

Trouble Ahead: The Trump Administration at Home and Abroad. Trade Wars, Soaring Deficits, Regional Wars

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President Donald Trump has found his comfort zone. His whirlwind staff shuffle reflects his determination for the Secretary of State, Chief Economic Adviser, CIA Director to join the surviving loyalists remaining on team Trump.

Domestically and internationally the President means to impose his will and policy agenda.

Unless he changes his mind, or countervailing forces intervene, what will Trump being Trump likely mean domestically and internationally in the short to medium term?

Soaring Deficits in a Time of Economic Growth

At home, the effect of Trump's mammoth tax cuts has led to a plunge in tax revenue and to a 1.2 trillion dollar increase in the National Debt since Sept. 2017. Unfortunately, the pace of economic growth has not soared as predicted, but has settled at two percent plus annually, guaranteeing that a wave of red ink and deficit spending will wash over the United States for the foreseeable future.

While new Chief Economic Advisor, and Wall Street fan, Larry Kudlow predicted the tax cut pay for itself through increased economic growth, the opposite is the case. While the deficit soars, corporations are using the tax cuts to buy back stock at high prices at a impressive rate. Deficit spending and tax cuts certainly will pump up the stock market at the same time the Federal Reserve keeps interest rates low.

Low interest rates have helped enrich the bankers who borrow money at 2% and loan it to businesses at 5 to 6%, and to consumers at 10-15%. The banks are also about to be given "regulatory relief" from Dodd Frank further encouraging profitable and speculative activity.,

The pump, unfortunately, will be followed, sooner or later, by the dump, as we saw in the bursting real estate bubble and consequent derivative instrument collapse in 2007-8 ushering in the Great Recession. Running multi-trillion dollar yearly deficits with low interest rates in relatively good economic times, leaves policy makers with little in their tool kit to respond to a sharp downturn.

It's quite likely that in the next couple of years, more or less, the failure of some hitherto speculative and opaque financial instruments will lead to a cascade of business failures and personal bankruptcies. Companies, like beleaguered retail businesses already dependent on selling junk bonds to roll over debt payments will collapse en masse in the face of sudden economic downturn and tightening credit. A significant fraction of the trillions of consumer

debt in credit cards, auto loans, home mortgages, student debt will be in default.

We can expect ,as the deficit zooms ahead, that the administration and Paul Ryan will attempt to cut social security, medicare, and what remains of the safety net. But this will inspire enormous resistance and until the big collapse, the can will get kicked down the road.

Another multi-trillion dollar price for a future bailout of the banks and of the economy will likely mean this time the pain will be more equitably shared between Main Street and Wall Street. Stock holders and speculators will be wiped out, insured depositors protected, top corporate executives lose their jobs, the banks and other key companies recapitalized under public ownership and the banks subsequently privatized as small community based institutions. This is a possible, and maybe likely, consequence of future collapse following a deficit driven Trump boom plus, of course, the Republican's political repudiation at the polls. The Trump legacy may be the creation a new FDR moment to "save capitalism from itself".

Trade Wars

"Trade wars are easy to win," according to President Trump. And while there is almost universal disagreement with this sentiment from economists across the political spectrum, a rapid engagement in trade combat apparently will soon be upon us.

The President imposed steel and aluminum tariffs in the name of "national security", serving politically to please his base voters and as negotiating tool to wield against Canada and Mexico in negotiations to rewrite NAFTA. He has just ordered development of a \$60 billion package of taxes focused on China. In addition, he is threatening EU imports,particularly of German cars.

Both the Chinese and Europeans are preparing retaliatory tariffs focused particularly on red states. The Chinese are considering taxes on imports of sorghum used to brew popular alcoholic drinks in China, and on soy, milk, chicken and beef imports and on Boeing Aircraft. The EU tax menu includes Harley Davidson's, Blue Jeans, and Bourbon. Instead of cooperating with the EU and other Asian nations to persuade China to open its markets, Trump, executive orders at the ready, is going it alone wielding tariffs as a club.

