The Political Economy of Trumpism

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The New School, Economics Dept., October 15th, 2019
PRELIMINARY

A Complex Phenomenon

- Economic, Political, Social and Cultural aspects cannot be disentangled
- Focusing here on understanding Political Economy in the sense of the currents under the waves, not the waves themselves

Thesis

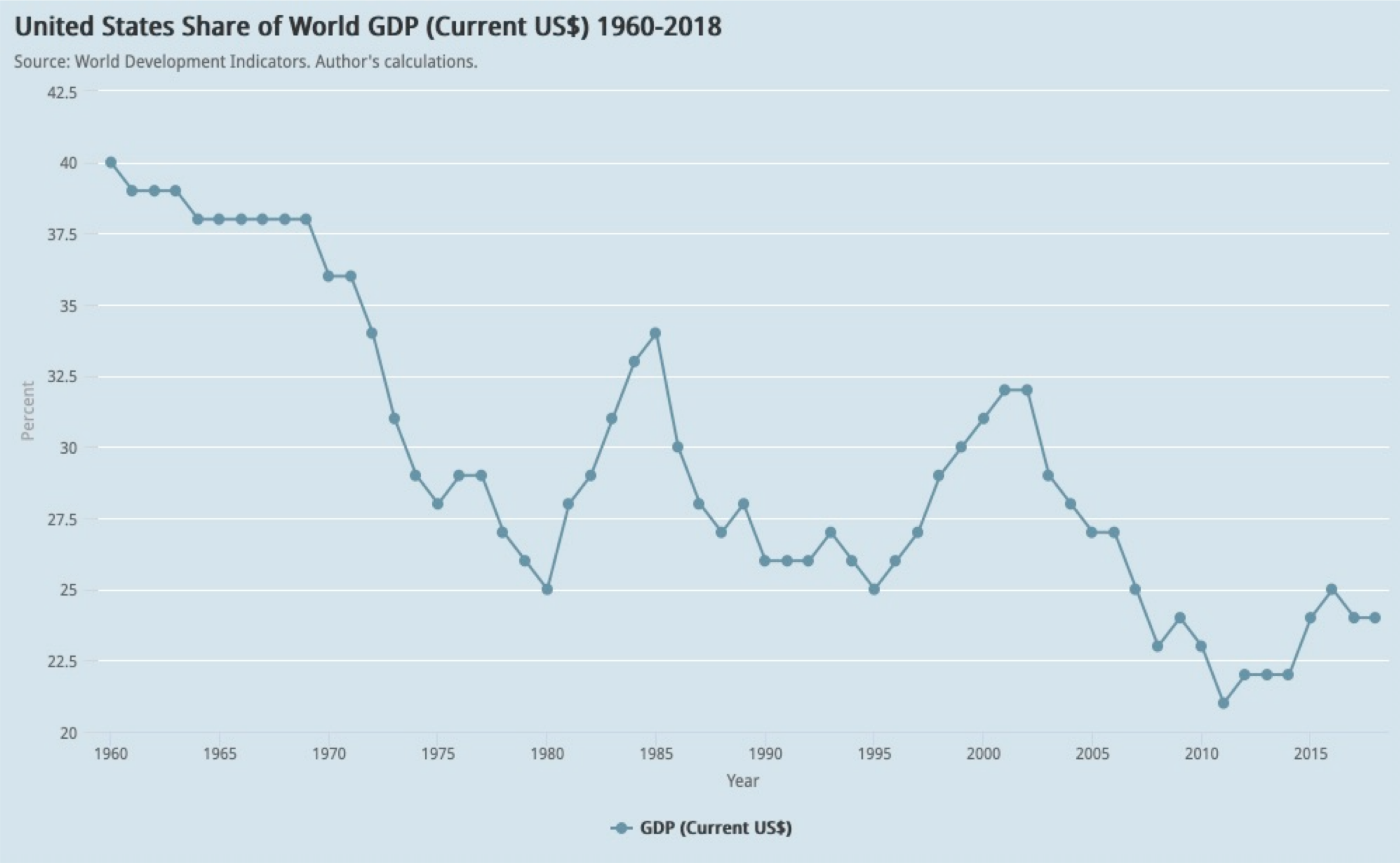
- Trumpism can be thought of as 'bastard neoliberalism' (pace Joan Robinson's bastard Keynesianism) - heresy but not apostasy - it presents a theater of a national project while seeking to safeguard the central - global and financial - interests of US capital.
- Embraces interests of capital (especially plutocratic) while pretending otherwise. Responds to deep seated, difficult to resolve challenges to US national economy. As such, Trumpism is not a phenomenon of ‘Trump’. Rather, if it did not exist it, it might have to be invented.

Deep background:

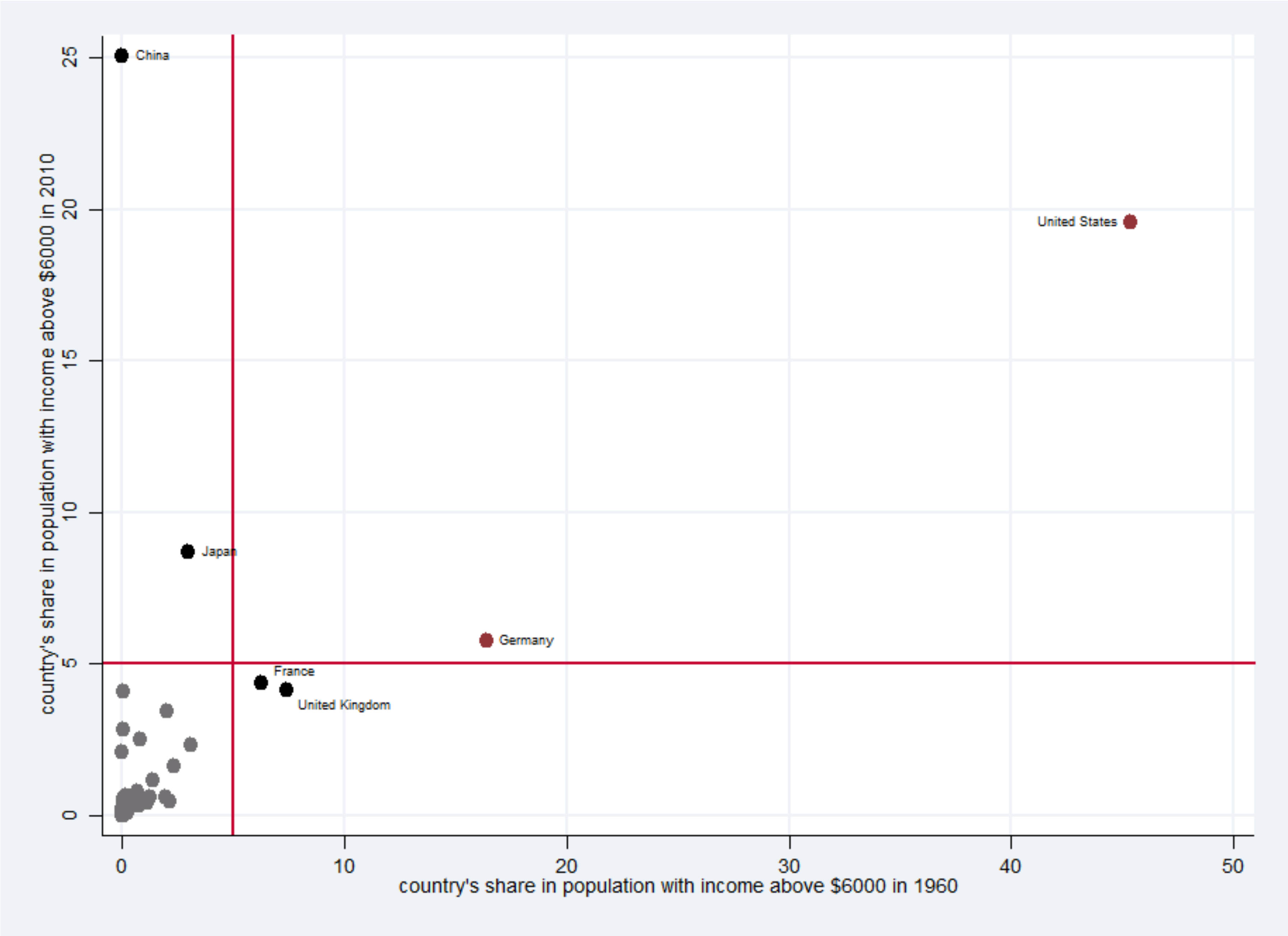
- US relative decline
- Globalization
- Financialization
- Threatened position as hegemon
- Divergence between interests of US capital and American people, creating new demands (can view in a Polanyian lens if wish). Conflict between demand for restoration of secure, stable and adequate living conditions and interests of capital. UK debate on divergence of interest between City and British industry an important historical counterpart.

US RELATIVE DECLINE:

US RELATIVE DECLINE: US SHARE OF WORLD GDP



US RELATIVE DECLINE: SHARE OF CONSUMER PURCHASING POWER



GLOBALIZATION:

Exhibit 1: Foreign Sales as a Percentage of Total Sales

2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
42.90%	43.62%	43.16%	44.35%	47.82%	46.29%	46.59%	46.14%	46.29%	46.57%	47.94%

Source: S&P Dow Jones Indices LLC from data provided by S&P Global Market Intelligence. Data as of July 2019. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 2: Foreign Sales by Region

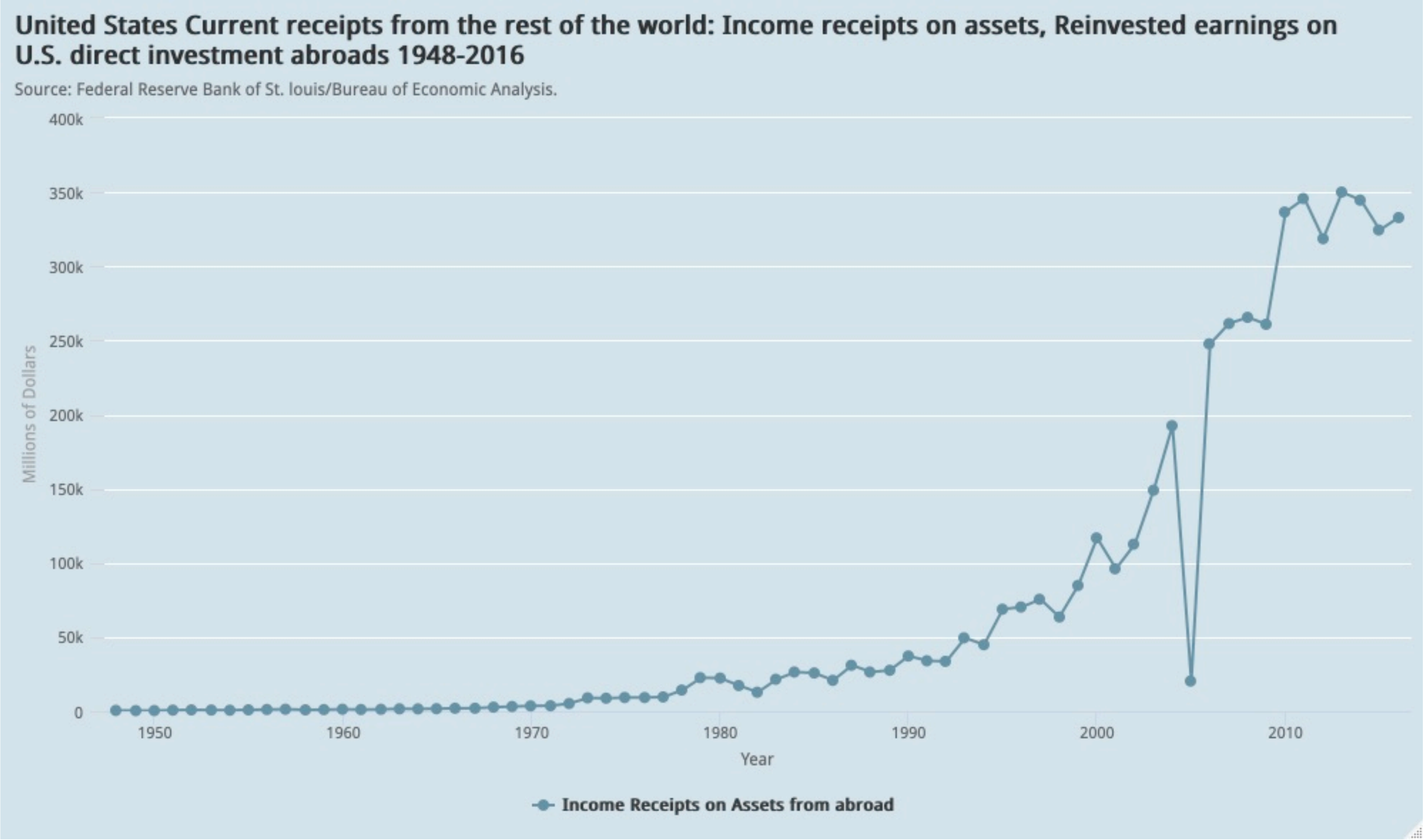
REGION	2018 FOREIGN SALES (%)	2017 FOREIGN SALES (%)	2016 FOREIGN SALES (%)	2015 FOREIGN SALES (%)	2014 FOREIGN SALES (%)
Africa	3.82	3.90	3.97	3.16	4.09
Asia	8.24	8.26	8.46	6.77	7.80
Australia	0.02	0.07	0.07	0.08	0.09
Europe	8.24	8.14	8.13	7.79	7.46
North America (Ex-U.S.)	2.55	2.79	3.34	1.82	3.94
South America	1.59	1.54	1.68	2.91	2.23
Foreign Countries	18.43	18.93	17.51	21.82	22.20
Total	42.90	43.62	43.16	44.35	47.82

Source: S&P Dow Jones Indices LLC from data provided by S&P Global Market Intelligence. Data as of July 2019. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 5: Foreign Sales as a Percentage of Total Sector Sales

SECTOR	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)
Consumer Discretionary	34.00	34.07	35.05	37.43	41.36	40.96
Consumer Staples	32.65	32.53	33.67	34.95	39.14	39.79
Energy	51.28	54.06	58.88	57.88	56.23	54.64
Financials	30.08	31.20	30.81	31.13	31.21	32.31
Health Care	38.52	38.16	37.41	37.42	50.25	51.28
Industrials	43.75	44.57	44.89	44.86	46.17	45.91
Information Technology	58.19	56.85	57.15	57.78	59.39	56.60
Materials	56.82	52.71	53.03	53.47	54.54	54.45
Real Estate	-	-	-	-	-	-
Communication Services	44.74	-	-	-	-	-
Utilities	-	-	-	-	-	-
Total Non-U.S. (15%-85%)	42.90	42.65	43.16	44.35	47.82	46.29

