

The
Economist

US election briefs 2016

*The Supreme Court • Fiscal policy • Climate change • Student loans
Infrastructure • Education • Foreign policy*



The issues that must be faced

Policy has not been much discussed in this presidential election. Here are our attempts to fill the vacuum

WHEN Americans cast their votes for the next president, the policy platforms of Hillary Clinton and Donald Trump will probably not be right at the front of their minds. That is true even in a more normal cycle than this one has been. Voters generally pay more attention to intangible things, like a candidate's character or manner, than they do to tax plans. It is even more true this time around. Mr Trump has broken with tradition by declining to release much in the way of detailed policy before the election. Nor does he rely much on advisers, whose views can be interpreted as matching the candidate's own.

That is not to say that the candidates have no ideas, though, or that policy is any less important this time. What the next president intends to do self-evidently matters a great deal. And America faces a clear, stark choice in policy terms in 2016. Mrs Clinton has detailed plans for what her administration would like to do if she wins. The hacks of her campaign e-mails have increased our understanding of how she thinks. Mr Trump's policies may be short on detail, but the direction he would like to take the country in could not be clearer.

In this series of policy briefs, we look at what the two candidates propose on seven key issues: the Supreme Court, fiscal policy, the environment, student loans, infrastructure, education and foreign policy. There are other areas to consider, but we decided to look at policy areas where the federal government has real clout, or where the candidates' positions seemed farthest apart and most consequential.

Depending on the makeup of the new Congress, some of these ideas will remain as aspirations, whoever wins. Presidents are more limited in the area of domestic policy than nominees suggest while on the campaign trail, when they like to pretend that the legislative branch does not exist. They are less constrained in foreign policy, the final article in the series. Here the choice between the two candidates is greatest. We have tried to pay as much attention to ideas as to groping and e-mail servers when making our minds up about the candidates. These briefs are a concise attempt to show our working, in what many people agree is the most divisive presidential election for decades.

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**The
Economist**

About to tilt

NEW YORK

This election could determine the shape of the court for a generation



“OUR country is going to be Venezuela,” Donald Trump said over the summer, if Hillary Clinton gets to nominate Supreme Court justices. Her picks will be “so far left,” Mr Trump said, that America will slide into socialism. For her part, Mrs Clinton says the Republican nominee’s Supreme Court appointments would threaten the “future of our planet”, among other things. Melodramatic campaigning is nothing new, and the Supreme Court is an issue every four years. But with Republicans in the Senate refusing to consider Barack Obama’s choice of Merrick Garland to fill the late Antonin Scalia’s seat—and the remaining eight justices divided and a bit flummoxed in the meantime—this go-round is different. Change is coming, in one direction or another.

Both camps say that the next president could appoint as many as four justices (Mr Trump once said five), including a replacement for the very conservative Mr Scalia. These predictions are a rather morbid nod to demographics: Ruth Bader Ginsburg, the longtime leader of the court’s left wing, is 83. The slightly less liberal Stephen Breyer is 78, and Anthony Kennedy, sitting in the ideological middle of the bench, is 80. Each of the four most recent presidents has seated two justices, so having the chance to name four would give the next White House an outsize influence on the shape of American law for a generation. Yet even if these three jurists, along with their five younger colleagues, muster four more years in their robes and the number of vacancies stays at one, the next president will still help determine the shape of the Supreme Court for years.

The octogenarians are showing few signs of slowing down. The cherubic Mr Kennedy is still prone to syrupy prose early in his ninth decade. Despite her bouts with cancer and an occasional nap during a State of the Union address, Mrs Ginsburg does 20 push-ups a day, pulls all-nighters and remains ruthless when peppering lawyers during oral arguments. If anything, she is gathering steam. Her fellow Bill Clinton appointee, Mr Breyer, spins impromptu hypotheticals that box advocates into their own illogic. His health scares? Just a few broken bones and a punctured lung suffered during bicycling accidents.

If they stay put for the next four years, the balance of the court will turn on the identity of the next appointee. There are

three possibilities. The Senate may relent after November 8th and consider President Obama’s nominee, Mr Garland. In 1996, when Mr Garland was nominated by Bill Clinton to sit on the District of Columbia Court of Appeals, he garnered praise from many Republicans. Senator Orrin Hatch called him “a fine nominee” whose “intelligence and...scholarship cannot be questioned”. Charles Grassley, the judiciary committee chair who has stonewalled Mr Garland’s high-court nomination for a record-breaking 184 days (Louis Brandeis, now in second place, had a 125-day wait in 1916), said two decades ago that the same man was “well-qualified”. After a pledge of no hearings before the next president takes office, Mr Grassley is now hedging.

Filibust

But if Mr Garland continues to languish in no-man’s-land, everything will hang on what happens in November. Mr Trump has released a list of deeply conservative judges whom he would consult when filling vacancies. If Mrs Clinton wins, her decision on whether to resubmit Mr Garland or tap her own nominee may depend on which party controls the Senate. If the Democrats retake the chamber, she may be emboldened to choose someone younger and more liberal.

Under current Senate rules, nobody too far to the left or the right will stand a

chance. But since neither party seems likely to have the 60 votes necessary to stave off interminable filibusters, the days of that venerable (if diminished) Senate tradition may be numbered—at least with regard to Supreme Court appointments. Richard Primus, a law professor at the University of Michigan, notes that the filibuster “relies on a kind of comity and mutual regard” between Republicans and Democrats that “unfortunately...is just gone”. The outgoing Senate minority leader, Harry Reid, agrees: “What choice would Democrats have? The country can’t be run this way, where nothing gets done.” Privately some Republican senators say that, whoever wins, the filibuster will go.

