

PROJECT SYNDICATE

The Age of Trump



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On January 20, 2017, Donald Trump will be inaugurated as the 45th President of the United States. I would hate to say "I told you so," but his election should not have come as a surprise. As I explained in my 2002 book *Globalization and its Discontents*, the policies we have used to manage globalisation have sown the seeds of widespread disaffection. Ironically, a candidate from the same party that has pushed the hardest for international financial and trade integration won by promising to undo both.

Of course, there is no going back. China and India are now integrated into the global economy, and technological innovation is reducing the number of manufacturing jobs worldwide. Trump cannot recreate the well-paying manufacturing jobs of past decades; he can only push for advanced manufacturing, which requires higher skill sets and employs fewer people.

Rising inequality, meanwhile, will continue to contribute to widespread despair, especially among the white voters in Middle America who handed Trump his victory. As the economists Anne Case and Angus Deaton showed in their study published in December 2015, life expectancy among middle-age white Americans is declining, as rates of suicides, drug use, and alcoholism increase. A year later, the National Center for Health Statistics reported that life expectancy for the country as a whole has declined for the first time in more than 20 years.

In the first three years of the so-called recovery after the 2008 financial crisis, 91 percent of the gains went to the top 1 percent of earners. While Wall Street banks were bailed out with billions of dollars in taxpayer money, homeowners received only a pittance. US President Barack Obama saved not only the banks, but also the bankers, shareholders, and bondholders. His economic-policy team of Wall Street insiders broke the rules of capitalism to save the elite, confirming millions of Americans' suspicion that the system is, as Trump would say, "rigged."

Obama brought "change you can believe in" on certain issues, such as climate policy; but with respect to the economy, he bolstered the *status quo* – the 30-year experiment with neoliberalism, which promised that the benefits of globalisation and liberalisation would "trickle down" to everyone. Instead, the benefits trickled up, partly owing to a political system that now seems to be based on the principle of "one dollar, one vote," rather than "one person, one vote."

Rising inequality, an unfair political system, and a government that spoke as if

it was working for the people while acting for the elites created ideal conditions for a candidate like Trump to exploit. Though wealthy, Trump is clearly not a member of the traditional elite, which lent credence to his promise of "real" change. And yet it will be business as usual under Trump, who will adhere to Republican orthodoxy on taxation and, by appointing lobbyists and industry insiders to his administration, has already broken his promise to "drain the swamp" in Washington, DC.

The rest of Trump's economic agenda will depend largely on whether House Speaker Paul Ryan is a true fiscal conservative. Trump has proposed that large tax cuts for the rich be combined with massive infrastructure-spending programmes, which would boost GDP and improve the government's fiscal position somewhat, but not nearly as much as advocates of supply-side economics hope.

the White House and both houses of Congress, they will be relatively free to weaken workers' bargaining power, deregulate Wall Street and other industries, and turn a blind eye to existing antitrust laws – all of which will create more inequality.

If Trump follows through on his campaign threat to impose tariffs on Chinese imports, America's economy would probably suffer more damage than China's. Under the existing World Trade Organization framework, for every "illegal" tariff that the US imposes, China can retaliate anywhere it chooses, such as by using trade restrictions to target jobs in the congressional districts of those who support US tariffs.

To be sure, measures against China permitted under the WTO framework, such as anti-dumping tariffs, may be justified in some areas. But Trump has enunciated no

remarks such as, "Trump makes our dictators look good." As American soft power continues to erode in 2017 and beyond, the future of the international order will become more uncertain.

Meanwhile, the Democratic Party will surely be conducting an election *post mortem*. Hillary Clinton undeniably lost because she failed to offer voters a convincing vision that was markedly different from the neoliberal agenda that Bill Clinton embraced in the 1990s. Having pursued a political strategy of "triangulation" – adopting versions of its opponents' policies – for more than a generation, the party of the left could no longer present itself as a credible alternative to the party of the right.

The Democrats will have a future only if they reject neoliberalism, and adopt the progressive policies proposed by leaders such as Elizabeth Warren, Bernie Sanders,



If Ryan is not as concerned about the deficit as he says he is, he will rubberstamp Trump's agenda, and the economy will receive the Keynesian fiscal stimulus that it has long needed.

Another uncertainty relates to monetary policy. Trump has already spoken out against low interest rates, and there are two vacancies on the US Federal Reserve's Board of Governors. Add to that the large numbers of Fed officials itching to normalise rates, and it is fair bet that they will do so – perhaps more than offsetting Trump's Keynesian stimulus.

Trump's pro-growth policies will also be undermined if he exacerbates inequality through his tax proposals, starts a trade war, or abandons America's commitments to reduce greenhouse-gas emissions (especially if others retaliate with a cross-border tax). Now that Republicans control

guiding principles for trade policy, and the US – which directly subsidises its automobile and aircraft industries, and indirectly subsidises its banks through ultra-low interest rates – would be throwing stones from a glass house. And once this tit-for-tat game begins, it could very well end in the destruction of the open international order created since World War II.

Similarly, the international rule of law, which is enforced primarily through economic sanctions, could fare poorly under Trump. How will the new president respond if Russian-aligned troops escalate the conflict in Eastern Ukraine? America's real power has always derived from its standing as an inclusive democracy. But people around the world have now lost confidence in democratic processes. Indeed, throughout Africa, I have heard

and Sherrod Brown. This will put them in a strong position against the Republicans, who will have to figure out how to manage a coalition of evangelical Christians, corporate executives, nativists, populists, and isolationists.

With the arrival of Trump, and with both major parties now redefining themselves, the coming year may well be remembered as a turning point in US and world history.

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