

Trumponomics: causes and prospects

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I do not want to dwell excessively on the politics, but it is necessary to examine how we got here before we can begin to discuss the prospects.

Why Trump?

To say that the election of someone like Trump to the American presidency is merely unprecedented for the United States would make too light of our current situation. Trump has the self-control one would normally expect to find in an impulsive and petulant six-year-old. He has truly unparalleled experience as a businessman – and I do not mean that in any positive way. His behavior in polite company has fallen to a standard usually reserved for failed states. He fancies himself a “pussy grabbing” predator and stays up late at night to compulsively tweet personalized nasty comments about women’s bodies and the supposed foreign nationality and incompetence of our nation’s judges.

Even as he thoroughly trounced every candidate the Republicans could throw in front of him, all of the country’s elite remained convinced that there was little chance that he would become president – right up to and through the early evening of election day. The Democrats were so confident of the impossibility of Trump’s winning that they insisted on running a weak and unpopular candidate to challenge him. There probably has never been a “democratic” election on this planet in which two more unpopular candidates faced off. Still, most pundits had Hillary winning in nearly an electoral college landslide. Trump would go the way of Hillary’s first political infatuation, Barry Goldwater, to an historic defeat.

And, yet, Trump trumped. How could that have happened? Tom Frank provided part of the answer last October: the official pundits

“are professionals in the full sense of the word, well educated and well connected, often flaunting insider credentials of one sort or another. They are, of course, a comfortable bunch. And when they look around at the comfortable, well-educated folks who work in government, academia, Wall Street, medicine, and Silicon Valley, they see their peers.

Now, consider the recent history of the Democratic Party. Beginning in the 1970s, it has increasingly become an organ of this same class. Affluent white-collar professionals are today the voting bloc that Democrats represent

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most faithfully, and they are the people whom Democrats see as the rightful winners in our economic order. Hillary Clinton, with her fantastic résumé and her life of striving and her much-commented-on qualifications, represents the aspirations of this class almost perfectly. An accomplished lawyer, she is also in with the foreign-policy in crowd; she has the respect of leading economists; she is a familiar face to sophisticated financiers. She knows how things work in the capital. To Washington Democrats, and possibly to many Republicans, she is not just a candidate but a colleague, the living embodiment of their professional worldview. In Bernie Sanders and his “political revolution,” on the other hand, I believe these same people saw something kind of horrifying: a throwback to the low-rent Democratic politics of many decades ago.”¹

Frank documents the stance that the Washington Post – Washington’s official mouthpiece – took from the beginning of the Primaries: “On January 27, with the Iowa caucuses just days away, Dana Milbank nailed it with a headline: NOMINATING SANDERS WOULD BE INSANE.” That Sanders over the course of the Primaries would become the most popular politician in America was beside the point.² The mainstream media never changed its views – Sanders had to be stopped so that Hillary could fulfill her manifest destiny to follow in her husband’s footsteps to the Whitehouse, to secure Washington for the neoliberals. And when it came down to Trump versus Clinton in November, even many prominent Republicans jumped ship to endorse a Democrat who had always been loathed by the party’s base. The punditry was united by its common belief that Clinton would – and should – triumph.

In truth, the Democratic primary was a charade. The Democratic National Committee (DNC) had long before decided that Hillary Clinton would be the party’s candidate, and did everything it could to ensure that voters’ preferences would play no role in the election.³ When proof of the DNC’s Nixon-like dirty tricks campaign surfaced,⁴ the official media did its best to divert attention away from Hillary’s misdeeds and toward President Putin. Over the course of the Republican Primaries, the DNC’s confidence grew as it looked increasingly likely that Trump would be Clinton’s challenger as he dispatched with no fanfare all of that party’s stars. The DNC considered him to be the weakest candidate. Of course this clown with no experience would be easily bested by Hillary, the most over-qualified candidate ever.

Many of the speeches given at the Democratic Convention could have been delivered by *Dr Strangelove*’s Brigadier General Jack D. Ripper – with no change of content or tone.⁵ After

¹ Thomas Frank 2016, <http://harpers.org/archive/2016/11/swat-team-2/>.

² Even today, Sanders remains the most popular politician in America as a recent survey shows: “Everyone Loves Bernie Sanders. Except, It Seems, the Democratic Party” by Trevor Timm, *Guardian* UK, 18 March 17

³ I was an early voter in Hillary’s own county. I took my ballot to the local postmaster two days before the deadline, signed the ballot and envelop under the postmaster’s watchful eye, and had him postmark it in front of me. After the election I received a letter from the DNC informing me that my ballot had been tossed out because it was either late or unsigned. In fact, it was rejected because I did not vote for the DNC’s designated winner. I was told by an insider in the Bernie campaign that such fraud was common all over the country but that Bernie had committed to working within the system and thus would not protest the rigged outcome.

⁴ For a dirty laundry list of the DNC’s acts against the will of the voters see http://www.salon.com/2016/07/29/10_reasons_why_demexit_is_serious_getting_rid_of_debbie_wasser_man_schultz_is_not_enough/ and <http://observer.com/2016/07/wikileaks-proves-primary-was-rigged-dnc-undermined-democracy/>.

