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Art of the Deal? Why Trump is No Big Deal (Maker)

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The “alt-right” has high hopes for the success of President Trump (which it conflates with the success of America), while the “alt-left” fears him as a would-be Hitler (which it believes justifies smear tactics and violence).¹ Meanwhile, middle-grounders (most Americans) have adopted a “wait-and-see” attitude; they’re trying to figure out if Mr. Trump will do anything big at all, or keep any of his campaign promises. If they hold their breath much longer, they’ll likely turn blue.

As we write, roughly nine months into Trump’s presidency, we can observe alt-right hopes and alt-left fears alike being dashed, but neither will admit this, because they desperately need each other (and to claim each is bigger than they are) to survive and grow. In politics, at least, Trump is no deal artist. In fact, he’s No Big Deal (Maker) at all. Below we suggest why that is—and what it means.

In prior reports on Mr. Trump, his pledged policies, and their likely effects, we’ve been both skeptical and critical,

not because we sympathize with the alt-left but because we’re pro-capitalist.² Obviously, Mr. Trump and the alt-right are not pro-capitalist. We don’t demand perfection and don’t believe the perfect (what’s ideal) should be the enemy of the good (what’s achievable). But there’s not very much good in Mr. Trump’s plans and the bad in them will likely come to the fore, even more, over time.

Confliction politician. Mr. Trump has no political ideals to speak of in the first place, no core beliefs he’s willing to fight for or use to guide legislative negotiations, foster coalition-building, or maximize needed vote-getting. He’s emphatically not a “conviction politician.” (to use the term of former British Prime Minister Margaret Thatcher).

He’s more into bullying, bellicosity, and bombast, even while glimpsing that the approach sabotages his political aims (of the moment). At best, Mr. Trump may be classified as a *confliction politician*. But that’s a contradiction in terms. In truth, he’s no politician at all. It’s a main reason that millions of voters like him, of course, because many

Trump is no politician. It’s a main reason millions voted for him. But that breeds problems. The division of labor is a crucial principle in all fields of human endeavor.

¹ “Alt” is short-hand for “alternative.” The two camps supposedly represent “alternatives” to “mainstream,” “conventional,” “establishment” politics. In truth, they’re a rehash of politics in the 1930s and 1940s. The “alt-right” today sympathizes with racism (“white supremacy”), nationalism, trade protectionism, neo-fascism, and street violence. The “alt-left” sympathizes with socialism, communism, anarchism, censorship, and street violence. The two camps share more in common than is commonly realized. The term “Nazism,” after all, was short-hand for “national” and “socialist” (see the “National Socialist German Workers’ Party of Germany,” or “Nazi Party,” 1920-1945), components of which today’s two camps embrace. Neither is pro-capitalist. Thus, the street violence. Most Americans (and intellectuals) are in neither of these “alt” camps, but the camps get disproportionate media coverage (making them appear larger than they are) because they’re sensationalist, bombastic, mutually reinforcing, and entertaining to “rubber-neck” types (who like gawking at car wrecks, war ruins, human carnage, and idiocy).

² “Good Trump, Bad Trump, Likely Trump,” *The Capitalist Advisor*, November 17, 2016; “Trade Trends & Trump’s Tariffs,” *The Capitalist Advisor*, December 7, 2016; “U.S-China: A Mutually Beneficial Relationship at Risk,” *Investment Focus*, January 7, 2017; “Warning: Protectionism Usually Entails a Weaker Dollar,” *Investor Alert*, January 17, 2017; “U.S. Presidential Approval Ratings and Economic-Financial Performance,” *The Capitalist Advisor*, February 10, 2017; “The Real Burden of Government Isn’t Cut by Tax Cuts,” *The Capitalist Advisor*, April 15, 2017; “Trump’s Pending Trade War?” *The Capitalist Advisor*, August 17, 2017.

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Americans by now are sick and tired of the corruption and failure of politics-as-usual (yet they enable it, because they endorse the mixed-economy welfare state).

Mr. Trump fancies himself a “deal maker,” and it’s not for us to dispute the fact that for decades he seems to have mastered the skill (with occasional set-backs) of a real estate mogul running his own private company. But that was mostly one-on-one deal-making, by his own account,³ not the kind of *collective* deal-making required in politics, with its many contending interests, moving parts, shifting alliances, and ephemeral coalitions. Put simply: the skills necessary for business aren’t readily transferable (or in some cases even applicable) to those necessary for competence in politics. It doesn’t help that Mr. Trump’s personal traits include evasion, opportunism, lying, and brow-beating even his (temporary) allies.

