U.S. private capital accumulation and Trump's economic program

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Introduction: what do capitalists actually *do*, anyway?

In its purest form, capitalism is supposed to be an investment-led economic and social system. The owners of private firms invest in expanding their operations, advancing funds to pay for structures, equipment, and materials, as well as initial wages for their employees. This investment, undertaken in expectation of generating a sufficient profit in the future, starts a cycle of income and expenditure that supports a multiplied level of economic activity throughout the economy. Workers are hired to staff these growing businesses, they produce and get paid, and then they spend their incomes on consumption ("spending what they get," in the famous Kaleckian adage). That spending in turn creates additional sales opportunities that motivate further investment and expansion by investing firms. Even though workers are the ones actually producing incremental value-added in this process, they nevertheless depend on the capitalists' willingness to push the "go" button: keeping the machine running with ongoing injections of new investment. Capitalists, in turn, depend on the stimulus provided by their collective actions to underpin a sufficient level of overall demand to ratify and realize their business plans: they "get what they spend". Their capacity to initiate (or not initiate) the whole process gives investing capitalists enormous economic, political, and social power: over workers, who would be economically stranded without the initial stimulus from investment, and over governments (of all stripes) who understand well that the whole system rises or falls with the animal spirits of the investing class. Even in the more complex setting of a modern, mixed capitalist economy (with a significant public sector, foreign linkages, and finance), private business accumulation is undoubtedly the leading engine of capitalist growth and development; the ups and downs of business investment are more closely correlated with the momentum of the overall economy, than any other component of GDP. Investment, in Jorgenson's (2005) words, "is the most important source of economic growth in the G7 nations" (p. 806). Strong investment is also typically associated with other positive outcomes including productivity growth, stronger innovation and structural change, enhanced international competitiveness, and rising wages (Waller and Logan, 2008).[1]

Ironically, heterodox thinkers tend to be more cognizant of the leading role of business investment in driving economic development under capitalism than neoclassical economists – who (in theoretical models, at least) treat investment as a generally passive outcome of the

[1] Delong and Summers (1991) argue that machinery and equipment investment is especially correlated with broader economic performance.

clearing of a market for capital (whether defined as real assets or loanable funds), endowed thanks to the autonomous preferences of savers.[2] In contrast, heterodox writers focus on the autonomy of investment decisions, the range of motivations capitalists consider, the economic independence of investment expenditure (which, in a monetary, demand-constrained system, determines savings, rather than the other way around), and the power relationships and social factors which create the context for profit-driven investment decisions. Modern heterodox economists (such as Graziani, 2003) integrate monetary processes into this story, to explain how the initial willingness of capitalists to invest also leads the creation of credit as well as real production.

However it is explained in economic theory, the fundamentally productive, entrepreneurial role of capitalist investment is essential to the political and social legitimacy of the elites who lead the system – and who own and profit from the bulk of its wealth. Indeed, the thriftiness of the early capitalists, and their willingness to plough their savings back into growth, accumulation, and innovation, is precisely what endeared this dynamic new class to the classical economists. Smith, Ricardo, and their colleagues celebrated the productive leadership of capitalists, and developed policy recommendations which consistently favoured that class accordingly: everything from tariff reduction on imported food (to reduce real wage bills) to the expansive enshrinement of property rights. Anything that granted more money and certainty to productive, ambitious investors would be good for the economy, and the rest of society would benefit accordingly. That core idea (albeit perverted by the analytical twists and inconsistencies of neoclassical theory) lives on in the "trickle-down" policy vision which defined neoliberalism from the outset. Neoliberalism was a response to the deceleration of private accumulation after the long postwar boom. That slowdown was due in part to constraints on business imposed by workers, governments, and liberation movements in the former colonies. The goal of neoliberalism was to restore the all-round power and legitimacy of private business; to free companies from the inconveniences of intrusive regulations, pushy unions, and taxes; and to pro-actively create and expand new investment opportunities (through globalization, privatization, and market-creation). The social hardship associated with these policies was always justified on grounds that they would unleash the dynamic impulses of accumulation, to the benefit of workers and others who depend on business investment to play this productive, leading role.

Neoliberalism certainly succeeded in strengthening profit conditions, which have improved substantially in the U.S. and most other developed economies since the 1980s. But the second part of the equation – a restoration of capital accumulation as the driving force of growth and prosperity, with widespread benefits that spread through the rest of society – was never realized. Perhaps it was never actually part of the plan: it can be argued convincingly that neoliberalism has been more interested in re-dividing the pie than growing it, and more interested in controlling growth than unleashing it. But the continued sluggishness of real accumulation (and hence of GDP, employment, and incomes) is a glaring problem for neoliberal legitimacy. Profits have been restored, incomes are flowing more strongly to corporations and their owners, but business investment has weakened under neoliberalism, not strengthened. Measured as a share of GDP, net fixed capital investment in OECD countries (after deprecation) has declined from an average of 12 percent in the 1970s, to just 4 percent since 2010.[3] The U.S. experience has been even worse (as documented below).

[2] Junankar (2002) provides a useful summary of the core logic of neoclassical investment theory, and its varied empirical applications.
[3] Author's calculations from OECD National Accounts Statistics; unweighted average.

Years of stagnation and austerity since the global financial crisis have exacerbated the problem, politically as well as economically. The contrast between fat bonuses, strong profits, and luxury consumption at the top, and the continued stagnation of work and living standards for most of society, must inevitably provoke a crisis of legitimacy. After all, it is supposed to be their willingness and capacity to plough economic surplus back into accumulation and innovation that is the *raison d'être* of the capitalist class, and the core engine that drives the system forward. If the wealthy are capturing a larger surplus than ever, but consuming or wasting it rather than reinvesting it,[4] the political stability of the system, in addition to its economic vitality, will be threatened. As Ruccio (2017) puts it succinctly, "The machine is broken."

