

How the election will affect the economy

By Chris Isidore

November 6, 2012

NEW YORK (CNNMoney) -- As the presidential election draws to an end, many economists say the winner won't make much difference to the U.S. economic outlook for 2013.

Most are looking ahead to the fiscal cliff -- a set of tax hikes and federal spending cuts set to start early next year -- and don't see much difference in that risk whether President Obama is re-elected, or Mitt Romney wins the race.

"Irrespective of whether the ship of state is captained by Noah or Ahab, the U.S. is on a collision course with reality," said Patrick O'Keefe, director of economic research for accounting firm J.H. Cohn.

Whichever candidate wins needs to be able to reach a bipartisan agreement on long-term debt reduction, or else uncertainty about the future of taxes and spending will continue to hold businesses back, O'Keefe said. But he doesn't give an edge to either candidate's chances of doing that.

"Business and consumer spending should be better in 2013 regardless of which candidate wins, helped by a rebound in housing and a lessening of uncertainty about Europe, China, and the outcome of the U.S. elections," said Lynn Reaser, chief economist for Point Loma Nazarene University.

However, Reaser gives a slight edge to the economy under Romney, but still sees only more of the same -- slow but steady growth, some continued gains in hiring and unemployment.

Reaser predicts that in 2013, unemployment will be 0.3 percentage points lower, and economic growth will be 0.3 percentage points faster if Romney is declared the winner.

Most economists see little or no chance of actually going over the cliff without some kind of last-minute agreement. But those that do fear the worst, think an Obama win is the more likely catalyst if he continues to butt heads with a Republican Congress.

John Silvia, chief economist at Wells Fargo, forecasts a 65% chance that Congress and a re-elected Obama deadlock on the fiscal cliff. "Under an Obama victory, the House would hold its ground continuing the political gridlock, increasing the chances we go off the fiscal cliff," he said. "Under a Romney victory, we expect the more likely outcome is a short-term continuing resolution that would kick the can down the road to the next Congress and Administration."

Another factor in Romney's favor is his desire to repeal both the health care reform law and the Dodd-Frank financial regulatory reform, which many economists see as a win for businesses.

"Business people will be overjoyed and start hiring heavily," said James Smith of Parsec Financial.

But Obama also has a few fans among economists, who fear Romney's deficit slashing policies could hurt the recovery. For example, **Bernard Baumohl of the Economic Outlook Group**, forecasts a better economy under Obama than under Romney, because he believes the cuts in federal spending and the prospects of tighter monetary policy from the Federal Reserve under Romney will be a drag on the economy as soon as next year.