Source: S&P Dow Jones Indices LLC from data provided by S&P Global Market Intelligence. Data as of July 2019. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

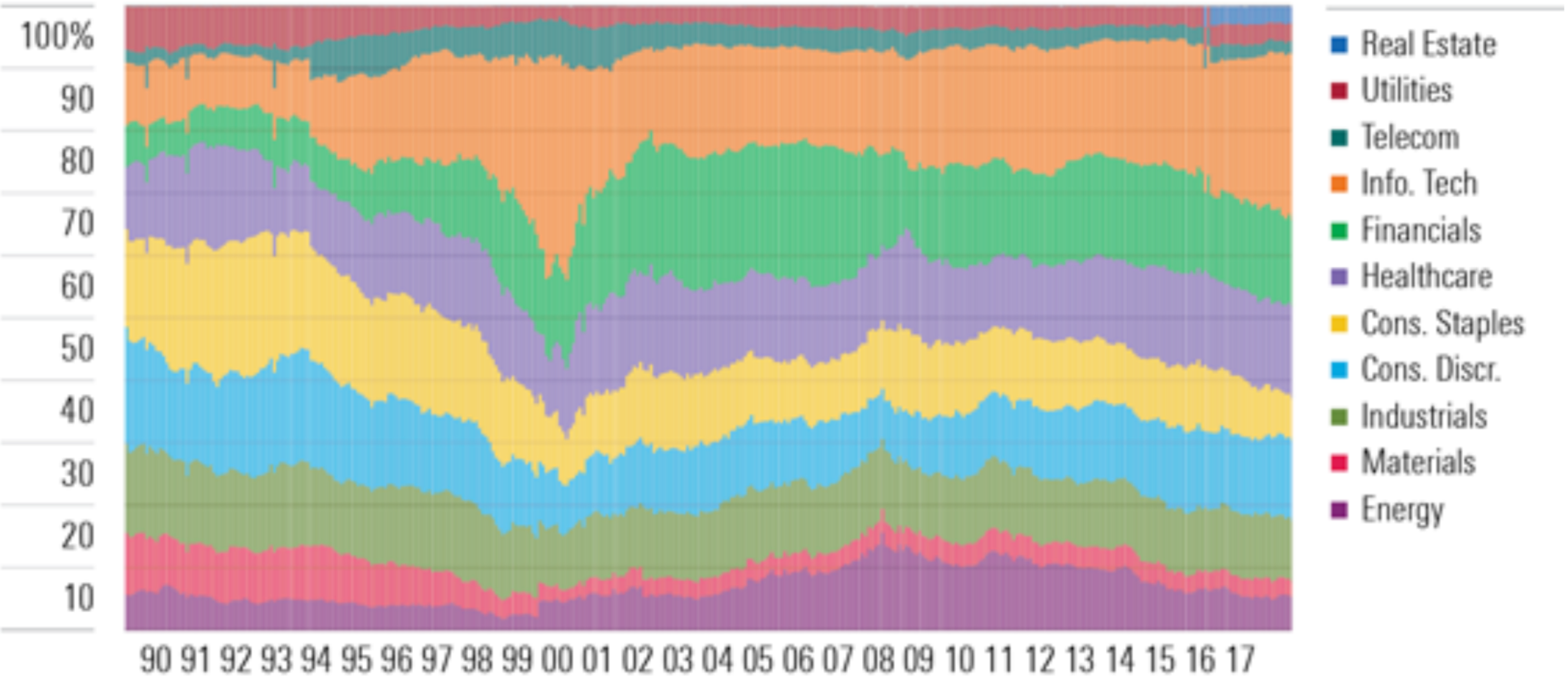

United States Current receipts from the rest of the world: Income receipts on assets, Reinvested earnings on U.S. direct investment abroads 1948-2016
Source: Federal Reserve Bank of St. louis/Bureau of Economic Analysis.
400k
350k
300k
250k
200k
150k
100k
50k
0
Millions of Dollars
1950
1960
1970
1980
1990
2000
2010
Year
Income Receipts on Assets from abroad


United States International Investment: U.S Assets, 1976-2018
Source: Bureau of Economic Analysis.
30M
25M
20M
15M
10M
5M
0
Millions of Dollars
1980
1985
1990
1995
2000
2005
2010
2015
Year
U.S. Assets,

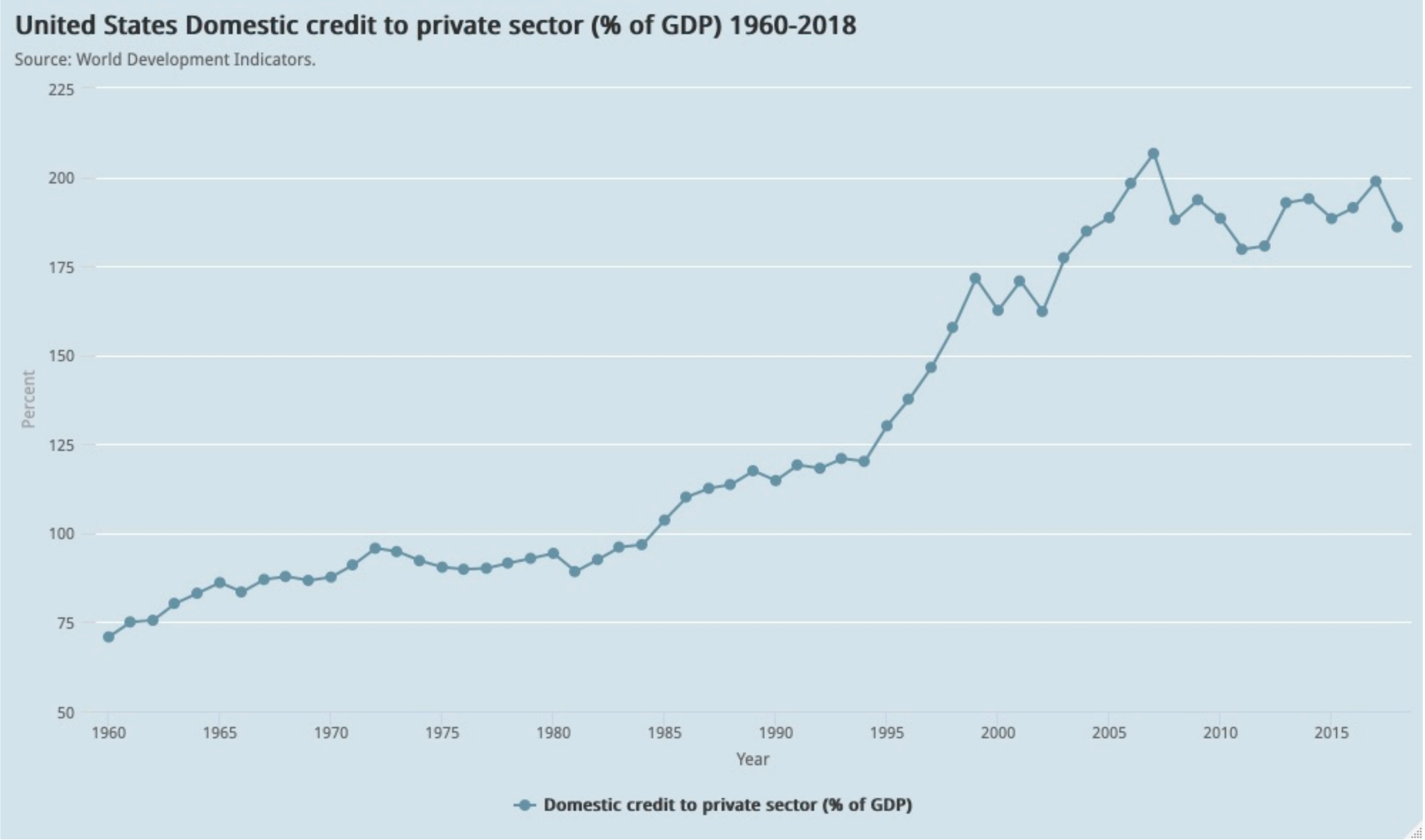
FINANCIALIZATION

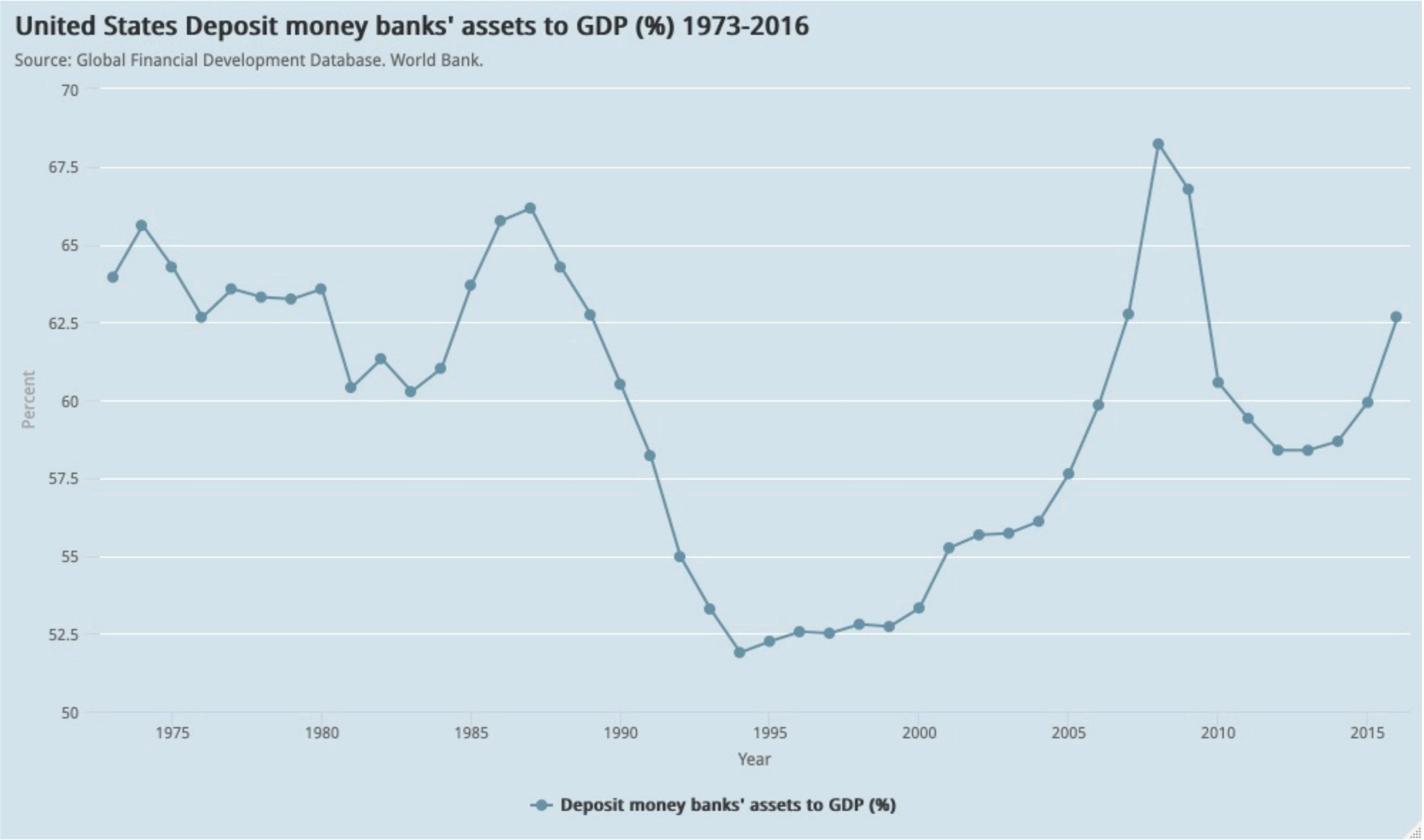
Stock market capitalization by sector

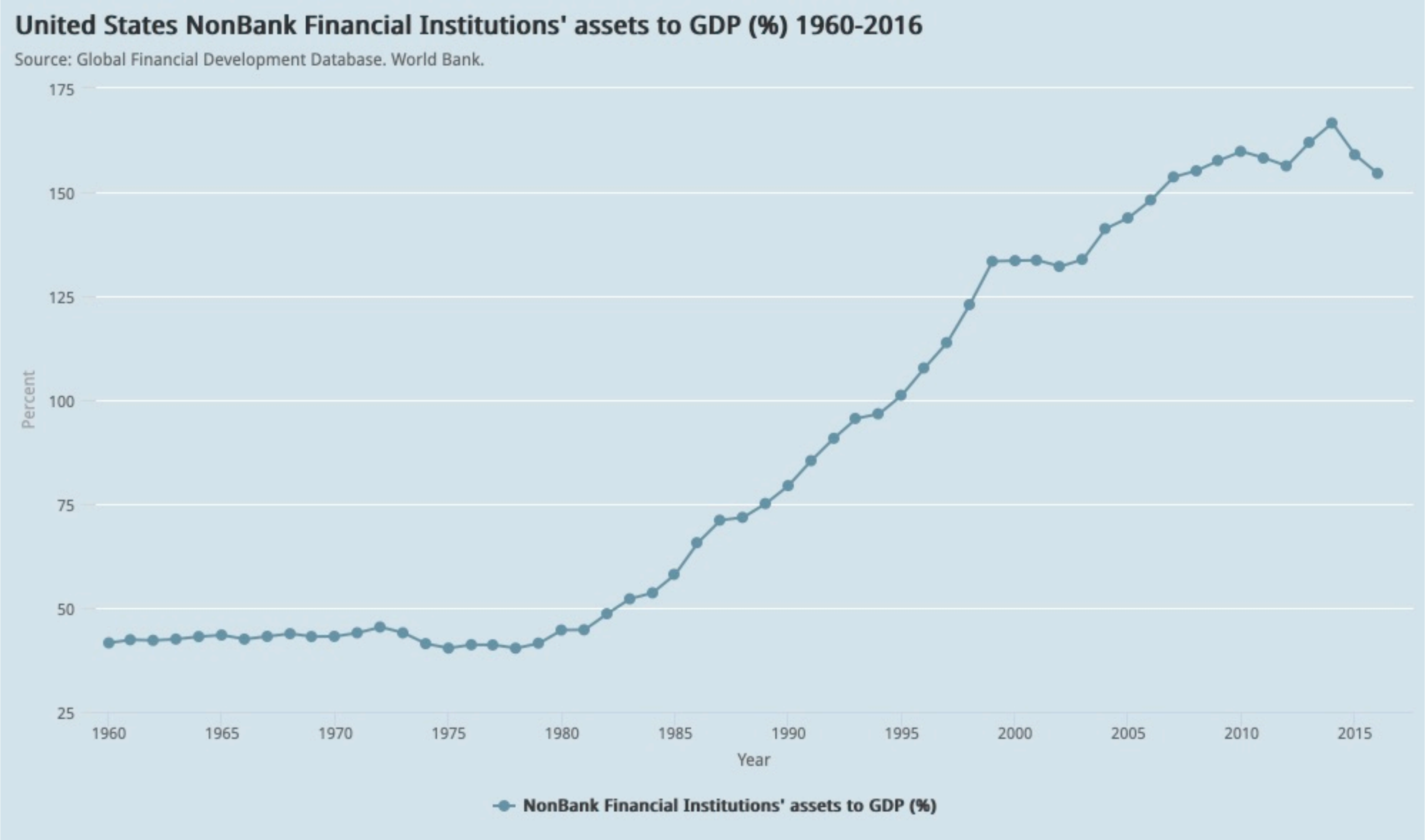
Exhibit 1 GICS Sector Composition of the S&P 500

