

POLITICAL PULSE

On the First Trump-Biden Debate

Wednesday, September 30, 2020

Donald Luskin**Trump won on points, but no TKO. Mr. Market is going to have to live with more uncertainty.**

Trigger warning: sorry, but we are going to have to talk about politics again. Please join us in setting personal preferences aside and using best efforts to objectively assess the outcome of the 2020 elections, and its impact on markets and the economy.

We don't think last night's presidential debate moved the needle very much, but that said, overall we're going to award it to Donald J. Trump on points.

- We were wrong in speculating that Joseph R. Biden would avoid the risk of debating by claiming to have tested positive for Covid-2019 (see [“RGB RIP, the Election, and the Markets”](#) September 21, 2020).
- *He showed up, and he got through it.* We can argue about how sharp he was, but there was no aphasic episode.
- This may give Biden the confidence to campaign more actively and vigorously now, but we doubt it. We suspect his dominant feeling walking off the stage was relief.
- *We think strongly that, having shown the world he can do it, he will refuse to debate again, using the narrative that Trump is a liar.*

The needle didn't move much – that is, change any voters' minds – because neither candidate strongly outperformed or underperformed expectations.

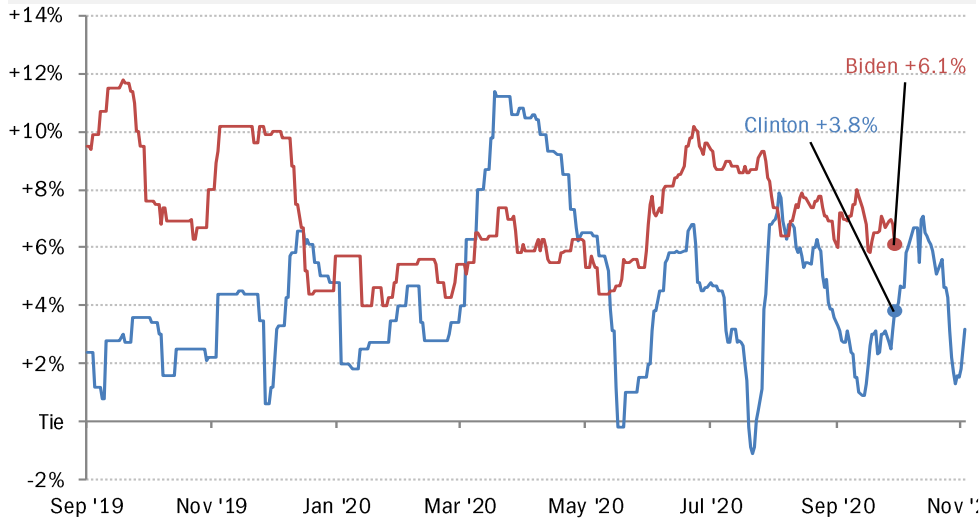
- *Yes, Biden outperformed the fervent hopes of Trump voters that he would melt down, producing a decisive “Dukakis moment” that would doom his campaign* (see [“On Trump's Executive Action Stimulus”](#) August 9, 2020). But not melting down won't get the votes of any Trump voter who hoped he would. We're not sure that undecided voters or Biden voters were even watching for it.
- *We think that Trump outperformed expectations a little, too. The spunk and pugnacity he showed pushed back against the narrative that, trailing in the polls* (please see the chart on the following page), *his candidacy is already doomed.*
- Trump's pugnacity is a double-edged sword. His supporters love it, but it alienates many who could otherwise support him. *He didn't outperform the expectations of his skeptics by being less pugnacious, but those same skeptics are probably a little less likely*

Update to strategic view**US ELECTION MODEL:**

Biden didn't melt down in the first debate, and we expect he will now refuse to debate again. He outperformed expectations, but that will not move Trump voters to him. Trump's pugnacity pushed back on the narrative that his campaign is doomed. Biden failed to contrast himself to Trump, acting just as pugnacious. Trump has hit on a counter to Biden's narrative that he bungled the Covid-19 response: Biden would have been worse. But he failed to condemn white supremacists when asked, and he will be pilloried for it. With no decisive “Dukakis moment” from Biden, and especially if no more debates, markets will have to live with more uncertainty about whether to expect four more years of pro-growth Trumponomics.

[\[Strategy dashboard\]](#)

Presidential election polls, RealClear Politics average — 2020 — Same day in 2016



Source: [RealClear Politics](#), TrendMacro calculations

to support Biden after last night, instead, because he was so obnoxiously pugnacious himself, calling Trump a “clown,” a “fool,” and told him to “shut up, man?” Trump may have not let him talk long enough to melt down, but he goaded Biden into being as Trump-like as Trump – but, in our subjective impression, with less of the humor that made long-suffering moderator Chris Wallace laugh more than once.

- As far as substantive issues are concerned, there was no actual news. We do think Trump has come up with an effective counterargument to the constant drumbeat from Biden that he mismanaged the US response to Covid-19. Trump’s line is simply that Biden would have done worse. The Biden lie that Trump cost 200,000 American lives will be neutralized by the Trump lie that Biden would have cost 2 million. As a result, we think we’ll hear less about that from Biden, and at the margin that may have a small salutary effect in helping the American economy re-open free from political scare-mongering.
- Trump drew blood by associating Biden with urban violence, with a key moment arising when Biden was dumbstruck having to name a single police organization that has endorsed him. But, mark our words, the coming news cycle will be dominated by Trump’s failure to condemn white supremacists when challenged to do so by moderator Wallace. It would have been so simple for him to say that he has [already announced](#) he will designate both the Ku Klux Klan and Antifa as terrorist organizations. To be sure, Biden, for his part, didn’t cover himself in glory when he said “Antifa is an idea, not an organization.” But let’s be honest: that won’t be covered in the mainstream media. [Update September 30, 8:37 am: The New York Times is [already shaming Trump for this](#). But according to [a transcript](#), Trump in fact immediately said “Sure, I’m willing to do that.” Biden’s remark was, according to him, a quotation of the FBI director.]

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We continue with our operating assumption that Mr. Market would prefer to see four more years of pro-growth Trumponomics, and that despite the polls Mr. Market generally expects it (see, among many, [“When Is Mr. Market Going to Start Worrying About President Biden?”](#) July 27, 2020). But there is much uncertainty associated with that embedded forecast. *Last night was an opportunity, through a “Dukakis moment,” for Trump to put Biden away, and that didn’t happen.* If, as we expect, Biden won’t debate again, such a moment could still arise, but there is no [Schelling point](#) at which it is especially likely. Maybe this is why US index futures rose gradually while Trump won on points during the 90 minutes of the debate last night, and then gave it all up and more right when it was over, and it was obvious that there was no TKO.

Bottom line

Biden didn’t melt down in the first debate, and we expect he will now refuse to debate again. He outperformed expectations, but that will not move Trump voters to him. Trump’s pugnacity pushed back on the narrative that his campaign is doomed. Biden failed to contrast himself to Trump, acting just as pugnacious. Trump has hit on a counter to Biden’s narrative that he bungled the Covid-19 response: Biden would have been worse. But he failed to condemn white supremacists when asked, and he will be pilloried for it. With no decisive “Dukakis moment” from Biden, and especially if no more debates, markets will have to live with more uncertainty about whether to expect four more years of pro-growth Trumponomics. ▶