While they await a ninth colleague, some justices lament their existential bind. “Eight...is not a good number for a multi-member Court”, Mrs Ginsburg said in May. That same month, Mr Breyer downplayed the worry, observing that the court is unanimous about half of the time and finds itself closely divided in only a handful of controversial cases. The chief justice, John Roberts, has doubled down on his penchant for narrow rulings that change as little as possible. Consensus, he says, is “not something I can do on my own”.

On four occasions in the spring—including in controversial cases on union dues and deporting undocumented migrants—the justices’ attempt to find common ground failed, resulting in a split of 4-to-4. A tie means that the ruling in the court below stands but has no value as a precedent and does not bind other courts. The justices also unanimously sent a case on religious freedom and contraception back to the lower courts with orders to encourage the parties to “resolve any outstanding issues”. Like exasperated parents unwilling to adjudicate a settlement for warring children, the Supreme Court simply told the parties to work things out. This strategy of avoidance now passes for jurisprudence.

Aware of the Senate’s inaction across the street, the justices seem stuck in standby mode. The docket for their upcoming term is looking wan, with fewer cases and less controversy than the court has seen in a long time. Contentious cases involving religious liberty and property rights have yet to be scheduled for oral argument, apparently in the hopes that a ninth justice might be seated in the spring.

The Supreme Court cannot fend off controversy for long, though. Fights over presidential power, administrative leeway, freedom of speech, abortion, race, religion and discrimination against gays and lesbians—to name a few—are sure to arrive at the justices’ doorsteps. Mr Primus notes that with the court tottering on an ideological divide, it takes only one newcomer to push it left or right. “It’s a hinge”, he says, “on which the direction of constitutional law could turn for decades”. ■



The big reveal

Money's the conversation

WASHINGTON, DC

Hillary Clinton's fiscal plan is fiddly. Donald Trump's is absurd

FISCAL policy has tumbled from the top of the political agenda with remarkable speed. For most of Barack Obama's presidency, controlling the national debt, which spiked from 35% of GDP to over 70% after the recession, was a priority for Republicans. Democrats were less worried, but still saw the need for America to fix its long-run challenge: soaring spending on Medicare (public health insurance for the over-65s) and Social Security (public pensions). Mr Obama set up a doomed bipartisan commission with the task of doing just that. Yet in this election, the Republicans have abandoned their fiscal hawkishness. And the long-run barely gets a look-in.

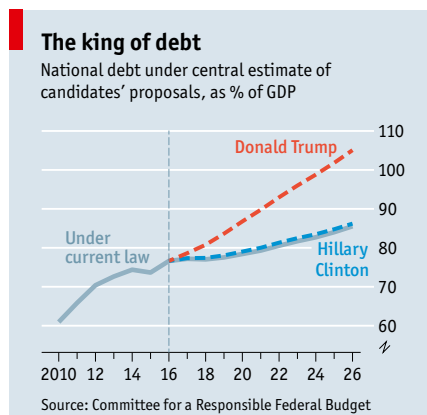
That is not all down to Donald Trump. The economic recovery, combined with sharp cuts to spending (triggered by the failure to reach a deficit-reduction deal) have reduced borrowing significantly, from 9.8% of GDP in 2009 to 2.5% in 2015 (in 2016 it will be a little higher). Republicans in Congress—which, unlike the president, actually writes the budget—have also had a change of heart. Their economic priority is now to boost growth by cutting taxes and red-tape, which they blame for the slow recovery from the financial crisis. Faster growth, they say, would lead to healthier public finances.

Mr Trump has assumed that cause with gusto. He promises to raise economic growth to 3.5% or even 4%, up from an average of 2.1% since the end of the recession. But he also pledges extra spending, on infrastructure, veterans, education, child care and so on, as well as defence, a more usual GOP priority. Mr Trump is imprecise about numbers. But his expansion of the military would alone cost \$450 billion over a decade, says the Committee for a Responsible Federal Budget (CRFB), a fiscally hawkish think-tank. (For comparison, today's total national debt is about \$14 trillion, or 77% of GDP.)

Big spending on top of tax cuts has transformed an unrealistic agenda into a fantasy. Start with the growth predictions. America is growing slowly in part because baby-boomers are retiring. The population aged 25-54 will grow by just 0.3% a year until 2024, compared with 0.9% between 1994 and 2004. Mr Trump promises to create 25m new jobs, presumably over two terms—20m more than is forecast today. It is not clear who would fill these vacancies.

Restoring the labour-force participation of prime-age workers to its record high would unearth only 4.3m new workers. To achieve rapid growth Mr Trump would instead need productivity growth to average 2.6%, says the CRFB, a level not reached in any ten-year period in modern history.

Even conservative economists see this. Growth of only 2.8% would call for a "gold medal"; reaching just 3% would put Mr Trump in the "hall of fame", says Douglas Holtz-Eakin, who ran the Congressional Budget Office for two years under George W. Bush. The Tax Foundation, a non-partisan think-tank, reckons tax cuts can significantly boost growth, but still says that Mr Trump's tax plan would cost \$2.6 tril-



lion-3.9 trillion over a decade.