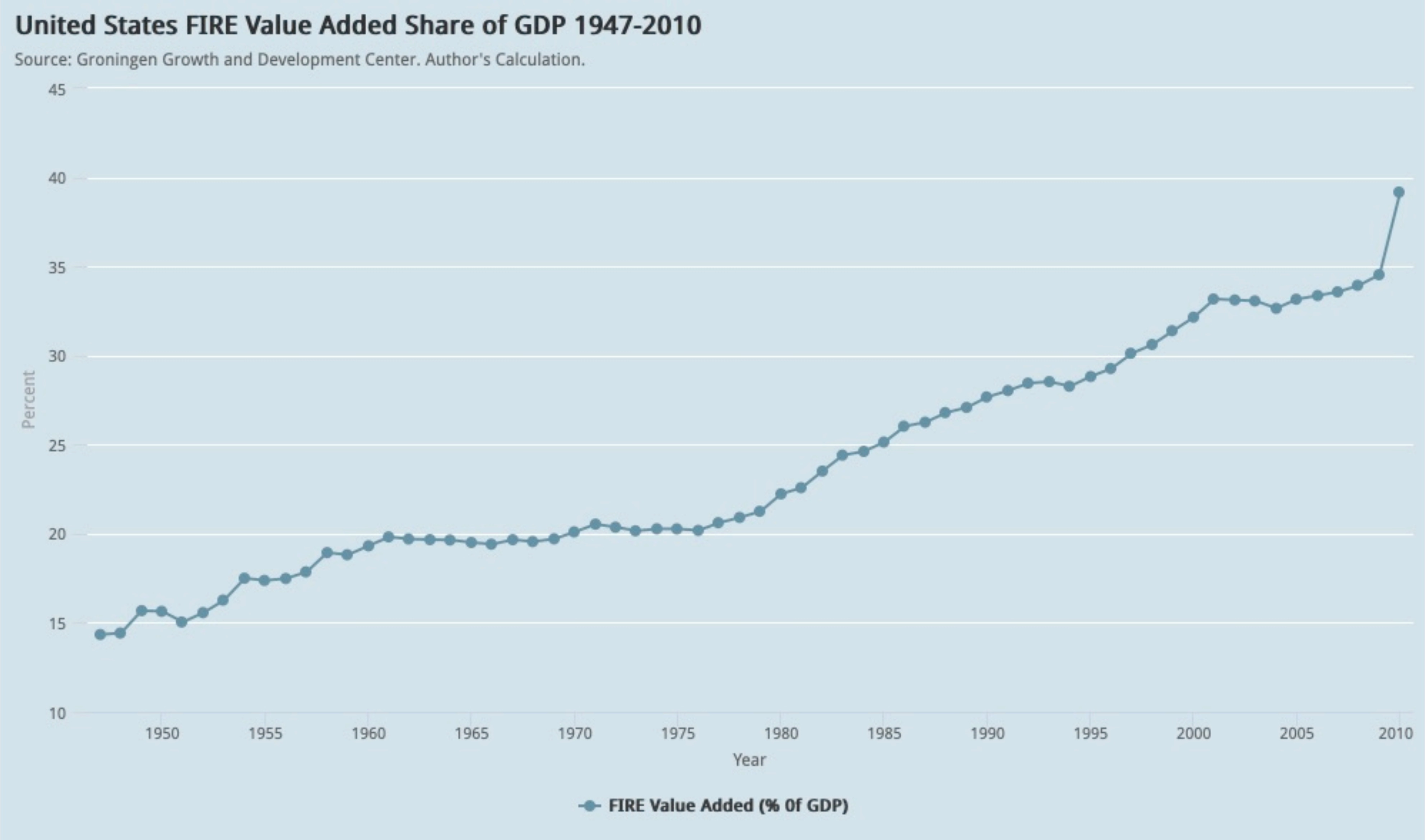


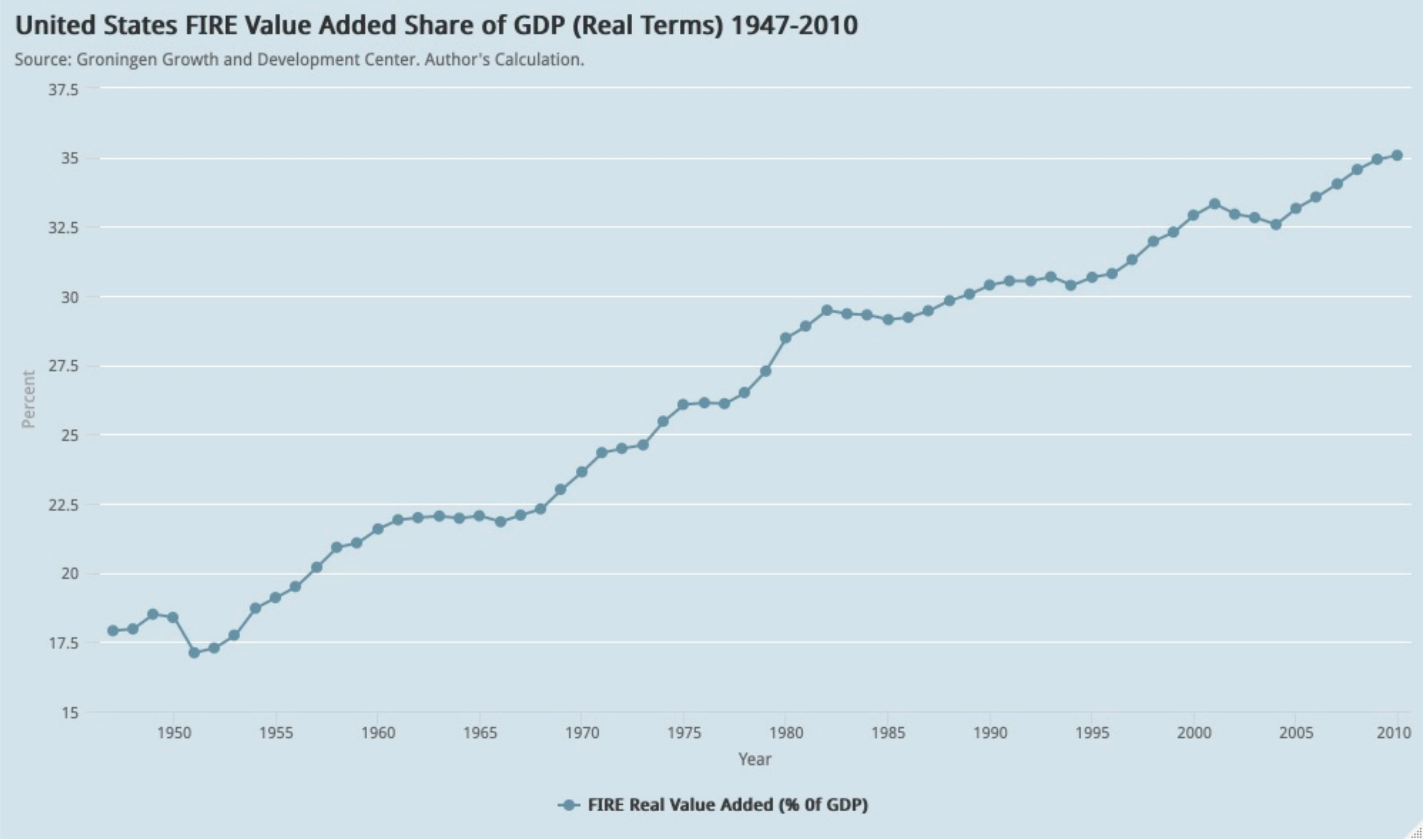
Source: Morningstar Direct.

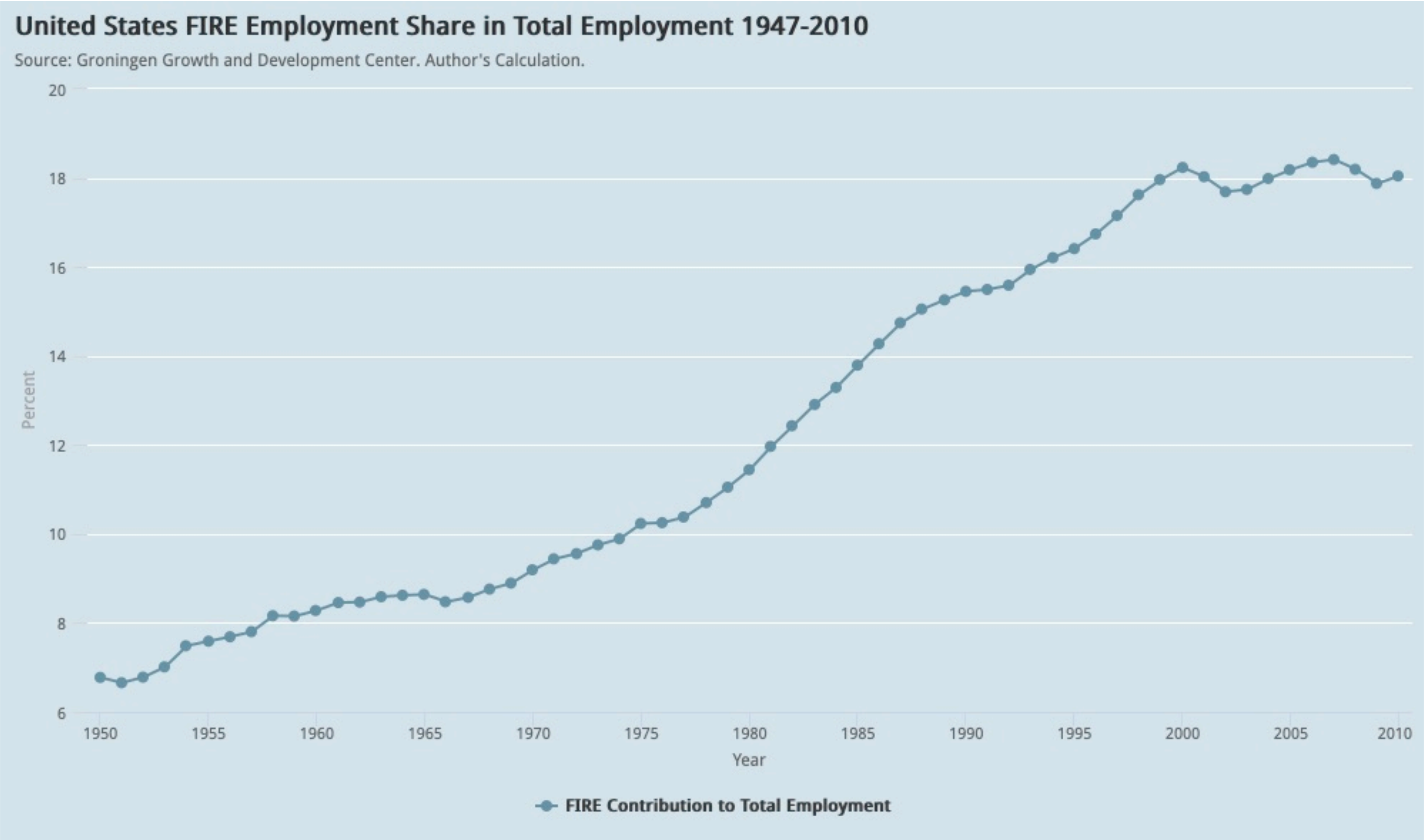

United States Domestic credit to private sector (% of GDP) 1960-2018
Source: World Development Indicators.
225
200
175
150
125
100
75
50
Percent
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
Year
Domestic credit to private sector (% of GDP)


United States Deposit money banks' assets to GDP (%) 1973-2016
Source: Global Financial Development Database. World Bank.
70
67.5
65
62.5
60
57.5
55
52.5
50
Percent
1975
1980
1985
1990
1995
2000
2005
2010
2015
Year
Deposit money banks' assets to GDP (%)


United States NonBank Financial Institutions' assets to GDP (%) 1960-2016
Source: Global Financial Development Database. World Bank.
175
150
125
100
75
50
25
Percent
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
Year
NonBank Financial Institutions' assets to GDP (%)

