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MR MACRO's OPINION

October 8th, 2017

Commenting on our September column on Trump's Economic Policy Agenda, which, we concluded, is a mess of sorts, Dip(lomat) Unchained, our distinguished co-contributor to the pilot *Macron-X* think tank, added a point: where has all the spending on infrastructure originally earmarked for quick implementation lately gone? Spending, that is, aimed, in the new President' s stated campaign and inaugural intentions, to lift the 2017 growth rate of the US economy to 3% and, presumably, to an even higher mark beyond. The answer is plain enough: nowhere - for the simple reason that the planned spending referred to, was never there in the first place. Confusing? Not really, if you watch out for not falling prey to Three-card Monte games and other sleights of hand.

The thing is the idea of his said spending is not at all that of a Keynesian demand management type. It is rather a supply side *cum* Trump brainchild, a hypothetical private/public partnership, where financing falls on the private part. This construct rests on two assumptions. The first is the notion that a cut in taxes, like those prospected by the new President, would autonomously generate a strong enhancement of the corporate propensity to invest – a notion, which, despite its supply side dogma status, is, as outlined in our September page, contradicted by factual experience. And the second, compounding the unwarranted nature of the first, is the further, and distinctly weird, notion that the supposed jump in the propensity to invest would also in similar fashion attract private operators en masse, to invest in infrastructure projects. Weird, because it runs counter the universally known fact that corporate investors are in the habit of caring for (their own) profits and not for the public welfare

All that said we would like to go back for a moment to the Trump administration's target growth rate for the current year. We know that the actual rates for 2016-Half II and 2017-Half I were 2.6% and 1.8%. Thus, it is a matter of simple arithmetic; for the full year growth rate in 2017 to be 3%, growth in the second half of the year will need to be 5.8% This may no doubt be all right for Kellyanne Conway, the Senior White House Adviser and originator of the innovative epistemological concept: "alternative facts". Less adventurously creative thinkers, however, would call it utter nonsense. Repeating the mathematical operation for a lesser 2017 growth rate of, say, 2.5%, yields an implicit rate for 2017-Half II of 5%. Any better? Not really, we are afraid. A more reasonable rate for 2017-Half II would be, we feel, something like 2.6%. Which, however, and shatteringly for Trump & Co's credibility and ascertained degree of competence, would lower the figure for 2017 as a whole to a mere 2%, a mark not much higher than in 2016.One more point. Hong Kong Junk, another seasoned contributor to the *Macron-X* think tank, observed – commenting on our August piece, where we argued for the strict correlation between politics and macro-economic performances – that the stock market at current heights was in striking contradiction with our extremely negative take of the political set up under Trump.

We very much welcome the observation, as it gives us the opportunity to clarify a matter which may look contentious. Mr Trump, during his 2016 presidential campaign, used to charge Hillary with being owned by Wall Street. Well, he has been much more effective than taking such a subservient role. He has placed illustrious Goldman Sachs men in prominent positions. One - Gary Cohn - as Director of the National Economic Council as well as his own Chief Economic Adviser; the second - Steven Mnuchin - as head of the Treasury. Thus, Trump has achieved a most remarkable feat: to virtually own Wall Street. We consequently find this venerable institution, having been politically Trumpcised, granting enthusiastic acceptance to whatever comes from the President. No matter how nonsensical that may be. So, a correlation between politics and macro-economics still holds. Only in this instance it's inverted.Bad politics, instead of producing straightforward negative macro-economic results, often begins by generating seemingly good ones. "Begin" and "seemingly" because the real question is "for how long" and with what consequences. But, of course, that is another story.