Mr Trump promises to free up funds by lopping 1% a year off the roughly one-third of the budget that is left after defence, Social Security and Medicare. This adds up to a 29% real-terms cut over a decade to budgets that have already been slashed since 2011. Even assuming he manages this, and that there is no new infrastructure spending, the CRFB reckons Mr Trump would send the national debt soaring to 105% of GDP by 2026 (see chart). And this is before accounting for growth, which, in spite of Mr Trump's tax and regulatory policies, would probably fall as a result of his immigration crackdown and trade barriers.

Mr Trump has launched his tax plans three times, yet they remain vague. At first, he promised to tax income from small firms, which are usually treated like any other earnings, at a maximum rate of 15%. After many analysts noted that this might cause high-earners to masquerade as small-businesses, the policy disappeared.

It had been dropped, the campaign told the Tax Foundation, before promising the small-business lobby that it remains.

Finally, the plan is steeply regressive. The incomes of the poorest rise by 1-8% (depending on growth effects, and on small-business taxes). But thanks to a whacking cut to the top rate of tax, from 39.6% to 33%, the incomes of the top 1% of earners would surge by 10-20%. Yet Mr Trump claims, inexplicably, that a couple earning \$5m a year would see a tax cut of just 3%.

Compared with such a shambles, it is obvious that Hillary Clinton's policies are much more serious. But that is not the same as saying they are desirable.

Mrs Clinton, whose pledges are precise enough to be quantified, wants new spending totalling about \$1.7 trillion over a decade. Her best ideas concern infrastructure, on which she would spend an extra \$250 billion. A further \$25 billion would capitalise a federal infrastructure bank. This would lend \$250 billion to projects that can make a return, such as toll bridges. (Mr Obama has tried to set up such a bank; 32 states already have their own.)

Many other programmes make up the other spending. Having been pushed leftward on the issue by Bernie Sanders, Mrs Clinton would guarantee that by 2021 households earning less than \$125,000 pay no tuition fees at public universities in their states. She would cap child-care costs at 10% of income, fund paid parental leave and create tax-credits to encourage firms to share their profits with workers, hire apprentices and invest in manufacturing.

Mrs Clinton promises to pay for all this with a combination of higher taxes on the rich—for example, an additional 4% tax on incomes over \$5 million. She has also proposed various new taxes on business, such as a fee on big banks. Her plan very nearly funds itself, according to the CRFB.

The Clinton agenda, though, is too complicated. America's clunky tax and welfare system needs simplification, not endless new deductions, credits and phase-outs. American businesses take 175 hours per year to comply with all taxes, compared with 110 hours in Britain. Complexity is hardly unique to Mrs Clinton's policies: it is a product of America's incrementalism and lobbying. But it is still unwelcome.

To the extent that the candidates do talk about America's longer-term fiscal woes, Mrs Clinton is the more credible. For instance, she promises to expand the Affordable Care Act's fledgling cost-saving experiments in Medicare. Yet because the trust fund for Medicare runs dry only in 2028, and the Social Security fund only in 2034, this issue will only really grab politicians—and electorates—later. Mr Trump is not interested; Mrs Clinton, for once, not scrutinised. America would be best-served by a rigorous contest of economic ideas. It is not getting that. ■

Notes from the undergrowth

Hillary Clinton's environmental plans are pragmatic. Donald Trump's are non-existent

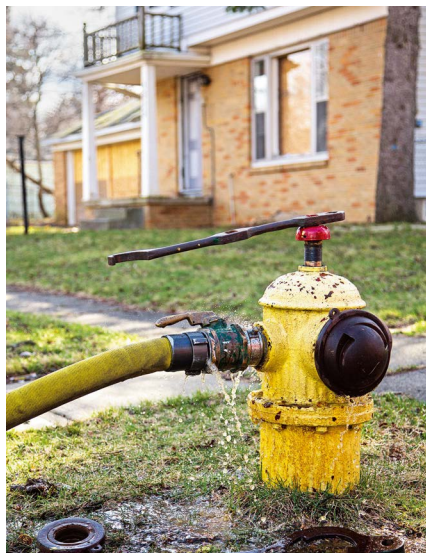
2016 DESPITE deluges in the South, droughts in the West and fires throughout national forests this year, the words “climate” and “change” have seldom been uttered together on the campaign trail. Fifteen of the 16 hottest years on record have occurred since 2000. Yet Donald Trump has claimed that global warming is a Chinese hoax designed to thwart American businesses (he also denied saying so at the first debate between the candidates, on September 26th). Hillary Clinton believes that “climate change is real” and that dealing with it will create jobs in the renewable-energy sector. In sum, the two candidates offer completely different environmental platforms.

Uncoupling emissions growth and economic expansion is important to slowing climate change. Total energy consumption in America has dropped 1.5% since Barack Obama became president, according to the White House; in that time the economy has swelled by 10%. America now generates more than three times as much electricity from wind, and 30 times as much electricity from solar, as it did eight years ago.

Most voters accept that climate change is happening. But Republicans and Democrats disagree as to why, according to the Yale Programme on Climate Change Communication, a research group. Half of Mr Trump's supporters reckon natural causes explain it, whereas three in four of Mrs Clinton's backers say, with almost all climate scientists, that man-made emissions are to blame.

In 2015 the most robust deal yet on curbing global carbon emissions emerged. The Paris Agreement aims to limit global warming to “well below” 2°C above pre-industrial temperatures. For its part, America promised to lower its emissions of carbon dioxide by 26-28% by 2025, as measured against the levels of 2005.