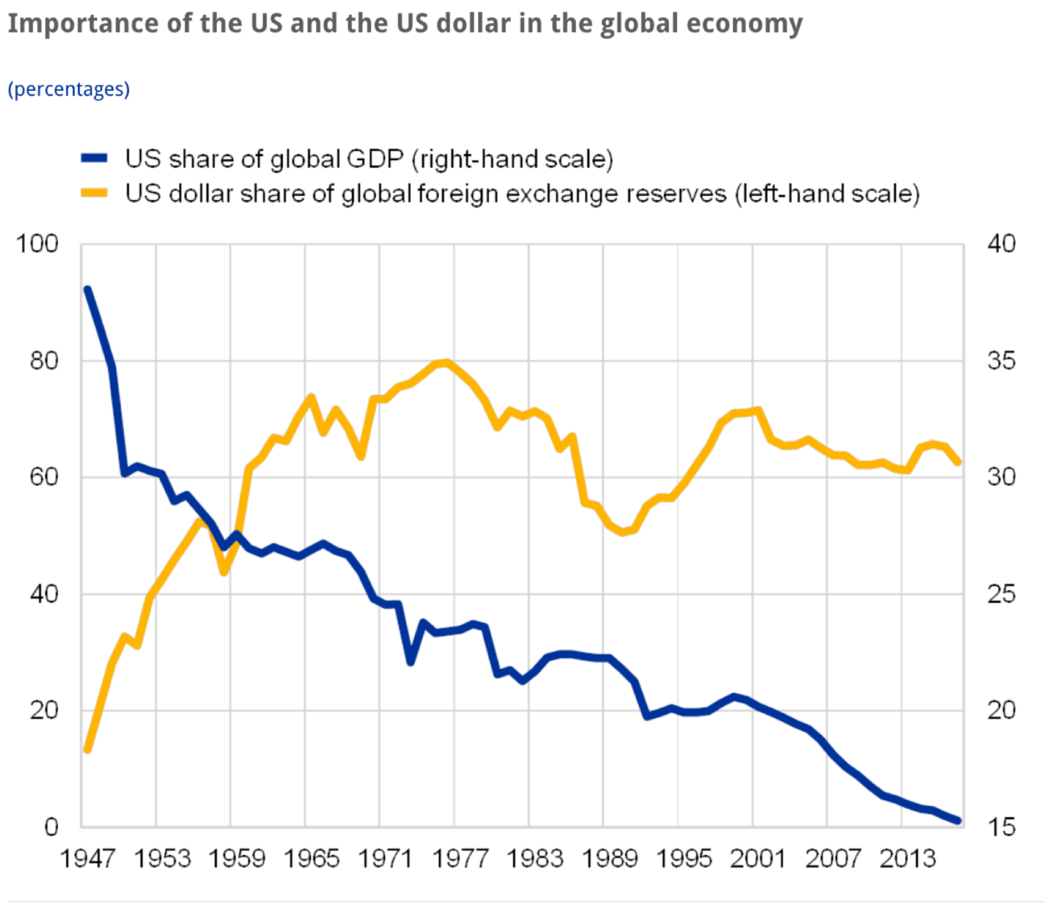

United States FIRE Value Added Share of GDP 1947-2010
Source: Groningen Growth and Development Center. Author's Calculation.
45
40
35
30
25
20
15
10
Percent
1950
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
Year
FIRE Value Added (% Of GDP)

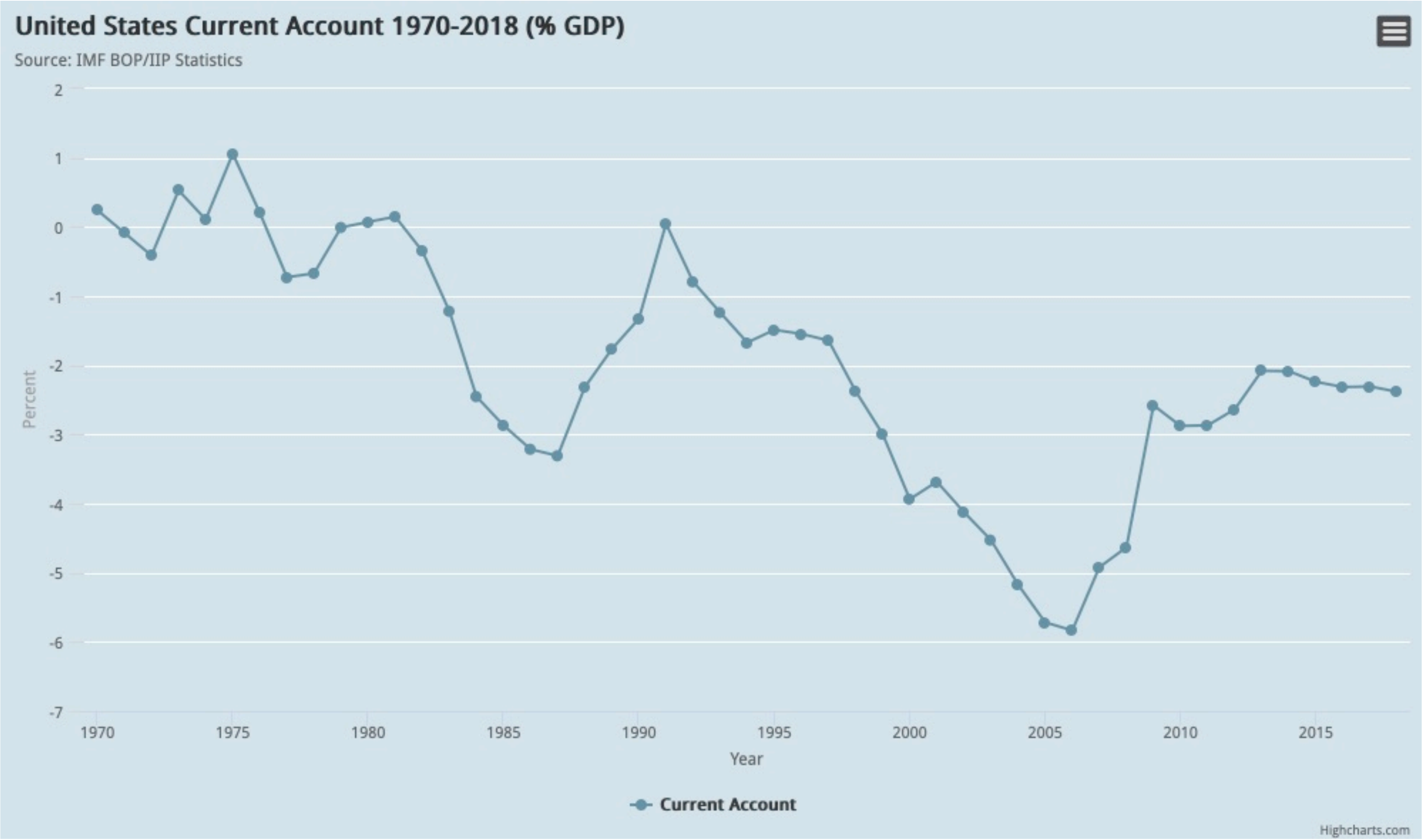

United States FIRE Value Added Share of GDP (Real Terms) 1947-2010
Source: Groningen Growth and Development Center. Author's Calculation.
37.5
35
32.5
30
27.5
25
22.5
20
17.5
15
Percent
1950
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
Year
FIRE Real Value Added (% Of GDP)


United States FIRE Employment Share in Total Employment 1947-2010
Source: Groningen Growth and Development Center. Author's Calculation.
20
18
16
14
12
10
8
6
Percent
1950
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
Year
FIRE Contribution to Total Employment

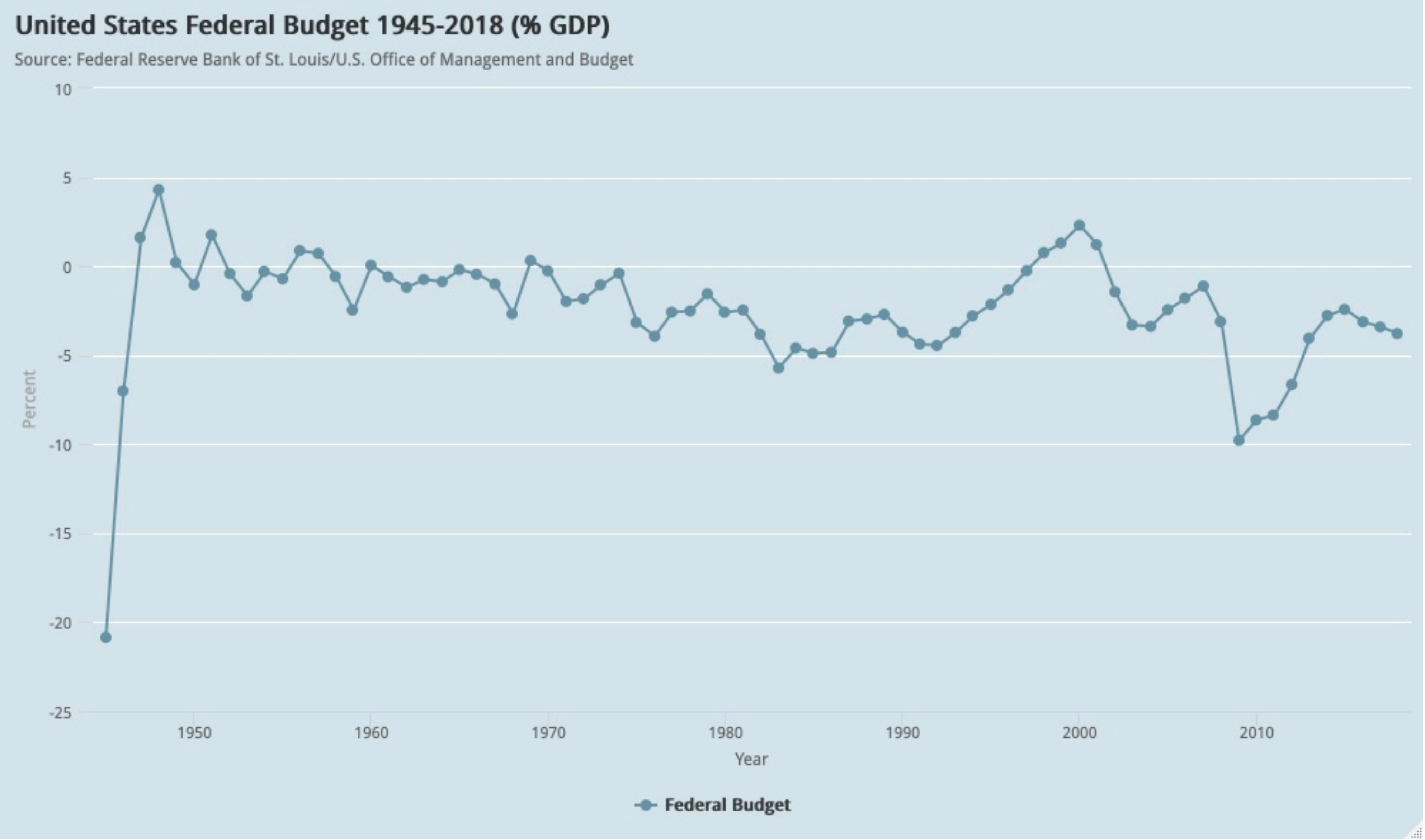
Threatened Position as Hegemon

New Triffin Dilemma?

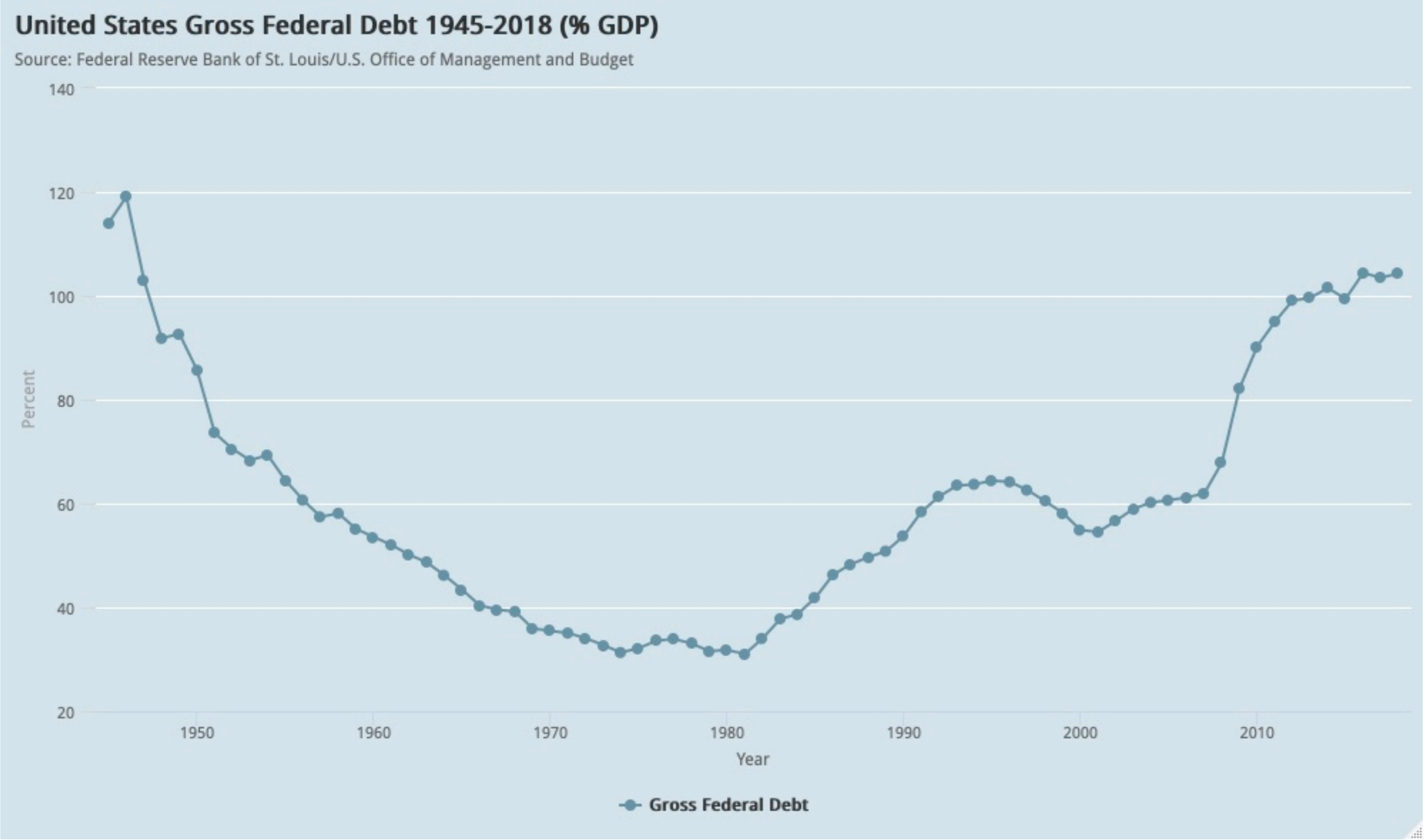




United States Current Account 1970-2018 (% GDP)
Source: IMF BOP/IIP Statistics
2
1
0
-1
-2
-3
-4
-5
-6
-7
Percent
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
Year
Current Account
Highcharts.com



United States Federal Budget 1945-2018 (% GDP)
Source: Federal Reserve Bank of St. Louis/U.S. Office of Management and Budget
10
5
0
-5
-10
-15
-20
-25
Percent
1950
1960
1970
1980
1990
2000
2010
Year
Federal Budget