⁵ The Democrat convention featured plenty of Jingoism, assertions that the 21st century will be the “American Century”, odes to “American Exceptionalism” and claims that the rest of the world longs for a return of aggressive American “leadership”. Speeches by Rear Admiral John Hutson, Leon Panetta, and

the Primaries ended, Trump's unwillingness to join the red scare bandwagon against the "Ruskies" provided more fuel to the fire. National Public Radio's supposedly liberal commentators began to habitually place the term "enemy state" in front of "Russia". Soon they added the preface to China, too. The Clintonistas made it clear that only Hillary could stand up to our rediscovered cold war enemies. If anything, Trump was just a Manchurian candidate, following directives from the Reds. Forget about Trump, Hillary was running against Putin.

The DNC wrote off the majority of US states – those in which Trump's "deplorables"⁶ made it too difficult to win. With the US's electoral college votes in the bag, Hillary was going to win – in a landslide – by taking the handful of coastal states plus a few big states in the fly-over middle. There was no way the Democrats could lose, as Trump's racist and misogynist tweets and twits handed them female, young, and minority voters to supplement the usual union members and low income folks who would vote their own economic interests.

Right up to the night of the election, the electoral college was Hillary's, although some worried that she might not capture the popular vote – because the Bernie "Bros" stubbornly refused to support her. The DNC tried to shame the supporters of Bernie and Jill Stein into throwing their principles to the wind; and, indeed, most did – holding their noses and voting for Wall Street's candidate.

However, the election was a shocker. Hillary lost white women and performed worse across the entire spectrum of voters who had elected Obama. She failed to bring in the minority and young voters the New Democrats had been counting on. She even lost across most of the traditional categories of Democratic voters.

Putin won, or at least his surrogate did.

The white-collar professionals that form the New Democrat base that did support Hillary come from the "new" economy – the FIRE (finance, insurance and real estate) sector, Silicon Valley, and social media (broadly defined to include the burgeoning targeted marketing sector – which is really what social media is all about). What they share in common is that they benefit from the neoliberal policies that fuel globalization. This coalition of socially liberal but economically Goldwater conservatives thought that by moving right they could force the Republicans so far right on social issues that changing demographics would ensure Democratic control of government. In a "normal" election, that might have worked. While Gore proved to be too weak of a candidate, Obama succeeded twice with that strategy. In spite of Hillary's unpopularity, she might have been able to beat another "legacy" candidate, like Jeb Bush. But poor Jeb was destroyed in the debates.

General John Allen all could have come straight out of the Cold War. Hillary has made her own hawkish position clear; see <http://www.theglobalist.com/is-hillary-clinton-a-warmonger/>.

⁶ As Hillary Clinton put it, "You know, to just be grossly generalistic, you could put half of Trump's supporters into what I call the basket of deplorables... The racist, sexist, homophobic, xenophobic, Islamaphobic – you name it" who support Trump. She estimated their number at 11 million – only about 17.5% of the number who actually voted for Trump (implying either she underestimated the number of deplorables, or "misunderestimated" Trump's support).

<http://www.politifact.com/truth-o-meter/article/2016/sep/11/context-hillary-clinton-basket-deplorables/>

However, the number who *thought* she was speaking of them is undoubtedly much higher – particularly among white males and young black males (some of who would have recalled that she once tagged young black males as "superpredators"). In any event, this probably played some role in her defeat in the key states of Wisconsin, Michigan, Ohio, Pennsylvania and Florida – all of which had been won by Obama.

When I saw one of Trump's first press conferences, before the Republican debates, I thought he would stomp the likely Democrat, Hillary, and that there was only one candidate who could beat him – Bernie. (I will admit that I wavered in the final days of October, when seemingly plausible projections of the electoral college vote put Hillary in front by a mile.) But, as we know, the primaries were rigged. The Democrats were not going to run him. They would have been “crazy” to run the candidate who could win.

Still, we need to explain how Trump won. It largely comes down to popular disaffection with the mainstream of both parties, each of which quite publicly dismisses the interests of most Americans. Perhaps the “deplorables” did vote their economic interests, realizing that the Democratic party no longer shared them. If you add together Hillary's deplorables plus Romney's 47%, you have a large proportion of the US population, if not the majority, even after striking those that are double-counted. These are the people that neither party wants. Trump welcomed them. Although they have lower voting rates, they make up a sizable block – and many of them were enthusiastic Trump supporters. Trump took the presidency with 19.5% of Americans voting for him; Clinton lost with 19.8%; almost 59% did not vote (of which half were not eligible); and far more of those who were eligible to vote chose to stay home (30% of Americans) compared to the number who voted for the winner or the loser (less than 20%).

Both the Republicans and the Democrats are content with low turnout largely made up of white collar elites enriched by neoliberal policies. Republicans typically play the race and crime card to capture more votes, while Democrats pull in minorities. What separates the two is morals, not economics. The Dems think it is important to emphasize the pain of those left behind, without embracing policies that would actually provide relief. Indeed, they profess to share the pain even as they embrace the policies that cause it: ending entitlements, enacting job-destroying “free trade” agreements, and deregulating the financial system. The Republicans (rightly) blame the government for inflicting the suffering (although they point to the wrong policies as the cause) while promising to get government off our backs.