An important step to achieving this goal was unveiled last year: the Clean Power Plan. This proposes the country's first national standards to limit carbon-dioxide emissions from power plants—America's largest source of greenhouse gases. Legal challenges from fossil-fuel groups and two dozen mostly Republican-led states saw the Supreme Court put it on hold eight months ago. Some opponents argue the plan is unconstitutional; far stronger claims are made that the Environmental



In Flint, don't drink the water

Protection Agency (EPA) is overstepping its remit. Hearings on the plan began on September 27th. Whatever the outcome, the EPA retains the right to regulate carbon dioxide: the justices ensured that by declaring it a pollutant in 2007.

This is one area where Mrs Clinton is running for a third Obama term. She intends to make America a “clean energy superpower” by speeding up the process of greening that Mr Obama began. Within four years she wants half a billion solar panels installed, and by 2027 she plans for a third of electricity to come from renewables. Mrs Clinton laments that poorer areas are often the most polluted—citing, for example, the filthy water in Flint, Michigan. States and cities which build greener

infrastructure, such as more thermally efficient buildings, will get handouts worth \$60 billion. Mrs Clinton is vague about how she would pay for this, but slashing fossil-fuel subsidies could be part of the answer. Such handouts came to nearly \$38 billion in 2014, according to Oil Change International, a research outfit, though estimates vary wildly.

Green types argue that such ambitious plans are possible. But since America is already lagging on its climate pledges for 2025, according to a study just published in *Nature Climate Change*, such optimism appears misplaced—especially as Mrs Clinton has no plans either to price or to tax carbon. In this she has learned from Mr Obama's failures. His attempt to pass a cap-and-trade bill floundered in 2010, and he has tried to avoid Congress on environmental issues ever since. The Clean Air Act of 1963, for example, supposedly underpins the Clean Power Plan, allowing him to dodge the Senate. Mr Obama has also used his executive authority to ratify the Paris climate deal and to create the world's largest protected marine area off Hawaii.

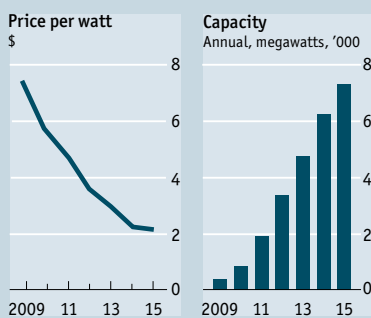
Mrs Clinton may follow suit with environmental executive actions of her own, according to hints from her campaign chief, John Podesta, Mr Obama's environmental mastermind. She may seek to regulate methane leaking from existing gas installations and to tighten fuel-efficiency standards.

But what one president enacts, the next can challenge. Mr Obama's penchant for executive action leaves the door open for Mr Trump to stall and perhaps reverse environmental policies if he becomes president. His intention to rip up the Paris Agreement will prove hard to carry out in a single term, however: it comes into force before January, and untangling America from its provisions could take around four years. Mr Trump favours oil and gas production on federal lands and opening offshore areas to drilling. He also plans “a top-down review of all anti-coal regulations”. Such moves could imperil the Paris deal anyway. If the world's second-largest polluter shirked its pledges to cut emissions, many other countries would wriggle out of theirs.

Either candidate, as president, would be at the mercy of the markets. A glut of fossil fuels means that coal production has declined by almost a quarter since the highs of 2008. Improvements in fracking technology may see American shale output stabilise, and perhaps even grow, if it allows firms to compete more efficiently with rivals in Saudi Arabia. But the cost of solar and wind power, and of the storage needed to smooth out their variations, will keep dropping. If Mr Trump becomes president, energy firms may reduce emissions anyway. If Mrs Clinton does, they may give her green policies a needed boost. ■

Bring me sunshine

United States, solar photovoltaic units installed



More present than correct

WASHINGTON, DC

Hillary Clinton's college-funding plan is better politics than policy

2016 TO BELIEVE some young voters—especially those who showed up at Bernie Sanders rallies earlier this year—America is in the midst of a student debt crisis. In 2010 student loans overtook credit cards to become the biggest source of American household debt other than mortgages. Today, they total about 7% of GDP. Of those who have borrowed from the federal government and began repayments in 2011, 10% defaulted within two years, up from 4.5% in 2003. The problem animates the left: whereas Donald Trump has talked about the subject only fleetingly, Hillary Clinton has detailed policies for helping penniless scholars. Who could oppose such a worthy aim?

Defaults on student debt are highest among so-called “non-traditional” students. They attend community colleges, which provide short, typically two-year courses, or profitmaking universities, which offer heavily marketed and pricey degrees which are sometimes of dubious merit. According to number-crunching by Adam Looney of the Treasury Department and Constantine Yannelis of New York University, non-traditional students made up more than half of all new borrowers from the federal government between 2004 and 2014. They accounted for fully 70% of those who defaulted within two years of starting repayments in 2011.

The problem non-traditional students face on graduation is more often low incomes than high debts. In 2014 the median graduating borrower from a community college owed \$11,700, compared with \$26,500 among those who had attended a selective, four-year course. Yet while 25- to 34-year-olds with bachelor's degrees or more earned an average of \$59,000 in 2015, those with two-year degrees made only \$38,500. Just as those with large mortgages typically have big houses, those with huge student debts usually have a graduate degree in, say, business or medicine, and can expect a bumper salary as a result. The average aspiring medic borrows \$138,000 for her graduate education; lawyers-to-be, \$107,000. Yet the three-year default rate among graduate students is only 3%.