This makes it all the more ironic that the politician who most successfully mobilized the anger and alienation of the workers and communities who have suffered from stagnation, now promises to repair the top-down logic of the system with more of the same, painful medicine. Donald Trump has certainly placed the failure of business investment at the center of his policy program. Proposals for facilitating, encouraging, and even browbeating business to invest more in America constitute a running and consistent theme throughout his plan. But his ideas for "making America great again" through restored business leadership and investment are not novel at all: he is repeating exactly the same script that has guided neoliberal policy for over three decades – and which has manifestly failed to revitalize private capital investment. Trump's proposals may elicit spurts of new business activity in certain sectors of the U.S. economy – led by petroleum companies taking advantage of his aggressive deregulation of environmental protections, and military contractors lining up for a share of coming defense spending. But that will not restore the general vibrancy of private capital accumulation, growth, and employment on any sustained basis. Trump's program, like other incarnations of trickle-down policy, does not tackle the deeper structural problems which explain the continuing slowdown in business activity, despite enhanced business power and profitability.

This article will first describe and review the deceleration in U.S. business investment over recent decades, and discuss its consequences. It will summarize the major determinants of investment typically emphasized by economists. Then it will consider the various elements in Trump's policy platform, investigating the likely effect of each measure (and the program in its entirety) on the pace of capital accumulation. The conclusion will return to the deeper structural problems arising from the economy's broad reliance on profit-seeking investment as the driver of growth and job-creation – structural problems which Trump's program does not begin to address.

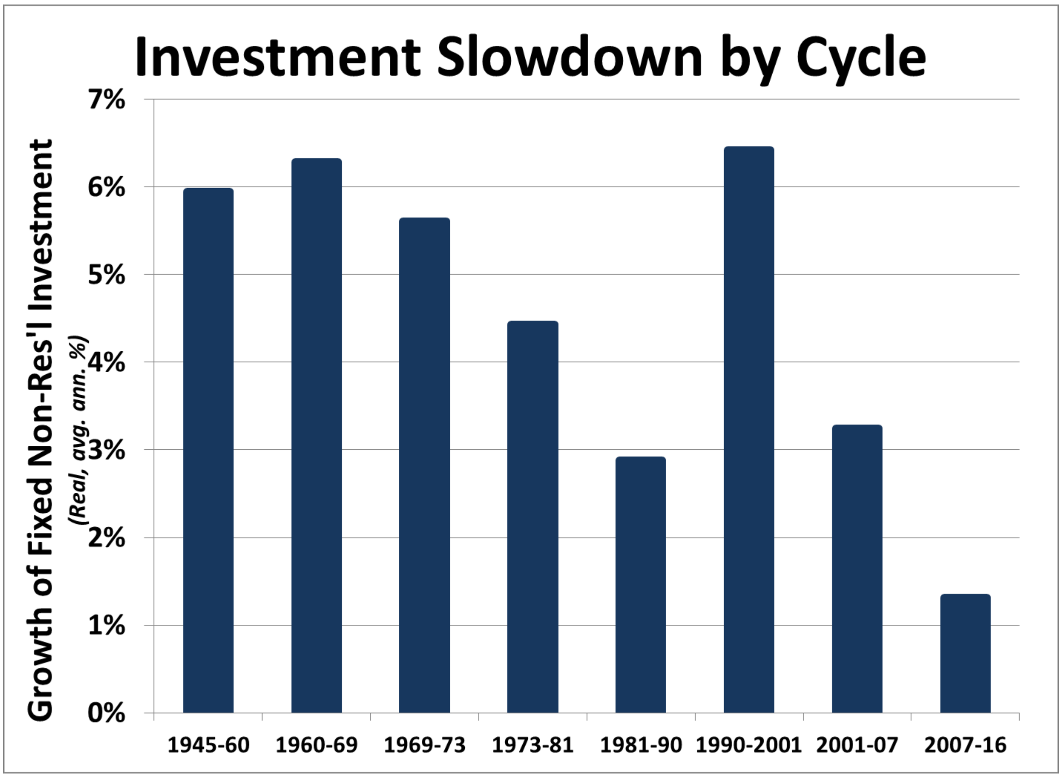
The deceleration of U.S. capital accumulation

Empirical evidence confirms that the vitality of U.S. business investment diminished beginning in the late 1970s – and moreover that investment performance has gotten worse, not better, since then. Previous neoliberal policies aimed at restoring profitability, and reducing regulatory and other constraints on business activity, have not helped business investment, and have likely hurt it. This casts immediate doubt on the effectiveness of Trump's plan to do even more of the same.

[4] My estimations suggest that less than one-tenth of the surplus generated in the U.S. economy is reinvested in new capital accumulation; most of the rest is consumed. See Stanford (2015), p.78.

Figure 1 charts the average annual rate of growth in gross non-residential business fixed capital spending (including structures, machinery and equipment, and intellectual property assets) through the major economic cycles of the postwar era. The figure indicates the average annual growth of real non-residential investment expenditure (adjusted for changes in the prices of capital assets) from cycle peak to peak.[5] During the first three decades after the Second World War, investment grew robustly: at a sustained real rate of around 6 percent per year. This pace of accumulation slowed somewhat in the 1970s expansion – reflecting the uncertainty associated with oil price shocks, and the squeeze on profits from other sources. The "cold bath" of neoliberalism, led by the Volcker interest rate shock, significantly reduced the rate of accumulation – but then investment bounced back to pre-neoliberal growth rates during the long Clinton expansion of the 1990s. That strong investment contributed to strong employment results, and a partial recovery of real wages, during that time. After the turn of the century, however, real capital spending growth decelerated again, despite (or perhaps because of) the heightened financial exuberance of the time (facilitated by Clinton's late-1990s financial deregulations). Since the global financial crisis and the Great Recession, real investment has hardly grown at all: by barely 1 percent per year since 2007. Real U.S. business investment actually declined during 2016, unusually for a non-recessionary setting.