Both parties assert that the best hope for the underclass is for its denizens to become more like “us” – upper class, highly educated, urban coastal elites. What they did not count on was a Trump.

Careful examination of Trump's voters show that they view themselves as left behind – in regions devastated by job loss, slow growth, low income, high poverty rates, and declining living standards. But their perceptions turn out to be largely false – at least in a relative sense. Pundits point out that they live in regions with above average incomes, and lower than average rates of unemployment and poverty; in comparison with the urban core of cities like Detroit and Chicago, or the ghost towns of the farm-belt, they have it pretty damned good.

Those Trump voters have no reason to complain – they are better off than the average American! Maybe that explains their vote – they are as delusional as Trump, who emphasizes the dire straits in which America finds itself, a stark contrast to the Pollyanna-ish view our nation's elite holds.

But what the pundits do not understand is that voters are not comparing their situation to the devastation found across America. Their reference is both to where they thought America would be in the 21st century, as well as to how it has been pictured in movies and on television since the mid 1980s when John Hughes forever altered expectations of American

living standards. Instead of Opie in Mayberry, the Waltons, or the Ingalls family – all with lifestyles that Americans in the 1980s or 90s could view with nostalgia – our movies (*Ferris Bueller*, *Pretty in Pink*) showed us teens “borrowing” the dad’s Ferrari and attending lavish Sixteen parties, while TV featured “Lifestyles of the Rich and Famous”. The “middle class” lifestyles increasingly depicted on the screen were enjoyed only by the top single digits of the income distribution.

Furthermore, the reality that Americans faced at the turn of the 21st century fell far short of what we baby-boomers of the 1950s and 60s had been groomed to expect. Where’s my flying car? Heck, I’d settle for a decent paved highway to JFK airport that didn’t have Hummer-swallowing potholes. And, while not that many Trump voters have traveled to China to see what modern infrastructure looks like, it is obvious that if anyone is going to be commuting to work in swift comfort, Americans will not be at the front of the line.

For an unexpurgated look at the views of the underclass held by our white collar elite, we need look no further than the comments made by their unelected representatives in Washington, the FOMC⁷. As transcripts from the Fed’s meetings reveal, FOMC members enjoy poking fun at those left behind by America’s neoliberal policies. In 2011, when the unemployment rate was still a shocking 9%, the FOMC focused on drug addiction as the major cause:

“I frequently hear of jobs going unfilled because a large number of applicants have difficulty passing basic requirements like drug tests or simply demonstrating the requisite work ethic,” said Dennis Lockhart, a former Citibank executive who ran the Atlanta Federal Reserve Bank. “One contact in the staffing industry told us that during their pretesting process, a majority – actually, 60 percent of applicants – failed to answer ‘0’ to the question of how many days a week it’s acceptable to miss work...” The room of central bankers then broke into laughter. Charles Plosser, the president of the Philadelphia Federal Reserve, cited “work ethic” as a common complaint he heard in his district, both in rural and inner city areas. A contact of his who owned 60 McDonald’s restaurants said “...passing drug tests, passing literacy tests, and work ethic are the primary problems he has in hiring people”.⁸

In other words, the “deplorable” unemployed – particularly those in inner cities and rural areas – have no one to blame but themselves.

If that was the belief back in 2011, it is no wonder that Fed officials believe that today’s official unemployment rate – around 4.7%⁹ – represents “full employment”. Even the drug-addled must already have jobs. So the Fed has resumed monetary policy tightening to slow growth. Facing no reelection and with long terms, Fed officials enjoy nearly unbridled freedom to speak their minds in a less constrained manner than that adopted by politicians who have to face voters every few years. They can openly represent today’s elite – the professional class

⁷ Federal Open Market Committee – the decision-making body of the Fed.

⁸ <https://theintercept.com/2017/01/27/federal-reserve-bankers-mocked-unemployed-americans-behind-closed-doors/>

⁹ The broader U6 figure was 9.3%, and if we include those who have left the labor force but who would accept a job offer, the number of unemployed is probably above 20 million. See Dantas and Wray 2017, http://www.levyinstitute.org/pubs/ppb_142.pdf.

in the FIRE, “knowledge”, and “social” media circles who fear full employment and the higher costs they would face hiring informal sector workers as nannies, housekeepers, and groundskeepers. As Plosser’s “contact” complained, even at the 9% unemployment rate he was already having trouble hiring the right kind of people to flip burgers and mop up his 60 fast food franchises that are euphemistically called “restaurants”. (Yes, even the 47% gets to enjoy the occasional sumptuous *restaurant* meal under the golden arches! Albeit, without the Merlot, one supposes.)

It probably should not be surprising that our elite cannot understand that it is the poor prospect for the average American worker that is contributing to the “deplorable” behavior, including drug use and weak “attachment” to the labor force. In truth, the low official unemployment rate is in good measure due to declining labor force participation rates. Until the GFC, the overall labor force participation rate was held up by women, in spite of a long-term declining participation rate by men.¹⁰ It is significant that prime age women now have experienced a reversal – even in the “recovery” from the GFC, their participation remains depressed. The usual explanation for the falling participation rate of men – that it is due to demographic changes (aging of the population) – doesn’t hold water. Participation rates of the elderly are *rising* – while rates of prime-age men continue to fall – and even taking account of the demographic changes, we find that most of the decline of male participation is not due to aging – but rather to prime age dropouts.¹¹ On any given day, just about one out of every six men of prime working age has no paid job of any kind.

