts Retail Sales, or Does Retail Sales Impact Wealth?



ISS EVA, Federal Reserve, US Census Bureau; 11/05-10/24

If people are wealthier, they may be willing to spend more at the retail store – annual change in net worth explains 44% of

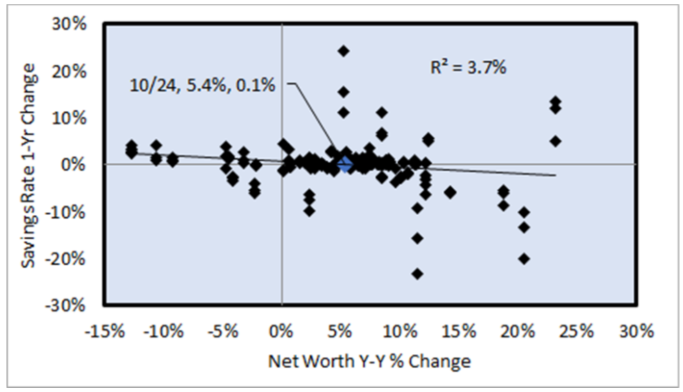
State of the Consumer (On Balance, Weakening)

the annual change in retail sales. Or maybe it is the other way around: wealth may rise when people spend more and retail sales rise, which means the economy and earnings rise, and therefore the stock market rises.

People don't necessarily capitalize on their wealth by selling to make purchases. Much of the wealth is tied up in housing for low- to mid-income household brackets. However, they could take out equity by refinancing with more debt.

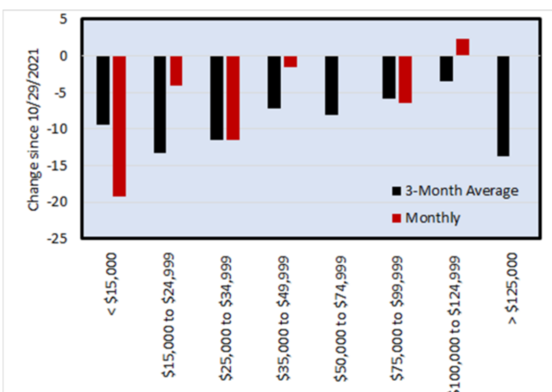
As discussed in the 3Q 2024 Quarterly RECAP, expectations for financial markets are lofty; thus, perhaps this will help the economy. However, over the last three years, confidence fell across all income groups (using 3-month averages of the confidence survey), which may help explain why Trump won the election.

Increases in Wealth May Drive Down Savings, If People Feel More Confident to Spend Income



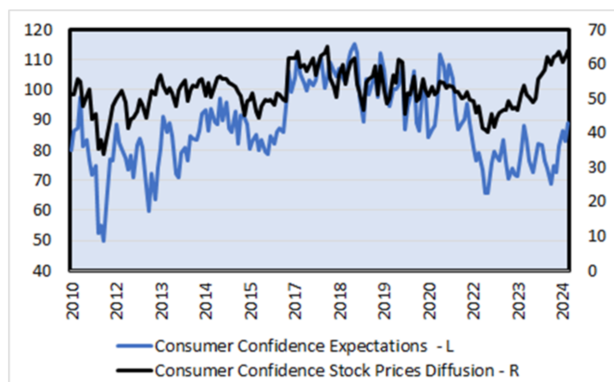
ISS EVA, BEA, Federal Reserve; 11/05-10/24 → the R2 is 26.5% from 11/05-2/20

Confidence Fell for All Income Groups in the Last Three Years (3-Month Averages)



ISS EVA, Conference Board

People Are More Confident about Stocks Rising Than They Are about the Overall Situation



ISS EVA, Conference Board; 11/05-10/24

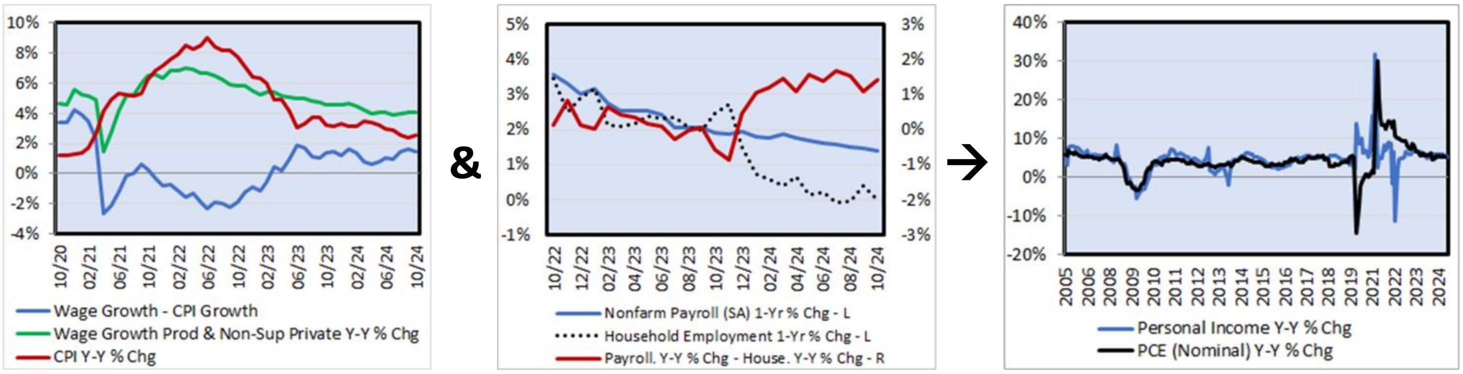
Debt situation OK (strength)