Figure 1



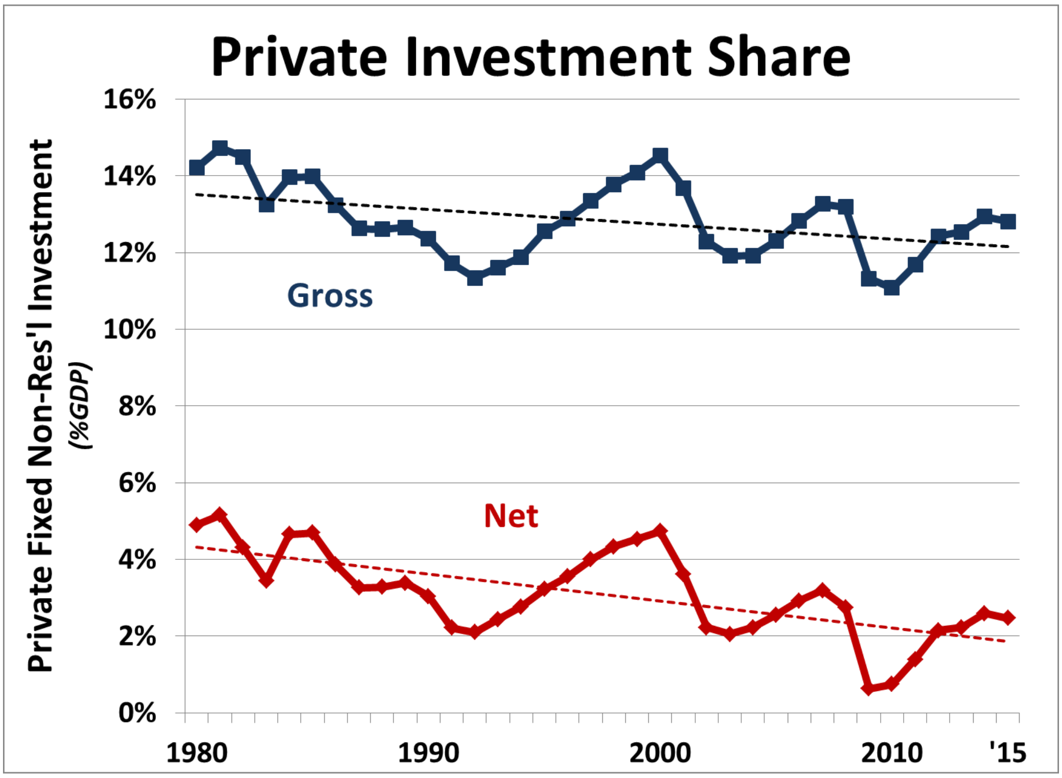
Source: Author's calculations from BEA NIPA data.

Another way to measure the vitality of business investment is as a share of total GDP. This indicates the proportion of current output devoted to business capital spending. This

[5] Peak years are selected based on standard NBER dating; see NBER (2017). For simplicity in presentation several shallow cycles experienced between 1945 and 1960 are amalgamated into one long postwar expansion, and the short cycle dated from 1980 through 1981 was incorporated into the previous cycle.

comparison must be conducted in nominal terms (not real), since real measures of business capital spending and overall GDP are deflated with different, non-compatible deflators. Figure 2 illustrates the trend in the investment share since 1980. The top line indicates that gross business non-residential investment has declined by about 2 percentage points of GDP since the onset of neoliberalism. However, gross investment does not take account of the ongoing wear-and-tear of existing capital equipment, which must ultimately be replaced in order to maintain the accumulated capital stock. Depreciation rates on capital assets have increased slightly in recent years because of the faster pace of technical change and the relatively greater importance of shorter-lived machinery (rather than longer-lived structures) in total capital investment. The lower line in Figure 2 indicates that the decline in net investment (after depreciation) has been somewhat steeper than the decline in gross investment: declining by over half, to less than 2 percent of GDP per year on average since 2010. Net accumulation of real capital has been so slow, that both the capital-output ratio and the capital-labour ratio have been declining in the U.S. economy since 2010 – quite counter to the usual view that production is becoming dramatically more capital- and technology-intensive.

Figure 2



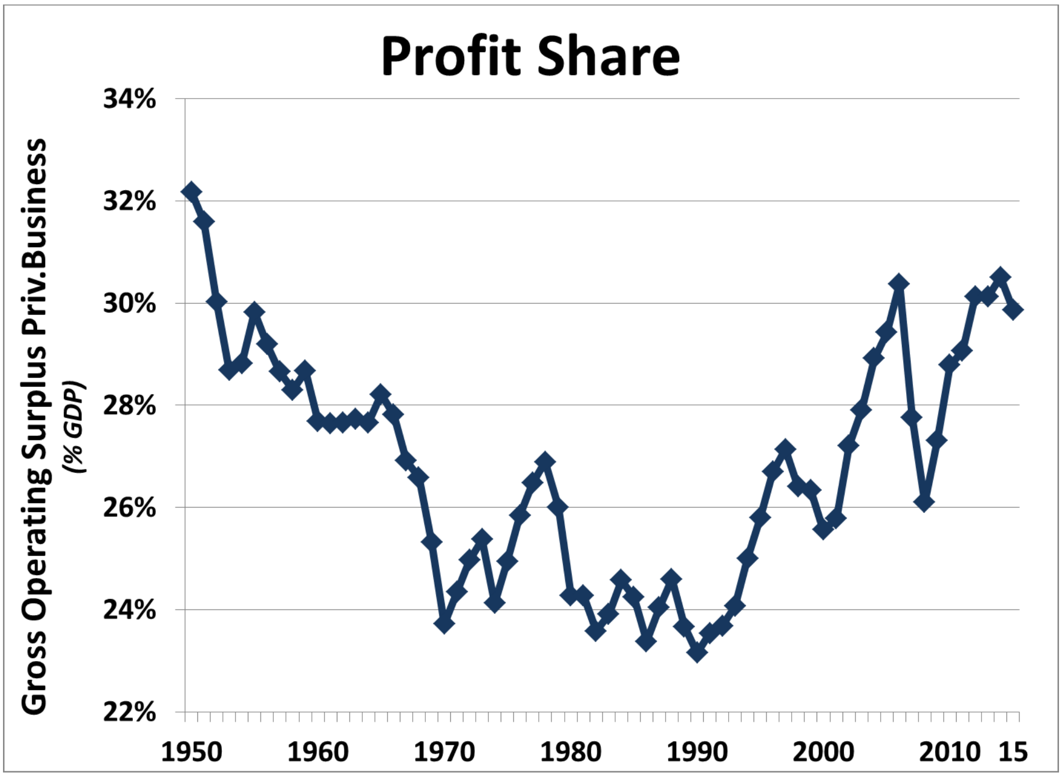
Source: Author's calculations from BEA NIPA data; linear trend lines shown.

