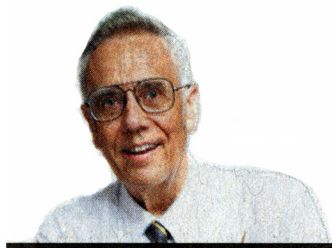


The US election and Singapore



Dr Larry Haverkamp The Last Word

How about this US Presidential election? I will tell you how it works in a minute but first, here is why it's important: The world has three huge engines of growth: The US, Europe and Asia.

It is not a zero-sum game. If it were, a country that prospers would take business from the others. In fact, it is the opposite since a country with robust growth gives business to other nations.

Take China. When its Gross Domestic Product (GDP) increases, it imports more, which increases demand for our exports. China is especially important since it is our largest trade partner.

The US is also a top trade partner and its growth helps us. At the moment, we can use all the growth we can get since our GDP is in the doldrums, expanding at only 2 per cent last year, and with the forecast the same for this year.

That is barely better than a recession and to keep the economy humming along, we need to get

back to the good old days when the economy routinely chalked up annual GDP growth of 6 per cent, 7 per cent and 8 per cent.

As elsewhere, prosperity in the US depends on its government policies and those depend on who is the next US President. That is being decided now, with both parties in the midst of campaigns.

IT WORKS LIKE THIS

The US has two political parties: Republican and Democrat.

They are about equally matched and go back and forth as to which holds a majority in the law-making body called the US Congress, which has two houses: The House of Representatives and the Senate. At the moment, the Republicans control both.

The other seat of power is the Executive branch, which has been controlled by the Democrats for the past eight years under President Obama. Before that was eight years under Republican President Bush, and before that was eight years under Democratic President Clinton.

The US Presidency is limited to two four-year terms and President Barack Obama has just completed his second. He must step down, which makes this year's Presidential race especially exciting.

Since the Democrats control the Presidency and the Republicans

control the Congress, the two parties rarely agree on anything. This has resulted in a gridlock, which means not much gets done. It has been like that for eight years, which frustrates everyone.

If either party could capture both Houses of Congress plus the Presidency, they could move their own agenda. For the Republicans, that is about being conservative and pro-business, with low taxes and low spending except for national defence. Republicans are all about pro-guns and anti-abortion laws.

Democrats are liberal, with more spending for the poor and minorities plus higher taxes and less emphasis on defence. They want to restrict gun ownership and favour individual choice on abortion.

The rich are usually Republican, while the poor vote for Democrats, but there are exceptions like the second-richest person in the US, Warren Buffett, 85. He is a Democrat who favours raising taxes on the rich, including himself. His fellow billionaires jokingly refer to Mr Buffett as "a traitor to his class".

The primary elections last Tuesday (Wednesday in Singapore) have probably selected the standard bearers for the Republican and Democratic parties. Those two persons will run in the Presidential election on Nov 8.

Last week was the most exciting so far, because it included "super

QUICK QUOTE

"Hire the best people and don't trust them."



DONALD TRUMP, 69, BILLIONAIRE
US PRESIDENTIAL CANDIDATE

Tuesday", when voters in many states choose their preferred candidates on a single day.

If you haven't heard, the winner and likely Republican candidate is Donald Trump and for the Democrats, it is Hillary Clinton, who is the wife of former President Bill Clinton.

PRESIDENT BLOOMBERG?

This year is rather unusual because a third candidate may run as an Independent. It is former New York mayor, Michael Bloomberg: He founded Bloomberg News, and it made him one of the world's richest with a net worth of \$39 billion. If he runs, he is expected to spend about \$1 billion of his fortune in his campaign.

The big question is: Will Michael Bloomberg run as an Independent? He must decide soon - this week - in order to appear on the ballots in all 50 US states. (I am

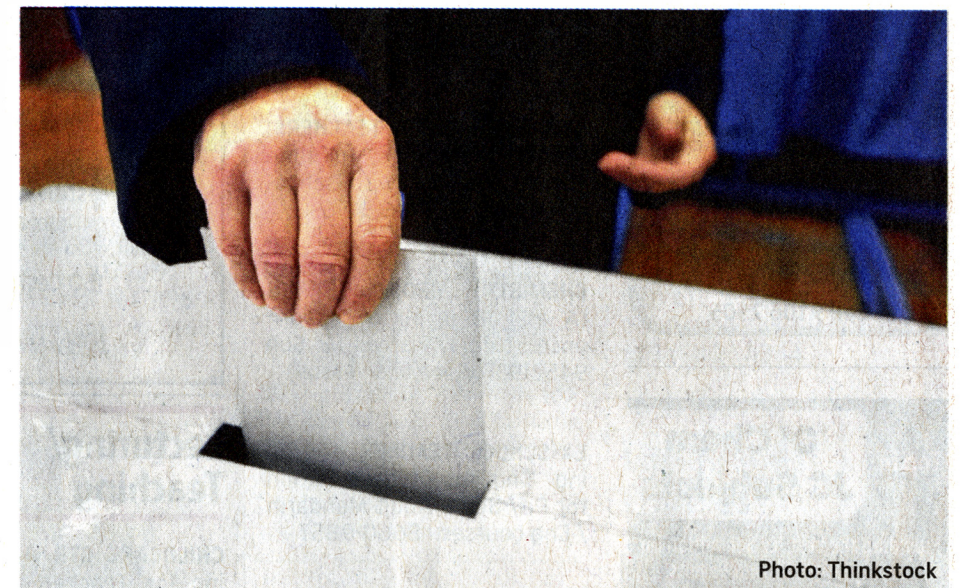


Photo: Thinkstock

writing this article before Sunday, so he may have announced his decision already.)

If Mr Bloomberg runs, it is likely that none of the three candidates will receive the majority needed to be elected President. In that case, the 434 voting members of the US House of Representatives will decide, which hasn't happened since 1824.

It is likely the Republicans would keep their majority in Congress and they would ordinarily vote for their own candidate, Republican Donald Trump. But many dislike him and would probably switch to vote for Michael Bloomberg or Hillary Clinton. Hillary would likely win that contest since she has the backing of an established party, the Democrats.

Well, that is one scenario. It won't happen if Bloomberg doesn't run and most recently, his friends have said it is unlikely.

Final question: Which party is better for business?

Surprisingly, it seems to be the Democrats. Since 1949, the US economy has grown 4.5 per cent per year under Democratic Presidents, versus 2.5 per cent under the Republicans. Be careful though. This could be only a coincidence and not statistically significant.

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An adjunct professor at SMU, Dr Haverkamp contributes this column weekly to help our readers understand money matters better.