True, incarceration and drug use explain some of the dropouts, but poor job and wage prospects are more important. Note that a large majority of prime age male dropouts are single – without the support from a working spouse and with little access to government safety nets. In other words, they have little alternative to working. Finally, they are not gainfully using the time freed up to care for family members, clean house, or pursue more education; in comparison with employed and unemployed men, those out of the labor force simply engage in more leisure activities – about four more hours per day – mostly watching television. While the survey data do not report what they are watching, a good bet is that a lot of their TV time is devoted to programs that help to produce sympathy for Trump’s agenda: right wing “news” programs that stoke fears of immigrants, international trade, and the take-over of the White House by a foreign-born Muslim.

Those that do find jobs are increasingly trapped in contingent, often part-time work at pay that does not offer an American living standard. Trump’s voters can beat the averages because the average isn’t that great. Too many “average” Americans have little job security, too much debt, mandated health insurance they can’t afford (even with Obamacare subsidies), and no savings for rainy days or retirement. They are only a couple of paychecks away from losing their homes to foreclosure fraud, their kids attend schools facing budget problems, and they see no light at the end of the tunnel.

As Rick Wolfe has documented, real median wages have been stagnant since the early 1970s in spite of steadily rising productivity. This opens a tremendous demand gap – wages are not even close to sufficient to buy the output our workers produce. And because we run an overall trade deficit, foreigners aren’t buying them, either. Our domestic rich folk do more

¹⁰ The overall labor force participation rate reached its peak in 2000 and has been falling ever since; it has now fallen back to its 1977 level. This is not simply due to aging, as it has been falling since 2000 even for prime age and younger workers. See Dantas and Wray 2017.

¹¹ See Dantas and Wray 2017

than their share of the buying, no doubt, but they are rather like Malthus's parsons and landlords. Ricardo correctly concluded that capitalists would do just as well to burn their extra output as to sell it to the nonproductive classes. Wall Street found the solution: fill the gap with loans to the working class so that the capitalists can sell the output and our rentier class can collect interest on the loans. Workers spend more than their incomes to keep the system afloat.

As a result, the dire strait of America's workers was long hidden behind a growing mountain of debt, and by a plethora of amazing gadgets (smartphones and flat screen TVs) kept cheap by outsourcing to foreign labor and purchased on credit. This was revealed in the GFC that began in 2007. Americans all over the US are still losing their homes to Wall Street's banks, hedge funds, and private equity – and remain burdened with mortgage debt even after they've lost the home that they now rent at exorbitant rents paid to the vultures scooping up blocks of foreclosed homes. They are also servicing debt on their autos and their student loans and their medical bills. Is it any wonder that they no longer feel middle-class, even if their incomes are above average? To add insult to injury, the "deplorables" heard Ms Clinton justifying her six-figure pay for cheerleader speeches given to Wall Street on the basis that "that's what they offered me".

Is it really so puzzling that they "voted against their own economic interests" when they chose Trump, who promised to throw a wrecking ball into the machinery that destroyed America's middle class? He would punish firms moving jobs overseas, tear up "free trade" agreements, go after Wall Street, drain the swamp, build a wall to block undocumented immigrants, fund infrastructure and create jobs, and Make America Great Again.

Above all, he would put America's interests first – a return of overt nationalism and rejection of foreign entanglements, in line with popular revolts that spread from the Arab spring to mainland Europe and finally to the UK before coming to rest in the USA. He had the answers to the questions most Americans were asking, while Hillary was busy creating technocratic policies to address questions most Americans had never thought to ask. And while Americans wanted jobs at decent pay, the mainstream media was obsessed with gender testing for bathrooms right up through the final days of the campaign. If there really are any aliens out there receiving American televised news channel signals, they will think that the biggest problem facing earthlings at the end of 2016 was finding a pot to piss in.

To conclude, in spite of the revelations of earlier shockingly misogynous behavior of Trump during the final weeks of the campaign, the loss of voters seems to have been in the "safe" states so that while Trump fell behind in the popular vote, he held on to the electoral college. And we got Trumped.¹²

¹² As I wrote in 2012, "Here in the U.S., Donald Trump is known as a cartoonish buffoon – But he's no laughing matter in Scotland where he buys off the government and destroys a pristine and fragile coastal sand dune to build the world's biggest golf course. This moving documentary follows the efforts of the ordinary folk to preserve a fishing and farming community that, supposedly, stands in the way. *You've Been Trumped* is essential viewing for developing an understanding of the issues surrounding unchecked development, its impact on environmental sustainability, the unholy alliance of big money and public policy, and the consequence of excessive inequality that has divided our modern world between the 99% 'have-nots' and the one per-centers who've got it all but still want more." Wray 2012, <http://www.economonitor.com/lrwrap/2012/11/15/youve-been-trumped-essential-viewing-for-the-99/>.