The sustained slowdown in U.S. business investment has occurred despite a marked improvement in business profitability since the advent of neoliberalism. Figure 3 illustrates the fall and rise of business profits in the U.S. over the postwar era. The measure illustrated is gross operating surplus (before deducting depreciation charges) for private firms; it's the broadest measure of the core profitability of production.[6] Initially robust profits after the war

[6] This measure includes the profits of small businesses, not just corporate profit, but excludes interest income and rents. Since the investment measures above also include smaller firms, it is appropriate to

were eroded by many factors (including rising unit labour costs), losing about 8 points of GDP share by the 1970s. Profits were not helped by the recession and "cold bath" of the 1980s, as harsh neoliberal policies were initially implemented. But they began to recover strongly in the 1990s, and have increased steadily since – interrupted only temporarily by the recessions of 2001 and 2008-09. Profit shares since 2010 have been the highest since the early 1950s, accounting for over 30 percent of all GDP, and recouping most of the share lost during the long postwar expansion.[7]

Figure 3



Source: Author's calculations from BEA NIPA data.

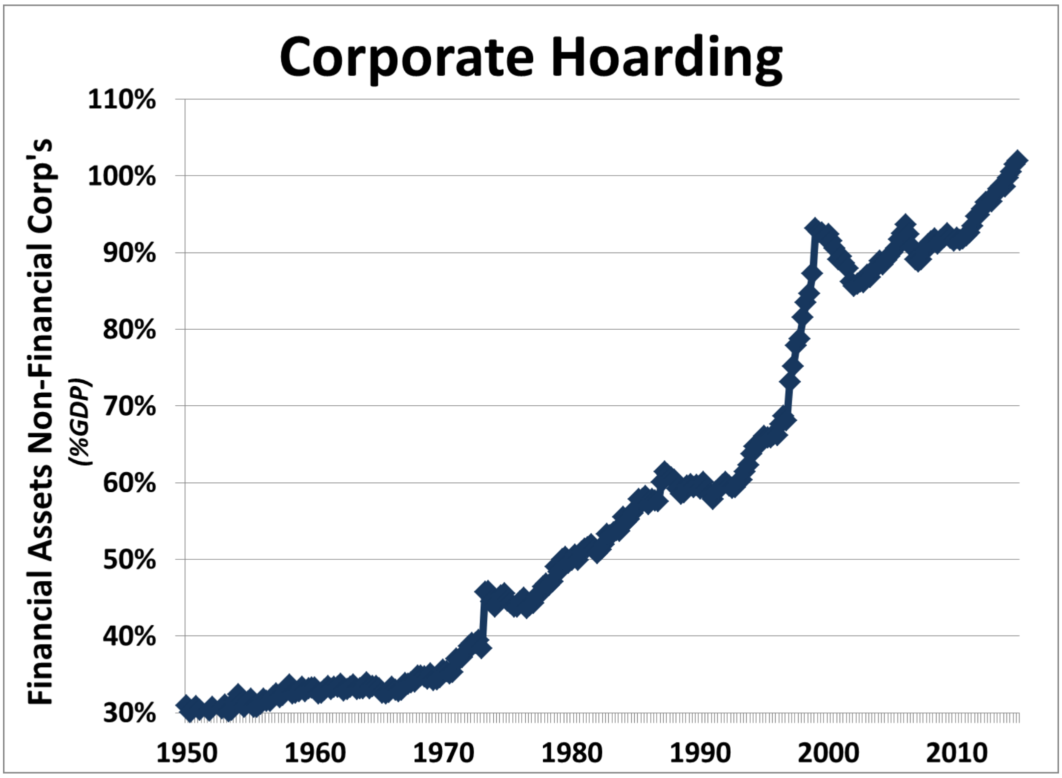
The contrast between rising profitability and falling net investment certainly damages the legitimacy of neoliberal trickle-down policies and politics. But it also highlights a more immediate, economic problem. Private firms are capturing a larger share of current output in the form of gross profit, but reinvesting significantly less than that back into new gross

include their gross surplus in the corresponding measure of profitability. We include depreciation charges in gross profits since they are a non-cash charge; Figure 3 is thus a measure of gross profitability best comparable to measures of gross investment. Finally, the measure illustrated in Figure 3 is before-tax; if we adjusted for the impact of business taxes, then both the decline of profitability in the postwar boom (when taxes were high) and the recovery under neoliberalism (when taxes on capital have been reduced) would be even more apparent. Effective tax rates on corporate profits have declined from an average of 42 percent in the 1970s, to just 29 percent since 2010 (author's calculations from BEA data).

[7] It is interesting (and not coincidental) to note that the U-shape of this profit-share graph closely matches the famous U-shape of top income shares that has been used to illustrate the decline in income inequality during the postwar boom, and its subsequent rebound under neoliberalism; see, for example, Piketty and Saez (2006). Since it is individuals with top incomes who own most business wealth, their personal incomes will automatically parallel the shifts in income distribution between factors.

investment. In 2015, for example, the gross operating profit of private firms, after deducting income taxes, was close to $5 trillion. Yet gross private investment in the entire U.S. economy was only $3 trillion. The difference represents a chronic drain on aggregate demand: companies are receiving strong income flows, which are only partially reinvested into new investment projects. The rest may be paid out in dividends (which have increased substantially as a share of GDP[8]), used to buy back shares or participate in other financial schemes, or simply hoarded. For example, Figure 4 indicates the accumulation of financial assets in the hands of *non-financial* U.S. corporations. Financial holdings by non-financial businesses have increased rapidly under neoliberalism, reflecting both the incentives of financialization (non-financial firms have tried to capture a share of lucrative financial profits), as well as the simple fact that businesses are literally taking in more profits than they know what to do with. After only a temporary fallback during the 2008-09 banking crisis, financial holdings of non-financial corporations began to grow rapidly again – reaching over 100 percent of total GDP for the first time in 2016. Non-financial corporations have been accumulating assets over the last five years at a rate of almost $1 trillion per year, or close to 5 percent of GDP per year, and this constitutes a significant and chronic drag on aggregate demand.