To review, for consumers to increase spending, they must (1) have more jobs, (2) have higher wages (it's better if wage growth is greater than CPI growth), (3) spend from excess cash, (4) pay lower interest rates, which increases free income to spend, (5) save less and spend more from income, (6) spend from or because of wealth creation, and/or (7) increase debt. The charts below show that wage growth is slowing, but real wage growth was positive at 1.5% in October. Offsetting this is a labor market that has cooled. Most who want a job already have one (the unemployment rate is low), but full-time employment is down and part-time is up (the difference in the household survey and non-farm payroll implies this, but the full-time job trend is also seen in a chart on page 2). Ultimately, personal income is very correlated with personal consumption expenditures (PCE) (see chart below), and income is a function of wage and job growth.

Given slowing growth in personal income, for the consumer growth to hold steady or rise – as apparently implied by high stock market valuations and low credit spreads – we need factors 3-7 to come through. I've already eliminated 3 & 4, so maintaining or increasing consumer growth must come from 5, 6, or the last factor, 7 – debt growth. Debt is growing.

State of the Consumer (On Balance, Weakening)

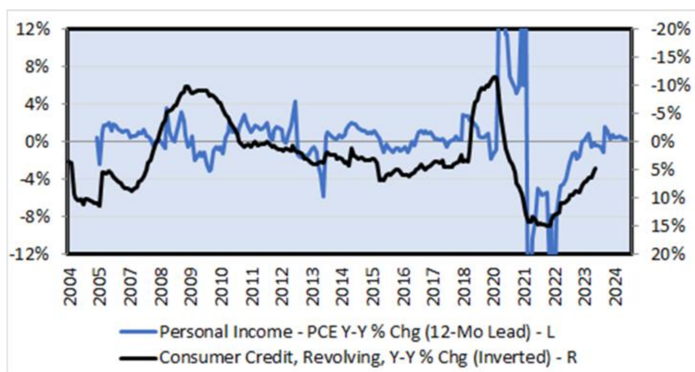
Real Wage Growth is Rising Again, but Payroll Growth Is Slowing and Household Employment Growth Is Zero



ISS EVA, BEA, BLS, US Department of Labor

Keep in mind that since debt must be paid back, borrowing to spend today only borrows from future consumption. Growth in debt is sometimes needed in the short-term to get the economy growing but it is not good long-term. Consumers are likely not happy to have been taking on debt to make everyday expenditures, and this could have impacted the election outcome in Trump's favor. Revolving consumer credit grew 10-15% per annum in 2021-23. The growth rate is currently slowing now that income and PCE growth are in balance. However, given high credit card rates, this probably does not make consumers so happy.

When Spending Outpaces Income, People Borrow; Borrowing is Growing but Recently at a Slower Pace