At first, during the primaries, Mrs Clinton promised to make community college free. She also said she would make public colleges “debt-free”—ie, cheap—for low- and middle-income students who study in their home states. This makes some sense.

But a need to appeal to Mr Sanders's fans led her to expand her plan in July. Mrs Clinton now pledges that by 2021 no American from a household earning less than \$125,000 will need to pay any tuition fees at all to instate public universities.

Mrs Clinton's refreshed plan will cost anywhere between \$350 billion and \$800 billion over a decade, according to the Committee for a Responsible Federal Budget, a think-tank. Much of that cash will flow to students who will go on to be affluent. The returns to college education have never been higher (a fact which helps to explain Mr Trump's success with voters who have spent less time studying). Over a career college graduates can expect to earn twice what high-school graduates make, according to one estimate.

Reforms during Barack Obama's presidency have already made student debt much more manageable. Congress and the Obama administration have expanded income-linked repayment programmes for those with federal loans. Today, any student who faces repayments exceeding 10% of her income can cap her repayments at that fraction of her earnings. After 20 years, the government will write off any remaining balance. This makes student debt resemble a tax more than conventional borrowing. In 2015 the education department started offering a similar deal to those with loans predating 2007. One-in-five borrowers, together owing fully 37% of all student

debt, are now enrolled in income-linked repayment.

There are problems with these schemes, notes Susan Dynarski of the University of Michigan. Students must opt in to them, which requires knowing that they exist, and must then renew their paperwork every year. Perhaps as a result, fewer than half those eligible have enrolled. And the income used to calculate repayments is based on the preceding year. So someone whose income tanks can still struggle to service his debts. To her credit, Mrs Clinton wants to improve income-linked repayment, in part by making enrolment automatic. (Another attractive idea is to collect student-loan repayments through employer payrolls, as happens in Britain).

If such reforms happen, means-tested free tuition would offer few extra benefits. Such a policy would also redistribute arbitrarily. A student from a poor family who becomes rich will have no debts, whereas students from families earning above the \$125,000 cut-off may still need to borrow and hence repay 10% of their income for years, even if they end up poor. The withdrawal of tuition subsidies as income rises could sharply increase implicit marginal tax rates. And subsidising only instate tuition creates a pointless incentive for students to avoid venturing further afield.

An existing programme illustrates the dangers of careless subsidies. Since 2012 those enrolled in income-based repayment who also work for the government, or a not-for-profit organisation, can have their debts written-off after only a decade. This includes borrowing for pricey and lucrative graduate degrees. So far, 432,000 borrowers have signed up to the scheme, nearly 30% of whom have loan balances exceeding \$100,000, according to Jason Delisle of the American Enterprise Institute, a think-tank. This gives a windfall to those who aim to work for the government anyway, and who expect to spend at least ten years repaying their undergraduate debts that greatly exceeds the maximum support the government provides to low-income undergraduates.

The Obama administration now wants to rein in this programme. Worryingly, Mrs Clinton makes no mention of curtailment the largesse. Instead, she calls for still more ways for students to be able to discharge debts via public service.

Padding the pockets of well-off graduates should be a low priority for the federal government. Mrs Clinton should concentrate on funding community colleges, regulating for-profit universities and improving income-linked repayment. But whatever she does, it is not hard for her ideas to beat Mr Trump's, which amount to doing “something with extensions, and lower interest-rates, and a lot of good things”. Here, as on so many other issues, Mrs Clinton wins by default. ■



Many happy repayments

A view from the bridge

WASHINGTON, DC

It will take more than just money to get America moving

IN SEPTEMBER the authorities in St Petersburg, on the west coast of Florida, released about 150m gallons of raw and partially treated sewage into Tampa Bay, the natural harbour on which the city sits. Flooding related to Hurricane Hermine had overwhelmed the city's ageing wastewater system—the third such incident in 13 months. According to a whistle-blower, consultants warned the city in 2014 that closing one of its sewage plants could lead to such a catastrophe. But it did it anyway.

Both candidates for president agree that America must spend more on its infrastructure which, though good, is deteriorating. It attracts a score of 5.9, on a scale of 1-7, from the World Economic Forum, down from 6.1 in 2007. (Over the same period, other rich countries saw their scores grow by an average of 0.3.) Government data show that in 2014 some 32% of America's roads were rated "poor" or worse for bumpiness, up from 16% in 2005. The average annual delay faced by commuters has increased by 62% since 1990.

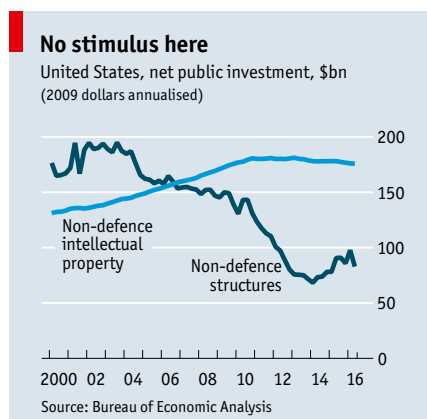
The decline is the inevitable result of falling infrastructure investment (see chart). It tumbled after the recession as states and local governments, who provide nearly two-thirds of the money, scrambled to balance their budgets. The federal government's recession-fighting stimulus package mitigated this only slightly. Between 2009 and 2014 just \$55 billion of \$828 billion in stimulus spending flowed to water and transport projects. From 2013 fiscal austerity made infrastructure funds still scarcer. In 2015 Congress scrimped together enough cash to keep the highway trust fund, which provides most of the federal funding for transport, in the black until 2020. But more money is needed to stop the decay.

