Fake or Fortune -- Trump's Economic Policy and Its Prospective Consequences

Zhu Wenli †

In recent years, the BBC launched a popular paintings authentication program named *Fake or Fortune* which used various modern technologies to tell if some so-called masterpieces were authentic. It turned the appraisal process that had been dominated by a few authoritative experts with their experience and intuition into something as dramatic as a detective thriller. Since Donald Trump won the 2016 U.S. presidential election, discussions around the U.S. economic policy have also been increasingly dramatic. There are so few economists who support his economic policy but so much enthusiasm from the capital market as response to his remarks. He has so many fanatical supporters and passionate opponents at the same time. Academic economic discussions were led by models and data, but now they present a competing stage for popularity with an atmosphere so tense that neither side is willing to compromise.

It should be pointed out that Trump is solely responsible for such dramatic effect that largely helped him win the presidential election. Trump constantly brought up sensational economic slogans, and

† Zhu Wenli is Professor at the School of International Studies, Peking University and senior research fellow at the Institute of International and Strategic Studies, Peking University.

thus skillfully mobilized and maintained supporters' enthusiasm while stimulating and strengthening opponents' antagonism. While people were polarized and busy in criticizing each other, substantial analysis of his economic policy was put aside or even neglected. This situation remains unchanged through his first 100 days in office, which is dangerous to the U.S. economy and irresponsible to global political and economic development. Therefore, it is imperative to clear this man-made propaganda mist and seriously analyze Trump's economic plan.

I. Main contents of Trump's economic policy

We all know that it is only 17 months from Trump officially starting his political career to presiding over the White House. He had been a billionaire and a household celebrity for commercial TV shows, but never had he been known for logic thinking and debating. His economic policy was rapidly shaped during the short yet fierce electoral campaign and drawn from a number of simple and clear propaganda slogans. If the economic ideas of previous presidents were like complex and exquisite traditional architecture, Trump's economic proposal is more like a show canopy built in haste, all being nothing but a glamorous canopy, three main pillars and five fixed ropes.

Trump's holistic slogan "Make America Great Again" is both a gauge of the economy and the guideline to his economic governance. During and after his election campaign, he repeatedly described the U.S. economy as a mess, [1]and the reasons behind the tough economy were elites of the establishment and unfair competitions of other countries. "We've lost more than one-fourth of our manufacturing jobs since NAFTA was approved, and we've lost 60,000 factories since China joined the World Trade Organization in 2001. Our trade deficit in goods with the world last year (2016) was nearly USD800 billion dollars".[2] He blamed those in power for being partial because they could benefit from it while the American people lived a hard life.[3]

Trump's solution is simple and straightforward: "Buy American and Hire American". [4] It can be seen as an embodiment of his slogan

"America first" in the economic front. For that, he will break the regulatory restraint on the market by elites of the establishment and revitalize U.S. companies. He promised that four years' governance under that principle would boost the annual GDP growth of the U.S. to 4% and create 25 million jobs. [5] That was indeed a bold and surprising promise, because the average annual GDP growth of the U.S. has been about 3.1% since the 1950s and fluctuated between 1.5% and 2.5% over the seven years following the financial crisis. International organizations such as the IMF predicted that the U.S. economy would grow at a rate of 2.3% -2.5% this year and next. Even more challenging is that Trump not only promised rapid growth, but also asserted on several occasions that new jobs would mainly be created in the manufacturing sector and dying industries would be brought back to life soon. [6] That is to say, the U.S. economy would reproduce rapid industrialization-led growth.

Trump's economic revitalization plan includes three weapons and five policies.

To achieve his vision, Trump has three weapons to revitalize the economy: tax reform, infrastructure plan and regulation cuts. He has also five accompanying policies: health-care reform, energy and environment policy reform, immigration reform, budget adjustment and trade agreement adjustment. Since Trump has been in power for 100 days, he has taken following major measures around these policies:

First, he launched the immigration reform. The most notable measure was the travel ban that kept travelers from seven Muslim-majority counties[7] from entering the U.S. Not only were refugees and immigrants from these countries denied entry, issuance of all visas was also suspended. Even visa-holders and permanent residents were denied entry. In the meantime, the U.S. Department of Justice and Department of Homeland Security jointly launched a crackdown on illegal immigrants, stepped up inspections on the border between the U.S. and Mexico, and took the initiative across the U.S. to hunt for illegal immigrants and promptly deport them. An even more meaningful action was the consideration of a stricter legal immigration policy. Publicly mentioned measures included a change in the policy of immigration via investment, restriction on the immigration of skilled workers and reduction in the overall immigration quota. If the travel ban on Muslims based on homeland security, other immigration reform measures aimed to clear the path for Trump's "Hire American" proposal.