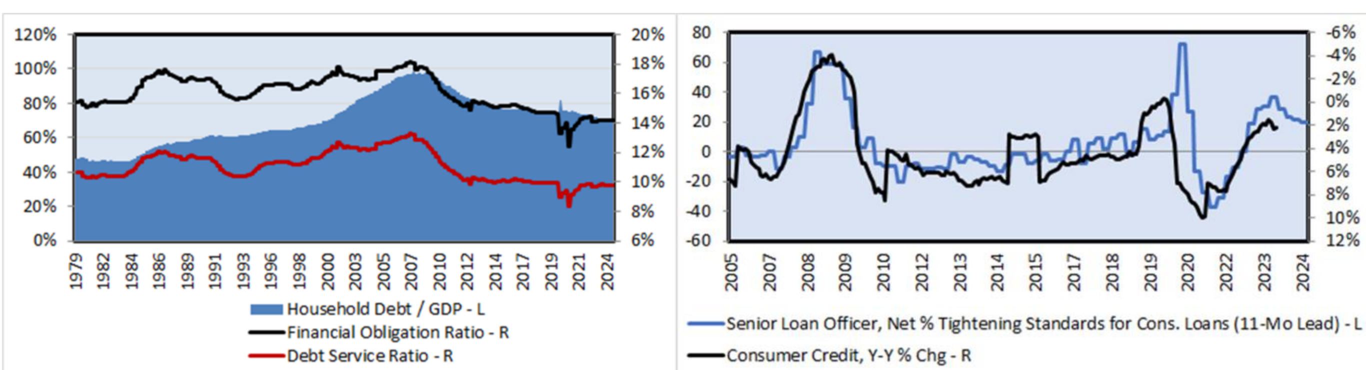


ISS EVA, BEA

Yet, the consumers' overall financial situation looks pretty good. The debt service and financial obligation rates are relatively low versus history. Of course, be careful when comparing the current ratios to highs in 2007, which was a bubble caused by too much debt.

Perhaps the best anecdotal evidence of consumers' situation is Amazon's, Walmart's, and Costco's success. Greg Melich at Evercore ISI noted these low cost/value retailers have accounted for 65% of retail sales growth in 2024.

Consumers Are Capable of Levering Up and While Bank Credit Is Tightening the Trend Is Moving to Loosening

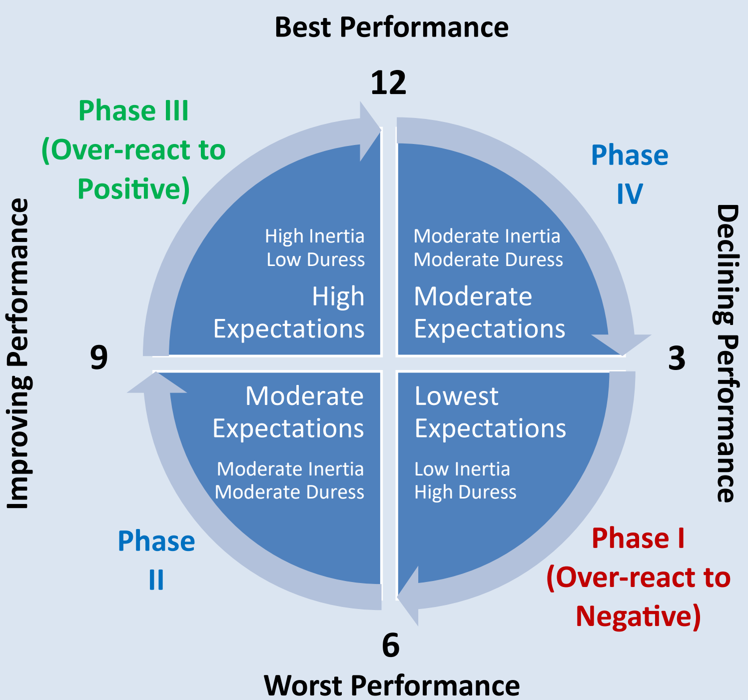


ISS EVA, BEA, Federal Reserve

People Seek and Vote for Change When They Worry

Behavioral biases, or sentiment, cycle with performance conditions. The Expectations Clock (from my dissertation) shows that when conditions are poor and have been deteriorating (3:00 to 6:00), people tend to have low expectations. This is when they demand change. They are in the mode of "Do something, anything." Oftentimes, this change is an over-reaction to negative performance, when positive developments are ignored (people under-react to the positive at these times). That may mean a CEO is unjustly fired for corporate performance caused by the economy worsening, a condition that the person had little to do with creating, just before conditions start to improve or the person is able to enact a plan for improvement. At the opposite end of the spectrum is 9:00-12:00, when performance is strong and improving and expectations are high. This is when people say, "don't break up the party, everything is fine," and under-react to negative signs (new competition, products maturing, etc.) and over-react to the positive (growing capital when earnings growth is strong, just before it is about to turn down).

The Expectations Clock



The Expectations Clock depicts how performance and sentiment move through cycles. In the figure, performance is depicted in black letters and expectations are in white.

Expectations for the future are lowest when performance is poor and declining. Here, people may over-react to negative events. Expectations are highest when performance is solid and improving, and during this phase, people often overlook (under-react to) signs of deterioration.

People over-react to negative and under-react to positive signs of change in Phase I and over-react to positive and under-react to negative signs of change in Phase III.

Source: Spellman, Gordon Kevin (2009) *The Expectations Clock: A Model for Leadership, Reversion, and Over- and Under-Reaction*, Durham theses, Durham University.

The Expectations Clock illustrates how behavioral biases and heuristics cause people to over-weight current and recent trends into their outlooks. People tend to anchor expectations on the recent past, which they believe represents the future. People tend to only want to hear what confirms their opinions, so they tend to tune in to only one perspective (Fox News ***or*** MSNBC) which only makes them more overconfident in their views. The most recent conditions are most easy to remember or available to form outlooks, so recent events matter more than long-term trends.