Hillary Clinton promises an extra \$275 billion over five years, which should return infrastructure investment to close to its pre-recession level. Her shopping list is lengthy. It includes both sober promises, like fixing potholes, and fanciful ideas, such as creating a "world-leading" railway network (taken at its word, this would require sending Japanese style bullet-trains across the country). This first \$275 billion would come from mostly unspecified changes to the corporate tax.

Mrs Clinton would also continue Barack Obama's quest to establish a national

infrastructure bank, capitalised with \$25 billion from the Treasury. The bank would borrow a further \$225 billion, either from investors, or from Uncle Sam (which might be cheaper). In any case, the bank would funnel its cash to infrastructure projects in the form of loans and loan guarantees (it would support only projects which can make a return, like toll bridges).

Donald Trump—as usual—has less of substance to say. He laments the state of the nation's bridges and airports and promises to repair them. He also says he will deliver "gleaming new infrastructure". Asked in August how much this would cost, he replied, ostentatiously, that he would "at least double" Mrs Clinton's



numbers. To achieve this, he would start "a fund" and—wait for it—make a "phenomenal" deal with investors to raise capital.

Loose talk about loose purse-strings will make sceptics shiver. In the past, federal funds have flowed easily to boondoggles because politics, rather than thoughtful analysis, has directed the flow of money. For example, stimulus spending on transport was twice as generous, on a per-person basis, to sparsely populated areas than to densely populated ones, according to Edward Glaeser of Harvard University. It costs more to build in crowded cities than on empty fields, but low-density areas are, he notes, "remarkably well-endowed with senators per capita".

Useless projects excel at soaking up federal cash. Alaska recently abandoned a plan to build an infamous bridge connecting an island with just 50 residents to the mainland. But it did use federal cash to build a road leading up to where the "bridge to nowhere" would have stood.

West Virginia has almost the opposite problem. It has been building a highway through the Appalachian mountains for over a decade. But the absence of a connecting road in neighbouring Virginia means the project lacks a clear purpose.

Any new infrastructure programme must seek to avoid such profligacy. The priority should be unglamorous maintenance work, which has been neglected even as wasteful new projects have gone ahead. The Federal Highway Administration says that from 2011 until 2030 annual investment in roads must average \$73 billion-78 billion, in 2010 dollars, just to restore existing roads to good condition (for comparison, such "rehabilitation" spending totalled only \$60 billion in 2010). Maintenance could consume a big chunk of Mrs Clinton's promised direct spending.

An infrastructure bank could screen new projects for value-for-money. Mrs Clinton promises hers would be independent of government and would choose what to fund "based on merit, not politics". The requirement that projects produce revenue to repay the bank would introduce market discipline to the process, especially if private money were involved (though some wonder just how many profitable infrastructure opportunities exist).

Regulation might slow the diggers. A plethora of environmental, historical and other rules often restrict building. Many stimulus projects, far from being "shovel-ready", took more than a year to get going because of local red tape. In May Larry Summers, a former treasury secretary and a vocal cheerleader for more infrastructure investment, complained in an article in the *Boston Globe* that regulation had delayed a project to repair a bridge near his office at Harvard University. The bridge took only 11 months to build in 1912, but the refurbishment, which began in 2012, is yet to be completed. When a contractor discovered it had to move a water pipe, the associated paperwork delayed work by a year. Another hold-up was a requirement, imposed by the Massachusetts Historical Commission, that the bridge had to have special bricks.

Other barmy rules abound. The Davis-Bacon Act of 1931 requires workers on federal projects to be paid the "prevailing wage"—calculated by bureaucrats—in the local area. Law prevents the federal government from charging tolls on existing interstate highways, limiting a potential source of new funds (Mr Obama has tried, unsuccessfully, to change this).

In recent years it has often taken disaster to spur investment. St Petersburg, Florida is now rushing to repair its leaky pipes; New Jersey at last raised its petrol tax to fund new transport spending after a fatal train crash in September. It is good that both candidates recognise the need for improvement. But that will require more than simply opening the chequebook. ■

Little changes

NEW YORK

George W. Bush and Barack Obama made school reform a priority. The next president will look elsewhere

2016 FOR a president, making education policy can be like running a school with thousands of unruly pupils. He can goad states and coax school districts, offering gold stars to those who shape up. But if a class is defiant he can do little. Just 12.7% of the \$600bn spent on public education annually is spent by the federal government. The rest is split almost equally between states and the 13,500 school districts. Many presidents end up like forlorn head teachers. America spends more per child than any big rich country but its pupils perform below their peers on international tests.