Figure 4



Source: Author's calculations from BEA NIPA data.

In sum, the deceleration of U.S. capital accumulation which became visible in the latter phases of the postwar expansion has not been resolved by the business- and capital-favouring policy measures implemented during three decades of neoliberalism. Redistributive

[8] Net dividend payouts have averaged close to 5 percent of U.S. GSP since 2012, a postwar high, and more than twice the average payout of around 2 percent per year from 1950 through 1980 (author's calculations from BEA data).

and deregulatory policies have certainly restored the freedom, power, and profitability of U.S. business. But those restored profits have not “trickled down,” through renewed business capital spending, into expansionary investments and jobs for the American population in general. Instead, the upward redistribution of income has undermined spending conditions and economic activity: much of the economic surplus is now being consumed by high-income constituencies, or simply hoarded as financial assets, rather than being reinvested in accumulation. This non-investment undermines both short-term demand conditions and the long-run dynamism of the system; it has certainly contributed to the understandable disaffection of a large constituency of American workers and voters, whose real opportunities have diminished under neoliberalism, with no relief in sight. This is the constituency which Trump’s campaign successfully mobilized during the election campaign. Will his policy program deliver the promised change in the trajectory of U.S. investment?

The determinants of business capital spending

To judge whether Trump’s economic plan will succeed in revitalizing business capital spending in the U.S., it is useful to consider the major determinants of business investment typically emphasized in economic research. A distinction can be made between factors which may influence the overall pace of business investment arising within a particular system, and factors which influence the location of investment. Key factors determining the total volume of forthcoming capital expenditure emphasized in economic research include the following:[9]

- ***Current and expected profit***: Current profitability, adjusted for judgments regarding future changes in profit, will motivate investment decisions – both by strengthening the incentive and by providing cash flow for finance. However the relationship between investment spending and business profits seems to have weakened in OECD countries under neoliberalism.

- ***Capacity utilization***: If companies are pushing the limits of their existing capacity, they are more likely to increase investment to meet future demand.

- ***Economic growth***: Empirical research shows a strong “accelerator” relationship between growth (which itself is influenced by investment) and further investment.

- ***Interest rates***: For investments which must be financed through debt or other external finance, interest rates (and other measures of the cost of capital) will be negatively correlated with investment.

- ***Economic, political, and legal stability***: Investing firms must have reasonable confidence about the stability and amenability of broader economic conditions, and the political and legal climate governing business activity.

- ***Technology***: The clustering and spread of major innovations is often associated with sustained upswings in capital investment.

[9] This discussion is adapted from Stanford (2015), Chapter 12.

In addition to spurring a larger amount of total investment, the Trump program also pledges to relocate more investment decisions toward the U.S. Investment in relatively mobile, tradeable industries (like manufacturing or tradeable services) is most responsive to these location-specific factors, including:

- ***Unit labour costs***: Low unit labour costs (considering both compensation and productivity) can be a lure for investment, especially in tradeable industries.

- ***Infrastructure***: Firms benefit from high-quality infrastructure (typically paid for by the state) that facilitates their operations – including transportation, utilities, and social infrastructure (like education and training).

- ***Supply chain***: In a vertically disintegrated production process, companies require the presence of a reliable network of nearby suppliers for the various materials, inputs, and services required in production.

- ***Taxes***: Inter-jurisdictional differentials in business taxes (including corporate income, capital, and value-added taxes) may affect investment location decisions.

- ***Transportation costs***: Firms will select locations that minimize total transportation costs, including supply chain logistics and delivery of final products to market.

- ***Local market opportunities***: Access to nearby market opportunities may influence investment location, and may also be useful for marketing and political purposes.

- ***Trade policy***: Inward foreign investment may be motivated by higher tariff or other trade barriers, which enhance the business case for local production (rather than imports). Alternatively, barrier-free access to other markets might also motivate investment location in some industries.

- ***Political and legal risk***: Mobile investment will also depend on perceived stability in the long-run political and legal stability of host jurisdictions.

Some of these determinants of investment are addressed by Trump's program, but many are not; the ability, therefore, of Trump's policies to alter the general course of accumulation is inherently muted by the many factors beyond his control. Moreover, in several cases (such as the importance of strong aggregate demand in motivating capacity additions, and the role of business confidence in unleashing capital spending), it is not at all clear whether Trump's presidency will help or hurt the business case for investing in America.

Donald Trump's plan for investing in America

Given this catalogue of the usual determinants of business investment spending, we will now consider the various elements of Trump's program, to assemble a composite judgment of the likely overall impact on U.S. private capital accumulation. Table 1 summarizes the major planks in Trump's stated program, drawing on his election platform (the "Contract with the American Voter;" Donald J. Trump for President, 2016), and on other policy statements during and after the election.