Second, he attempted health-care reform. Trump supported House Speaker Paul Ryan to design a new health care act to repeal and replace Obamacare. The main shifts in policy included non-compulsory enrollment, supporting enrollees via tax credits instead of subsidies, converting federal financing to a per capita cap, and substantial reduction in related taxes for high earners and insurance companies. [8] The Trump administration expected these measures to end the federal government's forcible intervention in the medical insurance market, give individuals the right to freely choose again, break the vicious circle of ever-rising medical costs and premiums, and enhance the competitiveness of small and medium enterprises.[9]

Third, he adjusted budgets. The Trump administration's federal budget spending plan proposed in mid-March was expected to reduce the overall spending by 1.2%. The defense and homeland security was the only area with an increase in budget of USD 55.1 billion dollars.[10] To strike a balance, all other departments faced a drastic cut in their budgets. For instance, the budget of the Department of State was cut by 29%, the Department of Labor by 21%, the Department of Commerce by 16% and the Department of Education by 14%. Medium and small governmental agencies faced an even more drastic cut in budget and the budgets of around 20 federal independent agencies were almost canceled, including the National Endowment for the Arts, the National Endowment for the Humanities, the Corporation for Public Broadcasting and the Legal Services Corporation.[11] The U.S. media commented this as a priority of hard power over soft power while the Trump administration claimed that it was to streamline the government and strike a blow on the bureaucracy in Washington.

Fourth, he started the tax reform. The White House announced a two-pronged tax reform plan.[12] On one hand, taxes were generally reduced. The maximum rate of both corporate income tax and individual income tax would be reduced to 15%, the threshold for individual income tax would double, the Capital Gains Tax imposed by Obamacare would be cancelled, and Estate Tax would be gradually repealed. On the other hand, the tax system was simplified. The current seven brackets for individual income tax would be reduced to three brackets, various complicated itemized tax deductions would be cancelled, the Alternative Minimum Tax would be repealed, and overseas profits of U.S. companies would be taxed only once. Gary Cohn, Director of the National Economic Council, said that this would be one of the biggest tax cuts in the American history, which can stimulate economic growth and consumption and make the U.S. more competitive internationally.[13]

Fifth, he adjusted trade agreements. Trump signed an executive order and formally dropped out of the Trans-Pacific Partnership (TPP) on the first day of his administration. He also informed the Congress of preparing for the renegotiation of the North American Free Trade Agreement (NAFTA) in late March. The U.S. trade representative's office proposed initial negotiation goals, such as allowing the U.S. to reinstate tariffs on Mexico and Canada in case of imports that cause threat to domestic industries.[14]

Moreover, the Trump administration's regulatory rollbacks were extensive. Shortly after he took office, he signed an executive order requiring the costs of a new rule must be offset by eliminating two existing rules and promised to cut regulation by 75 percent. He has rolled back broadband privacy protections, anti-bribery standards for oil companies operating abroad, labor protection policy and so on.[15] The most controversial move was to repeal the energy and environmental regulation under the Obama administration's Clean Power Plan, allow coal mining on leased federal land and reevaluate the carbon emission standards.[16] Facing the criticism and doubts at home and abroad, Trump claimed that it would give U.S. miners their jobs back, ensure the country's independence of energy and stimulate energy exports. He also blamed the critics for representing special interests of the environmental complex and affirmed his stand on fighting them back. The next deregulation targets are expected to be the Dodd-Frank law, the Food and Drug Administration's regulations over drug approvals and other important policies.[17]

II. Initial implementation and polarized responses

Trump claimed once and again that his initial governance was "the best of its kind in history", while his opponents scoffed at it. In terms of the implementation of his economic policy, the immigration and health-care reforms have encountered major setbacks. His two Muslim travel bans were blocked by the judicial branch. The hunt and deportation of illegal immigrants were generally challenged in populous states and big cities and therefore couldn't win active cooperation of and effective implementation by local governments.

