

# Morning or Midnight in America? 9 Questions for the Presidential Candidates

TFC Financial's Dan Kern raises some questions he'd like Donald Trump, Hillary Clinton to answer — and concerns about their potential presidencies

As I write this, presidential politics is dominating our traditional and social media. The post-convention phase of the campaign has started, and we have more than a passing familiarity with the candidates' talking (or screaming) points. Amid all the noise and heat, could we inject some quiet, calm discussion of the issues that are important to advisors and their clients, please?

During the latter stages of the presidential primary campaigns, my wife Darlene and I attended a screening of “Weiner,” the documentary about Anthony Weiner's ill-fated 2013 campaign for mayor of New York. After watching the film and participating in a question and answer discussion with the film's co-director, Josh Kriegman, we were stunned at the differences between the public view of Weiner as a punchline for jokes, and the more nuanced view of him portrayed in the documentary.

The documentary points out the divide between perception and reality in political campaigns, and is instructive as we observe a presidential campaign dominated by insults rather than thoughtful policy stances. Donald Trump rarely offers substantive answers to the voting public, and is frequently evasive (and rude) when asked probing questions about his policies. Hillary Clinton offers a much more transparent set of policies, but at times fails to fill in critical details.

June's Brexit vote in the U.K. is a reminder that geopolitical developments can have very real economic consequences. Advisors need more substance from both candidates so that they can make informed decisions for client portfolios. The questions that follow attempt to address the issues with the most potential influence on the financial markets.

## QUESTIONS FOR THE CANDIDATES

**1. What will you do to promote a healthy economy?** Unemployment is below 5%, a level typically considered to be full employment. However, many workers are dissatisfied with their current employment or prospects for future employment. Wage growth has been stagnant for several years, many workers who would prefer full-time work are in temporary jobs, and many workers have left the workforce entirely. In addition, income inequality is a concern for many Americans.

Both candidates have campaigned as skeptics of global trade, and Clinton's campaign is closely aligned with unions. Anti-trade and pro-union policies are often cited as hindering economic growth in countries such as France, Italy and Japan. Consequently, it's logical to question how anti-trade, pro-union policies will improve the health of the U.S. economy given the apparent negative impact of similar policies elsewhere in the world.

**2. How will you pay for the entitlement programs that represent 41% of federal spending?** Medicare is projected to exhaust its reserves by 2028 and Social Security by 2034, significant challenges for an aging America. Bernie Sanders made an expansion of entitlements a central aspect of his platform, calling for free health care and free public college education. Clinton's platform includes a promise that no student would need to borrow to pay tuition, room and board for public colleges in their state, while committing to hold colleges and universities accountable for controlling costs. With my children Matt and Emma both in college, I welcome the idea of “cost control,” but question how the country will pay for it.

Both candidates have promised to protect the current level of Social Security benefits, but provide little guidance as to how to bring the program back into balance without raising the retirement age, cutting benefits or raising taxes on the middle class.

**3. What is your vision for the role of immigrants in American society?** Please discuss the factual data that helped you form your point of view. Given the social and political divisiveness of the immigration debate, how will you gather the support necessary to implement immigration reform? Immigration is arguably the most contentious issue in the campaign, with Trump promising to build a wall between the United States and Mexico and to dramatically change immigration policies. Trump places blame on immigrants for “destroying the middle class,” and for crime and terrorism.

Clinton has a very different approach to immigration reform, focusing on creating a pathway to citizenship and keeping families together. She's had less to say about her policies toward students and “skilled” workers entering the U.S. on student or H1-B visas.

My son Matt and I attended the Argentina-Venezuela Copa America soccer game at Gillette Stadium earlier this summer. The evening highlighted for me the melting pot that is America: fans supporting each country by singing songs and carrying banners, soccer parents and kids there to see the amazing Lionel Messi, someone dressed as the Pope, and a few stray New England Patriots fans waving “Free Brady” banners.

Former Secretary of State Colin Powell, the son of two Jamaican immigrants, recently said: “We are all immigrants, wave after wave over several hundred years. And every wave makes us richer: in cultures, in language and food, in music and dance, in intellectual capacity. We should treasure this immigrant tradition, and we should reform our laws to guarantee it. In this political season, let us remember the most important task of our government: making Americans. Immigrants — future Americans — make America better every single day.”

How would each candidate respond to the sentiments expressed by General Powell, and to the statistics he cites that challenge common misconceptions about immigration? How can we preserve the positive aspects of immigration that are so central to American history and culture, while avoiding the type of refugee crisis experienced in many European countries today?