Table 1 Relevant Trump Policies and their Likely Effects on Investment

Policy	Channel of Effect	Evaluation
Corporate tax cut or reform	Enhance after-tax profits.	Unlikely to reduce rate as much as promised; impact on profits muted by loopholes; impact of higher profits on investment weak; may simply facilitate more corporate hoarding & dividend payouts.
Trade policy: end or alter trade deals, penalize imports	Reduce offshore competition; motivate repatriation of investment.	May slow outward migration of manufacturing investment; uncertainty posed by supply chain disruptions; unlikely to change fundamental pressures of globalization.
Increase infrastructure investment	Stimulate aggregate demand; improve productivity & transportation.	Major new spending (if approved) will accelerate aggregate demand; demand benefits partly offset by tax/user fee plans; focus of new projects may be narrow.
Roll back energy and climate regulations	Open energy investment opportunities; reduce energy costs.	Will allow major energy projects to proceed (eg. pipelines, Alaska drilling); will reduce investments in renewables; energy prices not a major determinant of most investment.
Financial deregulation	More freedom for financial innovation and speculation.	Measures will enhance financial profits but not real investment; will fuel speculative and housing investments more than real capital.
Monetary policy	Slower demand growth; higher interest costs.	Trump's Fed appointments will reinforce emphasis on financial deregulation; impact on interest rates not clear but likely hawkish.
Labour market and union policy	Reduce unit labour costs, enhance profitability.	Measures will boost profit margins in production but suppress wages and hence aggregate demand; exacerbate household financial instability.
Immigration restrictions	Reduce supply of skilled labour for innovation-intensive businesses.	Technology sectors have been crucial to U.S. innovation and exports; their investments (and even presence) in U.S. will be hurt by restricted talent immigration.
Expand military spending	More profit and investment opportunity for military contractors.	New projects and larger margins will increase defense sector profits and investments.
General aggregate demand	Increased sales, capacity utilization.	New spending and larger deficits (if realized) may support stronger aggregate demand and employment conditions; offset by continued upward redistribution of income, user fees, and cuts in civilian program spending.
General business confidence	Enhance willingness of firms to invest.	Initial stock market rally seemed to indicate business confidence in Trump policy; may be undermined by erratic or unstable actions; enhancing business power may not translate into more business investment.

The centerpiece of Trump's investment program is his proposal to dramatically cut or reform U.S. business taxes. His platform promised to reduce the base corporate rate, from 35 percent to 15 percent,[10] and to establish a new tax rate on repatriated profits from overseas operations of just 10 percent. Discussions within the Republican-led Congress since the election, however, have focused on a GOP proposal for a more radical restructuring of the corporate tax, replacing the standard corporate income tax with a so-called "destination-based cash flow tax" (DBCFT). This new tax would allow companies to fully deduct the immediate cost of new investment (rather than depreciating it gradually over time), and would not tax income on exports (under a "border adjustment" contemplated in the Republican proposal). The final outcome (in terms of both the form of tax, and its rate) will depend on political and budget negotiations over coming months or years; it is unlikely, given the to-and-fro that typifies U.S. budget-making, that the rate would fall by the full amount promised by Trump. Both cutting the existing rate, and shifting the structure of the tax, would certainly enhance the after-tax revenues of U.S. businesses. It should be kept in mind, however, that few companies pay the full 35 percent rate due to various loopholes, exemptions, and carry-forward losses,[11] and hence the impact of reductions in the statutory rate on final profitability will be muted. With its alternative treatment of capital costs (allowing, in essence, immediate and complete write-off of capital investments), the Republican proposal would certainly enhance the tax treatment of new capital spending. However, the lack of responsiveness of U.S. investment to strong profits in recent years, and the accumulation of financial assets by non-financial firms, also suggest limited effects of higher after-tax profitability on investment.

Another high-profile element of Trump's program is his aggressive statements regarding ending or renegotiating international trade agreements, and his threats to impose significant "border taxes" (or tariffs) on imported products. His stated goals are to reduce chronic U.S. trade deficits by limiting imports, and to encourage companies to invest in the U.S. to produce manufactured goods rather than importing them (especially from Mexico and China, the two countries which receive most of Trump's negative attention[12]). Trump's early success in pressuring specific companies (like Ford Motor Co.) to cancel projects in Mexico, and increase investments in the U.S., might seem to presage a bigger relocation of investment back to the U.S. However, Trump's plan to limit imports is not without risks of its own to U.S. business, including disruptions in established supply chains, and the potential for offsetting actions by U.S. trading partners (and hence the risk of a more generalized "trade war"). Trump's financial and monetary policies (discussed below) are likely to spark appreciation of the U.S. dollar,[13] which will offset some of the gains in relative competitiveness his trade policy changes might accomplish. It is also not clear to what extent Trump's attacks on existing trade agreements and practices will be truly focused on repatriating manufacturing investment and jobs. For example, his trade policy statements have often stressed the need for even stronger patent rights for U.S. businesses (Baker, 2017); to the extent that his trade

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[10] U.S. states also levy their own corporate income taxes, which average around 4% nation-wide.
[11] Since 2010 the average effective rate of corporate income tax paid by U.S. corporations (29.1%) has been 10 full percentage points lower than the combined federal and state statutory rate (over 39%). The effective rate paid by U.S. companies has been comparable to average rates paid in other OECD economies (Hungerford, 2013). Tax avoidance in overseas tax havens has been an especially lucrative form of tax avoidance for U.S. business (Clemente, Blair, and Trokel, 2016).
[12] It is not coincidental that other countries maintaining large trade surpluses with the U.S. have so far escaped the brunt of Trump's protectionist rhetoric. For example, both Germany's and Japan's bilateral trade surplus with the U.S. were larger in 2016 than Mexico's, and much larger as a share of two-way trade (implying a higher proportionate degree of imbalance). This suggests there are other motivations, including no doubt racialized ones, for Trump's focus on Mexico and China.
[13] Many observers also expect the Republican corporate cash flow tax plan, if implemented, to spark a sustained appreciation in the dollar as well (Gale, 2017).

agenda focuses on those issues (rather than on addressing trade deficits), it will hurt living standards of U.S. workers with no impact on real investment.

Trump pledged during the election to accelerate public infrastructure investments. He proposed a public-private initiative to allocate $1 trillion to infrastructure projects over the next ten years (implying a flow of new spending equal to $100 billion per year). U.S. public capital investment (by all levels of government) equaled close to $650 billion in 2016. The $100 billion per year flow of projects under Trump's program will not be fully incremental (since some supported projects would have occurred anyway), so perhaps the program might boost existing public investment flows by around 10 percent. Public infrastructure spending can "crowd in" private investment via several channels. The immediate spending power of public investment strengthens demand conditions, employment, and incomes, thus supporting capital utilization and accelerating private investment. In the long-run, better public infrastructure can enhance private-sector productivity and capabilities, also encouraging faster private investment. Trump's emphasis on public-private partnerships in new infrastructure may directly draw in private capital to these projects. Trump has pledged that the infrastructure program will be "revenue neutral", implying that projects will be funded through new taxes, user fees, or other revenue collections; this would offset the demand-side benefits of the new spending.