United States Gross Federal Debt 1945-2018 (% GDP)
Source: Federal Reserve Bank of St. Louis/U.S. Office of Management and Budget
140
120
100
80
60
40
20
Percent
1950
1960
1970
1980
1990
2000
2010
Year
Gross Federal Debt

Trumpism

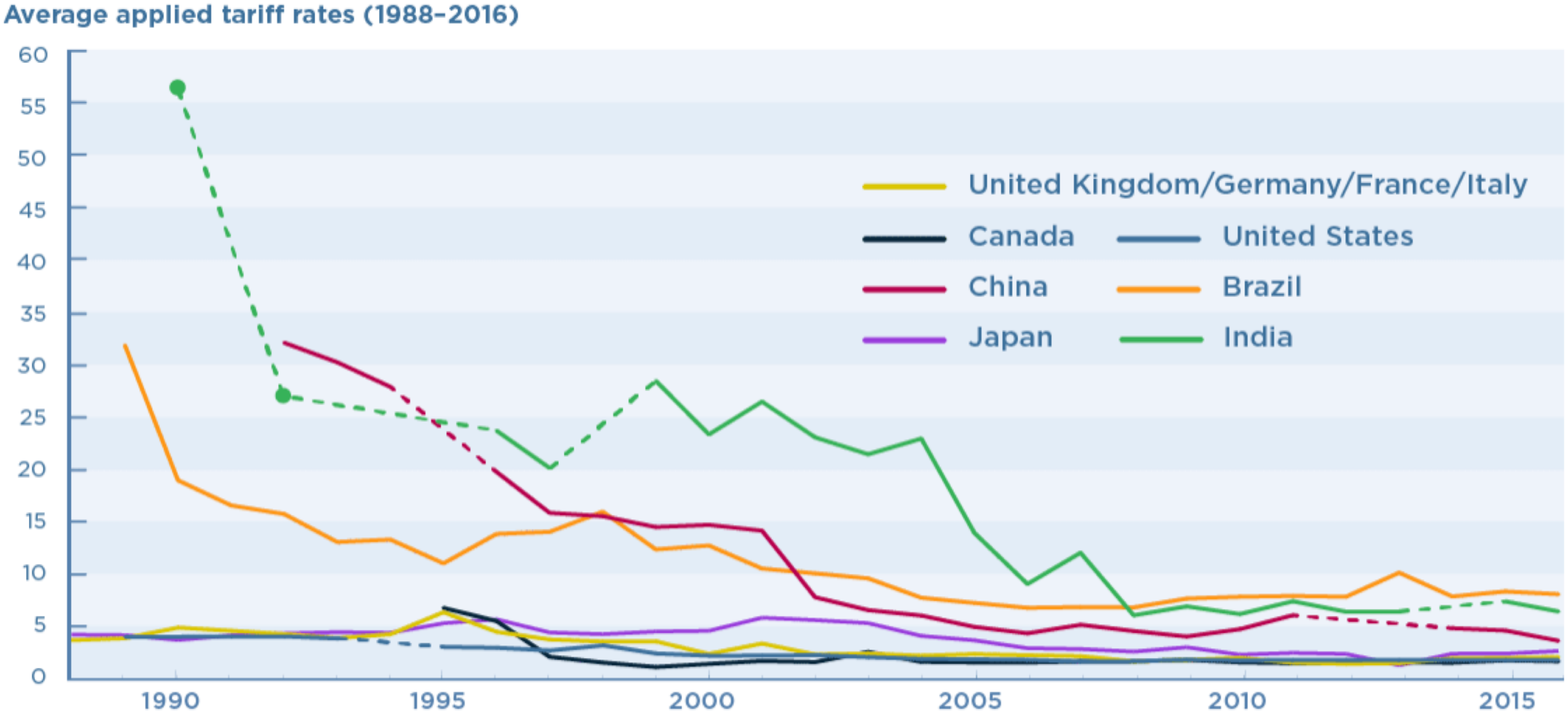
- Trumpism seeks to secure primary interests of US capital while creating a ‘theater of a national project’ which deflects attention from central conflicts.
- These primary interests include low taxation, a low ’social wage’, strong protections for US property nationally and globally, a prolonged privileged role for the US dollar
- ‘Bastard neoliberalism’ dispenses with US role as champion of a ‘principled’ order in order to safeguard US capitalists’ current primary interests from domestic political challenges (e.g. financial globalization given greater priority than rules-based world trade)
- De-institutionalization globally: undermining rules-based order to gain tactical advantage, by employing superior power in specific domains (e.g. military)
- De-institutionalization domestically: undermining rules-based order to gain tactical advantage, by employing superior power in specific domains (e.g. money power, crowd fervor, geographical distribution of electoral support) seeks to establish new rules that undermine rules themselves: e.g. doctrine of wide and unchallengable presidential power)

Theater of a National Project

No there there

- Tariffs to bring back manufacturing employment? The horse has bolted the barn (supply chains reconfigured, cost differentials too high, potential role of of tariffs too small)
- Build the wall? Impact on labor market outcomes (as opposed to feel good or feel bad factor) likely to be small, perhaps counterproductive
- Infrastructure spending? None to be seen
- Measures to enhance quality of the labor force? Nope.
- Conscious projects to enhance industrial, sector or regional competences? Forget it.

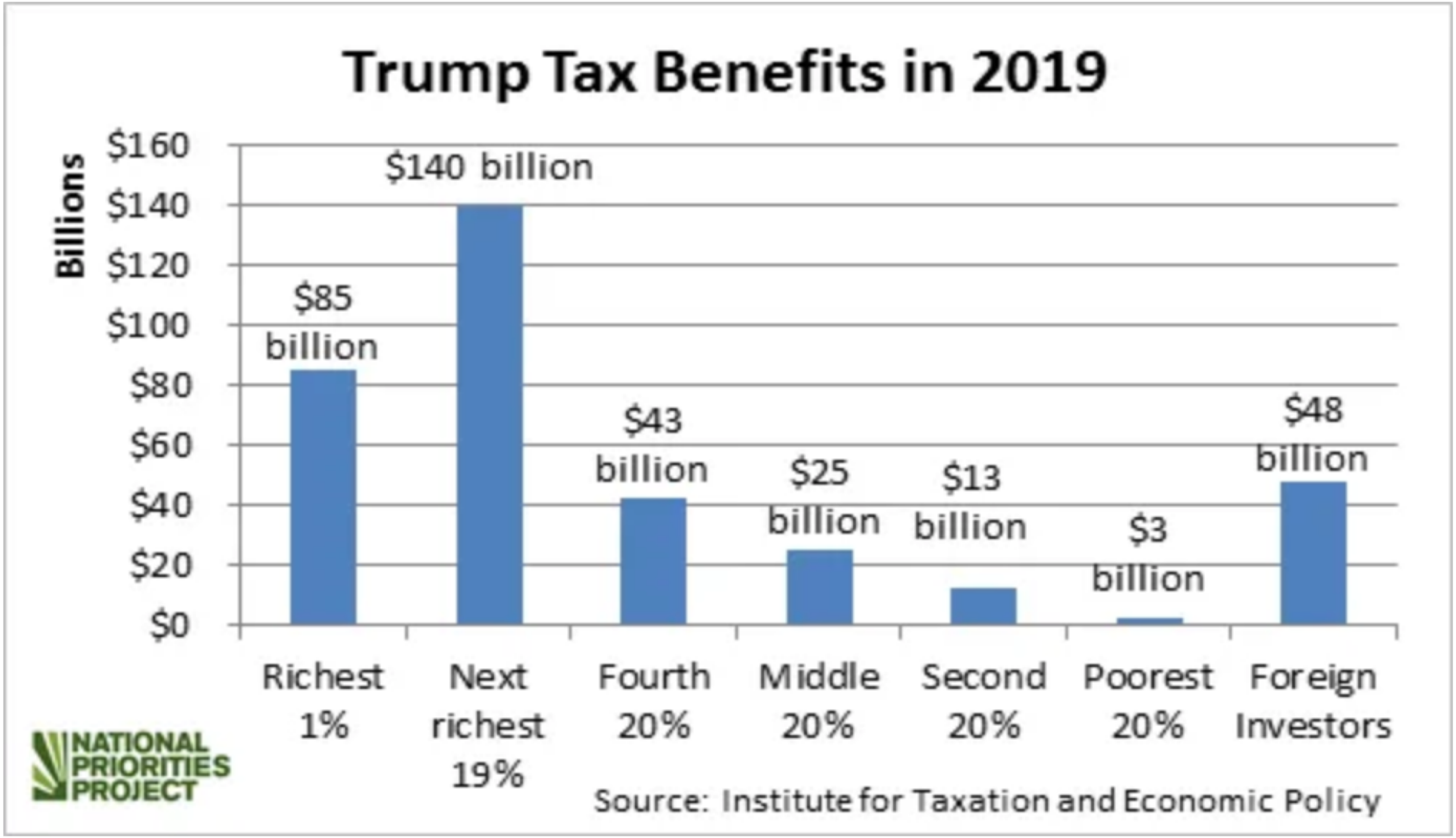
Major economies dropped tariff rates and kept them low



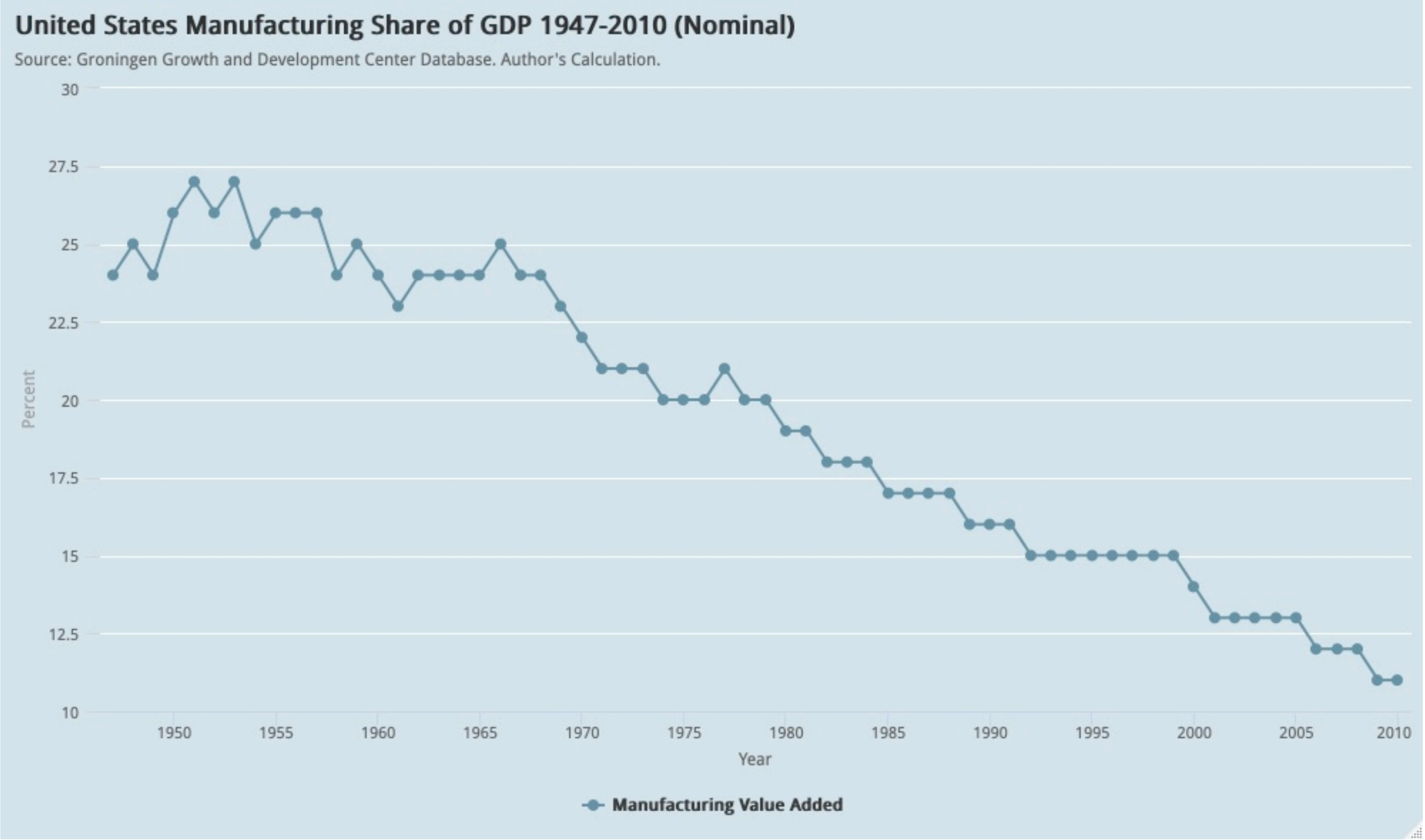
Note: Shows world's ten largest economies, 2016. Rates are weighted by trade value. Dotted lines indicate years when data are not available.

Source: World Bank DataBank.