His infrastructure development initiative, the most notable and welcome part of his economic policy, has been slow to make any substantial progress. His critics believed that his non-achievement in this initiative highlighted the shortcomings of the administration.

Firstly, he only brought up grand concepts without the support of details. Trump has repeatedly proposed to invest trillions of dollars in a decade to update and improve infrastructures in the U.S. Many people in the economic world supported it, believing that it would attract investment and reduce domestic costs while creating jobs for the working class. But Trump has always been vague as to how to finance the initiative with the constantly high federal deficit. His general idea was to attract private investment with policy support, but this would probably mean allowing private investors to charge fees on infrastructure, and the public could hardly be persuaded to accept this kind of change.

Secondly, policies were poorly coordinated and often contradictory. While promoting his infrastructure plan, Trump cut the budget of the Department of Transportation by 13%, a reduction of USD 2.4 billion dollars from 2017.[18]As a result, some previous infrastructure projects were already put to an end while his grand plan was yet to be implemented. For instance, subsidies to Amtrak were required to be reduced, including the reduction of all supports for its long-distance train services, and the TIGER Grant launched by the Obama administration was going to be eliminated. Upcoming projects of stations and rail updates in New York, Maryland, North Carolina and Tennessee had to be called to a halt due to the lack of relevant federal funding. [19]

Lastly, his policy was not in line with the U.S. economic realities. During the first term, the Obama administration proposed an infrastructure plan that had similar scale and goals as Trump's plan, but it failed to pass due to the fierce opposition by Republican congressmen. At the time, the U.S. economy was under the shadow of the financial crisis with sluggish growth, high unemployment and poor investment. A large-scale infrastructure plan would have been exactly what the economy needed and the policy would have achieved immediate effects. But now the U.S. economy has fully recovered with ample private capital and nearly full employment. Such a plan could improve the infrastructure, but investment would unlikely be efficient and there would also be a risk of causing an economic bubble at the macro level.

Trump's opponents thus called him a performing artist pretending to be a great manager.[20] His loud, charismatic slogans could not stand detailed questioning and scrutiny. It not only applied to his infrastructure plan, but also his tax reform because it was hard to tell whether the focus was on reducing taxes or the reform itself. His budget plan only covered outlined spending while saying nothing about details or revenues; it was not a complete budget.[21] The same was true for his health-care reform. He shouted for repealing Obamacare but has yet to bring up an alternative. His opponents believed that his other economic proposals would share the same fate of the health-care reform and go through the path of being "doubted - proven wrong - denied" someday.

In stark contrast to the sarcasm and mockery of the mainstream media, the so-called "Trump Boom" emerged in the U.S. capital markets. Since Trump won the election, the Dow Jones index has risen for five consecutive months, from 18,250 points to over 21,000 points. As Trump put it on Twitter, "the Stock Market has posted USD 3.2 trillion dollars in GAINS".

Investors welcomed a White House host who favored capital and the business community.

In the meantime, the U.S. consumer confidence reached the highest level in the past 15 years. Small business optimism was the highest it had been in over 12 years. Where did this optimism in the market come from? What were the factors valued by investors but overlooked by mainstream media and the academia?

