

# THE National Investor



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## *FROM OUR READERS*

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### **WHAT DO YOU THINK OF TRUMP'S ECONOMY "VICTORY LAP" AND OBAMA TRASH TALKING?**

Several e-mails and conversations recently on President Trump and former President Obama alternately taking credit for--and dissing the other on--the recent strong American economy. On Trump, one Member wrote, in part: *For a "scorekeeper" as you have termed yourself rather than for or against Trump, I know you have had at least some positive comments. But I think you shortchange "45." Don't you think he DOES deserve the lion's share of the credit for all the good economic numbers, confidence and the record stock market?*

And another, who was a bit partial to Obama's recent speech suggesting that he and his policies set the table to make Trump look good: *I listened to the speech in its entirety yesterday and fact checked his comments about the employment numbers that Trump is taking credit for. Obama claims that the numbers were starting to get markedly better at the end of his administration. A cursory glance at 2016 and 2018 indicated to me that his point could be well taken. I wonder what your thoughts are?*



**Donald J. Trump** [Verified account](#) @realDonaldTrump 3m3 minutes ago

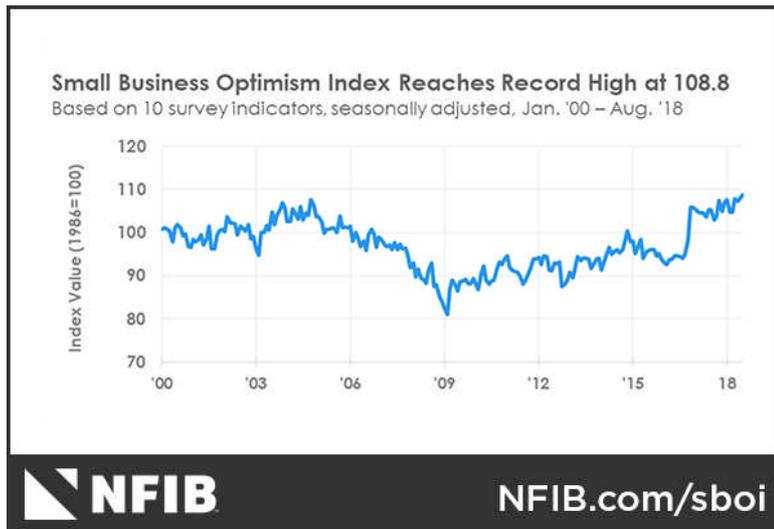
If the Democrats had won the Election in 2016, GDP, which was about 1% and going down, would have been minus 4% instead of up 4.2%. I opened up our beautiful economic engine with Regulation and Tax Cuts. Our system was choking and would have been made worse. Still plenty to do!

As with most things that involve our "Reality T.V. President", the recent public pissing contest between Trump and his predecessor was entertaining, if nothing else. True to style, the current occupant of the White House insists that the American economy today is humming along as never before (true in

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nominal terms, *but not in relative ones*; there have been numerous points in the past when economic growth was stronger than it is now.) The flip side, according to The Donald: had the Democrats won in 2016, the U.S. economy would be an economic wasteland.

**Now, as for those matters over which President Trump does exert either primary or significant control, he has every right to be thumping his chest.** The superlatives he showers *himself* with are deserved especially when it comes to business confidence. Indeed, the N.F.I.B. (National Federation of Independent Business) Small Business Optimism Index set a new record high for the month of August, shattering the previous record set in 1983 as the Reagan Boom was starting to gather some steam. Among other things, the N.F.I.B. noted that "...the small business engine continues to roar with the dramatic change in economic policies since November of 2016."



**President Trump's whittling away at the overly burdensome regulatory state has a lot to do with this.** Whatever else you may think of him, it's undeniable that business people of almost all stripes *love* the current president. In him they see a friend and ally in the Oval Office who wants to make life better for them. *This was pretty much the opposite of businesses' attitude towards Obama*; a part of the reason, we must acknowledge, why Main Street for so long lagged the re-inflating asset markets. Simply

put--as former Sun Microsystems C.E.O. Scott McNealy famously quipped in an interview last year--under Donald Trump "the water boarding of American business has stopped."

**Next, we have taxes.** Here, a strong majority of middle America joins business in giving Trump a good deal of credit for tax policy's role in helping Main Street catch up, and a slower push higher for stocks accelerating sharply. It matters little for the time being, of course, that we are likely in the next fiscal year to get back to a \$1 trillion annual federal deficit again; *and that is provided that the economy continues to do well!* What DOES matter for now is that lots of workers have seen a little bit more in their pay check. Corporate America's tax bill is less.

**Successes in these areas is a big reason, too, why so many are patient with President Trump when it comes to his combative trade policy.** Here again, aside from the fact that he has never been "politically housebroken" as I have often quipped and regularly says and does things that make a more "refined" and thoughtful person cringe, it is in part that brash persona *itself* that has helped to instill more confidence than it has (so far) destroyed. After so many years of America being gamed. . . American workers losing their jobs to foreign labor. . . and all the rest, that we now have a president seeming to want to DO something more than talk about all this is a feather in Trump's hat politically (at least, that is, unless his going to the mat with China causes a broad financial/economic crisis.)

The particularly interesting thing about all that is the way in which Democrats particularly--they who were for so long the champions of making America first again when it came to trade, labor, etc.--have no answers to counter a president who they so despise that they can't support him even though he

is doing what THEY long said they wanted! Most Democrats in their T.D.S. (Trump Derangement Syndrome)-fueled opposition for opposition's sake--abetted by an Establishment media that likewise is motivated by little more than its loathing of Trump--need to be careful. **With mid-term elections looming less than two months away, Trump's national poll numbers are now several points higher than were Obama's in 2010.** And if the G.O.P. defies history in November and does not endure the typical trouncing that the party controlling the White House usually has in such circumstances (the first mid-term election) it will be due to Trump's economic bona fides carrying the day.

