Off we go (into the wild blue or red yonder)... We write this page in complete ignorance of the election results; ballots will not even be cast for another few days. Will the outcome matter for the economy? Of course it will. Presidents can influence legislation whether their party controls the Congress or not. Through control over the executive branch’s administrative machinery, presidents also have considerable power to influence how laws are implemented on a daily basis. Laws and regulations affect so many aspects of commerce that it would be a mistake to think that presidential politics do not affect the pattern of economic activity.

But it would also be a mistake to attribute too much to presidential decisions. First, we Americans have taken comfort in the center of political and economic thinking for quite some time, and we get nervous when presidents want to lead us away from that zone for any extended time. Consequently, they do not. Second, our large, complex economy is difficult to fine-tune through policy actions alone. Laws and regulations affect certain features of our economy, but they often carry unintended consequences that undermine or distort the original objectives. Sustained macroeconomic performance, manifested in per capita income over time, has less to do with presidential decisions than with our country’s support for strong property rights, deep capital markets, labor market flexibility, education, and innovation.

Nevertheless, the cumulative effects of presidential and congressional decisions, spanning political parties and ideology, inevitably affect our economy’s evolution and performance. The federal government’s involvement with retirement saving (through Social Security) and health care (through Medicare and Medicaid), as well as the tax treatments that apply to these activities, undoubtedly influence the private decisions of millions in regard to their own retirement and health care plans. We know that the demand for richer pensions and better health care is essentially infinite, and without program reforms of some kind, these pressures threaten to push the Treasury beyond its capacity to satisfy the claims of all participants. With the impending retirement of the baby boomers and their attendant medical needs in old age, the nation urgently needs solutions.

The retirement question comes down to how much people should save voluntarily for their own future, versus how much they should rely on a federal pension. The answer has implications for incentives to work, the private saving rate, and possibly capital formation. How our government participates in health care over time will likely also affect the level of resources we as a nation channel into the health care system, meaning the number, type, and location of hospitals, doctors, medical research, pharmaceuticals, and so on. These decisions, in turn, will have feedback effects on the prices and availability of other goods and services.

Political leaders in both major parties have supported the expansion of trade during the last 50 years. Trade has become a highly visible issue during the last dozen years because the volume of U.S. exports and imports has become fairly significant, especially imports. Although it is popular to claim that the United States has a large trade imbalance with the rest of the world because of cheap foreign labor, the story is far more complicated. After all, foreign companies regularly locate facilities in this country, often paying workers higher wages than U.S. employers pay.

Many people fail to see the connection between imports and our nation’s insatiable dependence on foreign capital to help finance our federal outlays (including payments for retirements and health care) and our record levels of home mortgages (housing is one of the most tax-preferred assets available to the public). U.S. households, businesses, and governments do not save enough, collectively, to finance all of the investment that our citizens wish to undertake. In fact, we have become a debtor nation of immense proportions.

The exchange value of the dollar depends on supply and demand: foreign savers, especially those in Asian countries, have been strong demanders of dollars in recent years. If foreigners were to provide us with less of their savings and hold fewer dollar assets, then, all else being equal, the dollar’s value would probably fall. Many analysts expect that such a development, should it occur, would be accompanied by rising U.S. interest rates and import prices. U.S. consumers would be less likely to benefit from inexpensive imports, and rising interest rates would curb demand for housing and automobiles.

Many observers think that several aspects of the U.S. economy are on nonsustainable paths. But markets have ways of correcting misalignments, even when political solutions appear elusive. Sustainability has both political and economic dimensions.