Economic prospects under Trump

Immediately after the election and long before the inauguration, the official media – as well as left-leaning websites – had a field day trying to best one another by imagining the most outlandish economic policies that Trump might propose, and then predicting the disastrous consequences. On taking office, Trump upped the ante by confirming expectations that neither he nor his staff has the competency required to run the Oval office. He really only attempted to implement one of his promised policies – blocking entry by Muslim terrorists and deporting undocumented residents – but disastrously bungled it by targeting particular nations as well as travelers with proper documents. By the third week in office he had already established a new kind of revolving door policy, as his designees either dropped out, or were forced to resign at an unprecedented pace. The White House was in complete disarray as insiders leaked info designed to demonstrate their boss's incompetence, and his party's leadership openly doubted his ability to serve.

To make matters worse, the Russian bear came back to haunt him.¹³

In recent days, the odds have risen that Trump will not make it through his first term in office. There are four ways Trump might leave office early: "(1) death; (2) impeachment by House and conviction by Senate; (3) suspension due to disability under the 25th Amendment; and (4) resignation."¹⁴ Eighteen percent of US presidents died in office, half of them by assassination. Trump is the oldest president we've ever had, but life spans have risen and he has no known serious health problems. But he is wildly unpopular and has made a lot of enemies – including many in the US security establishment (not exactly the kind of enemy one wants). Dean Falvy puts the probability of death at 10%. Three presidents have been impeached (including Clinton), but only one was forced out of office (Nixon). Falvy puts Trump's chances at 25% if the Democrats regain control in the midterm elections. Removing a president from office due to incapacity is quite difficult; Falvy gives that a 10% chance. Trump would appear to be too vain to resign, but one could envision circumstances in which resignation might better preserve the value of the Trump brand than would serving out a miserable term of office. Falvy gives that 10%. Actual bettors are far more optimistic about the prospects of Trump leaving office: "Ladbrokes, the British oddsmaking giant, has Trump's chances of leaving office via resignation or impeachment and removal at just 11-to-10, or just a little worse than even money."¹⁵

¹³ The media conveniently forgets that there is ample precedent for negotiations behind the back of a sitting president. The Nixon campaign tried to spoil President Johnson's peace talks with the Vietnamese, and there are reports that the Reagan campaign negotiated for a delay of the release of the hostages in Iran to undermine President Carter. So far, it appears that deals the Trump campaign struck with the Russians do not rise to the level of treason and did not directly endanger American lives. The Russians released information that was damaging to Clinton, but it was information Americans deserved to see. Trump's campaign might have talked with the Russians about lifting sanctions that were imposed by President Obama to punish them for letting Americans know that the Clinton campaign had rigged the primaries. Bad form? Yes. Illegal? Perhaps. Prolonging a war that would kill thousands of additional Americans? Not even close. See *Nixon Tried to Spoil Johnson's Vietnam Peace Talks in '68, Notes Show, New York Times*, https://www.nytimes.com/2017/01/02/us/politics/nixon-tried-to-spoil-johnsons-vietnam-peace-talks-in-68-notes-show.html?utm_source=huffingtonpost.com&utm_medium=referral&utm_campaign=pubexchange&r=0 and *New Reports Say 1980 Reagan Campaign Tried to Delay Hostage Release, New York Times*, <http://www.nytimes.com/1991/04/15/world/new-reports-say-1980-reagan-campaign-tried-to-delay-hostage-release.html>

¹⁴ <https://verdict.justia.com/2017/02/02/youre-fired-four-ways-donald-trumps-presidency-might-not-last-four-years>.

¹⁵ <http://www.politico.com/story/2017/02/trump-impeachment-bets-234931>.

In my view, it is more likely that Trump will finish his term. However, he will not be able to implement his agenda. He might cave to the mainstream Republicans and sign-off on some policy-making around the edges, but he will not successfully shepherd through any of his big ideas. Still, it is worthwhile to analyze what might have been. I will not attempt to fathom what Trump really wants, but rather will quickly assess a few proposals that were prominently featured in his campaign. But first let me add one anecdote.

Last spring I was approached by a well-known individual with Wall Street experience who claimed to be one of Trump's closest advisors. He had come across some articles on "modern money theory"¹⁶ in the mainstream press and wanted to compare notes. He agreed that sovereign governments face no financial constraints and budget deficits are not a problem; he understood that government spends through "keystroke" credits to bank accounts and cannot run out of keystrokes. He noted that Trump understands debt (during the campaign Trump proclaimed "I'm the king of debt").¹⁷ Instead, he said, America faces three problems that Trump must resolve: unemployment remains too high, American wages are too low, and our infrastructure is a mess. He assured me that no matter what Trump might say during the campaign, these would be the main policy issues after Trump won. We went on to discuss a job guarantee – in which the government provides wages to ensure a job for anyone who wants to work.¹⁸ While he agreed that the federal government can fund such a program, he doubted it would be competent to run one. Hence, he would have the federal government pay contractors to create the jobs. He asked me not to reveal his name as he preferred to work behind the scenes, but assured me he had Trump's ear. After the election he assumed a prominent position in the Trump administration.

What should we make of this? Does he really have Trump's ear? I suppose he does. However, it is becoming increasingly clear that Trump will not be able to manage Congress. It would take a powerful and trusted president to overturn nearly four decades of deficit hysteria, whipped up by both parties. Trump is weak, perhaps mortally wounded, and he never had the trust of his party's leadership. At best, what follows is a list of what might have been, focusing on three main areas Trump has addressed. I will not explore any of the areas that are typically of concern to mainstream Republicans: repealing Obamacare, ridding the nation of "welfare", deregulation, exercising greater control over women's bodies, arming the population with deadly military-style weapons, denial of the science of evolution and climate change, integrating church and state, and stacking the courts with troglodytes. I'll stick to Trump's more unusual proposals.

