

## **Donald Trump flunks 'pump priming' economics test with *The Economist***

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Donald Trump did an Oval Office interview with *The Economist* to outline his "Trumponomics" agenda and the US President's incoherent and bizarre responses quickly captured the attention of economists.

The billionaire real estate mogul claimed to have invented the expression "priming the pump", when in fact the fiscal stimulus term has existed since the 1930s.

He alleged the US was the "highest taxed" country in the world when it has one of the lowest tax burdens - ranked 170th out of 219 nations, according to US government statistics.

Justin Wolfers, an Australian economics professor at the University of Michigan, took to Twitter to say that every answer Trump gave in the interview was "bananas".

In the interview, Trump spoke of his goal to create jobs and boost lacklustre economic growth, through fairer trade deals, tax cuts and deregulation.

That didn't sound too irrational.

But pressed to elaborate on the details and spell out his understanding of economics, the celebrity television star turned President was exposed.

### **'I came up with it'**

On his plan to massively cut individual and corporate taxes, Trump likened it to "priming the pump".

Trump: "We have to prime the pump."

Interviewer: "It's very Keynesian."

Trump: "We're the highest-taxed nation in the world. Have you heard that expression before, for this particular type of an event?"

Interviewer: "Priming the pump?"

Trump: "Yeah, have you heard it?"

Interviewer: "Yes."

Trump: "Have you heard that expression used before? Because I haven't heard it. I mean, I just...I came up with it a couple of days ago and I thought it was good. It's what you have to do.

"Yeah, what you have to do is you have to put something in before you can get something out."

Trump's Treasury Secretary Steven Mnuchin then interjected to clarify that Trump was talking about how higher economic growth could increase tax revenues by as much as \$US2 trillion over a decade, "so priming the pump in the short term leads to growth".

## **Two main flaws**

Economists were quick to point to two main flaws in the response.

First, priming the pump is usually associated with government spending to lift the economy, not tax cuts.

Trump seem to confuse left-of-centre Keynesian spending, generally more supported by Democrats in the US and Labor Party in Australia, with right-of-centre supply-side economics that Republicans and the Liberal Party (at least before Tuesday's big spending budget) usually advocate.

The Merriam-Webster dictionary says the definition of pump priming is "government investment expenditures designed to induce a self-sustaining expansion of economic activity".

Still, arguably infrastructure spending and tax cuts both have similar stimulatory effects and add to the budget deficit, so the error is not totally unreasonable.

Second, however, the well-known economic phrase has existed since the Great Depression.

The *New York Tribune* editorial cartoon of April 8, 1930 showed president Herbert Hoover pouring buckets of water labelled "millions for public roads", "millions for public buildings", and "millions for public construction" through a water pump labelled "US Business", according to [Cato Institute's Steven Horwitz](#).

## **Experts lashed**

More broadly on the sit-down interview with Trump, *The Economist's* editor in chief, Zanny Minton Beddoes, later opined that his "underlying economic nationalism defies orthodoxy and fails to deal with the real challenge: how to cope with the turbulence from new technology".

Trump probably won't be losing too much sleep over the mocking he is coping from professional economists.

He's repeatedly lashed "expert" economists since running for President and called official government economic statistics "fake news".

And there was no noticeable impact on financial markets, meaning investors are still hanging out for big corporate tax cuts – regardless if Trump understands economic jargon or not.