**4. What is your philosophy about tax policy, and how will that philosophy influence your personal and business tax proposals?** My federal and state tax returns totaled 271 pages last year, a staggering number given the simplicity of my family's finances. Trump's statement about his tax returns: “I have very big returns, as you know, and I have everything all approved and very beautiful and we'll be working that over in the next period of time.” My taxes are neither beautiful nor interesting, and despite a master's degree and multiple professional designations, I'm often confused by the complexity of the tax code. I'd be interested in hearing what each candidate would do to simplify personal taxes.

High-earning taxpayers could pay 39.6% at the top marginal federal tax rate, a 2.35% Medicare payroll tax, a 3.8% Medicare surtax and a 6.2% Social Security payroll tax on a portion of their income. In California, the highest earners have a marginal tax rate of 13.3%, a temporary surcharge that may be extended. Tax fairness is frequently discussed in political campaigns, though in total, the top earning 1% of Americans pay more than 40% of individual income taxes in the U.S. It seems reasonable to ask what each candidate considers to be the fair share for the top earners — is 40% fair or should that number be higher or lower?

Reforming the tax code is a popular topic, with each candidate promising to close loopholes in order to provide relief to the middle class. But often one person's loophole is another's “sacred cow.” Unfortunately, the greatest revenue benefits involve eliminating or limiting some of the most popular deductions, such as charitable contributions, state taxes and mortgage interest. Without more in the way of specifics, it's hard to evaluate the viability of tax relief plans for the middle class. Trump's initial tax plan was estimated to increase the deficit by \$10 trillion. The revised plan rumored to be on its way would be less expensive, but still is thought to increase the deficit by more than \$3 trillion. It's hard to see where that money will come from.

Voters looking for reasons to be cynical about policymaking in Washington, D.C., can look at the corporate tax code to confirm their cynicism. Rhetoric calling corporate CEOs “traitors” for inversions and other legal tax maneuvers seems excessive, but there are some legal but unsavory tax practices of multinational companies that makes corporate tax reform seem a must for the next president.

**5. How will your trade policies help the country?** Trade has been a dominant campaign issue, with the candidates promising to take varying actions to bring jobs back to the U.S. Oaktree Capital Management's Howard Marks wrote in June: "U.S. manufacturing employment of 12.3 million workers is down 37% from the peak of 19.5 million reached in 1979. So when did the value of manufacturing hit its peak? [Today!] The current level of U.S. manufacturing output is in the vicinity of the all-time high and roughly double the 1979 level. [If] we were producing today's output at the 1979 level of productivity, we'd be employing 25 million more workers! *So while we've lost 3.2 million jobs to China since 2001, for example, we've lost many more times that to improvements in productivity.* [Emphasis mine.]" A discussion of trade policies and intellectual property protection with China is an important and obvious area for discussion, but the role of technology in disrupting industries and middle class mobility is an equally important part of the trade and jobs debate.

**6. What steps will you take to make America a safer place and Americans safer around the world?** Statistics indicate that Americans are more likely to die in a car crash or get hit by lightning than be a victim of a terrorist attack. I'm willing to take my chances with aggressive Boston drivers and California earthquakes, but I don't want to lose life or limb at the hands of terrorists who demonstrate no regard for human life. Most people I know feel the same way. Terrorism is not part of our social contract, and we want to know what the next president will do to keep us safe.

**7. What will you do to unite the country?** Eileen McNamara, the former *Boston Globe* op-ed writer portrayed in the movie "Spotlight," said in a recent talk, "We have an obligation to listen to people who disagree with us." As president, you would be responsible for more than 300 million people, many of whom won't have voted for you. Do you see yourself as the representative of all the people, or just those that voted for you? Is it a priority for you to lead supporters and opponents, or will you govern solely on behalf of those who share your point of view?

**8. What is the role of the press in a free society?** Neither candidate is considered a beacon of support for the press. Trump revoked press credentials for publications that offended him, most notably by calling *The Washington Post* "phony" and "dishonest." His attacks on Fox's Megyn Kelly, and tirades and threats against reporters who ask probing questions, demonstrate his distrust of an independent media.

Clinton has a less openly combative approach, but she is also known for her discomfort with the press — with mutual distrust that goes back to her secrecy about health care reform during her husband's presidency and extends to her use of a personal email server while serving as Secretary of State.

**9. What do you consider the role of the judiciary to be, and what is your philosophy about the separation of powers between the branches of government?** Trump made this a campaign issue by equating ethnicity with bias in his attacks on U.S. District Judge Gonzalo Curiel, and showing a worrying lack of respect for separation of powers between branches of government.

Investors usually downplay the influence of American elections on their investment positioning, working under the assumption that candidates will either moderate their positions in order to get elected or that gridlock in Washington will prevent too much in the way of extreme outcomes. This election is different, as the issues discussed above will have a very real impact on financial markets. Seeking candid and thoughtful answers from the candidates will be vitally important to advisors trying to help their clients make sound investment and planning decisions.