The Art of the [Business] Deal versus the Art of Politics. One-time Prussian leader Otto von Bismarck (1815-1898) famously declared that “politics is the art of the possible, the attainable—the art of the next best.” Operating in a century characterized by more limited, constitutionally-limited government (thus sustained prosperity), Bismarck fathered the welfare state, with its “cradle-to-grave” “social” insurance schemes. He knew what he wanted, damaging as it would become to liberty and prosperity, because he was a *conviction politician*.

It shouldn’t be mysterious that non-politicians tend not to do politics very well – just as politicians tend not to do business very well, boxers tend not to sing very well, and pastry chefs don’t write computer software very well. There’s good reason Adam Smith (1732-1790) discovered and stressed that the “wealth of nations” comes from the *division of labor* and *specialization*. The cure for corrupt politics lies not in hiring non-politicians to oversee it, but in narrowly restricting the politicians’ powers.⁴

Consider the following exchange between Trump (DT) and the *Washington Post* (WP) from April 2016.⁵ Notice how he blithely assumes that deal-making skills in business easily transfer to politics. Even if transference is easy, notice how he also implies that it won’t be more difficult even though he’s combative, petulant, petty and

irascible.⁶ Notice also he prioritizes bearish trade blockages over bullish tax cuts—even when pressed.

DT: I’m renegotiating all of our deals. The big trade deals that we’re doing so badly on. With China, \$505 billion this year in trade. We’re losing with everybody. And a lot of those deals, a lot of people say, ‘how could the politicians be so stupid?’ It’s not that they’re stupid. It’s that they’re controlled by lobbyists and special interests who want those deals to be made. . . . What would I do in the first 90 days? I would immediately start renegotiating our trade deals with Mexico, China, Japan and all of these countries that are just absolutely destroying us. And they have been for years. It’s an incredible tribute to our country that we can lose hundreds of billions of dollars consistently, year in and year out, and still even survive. We have rebuilt China. We have rebuilt it. I mean, you look at what’s going on in China. We have rebuilt China single-handedly. Now, they’ve done okay with Europe too, but . . .

WP: So renegotiate trade deals and have a tax cut. That would be your first 100 days?

DT: Renegotiate trade deals and renegotiate military deals. Renegotiate with NATO. And renegotiate with Japan and with...

WP: On trade deals, dealing with a company, on your business deals, when you study them, it’s dealing with people and corporations.

DT: And I’m negotiating over 100 deals. We’re negotiating 114 deals.

WP: But aren’t deals with countries and foreign leaders different than the kind of transactions you do at the corporate level? And how do you make that transition?

DT: No.

WP: Because you can’t say to a country, ‘I’m going to sue you.’

DT: No. Well, you know, it depends on what your definition of ‘sue’ is. We will be able to make great trade deals. It’ll be good for the countries, it will be good for us.

WP: How long will it take? A year? Two years?

³ Donald Trump (with Tony Schwartz), *Trump: The Art of the Deal* (New York: Random House, 1987).

⁴ See “To Get Money Out of Politics, Get Politics Out of Money-Making,” *The Capitalist Advisor*, January 30, 2002; “The Real Burden of Government,” *The Capitalist Advisor*, April 15, 2005; and “Production of Money versus Production of Wealth,” *Investment Focus*, June 22, 2015.

⁵ Bob Woodward and Robert Costa, “Transcript: Donald Trump Interview,” *Washington Post*, April 2, 2016 (https://www.washingtonpost.com/news/post-politics/wp/2016/04/02/transcript-donald-trump-interview-with-bob-woodward-and-robert-costa/?utm_term=.daf0eff06d95).

⁶ We don’t mean to imply that Mr. Trump is aware of the definitions of some of these words. Nevertheless, it’s clear that he’s all these things.

DT: It will go. . . . Yeah, I would say within the first year a lot of it will be done.

Thus in the first year (2017), according to Mr. Trump in April 2016, “a lot of it will be done.” We now know: not much of *anything* has been done in 2017, despite full GOP control of government in Washington, and we’d say that’s precisely *because* of Mr. Trump’s political incompetence and personal viciousness. Worse than an amateur, Mr. Trump is a *boorish* amateur. The corrupt pros in D.C. can easily manipulate and stymie him. We can be thankful, however, that, consequently, some of his more *bearish* policies (trade wars) *also* are being blocked or delayed.