1. *Jobs and Infrastructure*

Over the past year, much was made of our nation's infrastructure shortfall, with both Trump and Sanders promising major investments, and both of them made this part of their proposal to create jobs. A dozen years after Hurricane Katrina, and after countless other preventable deaths caused by deteriorating infrastructure, Northern California faces the prospect of collapse of its largest dam.

¹⁶ See: https://www.washingtonpost.com/business/modern-monetary-theory-is-an-unconventional-take-on-economic-strategy/2012/02/15/gIQR8uPMR_story.html?utm_term=.7bae6bdd44df.

¹⁷ <http://www.politico.com/story/2016/06/trump-king-of-debt-224642>.

¹⁸ <http://www.nytimes.com/roomfordebate/2016/07/11/are-we-ready-for-the-next-recession/a-guaranteed-federal-jobs-program-is-needed>.

“The nation’s dams, which are 52 years old on average, earned a D grade from the American Society of Civil Engineers. The nation’s levees, which were initially used to develop farmland but now often protect communities directly, earned an even worse D-minus. Overall, ASCE estimates that [\\$3.6 trillion in investment](#) is needed by 2020 to revitalize the nation’s infrastructure... One of Trump’s biggest promises for his first 100 days was to deliver a \$1 trillion infrastructure plan to Congress. But Senate Majority Leader Mitch McConnell (R-Ky.) poured cold water over the idea of a large spending package in December, telling reporters he hoped to avoid “[a trillion-dollar stimulus](#).”¹⁹

Note that this \$3.6 trillion would just fix what we’ve got – it would not move us into the 21st century. The problem is that our nation’s elite do not rely on America’s public infrastructure. They helicopter to and fro in Manhattan – from heliport to heliport far above the filth and decay; they ride in increasingly lavish “upper class” lounges on jets (if they cannot afford their own gold-plated personal airliners) as they circle the globe; they’ve got immaculate, gated communities with private security; their kids attend elite private schools in idyllic preserves in the Northeast. They don’t need “a trillion-dollar stimulus”, and they really don’t care if China – or even Vietnam – sets the global standard for public infrastructure. Trump is not going to get a major infrastructure plan through this Congress.

What might have been? While I would prefer a New Deal-style jobs program to repair the old and invest in the new, Trump would most likely have used government contracting plus tax incentives to build infrastructure. This would make the investment much more expensive (and more open to corruption) and less responsive to public needs. It would create some jobs, but construction would be capital intensive and require skilled labor. It would probably come up against capacity constraints – at least in many areas – raising skilled wages and total costs. While some jobs and perhaps higher wages would trickle down, the program would not provide enough jobs where they are most needed, and would not significantly raise wages at the bottom.

By comparison, a New Deal-style program would create jobs for those of lower skill levels; it could be designed to be less capital-intensive; projects could be targeted where infrastructure needs are greatest and where joblessness is highest; and wages could be compressed – as a matter of policy – by raising them at the bottom. The New Deal’s WPA²⁰ played an important role in bringing USA into the 20th century, putting in place the infrastructure needed to “make America great”; a WPA-style jobs and infrastructure program could help to “make America great again” for the 21st. But Trump is not likely to be the President to see that through.

Note that Trump promised to create 25 million new jobs over the next decade, and while that number is in the right ballpark if we are to reach full employment *now* (*not ten years from now*), his infrastructure plan would have provided only a small fraction of the jobs needed to

¹⁹ http://www.huffingtonpost.com/entry/oroville-dam-infrastructure-spending_us_58a21be4e4b03df370d922c0?iooux06vgnbmg3nmi&&utm_medium=email&utm_campaign=The%20Morning%20Email%202021417&utm_content=The%20Morning%20Email%202021417+CID_d3859488c36e68160b30ceee2c941d99&utm_source=Email%20marketing%20software&utm_term=about%20American%20infrastructure&.

²⁰ Works Progress Administration, which employed nearly 8.5 million workers during the New Deal mostly for construction of public projects. The US today still enjoys many of those projects. See Taylor 2008, *American Made: The enduring legacy of the WPA: when FDR put the nation to work*, Tantor Media.

reach the goal. Any serious job creation program will have to include an array of jobs across the entire country. Many of these will need to be in provision of public services (elder care and child care, for example) – not only is that a neglected area but it will provide jobs for those who cannot work in construction. The infrastructure-oriented focus adopted by both Trump and Sanders will neglect women as well as older workers and those with disabilities. An inclusive nation-wide program that creates useful jobs in every community will be necessary.

2. *The Wall and NAFTA*

One of Trump's favorite policies is to build a "Great Wall" along our southern border. The current estimate is that a system of fences and walls running 1250 miles will take about three years to complete and cost about \$22 billion – almost twice the \$12 billion figure Trump used in the campaign. (He claims his negotiating expertise will cut that higher figure significantly; history provides reason to expect the actual costs will exceed even the high estimate by a substantial amount: big government projects usually run over budget.)²¹ The Wall is too popular among Trump's broad base for Republicans to ignore it. The most likely compromise with Congress will lead to substantially less than Trump's \$12 billion figure; the construction will be scaled back, and it will not be finished before the end of Trump's first (and only) term.