Turning to the election results and the weakening consumer, Trump won and Biden/Harris lost at least in part (maybe greatly) because of either conditions or the perception of conditions being poor and deteriorating. Rightly or wrongly (I refrain from political discussions), this was as predicted by the Expectations Clock. Trump lost in 2020 when Covid-19 was raging. Harris lost in 2024 because of a weakening consumer position, or at least a perception of weakness which was likely contributed to by divergent views expressed by networks such as Fox News and MSNBC that their followers (Republicans or Democrats) tend to watch or by how social media is programmed to give people the news they want (so they don't hear the opposite points of view).

Investment Takeaways

Harris lost and Trump won. Should this have been expected? Based on exit surveys on who voted for which candidate, and trends in consumer health and psychology, the answer is yes.

America voted for change, right on schedule based on The Expectations Clock. Is this needed, or is it an over-reaction? It appears that consumers' positioning is weakening, but will Trump's policies help? The immediate impact of tariffs is likely higher prices. Less immigration may mean higher prices given that undocumented immigrants often work in construction, agriculture, and other low-paying jobs. Perhaps lower taxes will help consumers and corporations and boost growth by giving them more funds to save and invest, but benefits may be skewed toward the wealthier who have a propensity to save, except if tips and overtime are not taxed. Waiving taxes on Social Security and sending away immigrants may just speed up Social Security's demise. Tariffs may bring manufacturing home and create jobs, but when manufacturers build new plants and equipment, they are often more productive, which means labor's position is harmed, and construction spending could drive up materials prices. Bigger government deficits from tax cuts may mean higher interest rates to attract lenders and lower eventual growth because of the higher cost of capital; however, maybe slashing government spending could help the deficit problem. Less government spending could also mean people and institutions lose benefits, which slows economic growth.

Have fun!?

Coach

Policy	***Short-Term Economic Impact***	***Long-Term Economic Impact***
Restricting Immigration	Higher wages and inflation as undocumented immigrants work about 10% of jobs in agriculture, construction, leisure/hospitality	Same
	Slower real GDP growth → growth = population growth + productivity & population growth may slow	Same
Less regulation	*Lower costs and perhaps more investment and growth*	Potential issues long-term. For example, perhaps because of the Dodd-Frank Act, banks were well capitalized going into Covid-19; however, the 2018 Economic Growth, Regulatory Relief, and Consumer Protection Act relaxed rules for banks with less than $250 billion in assets and probably contributed to Silicon Valley Bank's failure.
Tariffs	Higher inflation if corporations pass along costs and/or lower profits and hiring if costs absorbed	*Movement of manufacturing to the U.S. and more U.S. jobs to build and operate the plants*
		Higher raw materials inflation as that capacity is built
		If manufacturing is more efficient, weakened labor position
		Trading partners "play" more fair, which benefits the U.S.
		Companies reduce investment due to less competition and become less competitive, which hurts job growth and raises the cost of living for U.S. consumers

Investment Takeaways

Policy	*Short-Term Impact*	*Long-Term Impact*
Department of Government Efficiency (DOGE) reduces spending **Note: the multiplier effect of government spending and tax cuts may differ.**	Slower economic growth from reduced government spending	*Reduced deficits may lead to higher credit worthiness of Treasury securities, and assuming there are the same or more lenders, this lowers interest rates → lower interest rates lowers the cost of capital and increases investment and growth*
		Perhaps lower spending in areas that help lower- and middle-income consumers
Lower taxes	*Higher economic growth as individuals spend the tax savings and corporations invest the additional retained earnings from lower taxes*	Same
	Lower individual tax rates may lead to higher savings, which could lower interest rates (there are more lenders) and boost the stock market; however, this is likely not the reason for lower tax rates	Same
	Higher retained earnings may stimulate investment, but it could also simply lead to shareholder distributions, which is likely not the reason for the lower taxes	Same
	Increased deficits may lead to lower credit worthiness of Treasury securities and higher interest rates to attract lenders → higher interest rates raise the cost of capital and slow investment and growth	Same
	Interest on debt from increased deficits may crowd out other spending and slow growth	Same
		Eventually, we need higher taxes to solve debt problems. Social Security is currently projected to become insolvent in 2035. To maintain their voter base of older citizens, Republicans may support higher taxes. If Social Security income is not taxed, taxes on tips and overtime are ended, and the United States expands deportations, etc., Social Security may run out in 2031, which means that this may be an issue during the next Presidential election (I've always assumed the government would not address Social Security issues until a year or two before inflows are less than outflows.)

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