Trump versus Reagan. We recognize that few administrations have been purely pro-capitalist since at least President Coolidge (1923–1929), but President Reagan (1981–1989) came closest,⁷ and both administrations fostered superb economic-financial performance.⁸ The Trump administration doesn’t come close to these, even though the GOP now controls all branches of the federal government and most gubernatorial offices. The proposed repeal and replacement of ObamaCare has failed. Later this week Mr. Trump will finally introduce a tax-cut plan, albeit a watered-down version of what he promised during the campaign (*e.g.*, he’ll propose a top federal tax rate of 35% on personal income, versus 40% at present, which is no big deal). As we wrote recently,

At this point in Reagan’s first term (August 1981) he *already* had his huge supply-side tax-rate cuts approved by a Democrat-controlled Congress and enacted into law.

At this point in President Reagan’s first term (August 1981) he already had his huge supply-side tax-rate cuts approved by a Democrat-controlled Congress and fully-enacted into law. In contrast, President Trump today isn’t even close to getting his tax cuts approved by a Republican-controlled Congress. It hasn’t even been presented. So now he turns, in comfort, to his pet protectionism – which should be no comfort to bullish equity investors. ERTA (“Economic Recovery Tax Act of 1981”) was passed by Congress on August 4th and signed by Reagan while on vacation at his California ranch on August 13th. ERTA included an across-the-board cut in marginal income tax rates by 25% over three years, with the top rate falling from 70% to 50% and the bottom

rate down from 14% to 11%. ERTA also cut estate taxes and corporate taxes by \$150 billion over 5 years. Tax rates also were indexed for inflation, to preclude “bracket creep” (starting in 1985). In 1981 there were 242 Democrat-controlled seats in the House versus 192 GOP seats; the GOP controlled the Senate, 53–47. Today there are 238 GOP-controlled seats in the House (versus 193 GOP seats) and the GOP controls the Senate, 52–48.⁹

“I do it to do it.” Interestingly, the word “business” embodies the word “busy,” but the great practitioners of business, historically, didn’t achieve what they did or succeed financially for so many decades by a mere frenzy of senseless, haphazard activity, by working too quickly or myopically, as fly-by-night operators. The enduringly successful ones worked intelligently, conscientiously, productively, and profitably. They had principles, plans, and prescience. Not so Mr. Trump, who in 1987 openly described his approach to business as a mongrel mix of eclectic, myopic, frenzied, *busy*-ness:

I don’t do [deal-making] for the money. I’ve got enough, much more than I’ll ever need. *I do it to do it.* Deals are my art form. Other people paint beautifully on canvas or write wonderful poetry. I like making deals, preferably big deals. That’s how I get my kicks. Most people are surprised by the way I work. I play it very loose. I don’t carry a briefcase. I try not to schedule too many meetings. I leave my door open. You can’t be imaginative or entrepreneurial if you’ve got too much structure. I prefer to come to work each day and just see what develops. There is no typical week in my life. I wake up most mornings very early, around six, and spend the first hour or so of each day reading the morning newspapers. I usually arrive at my office by nine, and I get on the phone. *There’s rarely a day with fewer than fifty calls, and often it runs to over a hundred.* In between, I have at least a dozen meetings. The majority occur on the spur of the moment, and few of them last longer than fifteen minutes. I rarely stop for lunch. I leave my office by six-thirty, but I frequently make calls from home until midnight, and all weekend long. It never stops, and I wouldn’t have it any other way. I try to learn from the past, but *I plan for the future by focusing exclusively on the present.* That’s where the fun is. And if it can’t be fun, what’s the point? (emphasis added).¹⁰

⁷ See “The Secrets of Reagan’s Success (Part I): The Role of Government,” *The Capitalist Advisor*, June 11, 2004 and “The Secrets of Reagan’s Success (Part II): Economic Policy,” *The Capitalist Advisor*, June 21, 2004. See also “Contrasting Two Recovery-Driven Elections: Reagan (1984) versus Obama (2012),” *The Capitalist Advisor*, September 30, 2012.

⁸ Under President Coolidge (August 1923 – January 1929), the DJIA equity index, U.S. Industrial Production Index, and employment increased at compounded annual rates of 22.6%, 3.6%, and 2.3%. Under President Reagan January 1981 – January 1989), they increased 11.4% p.a., 2.5% p.a., and 2.1% p.a., respectively. Under President Obama (January 2009 – January 2017), they increased 11.3% p.a., 1.6% p.a., and 0.9% p.a.