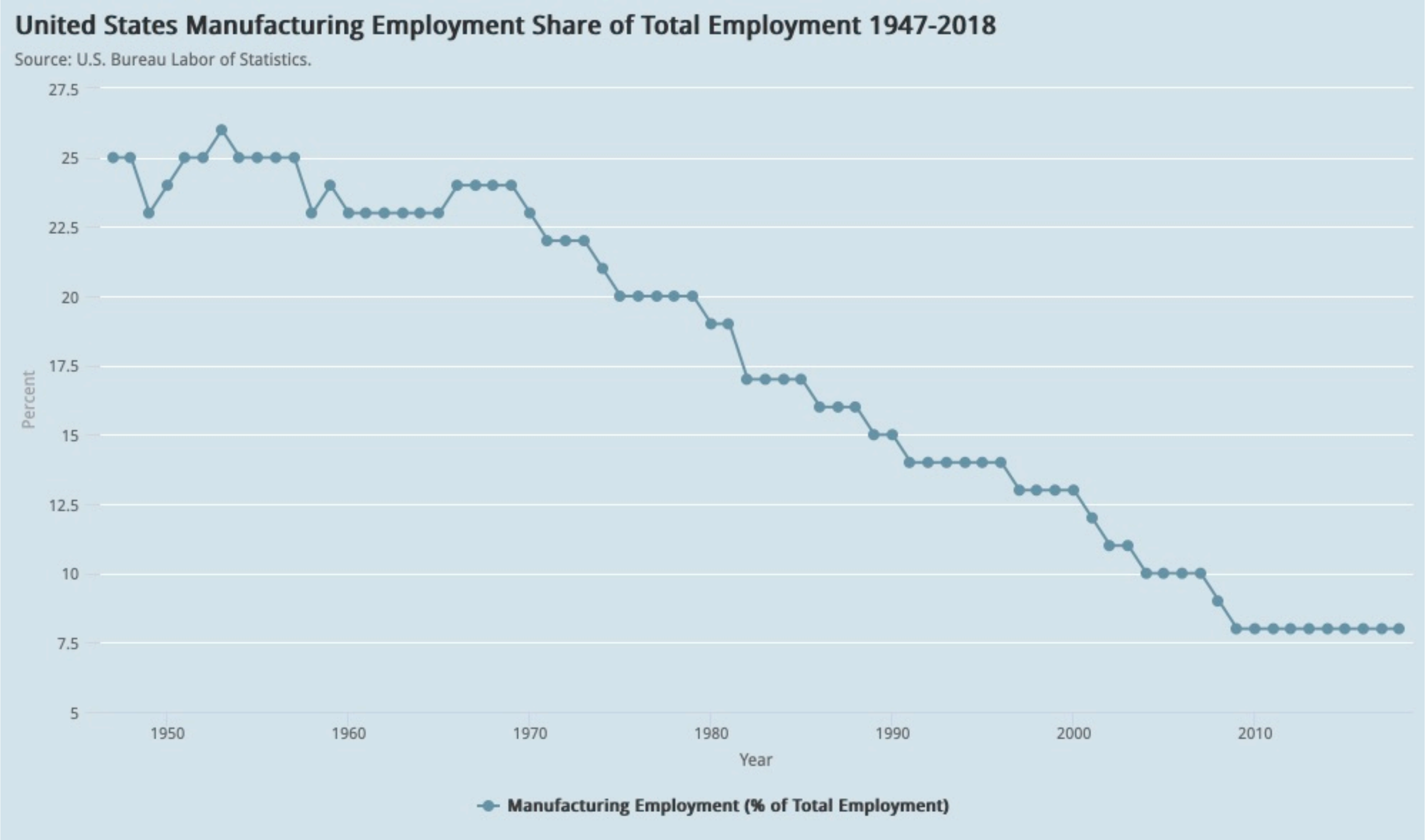
But goodies for some…


Trump Tax Benefits in 2019
Billions
$160
$140
$120
$100
$80
$60
$40
$20
$0
$85 billion
$140 billion
$43 billion
$25 billion
$13 billion
$3 billion
$48 billion
Richest 1%
Next richest 19%
Fourth 20%
Middle 20%
Second 20%
Poorest 20%
Foreign Investors
NATIONAL PRIORITIES PROJECT
Source: Institute for Taxation and Economic Policy

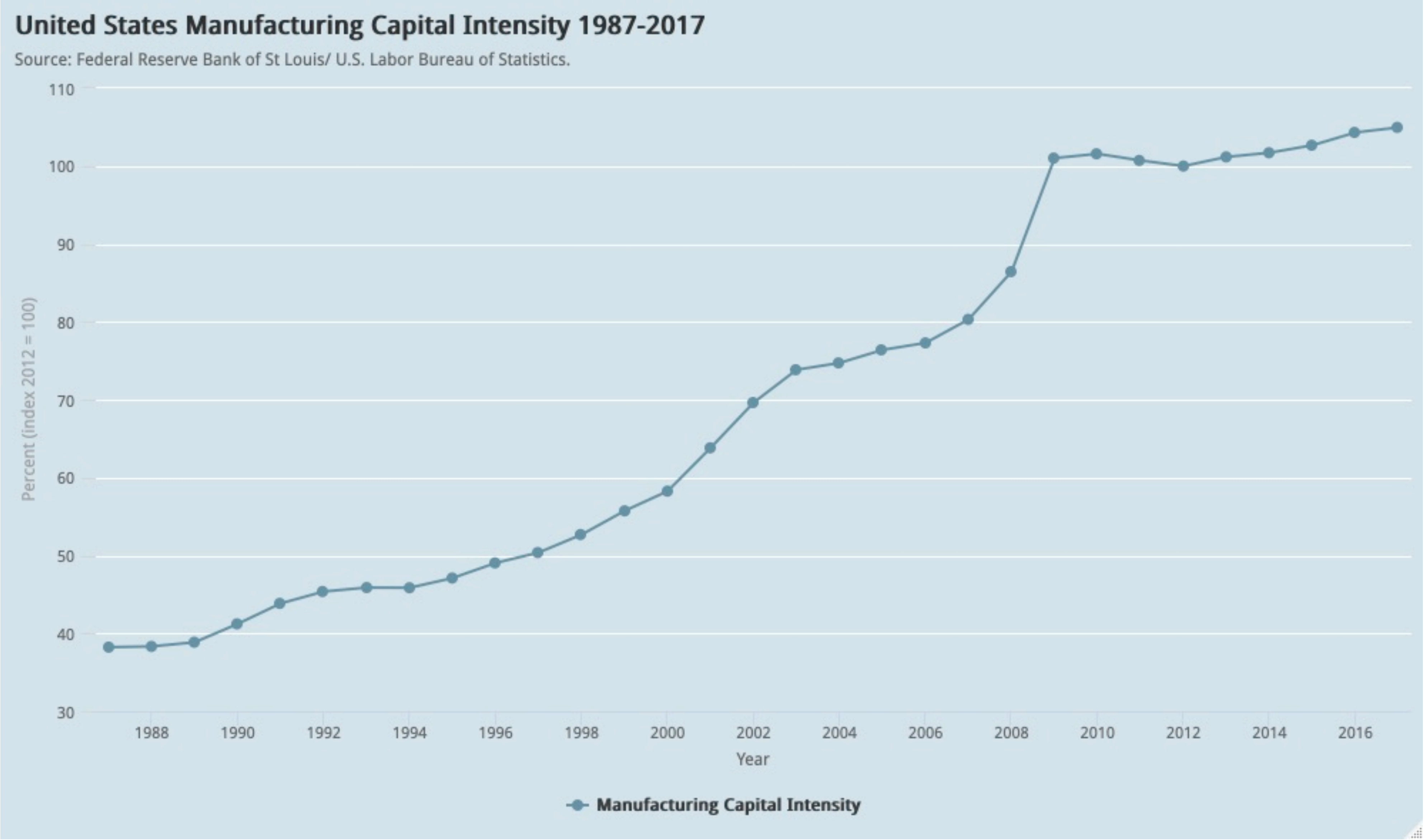
Name	Category	Agency(s)	Current Status	Last Updated ▲
+ **Waters of the U.S. Rule (WOTUS)**	Environmental	EPA, DoD	In Rulemaking	9/23/2019
+ **Clean Air Act: Emission Standards**	Environmental	EPA, DoT	Repealed	9/23/2019
+ **Energy conservation standards: definition of general service lamps**	Environmental	DoE	Repealed	9/23/2019
+ **Hours of Service for Commercial Motor Vehicles**	Transportation	DoT	In Rulemaking	9/11/2019
+ **Methane Rule (Emissions)**	Environmental	EPA	Partially Effective	9/11/2019
+ **Preparation of Uninspected Products**	Other	FSIS	In Effect	9/11/2019
+ **Hazardous Materials: Adoption of Miscellaneous Petitions**	Transportation	DoT	In Rulemaking	9/11/2019
+ **Implementation of the Fair Housing Act**	Housing	HUD	In Rulemaking	9/11/2019
+ **Solid Waste Landfills**	Environmental	EPA	In Effect	9/11/2019
+ **Clean Power Plan**	Environmental	EPA	Repealed	8/14/2019
+ **"Employer" definition for retirement multiple employer plans**	Labor	DoL	In Rulemaking	8/14/2019
+ **Endangered Species Act: Rule Revisions**	Environmental	DoI	In Effect	8/14/2019
+ **H-2A Temporary Agricultural Employment**	Labor	DoL	In Rulemaking	8/14/2019

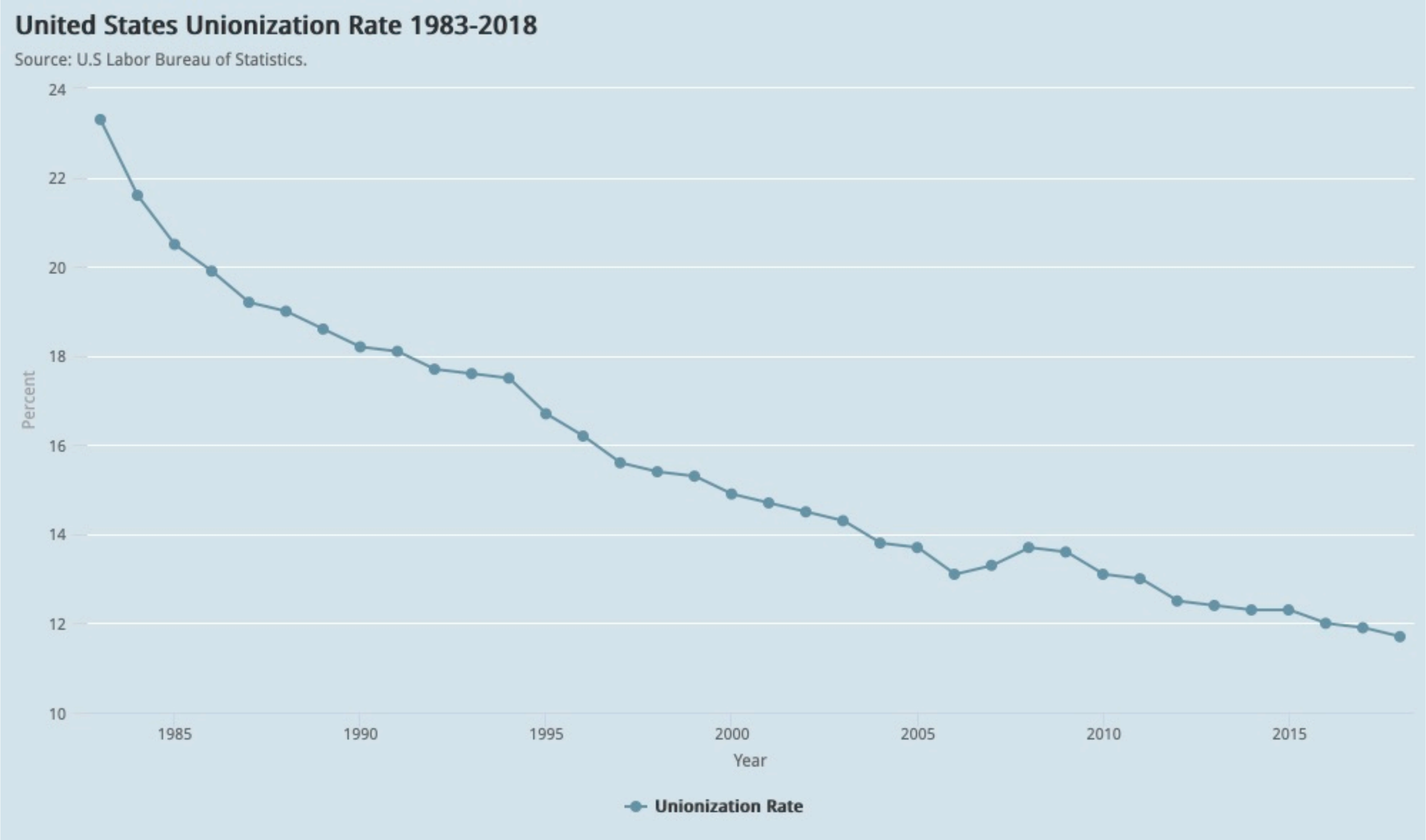

United States Manufacturing Share of GDP 1947-2010 (Nominal)
Source: Groningen Growth and Development Center Database. Author's Calculation.
Percent
30
27.5
25
22.5
20
17.5
15
12.5
10
1950
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
Year
Manufacturing Value Added


United States Manufacturing Share of GDP 1997-2016
Source: World Development Indicators
Percent
17
16
15
14
13
12
11
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
Year
Manufacturing Vaue Added (%GDP)



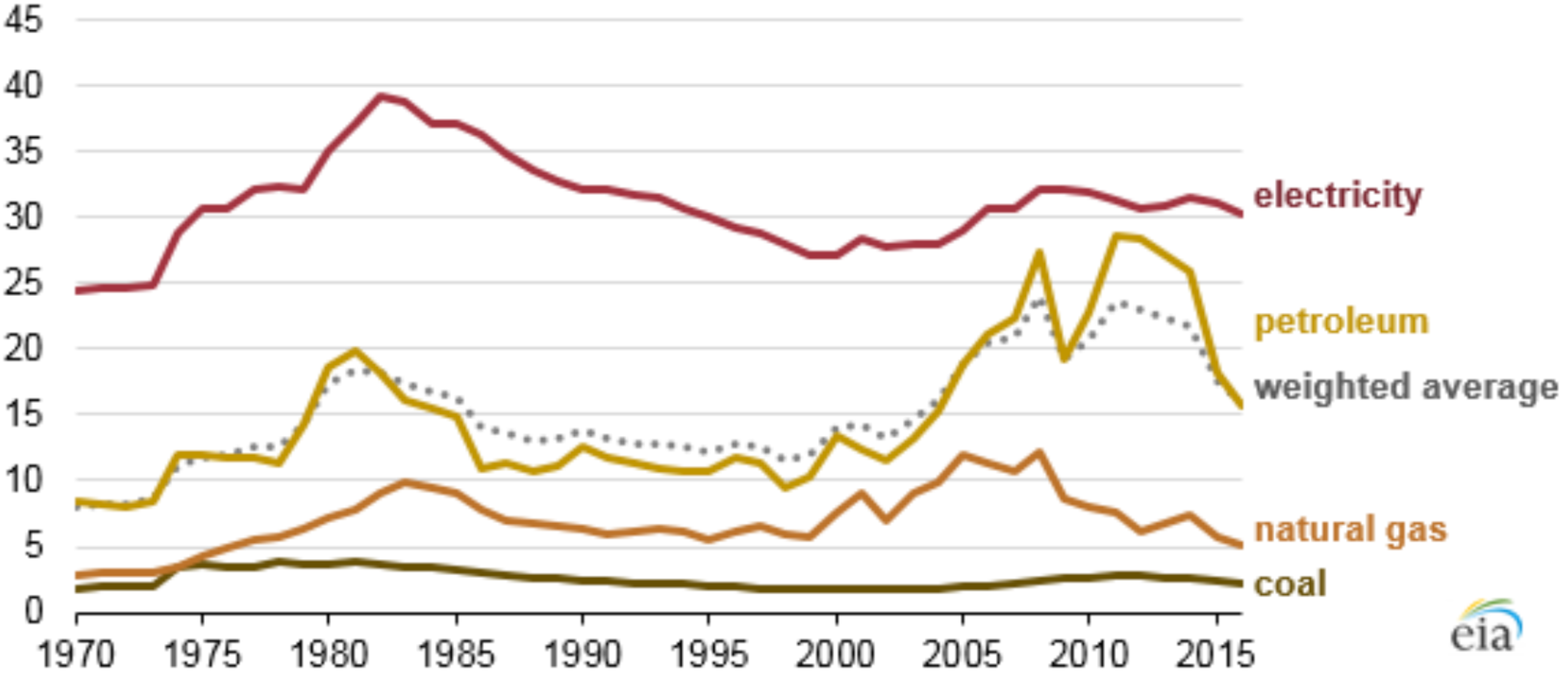
United States Manufacturing Employment Share of Total Employment 1947-2018
Source: U.S. Bureau Labor of Statistics.
27.5
25
22.5
20
17.5
15
12.5
10
7.5
5
Percent
1950
1960
1970
1980
1990
2000
2010
Year
Manufacturing Employment (% of Total Employment)


