

## Trump Says Clinton is the Candidate of the Past—but His Ideas Are All Old News

*The GOP candidate's economic plan comes down to vague tax cuts, deregulation, and unwinnable trade wars.*

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Presidential nominee Donald Trump wants "to jump start America," and thinks "it won't be that hard." In a speech delivered at the Detroit Economic Club, he outlined his plan for the economy. It boils down some tax cuts, eliminating regulations, and engaging in trade wars.

A significant portion of the speech was spent attacking Hillary Clinton. Trump noted that her outdated policies have been tried and failed all over the country. Detroit, he says, is an example of such failure. The city's unemployment is twice that of the national average, capital income is half of the national average and over 40 percent of the city's residents live in poverty.

Eight years of Democratic rule in Detroit, he remarked, led to 7 million of Americans added to the ranks of those in poverty, 12 million added to the food stamp program, and the labor force participation rate at its lowest in forty years. He repeated inaccurate claims that American household are making \$4,000 less than 16 years ago but rightly noted that the official unemployment number of 5 percent does not give an accurate picture of the health of the labor market.

Ignoring the role played by big spenders like George W. Bush, he blamed the Obama-Clinton tax, spending, and regulation policies for producing "1.2 percent growth, the weakest recovery since the Great Depression and a doubling of the national debt."

According to Trump, Clinton is "the candidate if the past. Ours is the campaign of the future." Never mind that Trump's description of the brilliant future he envisions for America resembles Detroit in the 1950's.

But there were a few good surprises in the speech like his embrace of school choice: Milton Friedman's idea that every child deserves a good quality education, and that every parent deserves to choose that education for their children. His energy plan, if well-designed, could also create some serious economic growth.

Trump also deserves major kudos for promising to overhaul our regulatory regime. He would first implement a temporary moratorium on new agencies' regulations. Second, he would ask "every federal agency to prepare a list of all the regulations they impose on Americans which are

not necessary, do not improve public safety, and which needlessly kill jobs." These regulations would then be eliminated.

If implemented, this part of the plan could do more to improve the economy than anything else. Regulation, at the federal, state, and local level is pervasive and impose significant costs on businesses. But misery is spread around as companies shift these cost onto customers in the form of higher prices, onto employees in the form of lower wages and onto investors in the form of lower returns. Cumulatively they cause a serious drag on economic growth and trigger job losses. [A 2013 article](#) in the Journal of Economic Growth by John Dawson and John Seater finds that GDP had been reduced by a surprising \$39 trillion over the period 1949 through 2005 due to regulation. That's \$129,300 per person by 2005.

His tax plan is not bad either. It would broaden the base by getting rid of loopholes (such as carried interests) and lowering the tax rates. He promised to work with Congress to move from a 7 bracket tax system to one with the three rates of 33 percent, 25 percent, and 12 percent. We all could use some tax simplification in our lives as Americans waste massive amount of time and money complying with the current tax code.

Unfortunately, he would also make the tax code more complex with an unlimited tax deduction for child care costs. This awful, populist policy would not only be expensive without any chance of growing the economy, but it would also be unfair to low income parents who don't benefit from tax deductions, stay at home mothers, and of course, childless Americans.

The best part of the tax plan is probably the reform of the corporate income tax system, which would cut the rate from 35 percent to 15 percent. He would also try to induce American companies to bring income parked abroad to avoid being double-taxed by offering a 10 percent tax rate on repatriated income.

Without any details, it is hard to assess this part of his plan too. For instance, would companies be forced to bring their income back? How long would the offer stand? Either way, I am usually opposed to repatriation taxes since good economic states that income should only be taxed where earned—in this case abroad.

The rest of the speech was mostly garbage. First, there is all the stuff he didn't talk about like the need to cut spending, to end cronyism, and to reform entitlement programs that are the main drivers of our future enormous debt.

Then, there's the stuff he talked too much about like his backward views on trade. While we should celebrate that Trump refrained from dumping on immigrants like he usually does, he once again used his speech to assert that free trade created more losers than winners in the United States. To that end, he spent a significant amount of time harping on how "Hillary Clinton has supported the trade deals stripping this city, and this country, of its jobs and wealth. She supported Bill Clinton's NAFTA, she supported China's entrance into the World Trade Organization, she supported the job-killing trade deal with South Korea, and she supports the Trans-Pacific Partnership (TPP)."

He says that if elected president he would pull back from TPP and NAFTA, as well as renegotiate trade agreements. I don't have enough space here to go into how wrong Trump is on trade but I would like to highlight a few points. First, as Cato Institute and trade expert Dan

Ikenson concluded in a recent study, while not all of TPP is pleasing to free traders, "the TPP would be net liberalizing—it would, on par, increase our economic freedoms."

Also, many of Trump's concerns about protecting intellectual property are actually an important part of trade agreements like TPP, which he opposes. TPP was also designed as a way to create an alternative market to China, which Trump seems so afraid of.

In addition, imposing tariffs on other countries means they too will raise their tariffs on us. That will result in more expensive products for American consumers, and a harder time for American exporters to sell their goods abroad. No one wins a trade war.

Finally, as John Cochran write in a new book published by Hoover Institution called Blueprint for America, "Six months of xenophobic political bloviation do not overturn centuries of experience. Trade and immigration are good for the US economy." He adds, "Two centuries of economic scholarship have only deepened and reinforced these lessons." Not for Trump apparently.