Even the smaller project will face labor and equipment shortages, price gouging and localized wage pressures. Relying on regional companies and local labor will create bottlenecks in the construction sector. While the US still has ample unemployment around the country, the unemployed are not where they are needed and they do not have the skills and experience required by firms using sophisticated construction equipment and capital-intensive labor on the border. While we would not want to precisely replicate the 1930s projects, a New Deal-style WPA and CCC approach²² would use unemployed labor. It would be less likely to cause inflation and would create the kinds of jobs our unemployed need.

Trump has promised to send the bill to Mexico for payment. While this is popular with the base, it has created tensions with Mexico and problems for President Nieto – whose popularity is now far below Trump's. Here's a better idea: let Mexico build it and send the bill to the US.

Trump must change course. First he must issue a public apology for his derogatory statements and insulting behavior. Second, he should propose a bilateral commission to study border security to determine how best to reduce the flow of undocumented migrants, human trafficking, and drugs across the border. Presumably, at least some sections of the border will be recommended for barrier construction. The "Wall" must be a joint project, with the US providing the funding and with the construction jointly managed. Mexico needs good paying jobs – the lack of which fuels immigration to the US in search of them. The slack labor markets in Mexico will help to minimize inflationary impacts there, and spending on Mexican labor is not likely to fuel inflation in the US – unlike the case in which skilled American workers are hired to build the wall. Mexico needs dollars to replace the remittances she lost when the

²¹ http://www.huffingtonpost.com/entry/trump-border-wall-cost_us_589cf9d9e4b0ab2d2b13ae7b?ytwsf6htga11exw29&&utm_medium=email&utm_campaign=The%20Morning%20Email%20021017&utm_content=The%20Morning%20Email%20021017+CID_3664cee32f01ecd126a0fd90bff70fea&utm_source=Email%20marketing%20software&utm_term=Reuters&

²² Civilian Conservation Corps; a New Deal program that employed 3 million young men to work on public lands.

US economy slowed and the dollars she will lose if the flow of migrants to America is attenuated.

In addition to funding the construction, Trump would negotiate a plan for cooperative management of the completed wall – each nation benefits from secure borders, and co-management would increase trust. Both Presidents come home as winners. New facilities should be built along the border to quickly and humanely process people who want to cross. Cooperation on the Wall also helps to take the rhetoric about retaliatory trade sanctions down a notch. For the squeamish who insist that a border wall is by its very nature unacceptable, note that we've already got 654 miles of "fortification" along the border, and we are not alone in erecting new walls – Europe is busy building more of them than any other region. While the construction crews are at it, they can repair and build new public infrastructure (roads, public utilities, and waterways) along the border to better link our two nations. Both nations will benefit by improved relations, secure borders, less trafficking in humans, drugs, and guns, and legitimized border crossings. This might make it easier to get rational immigration policy in the US.

And while we are on the topic, renegotiation of NAFTA is long overdue.²³ From inception, this was a neoliberal treaty that operates against the interests of the majority of the population in both countries. It is bad for American labor and bad for Mexican agriculture. It benefits "intellectual property rights", finance, and megacorporations – all of which fuel growing inequality in the US and migration from Mexico. While discussion of NAFTA is always put in the context of the supposed benefits of "free trade", this framing benefits the neoliberal interest and has almost no basis in reality. Trump is right when he says NAFTA is a bad deal for America, but he probably neither understands what the problem is, nor has a snowball's chance in hell of gutting the treaty.

3. *End globalization and bring the jobs home*

Trump has put forward a number of proposals related to the theme of ending globalization – including renegotiating NAFTA and pulling out of the TPP – many of which were directed at China and other exporters. Like many American politicians, Trump has claimed that China is a "currency manipulator" and promises to pursue an investigation. He's proposed large tariffs to be slapped on imports (variously suggested as 45% on Chinese exports to the US, 20% on all imports, and 35% on Mexican imports)²⁴, and particularly on American firms that move jobs overseas (proposing a 15% tax on firms that do so). As mentioned, he promised to create 25 million good jobs over the next decade, many of those by bringing the jobs home. One of his first acts was to "save" jobs at Carrier that had been destined to go to Mexico – supposedly proof of his touted negotiation skills – and suggests he will continue to put pressure on individual firms to stay put.

At the same time, Trump has proposed to reduce the tax burdens that presumably discourage job creation and encourage tax avoidance (including corporate inversions). He has variously proposed a flat tax on firms of 15%, and a one-time repatriation of corporate profits at a special 10% rate. Here's a better idea: eliminate the corporate income tax. Economic theory suggests that the tax is largely passed forward to consumers or backward to workers. It

²³ <http://readersupportednews.org/opinion2/277-75/41658-in-fight-with-trump-mexico-has-plenty-of-ways-to-punch-back>.