United States Manufacturing Capital Intensity 1987-2017
Source: Federal Reserve Bank of St Louis/ U.S. Labor Bureau of Statistics.
Percent (index 2012 = 100)
110
100
90
80
70
60
50
40
30
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
Year
Manufacturing Capital Intensity

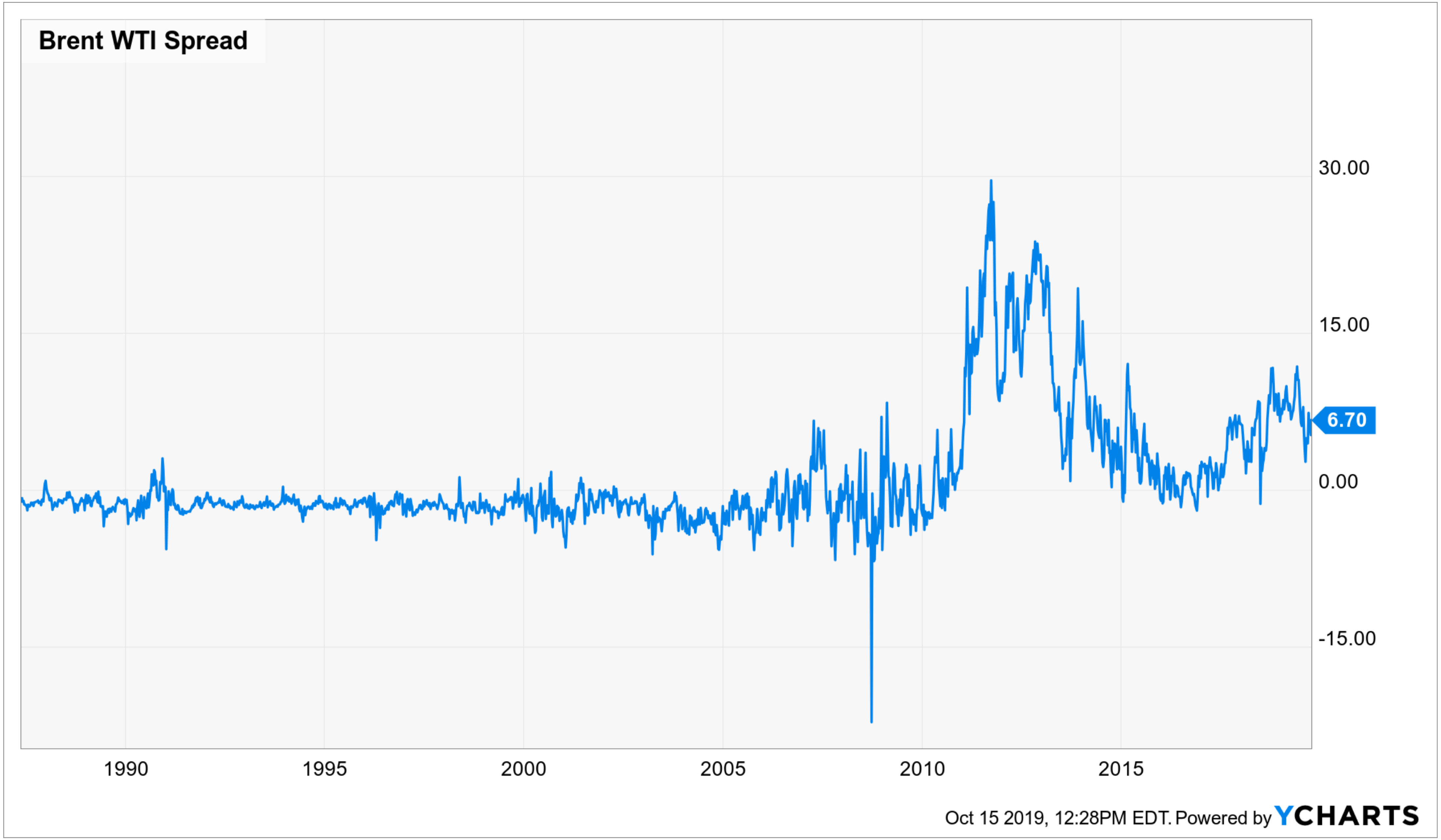

United States Unionization Rate 1983-2018
Source: U.S Labor Bureau of Statistics.
24
22
20
18
16
14
12
10
Percent
1985
1990
1995
2000
2005
2010
2015
Year
Unionization Rate

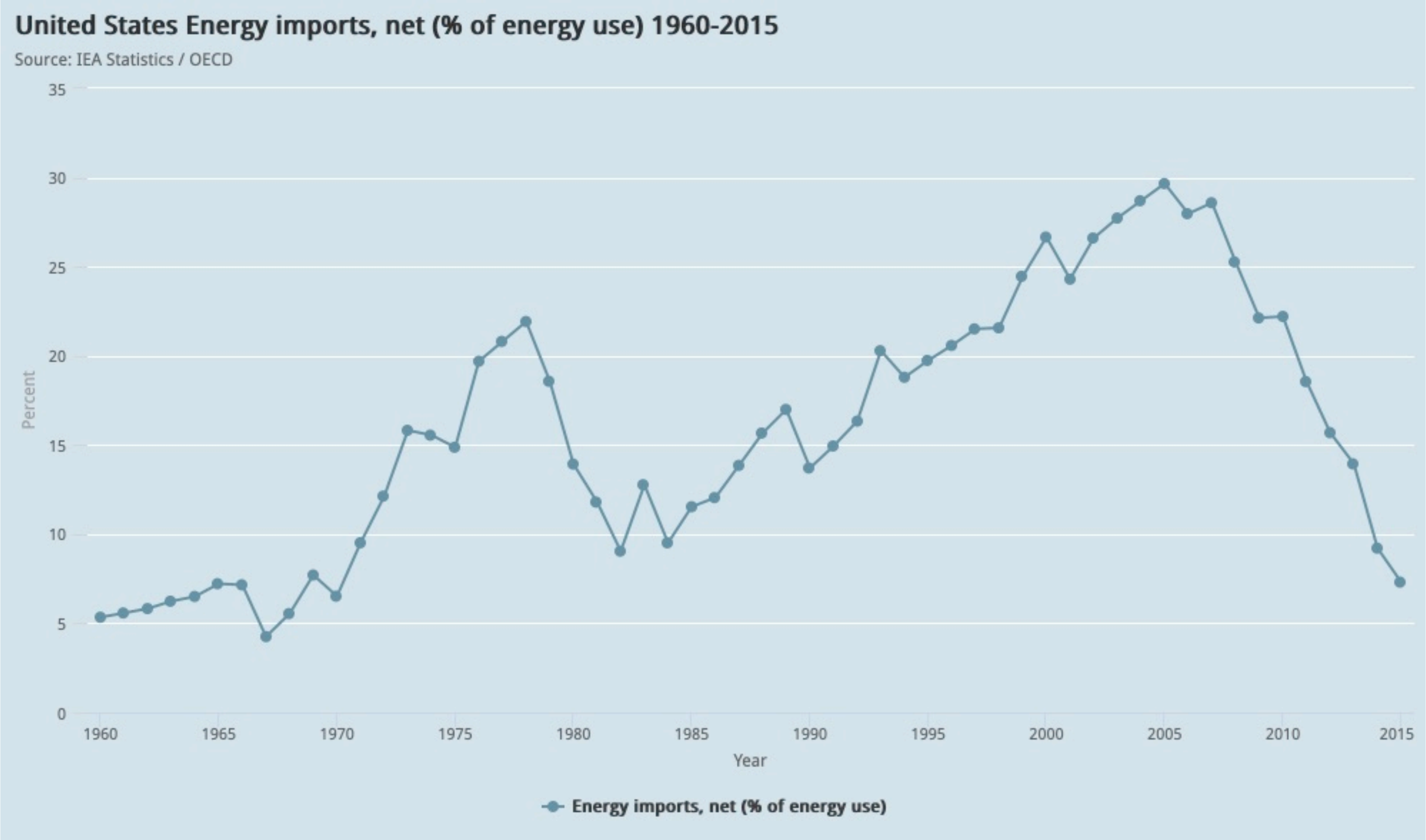
Energy

Selected U.S. average energy prices (1970-2016)
dollars per million British thermal units (real $2016)

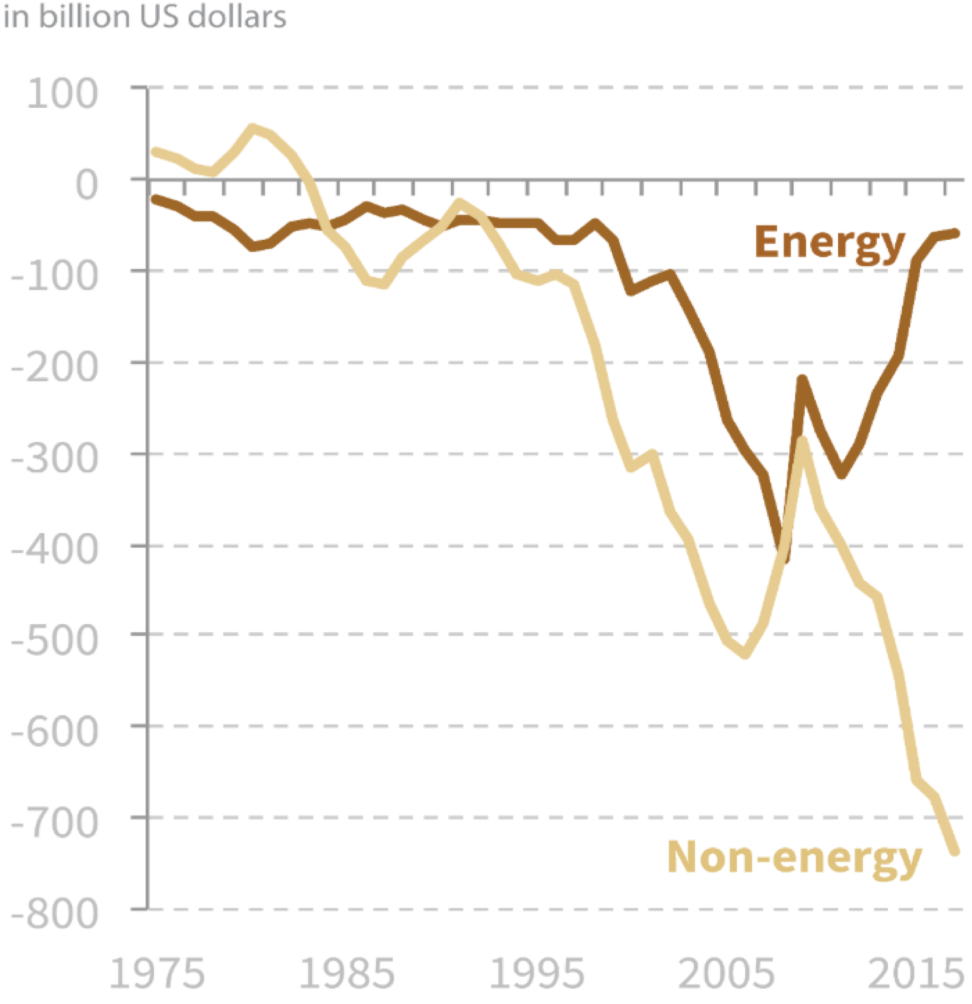


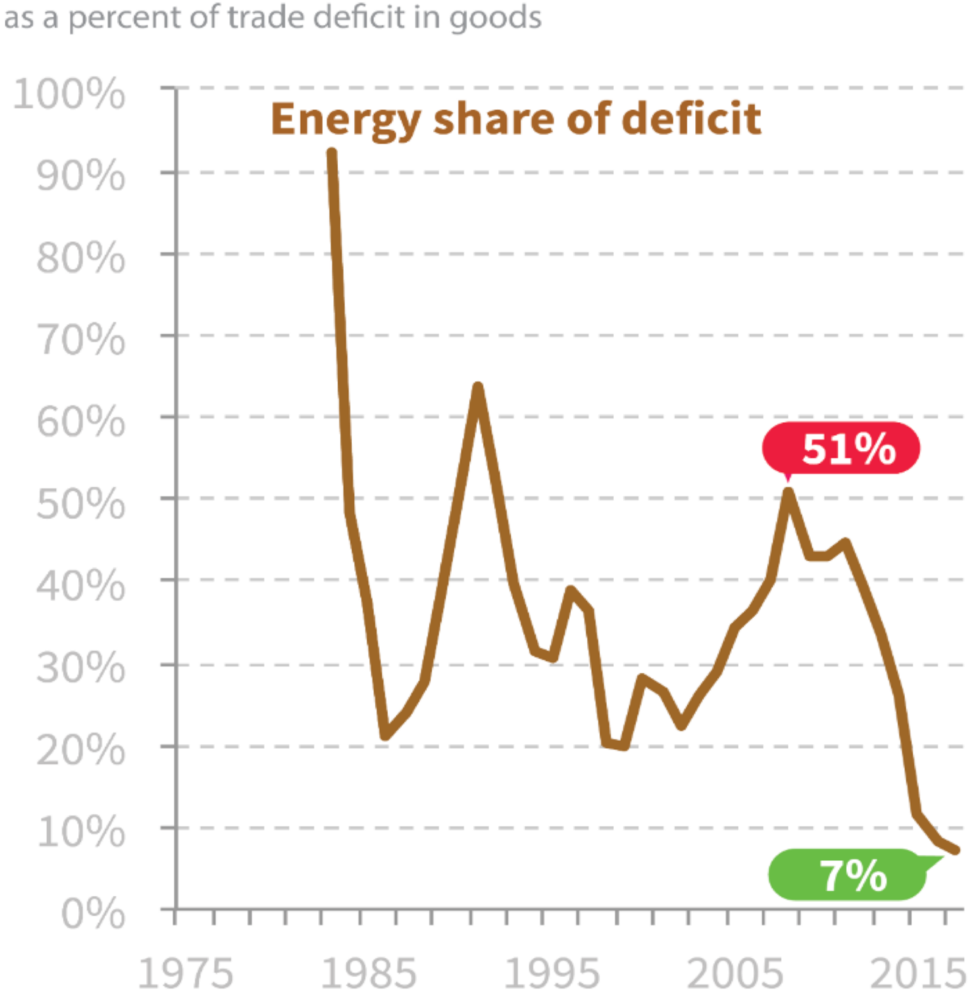
Source: U.S. Energy Information Administration, *Monthly Energy Review* and *State Energy Data System*
Note: Does not include nuclear, biomass, and coal coke, but those fuels are reflected in the weighted average.