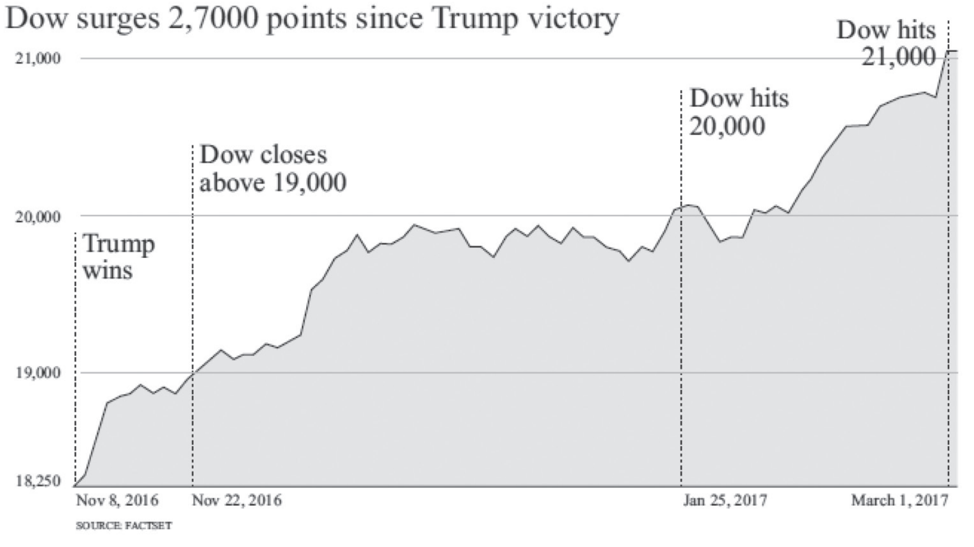

Figure 1. "Trump Boom" manifested by Dow[22]

First of all, the market valued Trump's clear attitude in favor of capital and business. Since his election, Trump has spent a lot of time meeting executives of leading companies across all industries in the United States. Executives remained his favorite guests after he moved into the White House. He was completely the opposite to Obama who shunned large enterprises, especially the executives. During the meetings, Trump often asked these executives to talk about their discontent with government regulations. The White House also distributed forms to these companies, asking them to name the most unpopular industrial regulation as the targets of future reforms.[23] The U.S. business community has begun to feel strong confidence in its influence over policies.[24]

Secondly, the market trusted the staff with financial backgrounds in Trump's Cabinet, especially the Goldman Sachs alums. Trump's cabinetmaking process demonstrated his political instincts, namely winning by Main Street and ruling by Wall Street.

Billionaires with almost the same background not only dominated his economic team, but also made it to the Department of State and the Department of Education. With the recent changes in personnel at the Trump administration, Goldman Sachs alums have gained positions in the National Security Council and the White House Office. Traditional public policymakers are concerned with reaching consensus and shaping the image of public opinion, while these financial executives emphasize more on efficiency and practical interests and, of course, are more logical to the market.

Thirdly, the market noticed that Trump's extremist policies were often eased under the influence of the financiers. For instance, Trump changed the energy and environmental protection policies of the Obama administration and announced withdrawal from *The Paris Agreement* on climate change. As for NAFTA, he had claimed he would get rid of that "disaster" during the campaign, but now he asked for renegotiation and his goals of amendments to the agreement was less radical based on his currently disclosed negotiating positions. He had promised to pin the Chinese government as an exchange rate manipulator, but publicly broke this promise soon after the U.S.-China summit. He may also reverse his claims of replacing the chairwoman of the Federal Reserve Janet Yellen and eliminating the Export-Import Bank.[25] The concerns of the market over policy uncertainties were effectively eased.

Finally, it must be pointed out that the fundamental factor under the market's confidence was the overall recovery of the U.S. and the world economies. The 2016 election happened to be during the completion of the slow and difficult recovery of the U.S. economy when investment and consumer confidence in the market were also recovering. Trump's promises of growth and employment perfectly matched this upward trend. His promotion of the manufacturing industry and infrastructure construction showed a direction for investors who were looking for targets and thus fostered enthusiasm in the market.

As a result, the capital market has been bent on emphasizing the stimulus effects that deregulation of the Trump administration may have on related industries, and has been full of expectation for tax cuts, simplification of the tax system and development of infrastructure.[26] Despite the distressing immigration and healthcare reforms that cast investors into suspicion of Trump's ability to govern, they realized that even if Republicans controlled all branches of government, Trump still may not be able to deliver his promises, but at least the executive branch under the control of the president could deliver on the promise of deregulation. Therefore, even if Trump's macroeconomic policies continued to encounter setbacks and his overall growth promises became just words, investors would still have the chance of gaining a share of the earnings of the industries and companies. Let's compare this to the art market. It is like an auction house that does not even care the authenticity of paintings and as long as the clients bid for the auction and the item is sold at a high price, the auction is successful. It was this sentiment that led to the market surge after Trump took office. That's why William Dudley, President of Federal Reserve Bank of New York, and Jamie Dimon, Chairman of JPMorgan Chase & Co., said with one accord that Trump unleashed the animal spirits in the U.S. market.[27]

III. Strengths and weaknesses of elements of the U.S. economy

Trump's tumid and aggressive political style often led to an emotional reaction to his policy claims. Both parties in the United States and their supporters argued endlessly around various policies and focused only on success on minor details. Such a tendency to see only the details instead of the bigger picture may be the most direct change Trump has brought to the political and economic process in the United States. Therefore, it is extremely necessary for us to go beyond the details of the policies themselves to discuss the long-term and fundamental structural problems. Is Trump's perception of the U.S. economy accurate? Are his economic policies the right solution? If he governs according to his proposed policies, can the strengths of the U.S. economy be continued and the weaknesses be strengthened?