²⁴ <https://www.politiplatform.com/trump>.

induces firms to make many decisions – such as location of headquarters as well as taking on debt – on the basis of tax avoidance rather than sound business principles. To the extent that profits are paid out in the form of dividends, they get taxed as personal income. In theory, we should also tax retained earnings to the extent that these drive up share prices and hence increase personal wealth – otherwise elimination of the corporate income tax might increase the incentive to retain earnings and thereby exclude them from ever getting taxed (except for capital gains, which are taxed at a lower rate than income). In practice, imputing retained profits to individuals so that they can be taxed as income might be too difficult. In this particular case, the good should not be seen as the enemy of perfection: let's just drop the corporate income tax, increasing the incentive to make and report profits, as well as eliminating the disincentive to seek low tax havens.

With regard to the promise to punish “currency manipulators”, this is as silly as punishing countries that are “fiscal policy manipulators” (who, for example, keep domestic unemployment high and wages low so that they can export), or punishing “monetary policy manipulators” (who use interest rate policy to pursue perceived self-interest). I am sympathetic to those who call for pushing “fair trade” over “free trade” – we should not accept the exports produced by slave or child labor, or by labor working in dangerous conditions or below subsistence wages. However, the exchange rate is a legitimate policy tool in the same way that interest rate targets or inflation targets or fiscal balance are used to pursue national economic interests. While the US has embraced floating exchange rates as useful in promoting its national interests, many nations (rightly or wrongly) see control over exchange rates as necessary to promote theirs. In truth, China has been letting its exchange rate rise (the recent large capital outflow reversed course) while pursuing a strategy of rapid wage increase in spite of trend inflation.

Trump needs to understand that the US issues the international reserve currency – the dollar. The rest of the world wants and needs dollars and so will operate domestic policy to ensure dollar inflows. No matter how many tariffs Trump imposes and no matter how much he tries to keep jobs in the US, the US current account balance largely will be determined by the rest of the world's desire for dollars. Making them scarce by restraining imports will only increase global efforts to undermine Trump's policy. “Bringing the jobs home” will not be a significant source of job creation anyway – we need to focus on creating new jobs at home, not on enacting penalties or tariffs. The US is too big (and too rich) to engage in beggar-thy-neighbor policy.

And we need to provide decent pay for those new jobs. There might be some role for trade policy to promote “fair trade” in specific instances to protect American wages. Trump is right to reject the claim that “free trade” is always good, and to insist that domestic policy should consider the interests of American workers. That is what democratic representation is all about.

Conclusion

There is growing resistance to neoliberalism, as promulgated by the Clintons, the Bushes, and unfortunately, by Obama. There is growing recognition of neoliberalism's role in creating job losses, reducing national sovereignty, and losing ability to control domestic corporations, corporate agriculture, and big finance. It is convenient for the neoliberals to push “Tina” – the argument that there is no alternative to the neoliberal globalization agenda; that people must

serve the economy; that the market is supreme. But we must not be fooled. Neoliberalism is a choice we can reject.

Supporters of Trump and Sanders realized that there's something wrong with this picture. They are not sure what it is. Some grasp at strawmen: immigrants, minorities, women. Some align with despicable characters: white supremacists, anarchists, fascists, homophobes, misogynists, nativists. In any case, they are tired of playing along. The promise that if they'll subject themselves to the global economy, it will eventually pay off, rings hollow. They've held wages in check while labor productivity grew tremendously, but all they got was pain and no gain.

Our comfortable elitists – whether Democrats or Republicans – focus on the despicable, on the deplorables, on the takers. The last 45 years of neoliberalism has been good to the elite, even very, very good. They dismiss the most recent election as an aberration, a mass exercise in delusion. Both parties focus on Trump's peculiarities – this is one of those black swan events that will not be repeated for another hundred thousand years. Trumpism has an expiration date. Neither party need change its strategy.

The Democrats will win the next presidential election, but that does not mean the people that the party supposedly represents will win. The recent election of the new leader of the DNC has determined that the party will stay the course: the Clinton/Obama candidate, Tom Perez, defeated the Sanders candidate, Keith Ellison. There will be no reform; Wall Street remains in the saddle. The DNC (as well as the GOP – “Grand Old Party”, the Republicans) hopes that the energies of the disaffected will be exhausted by the 24-7 protests against Trump. But the residual anger could help to push through a better candidate than Hillary.

What we need is a recognition that it does not have to be this way. The economy should serve the people. We do not have to accept “market” outcomes. There is no “invisible hand” guiding us toward equilibrium. All economies are always controlled – the only questions are *by whom* and *for whom*. Our economy has increasingly become controlled by and for the top one percent, or – really – by and for the top one-tenth of one percent. The election of Trump (or of Clinton) could not change that. It is possible that a perfect storm is building – fueled by the election of Trump and also by the bail-out of Wall Street that makes another global financial crisis all but inevitable.²⁵ If that happens sooner rather than later, there could be an opening for real change.

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SUGGESTED CITATION:

L. Randall Wray, “Trumponomics: causes and prospects”, *real-world economics review*, issue no. 78, 22 March 2017, pp. 98-111, <http://www.paecon.net/PAEReview/issue78/Wray78.pdf>

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²⁵ Geithner argues that a crisis is inevitable, although he blames the restrictions placed on policy-makers by Dodd-Frank. <https://www.foreignaffairs.com/articles/united-states/2016-12-12/are-we-safe-yet>.