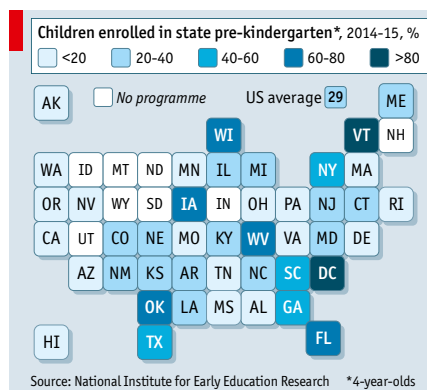
Despite the constraints, George W. Bush and Barack Obama both used the regulatory power of the federal government to spur reform. Through the No Child Left Behind (NCLB) Act of 2001, the Republican president launched a flurry of standardised tests, sanctioning schools whose pupils failed to progress. Through his “Race to the Top” initiative, announced in 2009, the Democratic one offered cash to states in exchange for reforms such as higher standards and evaluating teachers based on pupils’ results. Similar policies were implemented by 43 states in exchange for federal waivers from the testing mandates of NCLB. Mr Obama has also championed charter schools, the part-publicly funded and independently run schools hated by teachers’ unions.

But the era of regulation-driven school reform is now coming to an end, for two reasons. The Every Student Succeeds Act (ESSA), passed in December as a replacement for NCLB, hands back power to states over standards and tests, making it hard for a future president to seek to micromanage school reform. And in any case, neither Donald Trump nor Hillary Clinton are inclined to imitate the past two presidents. Mr Trump is “totally against” and “may cut” the Department of Education. Declaring that “it is time to have school choice”, in September he pledged to give states \$20bn to fund school vouchers for parents of poor children.

Mrs Clinton has also been keen to defer to states. This is partly because she knows ESSA shrinks her room for manoeuvre. But she has also made a political calculation. Unlike Mr Obama, she is backed by teachers’ unions. They oppose tying teacher evaluations to pupils’ results and want to keep the caps on charter schools in place in

the 23 out of 43 states that permit them. Mrs Clinton has been studiously ambiguous on such limits, to the regret of reformist Democrats, who note that in most cities charter schools outperform ordinary public schools. Though she has sent Tim Kaine, her vice-presidential nominee, to mollify funders of charters, they are braced for a change of tone. Charters will still expand, but they will receive less federal support. “We reformers have had a big tailwind under Obama, which we’re unlikely to have under Clinton”, says Whitney Tilson, an investor and education philanthropist.

The Democratic candidate’s wish to neutralise the toxic politics of school reform has another, less cynical cause. She wants to focus on what comes before and after school, the “bookends” of pre-school and higher education. America “has fallen



off the pace when it comes to early childhood education”, says Steve Barnett of the National Institute for Early Education Research, at Rutgers University. About half of all three- to four-year-olds are enrolled in pre-school, less than in many poor countries (see page 63) and one of the lowest shares in the OECD. And yet the country is third-highest in the club of mostly rich countries for the share of net income spent on child care. In 31 states a place at a childcare centre is more expensive than at a public university. America is the only country in the OECD without universally guaranteed maternity leave.

Both Mr Trump and Mrs Clinton have pledged to do something about all this. Asked last year about federal funding for pre-school, the Republican said, “well, I don’t like it”. But in September, prodded by his daughter, Ivanka, Mr Trump said he wanted to allow the costs of child care to

be deducted from income taxes and to introduce six weeks of paid maternity leave.

Mrs Clinton can point to a longer commitment to early childhood development. As first lady of Arkansas in the 1980s she set up one of the country’s first schemes to help poor parents educate their toddlers at home. Today she says she will introduce 12 weeks of guaranteed paid family leave, and ensure that child care costs no more than 10% of a family’s income, in part by offering a tax credit. She also wants to use federal funds to provide pre-school for all parents who want it for their children.

As most children know, nice things cost money. Mrs Clinton has not given a detailed plan for how to pay for her early childhood policies. Much will depend on whether Democrats take Congress. But this is increasingly a bipartisan cause. Of the 42 states that provide funding for pre-school education, most have Republican governors. Georgia, Oklahoma and Florida have led the way in offering near-universal coverage (see map).

The results at the state level, however, suggest realism is required. According to a study led by Dale Farran of Vanderbilt University, Tennessee children who attended that state’s scheme performed no better (and in some cases worse) in school tests than similar children who did not attend. Ms Farran argues that some “states are so busy ramping up pre-k that they are not paying attention to what is actually going on in classrooms”. She argues that grafting a year of pre-school onto poorly performing public school systems will not help children, especially those whose parents actively help them learn outside of class.

Better results can be found in cities such as Tulsa and Boston. Then there is New York, which Mrs Clinton has cited as a model. Since 2014 it has expanded the number of free all-day pre-school slots for four-year-olds from 19,000 to 71,000, one of the fastest roll-outs anywhere in the world. Richard Buery, the deputy mayor in charge of the scheme, argues that its success requires well-trained staff, a rigorous curriculum—and money. The average wage of a child-care worker in America is less than that of a dog-walker. In New York the cost per child for a year of pre-school is \$12,000, more than twice as much as in Tennessee. “Doing it on the cheap will get you universal child care but not high-quality pre-k”, says Mr Buery.

What of the other bookend? Mrs Clinton wants to make tuition at public universities free for many more students. She is also mulling whether to offer financial rewards to universities that increase the entrance and graduation rates of poorer students. She may appoint a university president as education secretary. Even as an era of activist schools policy ends, the federal government still has bold plans to improve education. ■

World-shaking

WASHINGTON, DC

Hillary Clinton's foreign policy would be similar to Barack Obama's. Donald Trump's would be like nothing America has seen before

2016 TO EXPLAIN what foreign policy would be like under Hillary Clinton, allies start by describing her feelings about America. It matters that the former secretary of state grew up in the Midwest and was a young “Goldwater girl”, backing the sternly anti-communist Barry Goldwater, during his failed presidential run in 1964. Mrs Clinton “sees America as a force for good”, and as First Lady was marked by seeing her husband use military power to bring peace to the Balkans, says a former senior official. He draws a contrast with Barack Obama, a man instinctively wary when the clamour mounts for American intervention.