Brent WTI Spread
30.00
15.00
0.00
-15.00
6.70
1990
1995
2000
2005
2010
2015
Oct 15 2019, 12:28PM EDT. Powered by YCHARTS


United States Energy imports, net (% of energy use) 1960-2015
Source: IEA Statistics / OECD
35
30
25
20
15
10
5
0
Percent
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
Year
Energy imports, net (% of energy use)

US goods balance by component (left) and share due to energy (right)



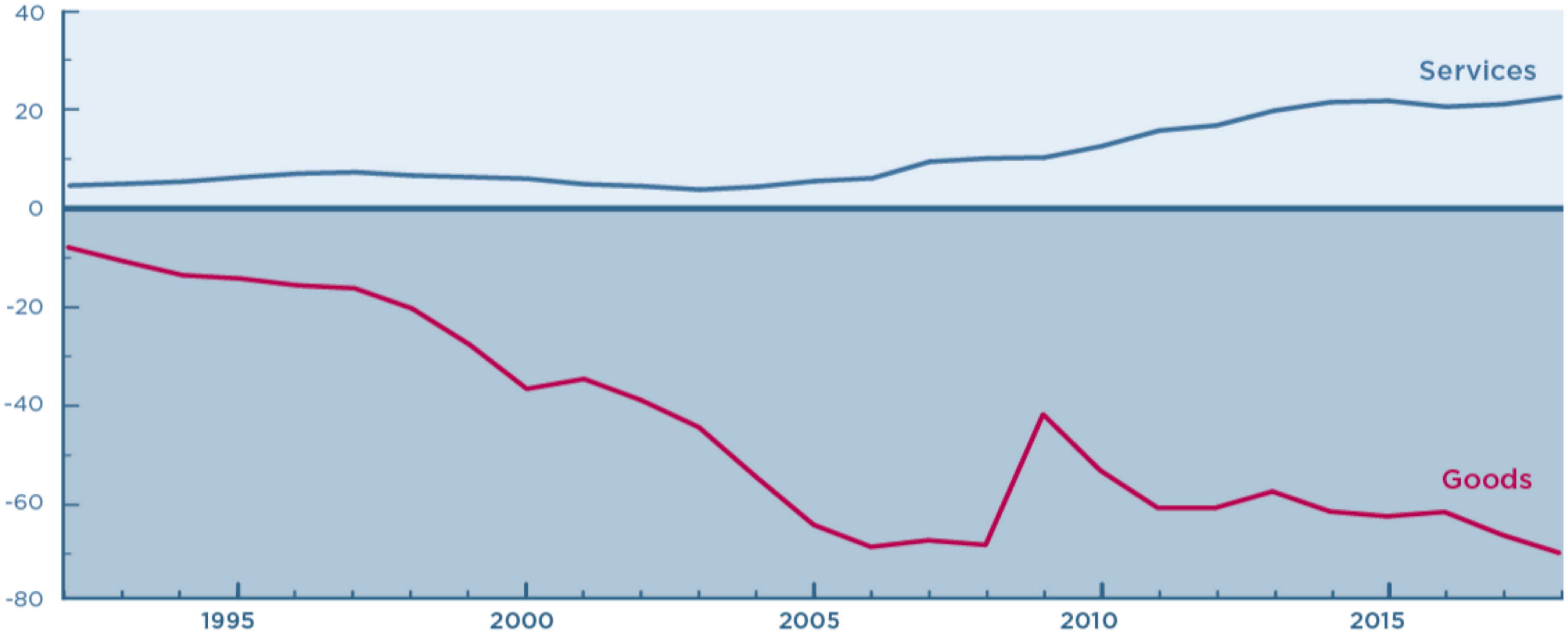


Source: U.S. Department of Energy, Energy Information Administration, July 2018, Monthly Energy Review, Table 1.5 Merchandise Trade Value.

Services Exports

United States has growing trade surplus in services and deficit in goods

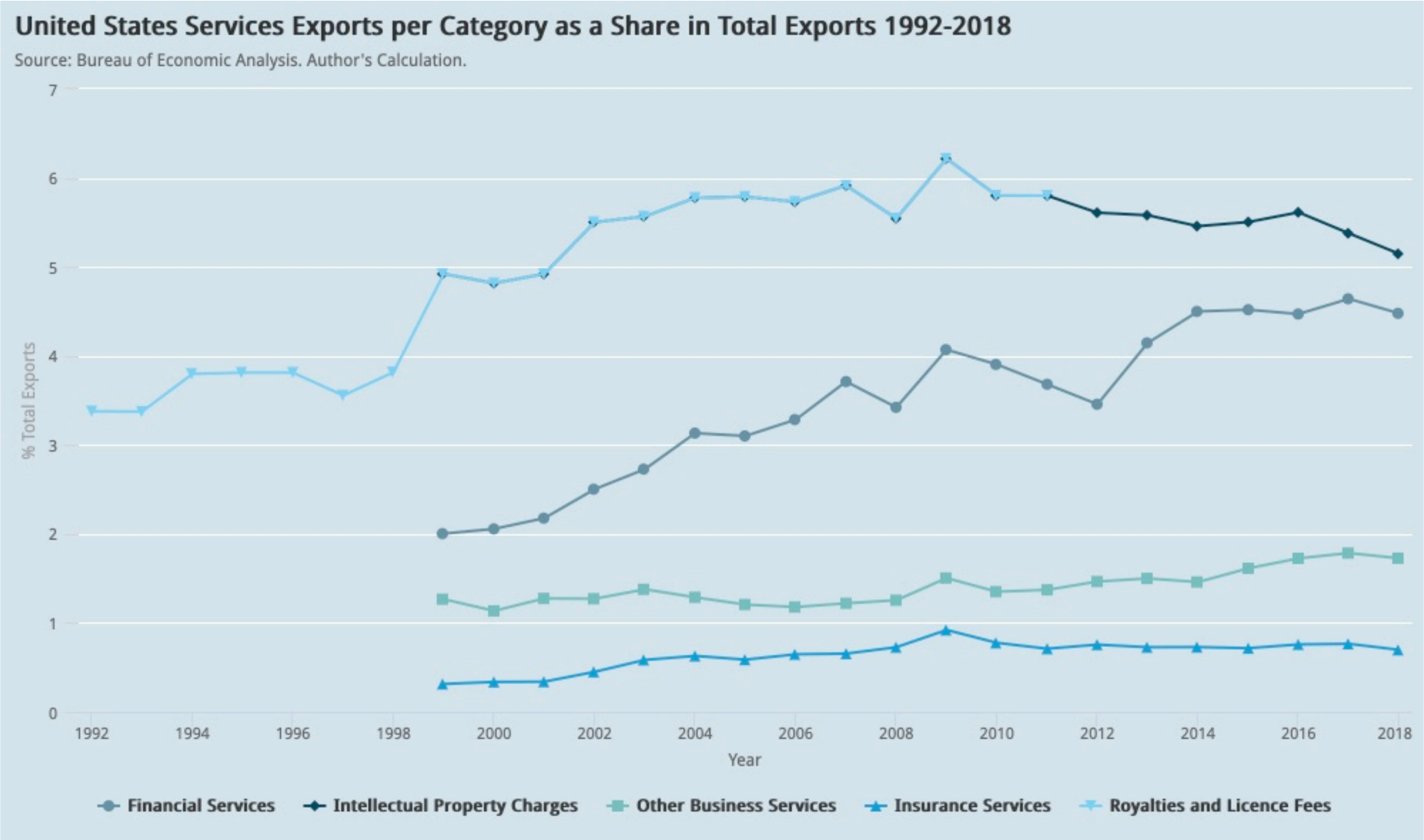
US trade balance in goods vs. services, billions of dollars (1992–July 2018)

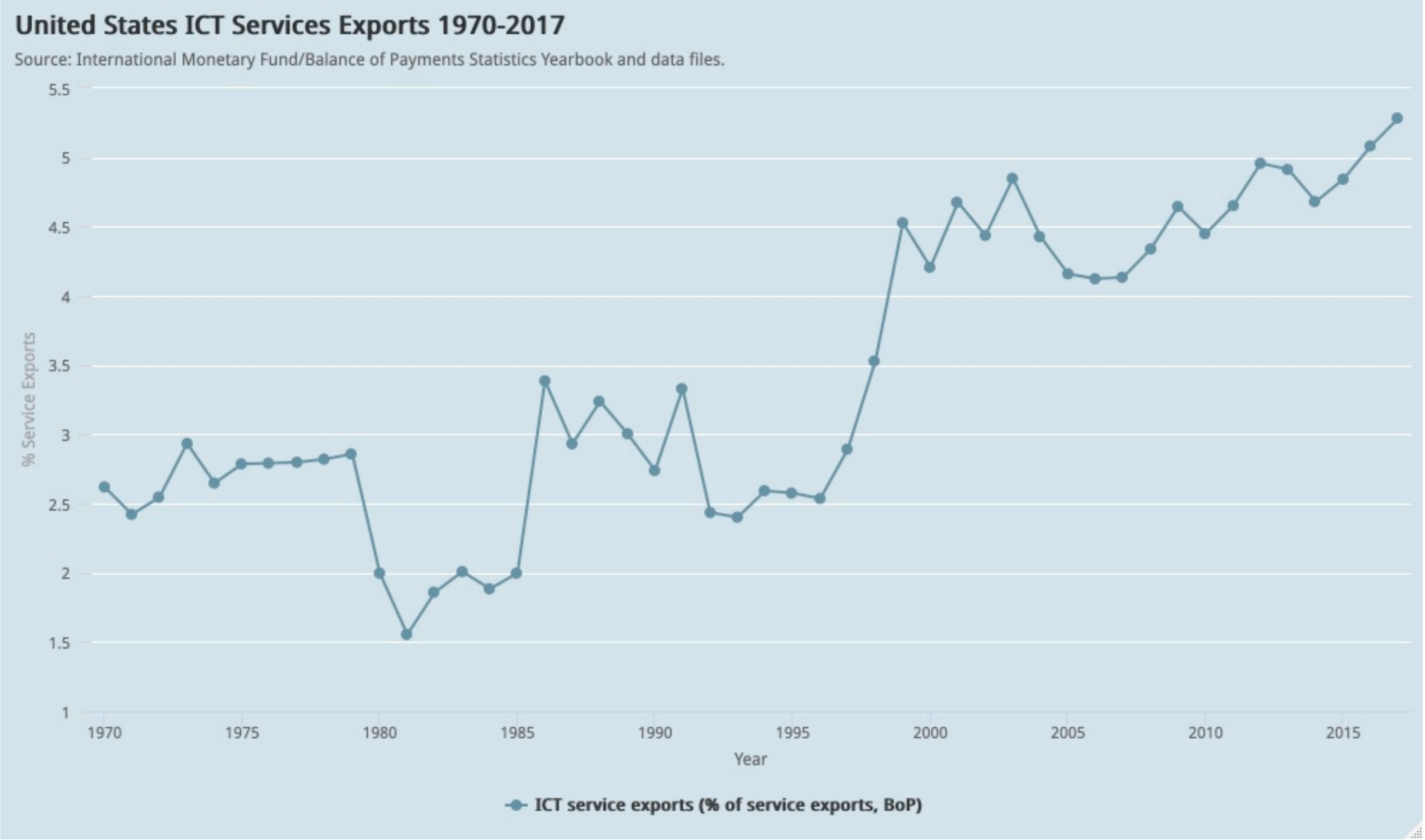


Note: Annual values are averages of monthly values.

Sources: US Bureau of Economic Analysis and US Bureau of the Census, "Trade Balance: Goods, Balance of Payments Basis [BOPGTB]" and "Trade Balance: Services, Balance of Payments Basis [BOPSTB]," retrieved from FRED, Federal Reserve Bank of St. Louis, on September 12, 2018 (https://fred.stlouisfed.org/series/BOPGTB).


United States Services Exports (% of Total Exports) 1970-2018
Source: World Development Indicators. Author's calculations.
37.5
35
32.5
30
27.5
25
22.5
20
17.5
15
Percent
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
Year
Services Exports (% of Total Exports), BoP


United States Services Exports per Category as a Share in Total Exports 1992-2018
Source: Bureau of Economic Analysis. Author's Calculation.
% Total Exports
0
1
2
3
4
5
6
7
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
Year
Financial Services
Intellectual Property Charges
Other Business Services
Insurance Services
Royalties and Licence Fees


United States ICT Services Exports 1970-2017
Source: International Monetary Fund/Balance of Payments Statistics Yearbook and data files.
% Service Exports
5.5
5
4.5
4
3.5
3
2.5
2
1.5
1
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
Year
ICT service exports (% of service exports, BoP)

Implications

- Trumpism has deep roots, and is unlikely to go away even if Trump does
- Arresting Deinstitutionalization easier than Reinstitutionalization: necessary for both economic and political reasons to protect the ‘bourgeois revolution’: civil liberties and political freedoms
- But what order to promote, beyond that, remains open. A genuine ’American Project’, economically and socially inclusive, is needed (as are national projects generally) but compatible with progressive internationalism.
- Alternative globalization (e.g. trade agreements with labour standards, tax cooperation etc.) offers better prospects than anti-globalization: requires the active international collaboration of progressive social and political movements.