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Are Trump's economic policies really making America great?

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President Trump is nearing his 600th day in office, a lengthy period that has allowed him to develop, refine, and pursue his economic policies to “Make America Great Again.” The approach of this milestone is a good time to survey and appraise his “MAGAnomics.”

Right now, it appears to be successful. The unemployment rate hovers around record-low levels, gross domestic product growth topped 4 percent in the second quarter, and consumer confidence is as high as it’s been since the late-1990s boom. But economic policy isn’t just about the present; it’s mainly about the long term. So how is MAGAnomics doing in that regard?

Fiscal policy

President Trump’s biggest policy triumph so far is the fall 2017 tax legislation that cut income tax rates on businesses and individuals, increased the standard deduction and family tax credit, capped a number of deductions used by wealthy taxpayers, and ended the Affordable Care Act’s insurance penalty.

The lower business tax rate and the capped tax deductions are noteworthy achievements. The former reduces the deadweight loss on desirable business activity and brings the U.S. rate in line with the rest of the developed world. The latter reduces the regressivity of some parts of the tax code. Those changes will likely endure because future Congresses won’t want to reinstitute a tax disadvantage on U.S. businesses or restore a tax advantage for the rich.

However, the legislation’s overall reduction in Americans’ taxes will almost certainly not endure because federal spending wasn’t cut along with the taxes. Trump and Congress will close the budget gap with more federal borrowing, returning America to trillion-dollar deficits.

Unless Congress launches into serious budget-cutting, federal taxes will have to rise to pay those debts, or at least to assure America’s lenders that they will be repaid. Because of that, the 2017 tax changes are “fake” tax cuts.

Trade and immigration

The Trump administration’s top two policy priorities are managing the nation’s international trade and cutting both legal and illegal immigration.

On trade, Trump has backed out of the Trans-Pacific Partnership, a pact to lower trade barriers between nations around the Pacific Rim, and he is threatening to abandon similar pacts with Europe and the rest of North America.

Trump is now taxing imported steel and aluminum, washing machines, and solar panels, and has threatened tariffs on automobiles. He's also singled out specific nations like China for general tariffs. In response, China, Canada, and the European Union are raising tariffs on U.S. goods.

Such protectionism mainly harms the protectionist countries, while trade benefits even countries with large trade deficits.

Trump says his tariffs will force other countries to open their markets, claiming that “every country is calling every day” to make new agreements. But he's yet to announce any new deals, and despite his recent announcement with European Commission President Jean-Claude Juncker, no serious negotiations seem to be occurring.

Instead, we seem to see the reverse, as America withdraws from international trade while the rest of the world lowers its barriers and grows richer.

Trump also claims that legal and illegal immigration threaten national security and increase Americans' risk from violent and property crime. Many of his supporters also say that cutting immigration will raise Americans' wages.

But research shows the opposite; immigrants (both legal and illegal) appear to be less likely to commit violent and property crimes than native citizens, and the nation's immigration vetting — tightened after 9/11 — has proven highly effective at screening out dangerous persons.

There is some evidence that immigration lowers wages for low-skilled workers — primarily previous immigrants — but it also appears to increase native-born workers' wages overall. Immigrants also show greater entrepreneurial spirit and willingness to work than native workers.

On immigration and trade, MAGA-nomics is a disaster.

Regulation

Regulatory policy seems to be a MAGAnomics success. Following Trump's taking office, the Republican-led Congress repealed more than a dozen regulations the Barack Obama administration implemented in its last months in office.

Trump appointees also put the brakes on ongoing rulemaking, smothering a slew of Obama initiatives. This has yielded a historic freeze in the growth of federal regulation and a slight decline in the cost of regulation.

But America doesn't need just a halt to new regulations, but a rollback and simplification of current regulatory regimes. This happened in the great deregulatory wave of the 1970s to 1990s, yielding large public benefits.

Sadly, the Trump administration isn't laying the intellectual groundwork and building the political coalitions necessary for another wave. As a result, MAGAnomics will likely have no

long-term regulatory effects and its short-term achievements will be reversed after the next Democratic takeover of the White House and Congress.

Long-term challenges

The federal debt is over \$21 trillion, more than the nation's GDP for an entire year. And that's only part of America's financial woes. In order for the Social Security and Medicare programs to continue their current levels of benefits for the next 75 years (basically, the lifespan of today's children), they will need to increase their revenues \$13.2 trillion and \$37.2 trillion, respectively, and in present-value terms, over their currently expected tax receipts.

Yet Trump has repeatedly vowed to make no changes to Social Security or Medicare and intends to run up more government debt. That saddles the U.S. economy with enormous uncertainty, and is another MAGAnomics failure.

Conclusion

Trump's economic agenda is little more than an impulsive dislike of trade and immigration, a hazy desire for less regulation, and a desire to lower taxes temporarily but not do the hard work to lower taxes permanently. In other words, MAGAnomics is more a marketing slogan than a serious plan to strengthen the nation's economy.

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