The energy industry has been one of the most enthusiastic backers of Trump's program, and it's easy to see why. He targeted environmental regulations for special criticism throughout his campaign, and his cabinet nominations (notably including a known climate change denier as head of the Environmental Protection Agency) confirm that he intends to move quickly in dismantling U.S. environmental protections. He will quickly approve major new energy projects (such as the Keystone and Dakota Access pipelines); open up federal lands (including the Arctic National Wildlife Refuge in Alaska, and other offshore areas in the Arctic and Atlantic oceans) for energy exploration and development; and abolish the Obama administration's Clean Power Plan. Trump's promises to rescue the coal industry (which has faced falling demand, bankruptcies, and massive downsizing, mostly because of factors – like automation in mining and the falling price of natural gas – unrelated to federal environmental laws) were especially potent in several Midwest and Appalachian states during the election. Rolling back environmental rules will indeed facilitate some big-ticket energy investments, more in petroleum than in coal. (Even backtracking on clean power rules can't reverse the rapid switch of electricity generation away from coal that has already occurred.) It is important to keep perspective on the likely scale of the investment response to this aspect of Trump's program: energy and mining investment accounted for under 6 percent of total business fixed capital spending in 2015. So even a dramatic increase in capital spending in this sector won't make a significant difference to total U.S. capital investment. Moreover, backtracking on environmental regulations may forestall significant capital spending that otherwise would have occurred in renewable energy and energy conservation. Much of American business will celebrate Trump's environmental backsliding, but that does not confirm that it will translate into faster investment and growth.

Contrary to the pro-investment rhetoric evident in other policy areas, Trump's financial and monetary policies seem out of synch with the overarching objective of accelerating real capital accumulation. Never mind his populist self-image, in one of his first acts Trump confirmed his true allegiances by ordering a review of the Dodd-Frank regulations implemented under the Obama administration after the 2008 financial crisis. Weakening restrictions on banks and quasi-banks, which were not very strong to begin with, is a clear sign that Trump is committed to restoring the full power and freedom of the financial class. This implies a return to financial expansion, fragility, and instability. Recent history confirms that financialized exuberance tends to overwhelm the logic of real accumulation, especially when moments of crisis inevitably erupt. Trump's vision of financial deregulation is a recipe for another financial catastrophe, not for faster investment in real capital.

Trump's considerable influence over the future make-up of the U.S. Federal Reserve Board of Governors will reinforce this bias in favor of financial deregulation and financialization. Trump can immediately nominate two vacancies on the seven-member Board, and a third in April when David Tarullo retires. Trump can also nominate a new vice-chair for banking supervision (a post which is currently vacant). Further vacancies on the Board are likely to come open during the next two years, and the Chair, Janet Yellen, must be reappointed or replaced after February, 2018. During the campaign Trump railed regularly against Yellen and the Fed for keeping interest rates "artificially low", supposedly to enhance the Democrats' election prospects. This implies that Trump will nominate new Governors with a more hawkish orientation – although his priorities may change as his own economic and fiscal plan rolls out. There is no doubt, however, that Trump's Fed appointments will be supportive of his general emphasis on reinforcing the power and privilege of the financial industry; given the Fed's various responsibilities for banking supervision, this will be reflected in a lighter regulatory touch. Again, the reassertion of financialized logic as the dominant force in the U.S. economy is likely to undermine real investment and accumulation, not strengthen it.

In labor market policy Trump will also quickly confirm that he is no friend to the dislocated and alienated workers who supported him in key rustbelt states. He will certainly act to further undermine the bargaining power of workers with regulatory changes that suppress wages. Regarding the federal minimum wage, Trump espoused wildly contradictory positions during the election: ranging from increasing it, to freezing it, to abolishing it altogether (handing all authority to individual states to set legislative minimums). His initial nominee for Labor Secretary – fast food magnate Andrew Puzder – was energetically committed to weakening labor protections; this provided a good clue as to Trump's intentions, regardless of Puzder's eventual withdrawal from the nomination. The labor relations community widely expects Trump to push, with support from the Republican Congress, for nation-wide "right-to-work" provisions that would prohibit union security clauses (like dues check-off procedures), thus universalizing the bars to union organizing that already prevail in half the states (Meyerson, 2016). All of this will undermine general wage pressures, labor incomes, and consumer spending. Business will celebrate increased workplace power and profit margins. Again, it is doubtful this will translate into increased investment effort. To the contrary, there is growing macroeconomic evidence that the U.S. economy is wage-led, especially in light of the longer-run stagnation that has characterized aggregate demand conditions since the 2008 crisis (Lavoie and Stockhammer, 2014; Blecker, 2016). This suggests that Trump's wage-suppressing policies will do more harm than good to overall growth and employment; the resulting weakness in domestic demand will probably overwhelm fatter profits in influencing future investment.

Another labor-related policy likely to backfire on investment is the Trump administration's aggressive efforts to curtail immigration. Dynamic clusters of technology-intensive firms in key innovation centers have been a rare bright light in the lackluster performance of U.S. investment and business development in recent years. Trump's initial ham-fisted restrictions on immigration, catering to the populist sentiments that helped him win the election, will shock the business models of those industries. Their capacity to attract leading global scientific and innovation talent to the U.S. will be constrained, and the willingness of international experts to come will be significantly damaged by both the new rules themselves, and the climate of division and scapegoating which they cater to. Public research and innovation activity (including at universities and elsewhere) will also be damaged.

Trump's bellicose approach to world affairs will also be reflected in his defense spending policies. He has committed to a substantial increase in defense spending, and this will support sales, profits, and future investments for defense contractors. As with his expansive plans for infrastructure investments, the defense spending increases are meant to be "revenue neutral": Trump promises to offset them with equivalent cutbacks in other public programs and spending. In this regard, the net effect of bigger defense budgets on overall demand conditions will likely be negative – since capital-intensive defense programs will provide a smaller boost to total employment and incomes than the same amount of spending being cut from more labor-intensive public programs. Nevertheless, within the defense industry the Trump program will motivate new investment and research. If Trump's aggressive approach to international affairs culminates in actual war, then of course future defense budgets will swell even further. But U.S. spending on other military misadventures in the recent past (such as the long Iraq campaign) was also enormous – and while certain sections of business profited mightily, this did not translate into all-round economic dynamism.