Viewed from a long-term perspective, Trump's iconic slogan -- Make America Great Again -- immediately fails to stand scrutiny, at least in the economic field where it seems weird and unrealistic. This slogan indicates that the U.S. economy is behind its competitors, and Trump described the status quo as an economic depression several times. His description might be true if we are looking at the U.S. in the 1970s or even during the 2008-2009 financial crisis, but it's not convincing to say that the U.S. economy in 2016 is not powerful, neither relatively nor absolutely. Taken the 1990s as the starting point of this round of economic globalization, the U.S. has been the country with the best performance and gains so far. During the time of global prosperity, the capabilities of the U.S. economy to adapt and expand rivaled those of emerging economies, with its vitality and creativity far exceeding those of the traditional developed countries such as Japan, France and Italy. And during the adjustment after the financial crisis, the U.S. economy recovered slowly but steadily and achieved a U-type rebound. As a result, the United States has both strengths of a huge economy and growth quality and currently no competitor can pose a challenge to it at these two aspects at the same time.

Of course, this does not mean that there is no weakness in the U.S. economic structure. We cannot use a selective one-sided description, as Trump did, to identify these weaknesses. His statements were unconvincing due to overgeneralization (for example, talking only about America's trade deficits in goods and ignoring the trade surplus in services), or were too superficial to address the root cause of the problem, or explained the causes of problems in the wrong way (for example, owing the loss of manufacturing jobs in the United States simply to competitors' frauds).

In the era of globalization, the U.S. economy enjoys comparative advantages in the four major elements, namely labor, resources, capital and technology.

An analysis of the elements of the U.S. economy using the theoretical framework of economic growth is a reliable way of deriving objective conclusions. Judging from the four major elements, namely labor, resources, capital and technology, the U.S. economy in the era of globalization has clear strengths and weaknesses.

Firstly, in terms of labor, immigrants flocking to the United States helped the country avoid the population trap experienced by many other developed countries due to the decline in fertility. Both the new labor and the age structure are to the advantage of the economic growth of the U.S.[28] Of course, the advantage of quantity needs to be assured by quality. The education system is the key to transforming the primitive labor force into the human resources needed by the modern economy. But there is an apparent polarization in the education system of the United States. On one hand, its primary and secondary education, especially public basic education, faced severe criticism and has underperformed in various international assessment and academic competitions. On the other hand, it has a leading system of higher education in the world. Colleges and universities, both private and public, play a leading role in teaching, research and social participation. As a result, the United States boasts abundant high-end creative human resources which generate the clustering effect, attracts global intellectual innovation activities, and eventually enjoys the innovative fruits, while the quality of its basic workforce is unsatisfactory and uncompetitive in the global competition and it suffers from the vicious cycle of low income and bad work attitude.

Secondly, in terms of **resources**, the United States traditionally enjoyed the unique advantages and has continued to make breakthroughs in both old and new energy in the globalization era. New technologies such as 3D imaging, horizontal drilling and fracking have revolutionized shale oil and gas exploration, which in the strict sense is old energy, as well as the energy market in the United States and the world. Not only is the United States about to achieve energy independence, but it will also turn into an export country in all fields from coal to oil and gas, [29]effectively reducing the world energy prices and changing the global industrial layout. By the end of 2016, 12% of the total electricity in the U.S. was generated by renewable energy, of which bioenergy and wind energy took a major proportion. [30] Around the world, the United States has the highest investment and production capacity in the field of new energy and holds the key core technologies. [31]However, due to the differences and fierce arguments between the two parties on the energy and environment policies, the speed and proportion of new energy development in the United States are limited and there is no obvious advantage in its competition with other countries.