Another former official calls Mr Obama unusually focused on “global” threats, such as climate change, pandemics, nuclear non-proliferation and far-flung terror networks. To secure Chinese co-operation on climate change, or Russian help in curbing Iran's nuclear programme, Mr Obama has been willing to downplay “geopolitical” threats, such as Chinese land grabs in the South China Sea or Russian incursions in Eastern Europe. Mrs Clinton, predicts that ex-official, “is likely to tilt the balance back” towards “traditional” geopolitics.

Yet other insiders caution against assuming that Mrs Clinton would be much more hawkish in her actions than Mr Obama—not least because some intractable problems will dominate her in-tray. Start with Syria. In the presidential debates she talked of pushing for a no-fly zone and safe havens in Syria. But in a speech to bankers in 2013, recently leaked, she noted that a no-fly zone would require risky strikes on Syrian air defences, some in heavily populated areas. Insiders predict she will begin with a review of how the Assad regime's resilience, Russian intervention and opposition weakness have limited her options since she was last in office.

Veterans of the Obama administration expect Mrs Clinton to reach out to Israel, Egypt, Saudi Arabia and Turkey—long-time partners whose relations with Mr Obama are dire. But they predict limits to such bridge-building. An ex-official notes that Mrs Clinton calls Middle East peace “a priority” (without clarifying how much of one), but for Israel's prime minister, Binyamin Netanyahu, peace with Palestinians is “no priority at all”. Another colleague suggests that Mrs Clinton will keep Mr Obama's nuclear-arms deal with Iran, but



Where next?

will be more willing publicly to counter such Iranian provocations as weapons transfers to terror groups or harassment of American ships. During the campaign she talked of an “intelligence surge” against Islamic State (IS). That empty phrase distracts from her likely approach, involving more continuity than change.

In Asia, North Korea's recent aggressive actions involving nuclear tests and missile trials will head Mrs Clinton's agenda. Allies say she has signalled support for tougher sanctions, perhaps on North Korean workers overseas and on North Korean access to banks, and for anti-missile defence co-operation with Japan and South Korea—all steps that alarm China. Chinese officials have further reasons for anxiety. They recall Mrs Clinton's defence of women's and human rights at a conference in Beijing in 1995, and have not quite trusted her since. Chinese leaders quietly cheered when the present campaign saw Mrs Clinton forced to disavow the Trans-Pacific Partnership (TPP), a trade pact that would bind America more closely with 11 Asia-Pacific nations, not including China.

If elected, her relations with Russia's autocratic leader, Vladimir Putin, would begin in a glacial state. Mr Putin did not hide his anger when, in 2011, the then-secretary of state questioned the fairness of Russian parliamentary elections. In 2016 the Clinton campaign, backed by American spy chiefs, accused Russia of trying to

meddle in the presidential election by stealing e-mails from leading Democrats.

In contrast, when Trump advisers explain their candidate's worldview, they start with how their boss feels about himself, his gut instincts and abilities as a negotiator—with pesky policy details to be filled in later. They describe a “realpolitik kind of guy” who sees a dangerous, ungrateful world, which for too long America has been asked to fix on its own. Keith Kellogg, a retired lieutenant-general and adviser to Mr Trump, compares his boss to Ronald Reagan for his willingness to treat Russia as a competitor with whom deals can be made, notably when making common cause against Islamists in Syria.

Critics call Mr Trump a man of thoroughly un-Reaganesque views. After all he has praised Mr Putin for his “very strong control over his country”, and suggested that America's duty to defend NATO allies might be conditional. Asked by the *New York Times* if he would defend the Baltic republics from Russia, he replied: “If they fulfil their obligations to us, the answer is yes,” grumbling about NATO members who missed targets for defence spending.

Interviewed by *The Economist* in 2015, Mr Trump called China's construction of airstrips on reefs in the South China Sea a hostile act, adding: “However, it is very far away. And they're already built.” He breezily predicted that Japan might offer a solution: “If we step back they will protect themselves very well Japan...used to beat China routinely in wars.”

Mr Trump says he will renegotiate the nuclear-arms deal with Iran, and pressure China into neutralising the North Korea threat. He has called climate change a hoax and promised to cancel billions of dollars in payments to United Nations climate-change programmes. He says he would “bomb the shit” out of IS, without explaining how this would be done.

Mr Trump is at his most detailed when outlining his suspicion of free trade. In his first days in office he pledges to renegotiate the NAFTA trade pact with Canada and Mexico and put the TPP on hold. He would have China declared a currency manipulator, saying the yuan is undervalued—a charge most economists think out of date. Asked about the risks of a trade war, Mr Trump's trade adviser, Dan DiMiccio, says his candidate thinks that America has been in a trade war with China for 20 years. Mr DiMiccio, a former CEO of Nucor, a big steelmaker, says: “The era of trade deficits is over,” predicting that the threat of tariffs can be used to achieve balanced trade.

Mr Trump knows what his voters want to hear: that America holds a winning hand, if it is ruthless enough to play it. Many of his promises are nonsense. But given the chaos he could unleash, voter anger in America will be the least of the world's worries. ■

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