Eventually, though, Trump will face a much greater reality; and he may pay a heavy price politically and in the history books for it. **And that truth is that he may be president, but he is not the Fed chairman.** While he deserves the credit articulated above for those things he *does* have some control over, he has no more control over the "big picture" fate of the economy and markets than any other president has had for at least a generation. And the odds are high that--with the U.S. clearly having ended a decade-long expansionary credit cycle and with numerous factors pointing to a contraction (the only real question being how severe it will be in the *next* two years of Trump's term)--2020's campaign narrative may well be of Trump the goat rather than Trump the economic and market hero.



*Carter took the blame...*



*...for their monetary sins*

If this happens, Donald Trump will not be the first president to get a bum rap due to circumstances beyond his control. I have expressed *and explained* numerous times my view that the worst bum rap suffered by any president in my lifetime was that which Jimmy Carter has been saddled with. Even most "learned" economists today--let alone partisan Republicans and capitalists-- will tell you that Carter was a failure in that he presided over that period of *stagflation*--rising living costs, weak dollar, weak economy--in the latter 1970's. **The truth, however, is that those things were set in motion**

**long before he assumed the presidency.** It was those other two gentlemen pictured above--former President Nixon and his Fed Chairman Arthur Burns--who tag-teamed efforts to dramatically inflate the money supply and debauch the U.S. currency. Later, it was a Carter appointee to the Fed, Paul Volcker, who put a stop to that; *at least, in its 1970's form.*

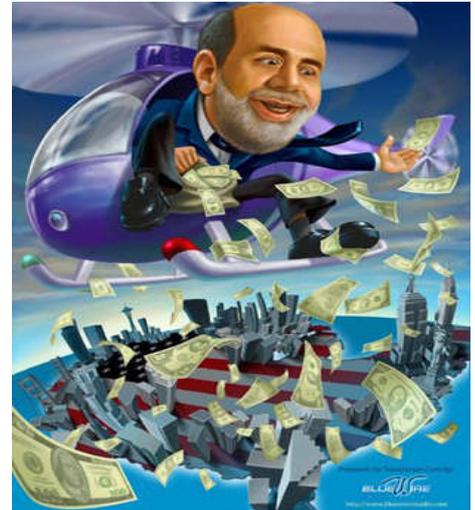
Unlike the unfair fate Carter had waiting for him, that of President Reagan was made *better* by Volcker. By the time that Reagan reappointed him in 1983, the metamorphosis



*Volcker went from "hawk" to enabler of MASSIVE debt*

of Chairman Volcker from inflation hawk and the *chief* "bond market vigilante" to a monetary activist/Keynesian "dove" was pretty much already a *fait accompli*. Though he criticized Carter during the 1980 campaign for--among other things--America's rising debt and deficits, Reagan ultimately made Carter look like Scrooge. Annual deficits went up *several fold* under The Gipper. Yet Reagan and "Reaganomics" to this day are near-worshipped by the Republican and market faithful, *but thanks to Paul Volcker, without whom none of it would have worked.*

Skipping over the other evidences of Fed chairmen making or breaking presidents or even presidential candidates, let's get to the present day. Contrary to Barack Obama--who started his presidency with the market and economy at rock-bottom and, therefore, with the tailwind from a Federal Reserve that was going all out to reflate the economy and markets--Donald Trump generally inherited the opposite. Here is where Obama is disingenuous for claiming credit for the better times he says Trump inherited; **if anyone gets the credit it is properly "Helicopter Ben" Bernanke and his various rounds of quantitative easing, Z.I.R.P. policy, etc.** Honorable mention, of course, goes to *his* successor, Janet Yellen, as Fed Chair who kept virtually all of that in place until--as I said all along--the Cubs won the World Series.



Trump *himself* commented during the campaign about how the markets had become a dangerous bubble due to Fed policy being so easy for so long. So he on at least some level seems to "get" this. **But now he's in the hot seat.** And his own appointee as Fed chairman seems set on a course that will not be *keeping* Trump as the self-appointed creator of the current economic expansion and record new highs on Wall Street.

Understanding--as I have commented in this context a few times of late--that in Jerome Powell he is getting somewhat the version of Volcker 1.0 (the hawk of 1979-1982), Trump seems to see the handwriting on the wall. **He has already started to set up the narrative that it will be Powell's fault (by raising interest rates too much) if the economy and markets falter, as the Fed continues its game of Monetary Jenga.** At some point, Powell--as was the case with Volcker--will be forced to flip for one or more reasons. But whether Trump gets the benefit of that latter won't be determined until later, depending on the timing of it all.



In fact, if I *had* to bet on it today, I would suggest that Powell will cost The Donald re-election in 2020 just as George Bush Sr. himself carped that Alan Greenspan cost *him* re-election in 1992. The inevitable next recession may well be made worse by too many rate hikes; *let alone if that causes a broader global crisis.* Also working against Trump--in addition to coming in at the end of a decade-long reflation of asset prices that can't continue indefinitely NO MATTER WHO had been elected in

2016--will be the fact that the Democrat Party, Establishment Republicans, the Deep State, Mainstream" (i.e.-Establishment) media, Hollywood and all the others **will be euphoric if things turn badly**. As the economy and stock market reverse fortunes, the scorn heaped on Trump will FAR exceed anything the hapless Jimmy Carter ever endured. Just as Carter, he will really *not* deserve it; but it won't matter.

What will matter (to the entrenched Establishment) is that--as ever--fractional reserve banking's inherent flaws and evils, and the need for REAL monetary reform/overhaul, won't see the light of day.

***\* The above is excerpted from the second regular issue for September. \****

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