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“Trump, and the future” (Aug 5 2016)

Donald Trump’s election as the Republican candidate for the U.S. Presidency will change America in many ways and therefore the rest of the world. However scatterbrained he may sound, he is responding to an economically weaker America. Inequality has grown, and many uneducated whites lived on static incomes for the last decade. Many cannot afford the student loans that could push their children to a better life. They are unable to spend on attending to the welfare of their small children. Glonslization and free trade are accused of losing many millions of jobs to China. Millions of legal and illegal Latin American immigrants (especially from Mexico) have increased competition for jobs, and depressed wages for unskilled labour. (This has now stabilized. Indians and Chinese are the largest number of recent migrants-in the USA for less than one year).

Trump wants China to “stop stealing American jobs” through free trade. He is against trade agreements-American jobs are lost. He wants to curtail immigration especially of Latin Americans, Mexico in particular. He does not want an open door to Muslim refugees, who he thinks are from terrorist countries. He wants American companies not to set up factories overseas since they will export goods to America, losing more American jobs.

However Trump has not so far been as vocal in criticizing the outsourcing of American work to India, though he would like to curtail the visas to Indian software professionals. Trump as President will make the USA an expensive and uncompetitive economy.

American economy has declined due to wars and poor economic management. Wars in Vietnam. Iraq, Libya, Afghanisthan and Syria, were for “democracy”. Imports especially from China, worsened the balance of payments. Losely regulated banks and their managements overstretched bankshed. Household savings were almost zero. Shale ouil and gas helped cut imports from the Middle East. Decline in world oil and gas prices, with other commodities helped the American economy. But shale is not an option for the long term because of costs and pollution. However, shale has helped the USA to distance itelf from the Saudi Arabian regime with its funding of export of fundamentalist Islam and terrorrism to countries like India.

Trump attacks international trade agreements (NAFTA, with China, undertaking ‘the greatest job theft in history’, the proposed Pacific Area trade Agreement, and others) for declining American manufacturing and a low wage job market. He will raise tariffs to protect American manufactures. He plans to renegotiate trade agreements to reduce American imports. The dire straits of the American macro economy today does not seem to bother him. His policies might weaken further the high U.S. government debt, deficit balance of payments, fiscal deficit, fragility of commercial banks, high costs of education and child care. He also plans to get American companies to desist from manufacturing overseas. Though rashly worded, his proposals jell with the demands of many voters. They voted for him in the Republican primaries and have almost tied him to Hilary in pre]election polls.

Hillary Clinton’s plans are not much different but are better nuanced. Sanders also had many similar proposals. Hilary’s better argued proposals sound more acceptable to the world and the educated elite in the USA. She recognizes that issues to be tackled include the poor middle-class incomes over a decade; globalization, technological progress in USA and overseas (reducing demand for labou); and poor choices by business leaders and policymakers.

Apart from trade issues, Hilary will spend more than $1 trillion to rebuild U.S. infrastructure, allow students to attend college without incurring debt, help working families afford day care for their children, and take paid leave to raise them. She thinks such spending would create jobs, improve household net incomes, and accelerate economic growth. They will help low- and middle-income students gain skills that are necessary for high-wage work. She also plans to reverse a recent trend of women leaving the U.S. workforce. She would raise taxes on the highest earners and impose a new minimum effective take home pay, curb inequality. She will clean up the banks. She would add to the Obama administration’s wave of new regulations on Wall Street; change the tax code to discourage companies from moving operations overseas; encourage them to share profits with workers; and invest more in providing long-term investment opportunities in the USA. She plans to raise the minimum wage to $12-an-hour as the federal minimum. (States could set higher rates). Will all this expenditure add to government deficits, raise prices and depress the exchange value of the dollar?

Thr European Union has similar problems; Britain will also do so as it leaves the EU. Europe also faces the demographic disadvantage of an aging work force which the USA (like India) does not. Much of Europe is against globalization and immigration. It is leading to the rise of right wing parties. EU will follow the USA to renegotiate trade agreements. There may be more exits from the EU. Russia and Middle East are in economic crisis with falling oil prices and shale, as also the coming of electric cars. China is in decline and will not be able to overcome till internal debt issues are resolved. This will take years of lower growth.

We must however recognize dramatic technological changes. They will transform industry and the job market over the next 20 years. A new industrial revolution is under way. Instant communications with the internet and mobile phones; information technology to control and share information; mobile banking; 3D/4D printing in production that will sharply reduce scales of production; renewable energy with solar, wind and geo thermal sources, at declining and increasingly competitive costs reducing demand for oil and gas; new electricity storage technologies that also enable returning power to Grids; revolution in transportation with oil products replaced by electricity; distributed energy and transmission. The composition and size of job markets will be radically different. Service industries will be the new growth area and not manufacturing.

The next President of the USA will reform existing structures to benefit American workers. The innovative technological changes will transform the structure itself.

India has never and will not be dependent for its growth on international trade. The internal domestic market is large and growing. Indian skilled labour will find employment in the developing third Industrial Revolution in the USA, other countries and of course in India. The enforcing of trade rules on China might also increase demand for our products. Private investment funds might flow as rich countries strengthen their economies.

Trump may be an undisciplined thinker and wild in his articulation of ideas. But more sophisticated expressions of similar ideas have come from Hilary. They respond to genuine concerns. In the medium term the nature of the American economy will be changed by technology. The Trump/Hilary policies will diminish world trade, hurt China, improve purchasing power in the USA, lead to greater FDI from which India could benefit, displace unviable banking. Release consumer power; better incomes for more workers. Technology will accelerate to change the structure of American production and in the world.

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