The Obama TPP that Trump killed as a first order of business was, in part, a multinational attempt to create an enormous market to compete with and gain leverage over China. The role of trade wars to come may more quickly destabilize the economy pushing the U.S.into recession leading to all come tumbling down.

Unleashing a Regional War in the Middle East and South Asia

It is highly likely that President Trump will refuse to re-certify the Iran nuclear deal by a May 12th deadline. The Joint Comprehensive Plan of Action was painstakingly negotiated with Iran by the U.S., Britain, France, Russia, China, and Germany.The positions of Trump and incoming Secretary of State Pompeo are clear. They want regime change in Teheran and are apparently willing to go to war, or to take grave risks to accomplish this.

If the administration unilaterally withdraws from the international nuclear agreement without evidence of Iranian non-compliance, it will likely unleash strong centripetal forces affecting the region. Trade and investment with Iran by European allies is already far below

expectations after the lifting of sanction in part because of the wariness of European companies to risk American anger and American sanctions to come by making major long term commitments.



Protest in Iran (Source: Sayed Mousavi)

Recent protests, apparently spontaneously erupting against the regime was in part a reflection of the failure of the deal to bring needed economic relief to Iran. This is combined with a recent sharp growth of the urban population as long-term climate change driven drought has made it increasingly difficult to make a living off the land.

Trump has clearly signaled his intention to back the Saudi led Sunnis against the Iranian led Shiites in a contest for regional and political dominance. This includes the brutal Saudi wars in Yemen, and in Syria where Iranians are allied with the Assad regime and the Russians. In Syria there is already real danger of fighting between U.S. and Russian forces if the Trump administration attacks Assad from the air.

The barriers for rapidly expanding American military action in by Central and African Command have already been dramatically reduced. American military forces and the CIA have been given wide latitude by the Trump administration to pursue deadly bombing and anti-terror operations as a tactical matter and not involving strategic and policy questions.

And, of course, scrapping the nuclear deal is likely to lead to Iranian nuclear weapons development justifying American air and then ground assaults potentially with Israeli assistance. Saudi Crown Prince Mohammed bin Salman (MBS) has just made clear that if the Iranians pursue developing nuclear weapons, so will the Saudis, unleashing a nuclear mid-east arms race. Iran and their Hezbollah allies in Lebanon will certainly not stand idly by in the face of U.S. attacks and will counterattack using their own means around the world.

The promise for regional war will increase exponentially. Pursuing regime change in Iran will almost certainly result in Iranian push back in Lebanon, Iraq, Syria, Yemen and beyond involving almost all Middle East and neighboring states who will have to choose sides. Apparently Trump, Pompeo, Netanyahu, and MBS, a coalition of the willing, find that war now is a politically possible opportunity to crush Iran before, like Korea, they have a nuclear bomb in future decades. Such a war's successful conclusion would be an opportunity to impose an Israeli-Saudi dictated settlement upon the Palestinians as well as gain control of Iranian oil and new influence on Iraq and other Gulf energy producers. What could go wrong

with such a grand plan?

There are so many horrendous consequences from Israel to Palestine, to Jordan, to Qatar, to Turkey and the beleaguered Kurds, to Iraq, Afghanistan, Pakistan and India that will unfold from Trump's lighting the fuse for intensified Middle East instability. The straights of Hormuz may be closed, global oil prices soar, regimes overthrown by coups and invasion, civil wars rekindled and hundreds of thousands of American soldiers pulled into the whirlwind.

We have left behind the early comedic episodes of the Trump show's first season. In year two, it should be crystal clear that President Trump means to do what he says. Unless checked by a Republican controlled Congress that has demonstrated little to no willingness to resist him, or by the voters in November 2018, an interconnected series of economic and political crises and disasters are highly likely to descend upon us all.

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Roy Morrison's Latest Book is Sustainability Sutra (2017). He is working on building solar on working farms www.dual-cropping.com.

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