

Trump Scuttles Economic Stimulus Negotiations. What Next?

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Today, August 7, 2020 negotiations on an economic stimulus package between US House Democrats and the White House broke down and broke off. What's behind it?

In recent days the Democrats' leaders, Nancy Pelosi and Chuck Schumer, reportedly reduced the cost of their original 'Heroes Act' proposals by \$1 trillion. Instead of the original cost of \$3T in the Heroes Act passed last June, they were willing to agree to a reduced package of \$2 trillion. Never mind the attempt to reach a compromise on some middle ground. The White House, Thru his assigned negotiator, staffer Mark Meadows, Trump rejected the Dems offer. Meadows reportedly slammed the table (a two-bit amateur negotiating tactic) and walked out of negotiations with Pelosi-Schumer in a huff. Meadows' walkout appears a well planned set up in the works for some time.

What does this mean? Politically and for the economy, now showing clear signs of the mild rebound of May-June dissipating in recent weeks?

On one level it's clearly a typical Trump negotiating tactic: Bring a deal to a near close, then make a big show and angrily walk away. Trump's done that before on numerous occasions. We saw it in the trade negotiations with China in 2018 and again 2019. It didn't work then with the Chinese trade negotiators, and will likely not work here again—assuming the Dems don't lose their backbone and fall for the set up, which has been known to happen in the past.

Trump coyly stayed on the sidelines in the early phase of the negotiations between the Dems and McConnell in the Senate and Mnuchin at Treasury.

He let McConnell in the Senate carry the early bargaining water. But McConnell's extreme ideologue wing, led by Rand Paul and others, revolted. They said they couldn't support any kind of new stimulus because of its impact on the government's deficit and debt. However, this same Rand Paul-led crew in just one day last week quickly approved a record \$760B Pentagon spending bill. Nor did these same folks have any problem approving tax cuts worth \$5 trillion in the past two years under Trump. Nothing said about that impact on the budget and national debt.

And its these same hypocrites in the Senate who have been arguing the \$600/wk. unemployment benefits for workers under the March 2020 Cares Act were 'too generous'. The benefit was keeping workers from returning to work, although at least a half dozen university studies—from Harvard, Yale and Princeton—concluded it's not so.

McConnell's withdrawal to the sidelines in negotiations in early July—allowing Trump,

Meadows and Mnuchin to take the lead in negotiations on the stimulus—may be part of the Republican strategy as well. UP until recent weeks, McConnell and Mnuchin were respectively playing ‘hard cop’ and ‘soft cop’ with Pelosi-Shumer. McConnell wouldn’t budge, which let the Dems pursue compromise with Mnuchin as lead for the Trump negotiations. Mnuchin and the Dems actually made some headway and some compromises. Mnuchin sucked them in, getting them to reduce their original Heroes Act \$3T proposals to \$2T. They were being set up.

Then Mark Meadows, Trump’s hatched man, joined in taking over the negotiations and played hard cop to Mnuchin’s soft cop. Now Meadows broke off discussions and stomped out today, August 7. The tactic is transparently designed to get the Dems to reduce their position even further. Propose more than the \$1 trillion concessions already made this past week as the cost of getting Meadows to return to the bargaining table. If they do, it makes Trump look tough and in control of the negotiations agenda. And if they don’t, then Trump moves on to legislative by executive action—which also puts him in the appearance of control and the sole person producing the stimulus package.

Trump also wants to put his ‘mark’ on the negotiations, as is always the case. He wants it to look like the parties couldn’t come together, but he was able to hammer out a deal. ‘The Art of the Deal’, right?

And there’s another more insidious objective here. Trump’s been signaling for weeks he’d like to inject his own pet demands and is ready to do so by executive order once again if necessary. He wants to legislate by executive order. He pulled it off before, setting a precedent. That was when he spent money for his wall by shifting it from the Defense Dept., prepared to restore the diverted funds back to the Defense Dept. at a later date. Republican proposals on the table, by the way, provide another \$29 billion for the Pentagon—over and above the just awarded Pentagon spending of \$760 billion. Now he’ll make a similar move: he’ll divert funds by executive action to pay for his new tax cuts and other measures taking money from some other pot, present or future, to pay for it. Dems in Congress will be left standing saying ‘hey, you can’t do that’, but it’ll already be done.

Breaking off negotiations now gives Trump the opportunity to introduce his proposals by executive order. To do so is clearly unconstitutional but that means nothing to Trump. He’ll soon announce his own stimulus proposals and start executive orders implementation. He’ll use that fait accompli to force the Dems to agree to them if they want to be part of any final stimulus deal. And if they don’t, “so what” he’ll say. “They couldn’t get it passed. I did.”

But as the failure to pass a new fiscal stimulus drags on, 14 million workers will lose their supplemental \$600/wk. unemployment benefits. That’s roughly \$85 billion a month taken out of US GDP, in reduced household consumption. Failure to pass a stimulus also means that 12.3 million renters will be evicted before November, according to the most conservative survey. Some surveys estimate as many as 28 million will be evicted. And no more money for state and local governments facing a growing fiscal crisis that will soon require them to start mass layoffs in September.

The McConnell-Trump strategy is not to bail out state and local governments. It’s about making the high urban population centers—located largely in ‘blue’ states—to bear the brunt of the continuing economic crisis. If they need more money, let them go to the municipal bond market and borrow more. It’s a blue state problem, they argue. Let them

sink with it is the Republican view. Or else cut their too generous public employee benefits and pensions.

To sum up, the strategic objectives behind Trump's ordering his man, Meadows, to break off negotiations are several: inject Trump to the center of the negotiations in the last phase of bargaining so he can take credit for any subsequent deal. Second, allow Trump to raise his pet proposals—like making the payroll tax cut permanent—to the top of the bargaining agenda with the Dems. Third, let McConnell off the hook and avoid creating a split within his Republican ranks over deficits in order to forge a deal. Fourth, expand Trump's attack on the legislative and purse strings authority of the US House of Representatives, and thereby push the presidency toward usurping legislative authority still further than it already has.

Trump is not only a tyrant—i.e. someone who sees himself above the law—as witnessed by his recent pardons and his own numerous public statements about himself as president; he is also a classic usurper, attempting to shift legislative authority via executive action from Congress to himself; and he is also moving toward rule by decree—aka a dictator—which is a hallmark of all authoritarian and would-be fascist rulers.

And we should watch out for more 'rule by decree' attempts in coming months as he invokes one or more 'national emergency declarations' to deal with America's current triple crises—political as well as economic and health.

With Trump forcing a break-up of the recent fiscal stimulus negotiations, and his to be announced executive orders, the political-constitutional and economic crises in America are becoming increasingly entangled. It almost seems as if Trump's grand strategy may be to exacerbate the deepening crises as much as possible before November 3, in order to create a pretext for him to declare the election void and challenge the results.

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