



Is 'Trumponomics' Starting to Unravel?



Donald J. Trump became the improbable President of the United States on the back of some very aggressive promises to the American people. These promises were primarily of American economic resurgence, coupled with an abundance of jobs, enhanced security through severely restricted travel to the U.S. from certain Muslim countries, and the blocking of illegal immigration, particularly from Mexico through the building of 'the great big beautiful wall'. These primary promises were going to be fulfilled by dealing harshly with other countries, as under Trump's assessment America had been too soft in the past, and had therefore been taken advantage of by others. We doubt the countries that have felt America's hard power both in active military invasions and/or interventions (*ongoing currently, and in the past decades*), and in globe dominating businesses from branding, manufacturing, banking to technologies, would much agree with Trump, but then he isn't much for worrying about realities, he prefers to create his own.

Additionally, in his bid to 'Make America Great Again', Trump promised to 'Repeal and Replace Obama Care' immediately ("*On Day One!*"), with a far superior HealthCare Plan that covered everybody at far lower cost; a \$1.0 Trillion infrastructure rebuilding spend; a massive boost in defense, upgrading and military spending; aggressively re-negotiated 'fairer Trade Deals for America'; much more robust 4% - 5% (*later toned down by his incoming Administration to 3%-4%*) GDP growth rates rather than the anemic 1.2% Obama led growth rate; significant Tax-Reform resulting in reduction in overall taxes (*especially corporate*); and extensively rolled-back, cumbersome, jobs killing regulations. There were also incidental side plans to reduce traditional levels of monetary support for defense in NATO, and of other allies like Japan and South Korea, and of multilateral institutions like the United Nations.

All together, to hawkish supporters of Trump and to most Republican lawmakers, it was the proverbial 'died and gone to Conservative heaven - Trumponomics' that along with the Federal Reserve's ongoing supportive stance, sparked a stock market rally that set all time record highs. An economic Messiah had come into Washington and taken charge.

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To the skeptical, Trump's many and wide ranging promises to the American people seemed just plain political and improbable, due to the simple financial arithmetic involved, and the politics of getting consensus for such an ambitious and expensive Trump-list.

On some issues like the 'Repeal and Replace ObamaCare', and the proposed Tax Reform, Trump had the whole hearted support of the Republican lawmakers, but on more restrictive trade policies, and the building of the 'Wall', and on spending vast amounts of borrowed money on upping the already bloated Defense Budget, and the ambitious Infrastructure Rebuild, a lot of Republicans were decidedly against such adventurism.

Almost six months into the Trump Presidency, the results seem to bear out those that were skeptical of his ability to bring his agenda to fruition. The 'Trump Agenda' is woefully bogged down, and every passing month it has become apparent that neither Trump nor the Republican Party was ready to govern when they improbably gained total power in the last election. They didn't expect it, and were just not prepared for it. For example:

Trump's on-going efforts to repeal and replace ObamaCare 'On Day One!' have been a total disaster up till now. This repeated failure has not only cast doubt on the competence and effectiveness of the President, but on the entire Republican leadership which had lived daily, for 8 years, to try and accomplish this one key goal. When the time and opportunity arrived, it became shockingly apparent to the American people and the World, that neither the President nor the entire Republican leadership had any remotely workable replacement health care plan in mind, let alone on paper, ready to be implemented. Such sheer collective carelessness and incompetence became the first major warning sign that key promises made on the campaign trail had no real thought or work behind them, except as to their opposition to the Democratic Obama Administration, and general right-of-centre voter appeal. As to the other proposed policies, most didn't fare much better.

The Muslim travel ban had a series of legal setbacks, and even now is only partially approved, temporarily.

The great Tax Reform is far from ready to be tabled, let alone debated and approved.

The great Wall is having trouble getting any meaningful funding and is far from being started. Last mentioned in his speech at a recent rally, Trump was getting a bit imaginative, talking about making it 'a solar wall' so that the revenue from the sale of energy would help pay for it (*Trump's ability to say that straight-faced at a rally is truly impressive*).

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Through Executive Orders, Trump has rolled back or eliminated, some regulations in the financial, environmental and coal sectors, but none of it will boost significant business activity sustainably, except reflect fleeting optimism on the stock markets.

And while Trump has pulled out of the 'Paris Climate Change Accord' and 'Trans Pacific Partnership', both those actions are more likely to cost America global leadership, business and jobs, than bring any tangible benefits at this time. In fact, those two moves are probably the most shortsighted in this Administration's many shortsighted moves so far.

On the Trade front, no 'better' trade deals are being seriously negotiated yet, and while it is early, any re-negotiations with existing trading partners like Canada and Mexico, of existing deals like NAFTA, are probably going to bring mixed results at best.

China, one of Trump's favorite targets on the campaign trail, as a particularly harmful trade partner to the U.S., has so far been left relatively untouched. In fact, after talking and meeting with President Xi, rather than challenging him, Trump has dropped all accusations of currency manipulations and improper trade practices, and has been so enamored and impressed with the man that it's been embarrassing to watch. Additionally, China is now happily stepping into the global leadership role that America is vacating under Trump, in discussions and practice of 'free trade', and issues of climate change.

And while Trump berated the NATO partners for not carrying their share of the defense burden by spending more money as a percentage of their GDP, it is unlikely that he will get much movement there. The allies are basically holding their course, more or less, and learning to ignore the Trump's bark, now that they realize there is no serious damaging bite behind it.

The \$1.0 Trillion infrastructure fund barely got \$200 Billion in the latest budget, with little to no hope of it ever getting to \$1.0 Trillion, as there is no more money available, and the lawmakers are in no mood to rack up any significant debt beyond what's already there.

To keep him on the right side and to prevent him from doing them any damage, most of Corporate America indulged Trump with his 'keep jobs in America' exhortation for the early photo-ops. But now business reality is making the global American companies revert back to business fundamentals and they are shedding jobs in America as required, and shifting some operations offshore. Ford's decision to make small cars in China, and some major technology companies boosting operations in India for example. Within the United States, automation is gaining ground rapidly in manufacturing, and in spite of the Trump rhetoric Corporations are reverting back to business as usual, which means going global.

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Uncertainty and chaos are the words most often used to describe the Trump Presidency so far, and those are the two words that business and investment communities dislike the most.

All in all, so far it's been a cluster f..., to borrow the U.S. Armed forces favorite expression for multi-mission failure. Of course such collective failure of the Executive and Legislative governing bodies has economic consequences, and they are starting to show.

Recently the International Monetary Fund (*IMF*) downgraded the projected GDP growth rate of the U.S. to 2.1% from 2.3% this year, and 2.1% from 2.5% for next year, 2018, citing the Trump Administration's inability to effectively implement its policies. As the IMF is notoriously optimistic when projecting national or global growth rates, there is a distinct possibility the growth rates may be lower than anticipated now. That would mean the wildly exaggerated economic growth rates projected by wunderkind Trump and his economic team, of 3% to 5% are in the realm of pure fantasy; which is where, for the most part, Trump prefers to operate.