

Economic Commentary

December 31, 2016

TRUMPED

I must admit that right up until Election Night, I did not think Republican Party Presidential Nominee Donald J. Trump would succeed in becoming the 45th President of the United States. As the evening progressed, I noted that early returns followed the expected patterns of Red and Blue states, while the so-called “swing states” seemed to be extremely close. I went to bed hours before the major networks projected Donald Trump to be the winner. I was as surprised as were the pundits when I awoke the next morning.

Prior to the election I had invested a fair amount of time thinking about what kind of companies would prosper under the administration of the Democratic Party Nominee Hillary R. Clinton. I basically concluded that it would be the same companies that prospered during the administration of President Barack H. Obama. Given the election results, I had a lot of rethinking to do.

Since the election it seems that capital markets have responded predictably, anticipating regulatory changes under a Trump administration. The two best performing sectors since the election, are the banks and the telephone companies. There is an obvious expectation that regulations on these two industries will be modified and become less onerous. In addition, interest rates have risen with the expectation that pro-growth tax policies, a general regulatory rollback, and fiscal stimulus in the form of infrastructure spending, will all boost economic growth and the demand for funds.

The role of government agencies will probably diminish as the individuals nominated to lead them are drawn from the ranks of successful CEO's, to a much greater extent than any previous administration. Journalists referred to George W. Bush as the first MBA President because he graduated from Harvard Business School, but his cabinet picks came largely from his political associations as Governor of Texas. Donald Trump is a 1968 graduate of the Wharton School at the University of Pennsylvania, and after receiving his bachelor's degree he went straight to work in his family's real estate business. He appears to have succeeded through the economic ups and downs of the next 40 plus years by sheer hard work and good deal making.

The most impressive attribute that Trump brought to the presidential campaign was his seemingly boundless energy. He continued to keep up the pace with his post-election meetings at Trump Tower with potential cabinet picks and a host of other high profile personalities. He has signaled that he intends to keep up the tempo of meetings with advisors and politicians in order to promptly move toward fulfilling his campaign promises.

There are obvious risks to the Trump agenda. Possibly, the greatest one will be the intransigence of various regulatory agencies to implement the types of reforms necessary to allow economic growth to again reach 3-4% per year.

If senior civil service employees act to frustrate the Administration's plans to streamline Agency operations, then I believe we may again hear the familiar words from Mr. Trump, “You're fired!”

Raymond A. Beplat
President