The biggest impact of Trump's policies on business investment may not come from any of the specific policy measures catalogued above. Instead, the most important impacts may be felt indirectly through the effect of Trump's program on the overall vitality of aggregate demand in the U.S. economy, and on the general confidence of the business leaders who must ultimately commit funds to real investment projects. On these counts, the likely impact of Trump's program is contradictory and uncertain. Financial markets had originally interpreted Trump's victory as a sign of an impending boost to demand conditions and inflation. This view was behind the initial post-Trump spurt in U.S. stock market indices, and the corresponding pullback in bond markets (fretting over future inflation and higher interest rates). The common view was that Trump's expansion of infrastructure and defense spending, combined with tax cuts for business and high-income households, would create a larger deficit, faster growth, and higher inflation. It is a painful irony, of course, that a Republican Congress could ratify larger deficits under Trump than those they blocked under the preceding Democratic administration. But a more careful review of Trump's specific proposals suggests that the net impact on final demand of his fiscal plan will be more modest. Both the infrastructure and defense measures are meant to be revenue-neutral – offset by user fees in the former case, and offsetting civilian program cuts in the latter. The demand stimulus arising from corporate and high-income tax cuts is muted by the hoarding of both businesses and wealthy households. And the whole expansion could be thrown into neutral or even reverse by a Federal Reserve Board that is likely to be more hawkish after Trump's appointments. In sum, it seems unlikely that Trump's program will initiate a sustained macroeconomic recovery.

The same mixed judgment is true of his impact on business confidence. True, business elites have celebrated Trump's unapologetic willingness to cut business taxes, dismantle regulations, and suppress wages. Those are core priorities for corporations and the mostly wealthy people who own them. On the other hand, Trump's erratic and contradictory behavior, and the deeper political and legal uncertainty which his tenure could bring (internationally as well as within the U.S.), will spark caution on the part of businesses. If the long upswing in business profits that accompanied the consolidation of neoliberal policy in the U.S. has not elicited a more vibrant investment effort on the part of business, it is not likely that a little icing on the cake delivered by an erratic, authoritarian, and potentially destabilizing leader will somehow open the vaults and get all that capital flowing.

Conclusion: the indolence of late capitalism

The weakness of private business investment in most developed countries through the neoliberal era is difficult to explain on the basis of a standard regression equation. Most of the usual determinants of investment – including profitability, interest rates, and tax and regulatory policies – were aligned in a direction that should have elicited more private investment effort. But the neoliberal recipe delivered less investment, not more. And the failure of accumulated wealth to trickle down creates major economic and political problems for the system and its elites.

For all of Donald Trump's claims of being an "outsider", changing the traditional rules of politics and policy, his economic program is absolutely consistent with the general direction of the trickle-down, neoliberal policies that have already governed the U.S. for almost four decades. Trump will further shift the distribution of income upward to corporations and those who own them. His policies will suppress the incomes and the consumption of workers – including cutting their public services. His regulatory and fiscal priorities will favour investment in expensive, capital-intensive sectors (like energy and defense) that support relatively few jobs, while imposing enormous costs on broader society and the planet. His financial and monetary policies will continue to privilege financial wealth and speculation over real investment and production, undoing even the baby steps taken to rein in finance after the conflagration of 2008. The core logic of his approach is transparent: enhance the wealth and power of business and the wealthy, and they will invest more in America, and everyone will prosper. There is very little novel content in Trump's incarnation of trickle-down policy, and very little reason to believe that it will succeed in revitalizing business investment activity that has chronically disappointed. Outside of bursts of new activity in a couple of targeted sectors (like energy and military industries), there is no reason to expect that the trajectory of U.S. business investment will improve in any sustained fashion under Trump's guidance. Certainly his program cannot recreate the virtuous combination of driving factors that powered the long postwar boom in U.S. capital accumulation: near-full employment, a growing public sector, and strong productivity growth, all of which (for a while) reinforced the vitality of private investment.

Even if the Trump program did succeed in motivating a generalized resurgence in U.S. private business investment, of course, Americans (and others around the world) would have to ask themselves, "At what cost?" A temporary burst in investment in fossil fuel extraction and consumption, achieved by abandoning environmental regulations that were already too weak, is of dubious value when the costs of fossil fuel use are becoming intolerable. Similar questions could be asked about the general strategy of reinforcing profit margins through the suppression of wages and other socially destructive levers, in a country which already experiences more poverty and inequality than any other industrial nation. Business investment is never an end in its own right; it is socially beneficial only to the extent that it underpins job creation, incomes, productivity, and ultimate improvements in living standards. Trying to elicit a bit more investment effort by suppressing living standards a little further, is self-defeating to the ultimate purpose of economic development.

Investment in the U.S., and other advanced industrial countries, is held back by more fundamental problems than corporate tax design or environmental regulations. The fundamental vitality of the profit motive in eliciting accumulation, so celebrated in the early chapters of capitalist history, seems to have dissipated. The owners of businesses are content to consume their wealth, or hoard it, or speculate with it, instead of recycling it via new investments. Ever-more desperate attempts to elicit a bit more investment effort never seem to alter this stagnationist trajectory – with the incredible result today that overall production is actually becoming less capital-intensive, despite "miraculous" technological innovations. Trump is giving the trickle-down theory one more kick at the can, having successfully capitalized on popular discontent with the failures of previous attempts. Progressives must work harder to illuminate the failure of this business-led economic logic, and come up with other visions for financing capital investment, innovation, and job-creation that do not depend on fruitlessly bribing the investing class to actually do the job it is supposed to.

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SUGGESTED CITATION:
Jim Stanford, "U.S. private capital accumulation and Trump's economic program", *real-world economics review*, issue no. 79, 30 March 2017, pp. 74-90, http://www.paecon.net/PAEReview/issue79/Stanford79.pdf

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