⁹ “Trump’s Pending Trade War?” *The Capitalist Advisor*, August 17, 2017, p. 3.

¹⁰ Donald Trump (with Tony Schwartz), *Trump: The Art of the Deal* (New York: Random House, 1987).

The approach of “do it to do it” is one focused on *means*, not ends, on *process*, not product, but it also entails *baphaz-and* means and processes, for the purpose of making things interesting, dramatic,¹¹ and (per Trump) “fun.” Mr. Trump uses the same approach at the White House. If he inadvertently hires any advisors to restrain his capriciousness, soon enough he capriciously fires them. Mr. Trump’s approach makes him a poor political deal-maker; at most he’ll get policies that are *worse* than those

we’ve got already, made with foes who seek to roll him.

Below we re-publish our table from last November’s report, detailing Trump’s campaign proposals and judging whether they’d be enacted and whether they’d be bullish. We revise it, based on what’s happened since November. The shift has been to *less good* and *more bad*. Meanwhile U.S. stock prices march upward, seemingly undaunted. Count us skeptical, but that’s an analysis for another day.

APPENDIX *

IFI’s Preliminary Assessment of Trump’s Main Policies, Proposals & Plans

The Tax Plan (9/15/16): <https://assets.donaldjtrump.com/trump-tax-reform.pdf>

Contract with Voters (10/22/16) https://assets.donaldjtrump.com/CONTRACT_FOR_THE_VOTER.pdf

<u>Economic & Regulatory Policies</u>	<u>Probability of Adoption</u>	<u>Likely Impact on U.S. Economy & Equities</u>
Materially cut federal marginal tax rates on business & individual income, plus bracket compression, loophole closures, & a low (10%) one-time repatriation tax	high	bullish if fully & quickly implemented, but potentially bearish in short-term if adoption is delayed and/or most loopholes are retained
Use public-private partnerships & select tax breaks to invest \$1 trillion in public infrastructure over a decade	high	bullish, especially to the extent it is done more by the private element than the public element
Designate China a “currency manipulator,” penalize it	high	bearish
Don’t re-appoint Yellen as Fed head when term expires in Jan. 2018; encourage Fed to cease unorthodox policies	high	mildly bullish
Repeal & replacement of Obamacare with Health Savings Accounts & freedom to buy health insurance plans across state lines; cut FDA red tape for pharma-drug approvals	medium	very bullish
Promote access to energy reserves, approve Keystone Pipeline	medium	very bullish
Impose high tariffs on U.S. imports from China, Japan, Mexico & other nations with whom U.S. has wide trade deficits; cancel TPP talks & “renegotiate” NAFTA	medium	very bearish
Promote energy production by restraining the EPA & encourage lending by revising-gutting Dodd-Frank Act	medium	very bullish
Other (less material) Policy Promises	Probability of Adoption	Likely Impact on U.S. Economy & Equities
Drop “carried interest” tax treatment for hedge funds	high	mildly bearish
Elder care & childcare tax deductibility for employers	high	neutral
Restrict immigration, build wall on U.S. southern border	medium	mildly bearish
Conservative justices & judicial appointments	medium	mildly bullish
Restrict Islamic refugees; make free-riders pay NATO	medium	bullish
No foreign adventurism or costly nation-building	medium	very bullish
Hiring freeze & attrition for federal employees	medium	neutral
Defund sanctuary cities that harbor-subsidize illegal aliens	low	bullish
Reinstate the Glass-Steagall Act	low	bearish
Better relations w/ Russia; let allies obtain nuclear weapons	low	neutral
Amend Constitution to term limit Senate/House members	nil	neutral

Today (9/25/17) we'd say these probabilities are medium-low

By now (9/25/17), this probability is NIL

this is being done and has been bullish

Now (9/25/17) more likely

this is being done and has been bullish

still not done, highly unlikely

* Source: “Good Trump, Bad Trump, Likely Trump,” *The Capitalist Advisor*, November 17, 2016, p. 2.

¹¹ See also “Reality TV.” “Markets Prefer a Focused President to a Skittish Drama King,” *Investor Alert*, May 17, 2017. Perhaps we’re wrong, as the S&P 500 is up 5.9% since we wrote this, an acceleration from the 3.5% gain recorded in the prior equivalent period (January 7 – May 17).