Thirdly, in terms of **capital**, the size and attractiveness of the U.S. capital market are still second to none in the world, which have played an effective role in allocating resources and guiding industrial development. It can be said to be one of the strongest competitive pillars of the United States. However, the risks associated with financial innovation were also exposed during the crisis in 2008. Executives at all levels are well-paid and not subject to punishment for their failures when taking risks. Financial institutions are getting increasingly large because of the continuous M&A and expansion to various businesses. As a result, the risk of bubbles spread rapidly in the overall economy, which has seriously affected the U.S. economy and the globalization. The Obama administration tried to strengthen and improve financial regulation, but both the left and right wings were unhappy with the effectiveness of its policies. Progressives criticized weak regulation, rampant legal loopholes and the failure to hold any senior executives accountable for the financial crisis. The problem of financial institutions being too big to fail became even more serious rather than solved. Conservatives blamed excessive oversight and burden on financing. They claimed that government bureaucracy had demonized the financial sector, resulting in poor investment and slow economic recovery.

Lastly, in terms of **technology**, the United States currently enjoys outstanding competitive advantages. Although its number of patent applications has been surpassed by Japan and China, the quality of its patents is higher with leading technological innovation capabilities. Breakthroughs have been made in commercial technologies by enterprises such as Tesla and Google, and investors thinks positively about their technical potential and market prospects, which makes it possible for them to harness new positive feedback effects and establish industry dominance, a sign of great advantages of the United States in technological invention. A mature system of university - laboratory - research fund ensures the coverage and quality of its basic theoretical research and continues to attract talents from all countries to join its teams or cooperate with them, making the United States full of vitality and creativity in basic research and development. In recent years, however, warning signs have begun to emerge in the area of technology that the United States has always been proud of. A number of scientists and economists warned that they were worried about the federal government's lack of financial support for scientific research and development.[32] They pointed out that technological innovation and invention in the United States depended on its leading position in basic research and that its current advantage in basic research was still due to the prolonged effect caused by the massive investment of public funds from the 1950s to 1970s. Since the 1980s, the government's funding has been declining and the public's enthusiasm has ceased while America's competitors have stepped up their support for basic research. In particular, China's extraordinary support in recent years could possibly lure American scientific personnel and projects. In addition, there are concerns that the reduction of domestic production and manufacturing in the U.S. will result in a disconnection between technical theory and practice, thereby depriving the country of the opportunities for innovation brought about by learning and improving skills in the production process.[33]

In a nutshell, the strengths of elements of the U.S. economy are: advantage in the size of labor force due to new immigrants, high-caliber personnel from its excellent higher education system, reduced costs of resources thanks to the exploitation of shale oil and gas, development of new energy promoting the balance between resources and the environment, the size of the capital market and the financial depth, and holistic and fully innovative science and technology. The weaknesses are: the public primary and secondary education system undermining the quality of the basic workforce, the tension between the traditional energy structure and environmental protection goals, the risks and controversies arising from financial innovations, and the lack of public funding for scientific research and development.

IV. Long-term structural impacts of Trump's policies

After clarifying the basic facts above, we are now able to make a comprehensive and objective assessment on the structural impacts of Trump's economic propositions. Trump's policies have both positive and negative impacts on America's current strengths.

It is questionable whether "Americans" are willing to fill the low-end positions of immigrants with the current basically full employment.

On one hand, Trump's immigration and energy policies will directly undermine the competitive edge of the United States. First of all, strictly controlling the U.S.-Mexico border and searching for and deporting illegal immigrants who have lived in the country for many years will result in a reduction in the actual number of immigrants entering the country. The decline in the number of immigrants will be even more pronounced if his idea of reducing the quota of legal immigrants becomes a de facto policy. These new immigrants would take a large number of temporary jobs with low wage, rough working conditions and no welfare. Will the "Americans", as Trump said, fill these job vacancies when the labor market in the United States is already close to full employment? That's very questionable. The decline in new immigrants will most likely lead to a shortage in workforce, a problem the United States never had to worry about before. According to a recent study released by the Pew Research Center, based on the past immigration rates, the arrival of new immigrants will ensure the growth of the working-age population in the United States by 2035 despite the declining birth rate (See Figure 2). If the U.S. stops receiving new immigrants, the working-age population will be reduced to 16.55 million by 2035, the same number as back in 2005. This will mean that the driving force behind the growth of production and consumption will be severely weakened (see Figure 3).

Secondly, the policy of tightening student and work visas under consideration by the Trump administration will have an impact

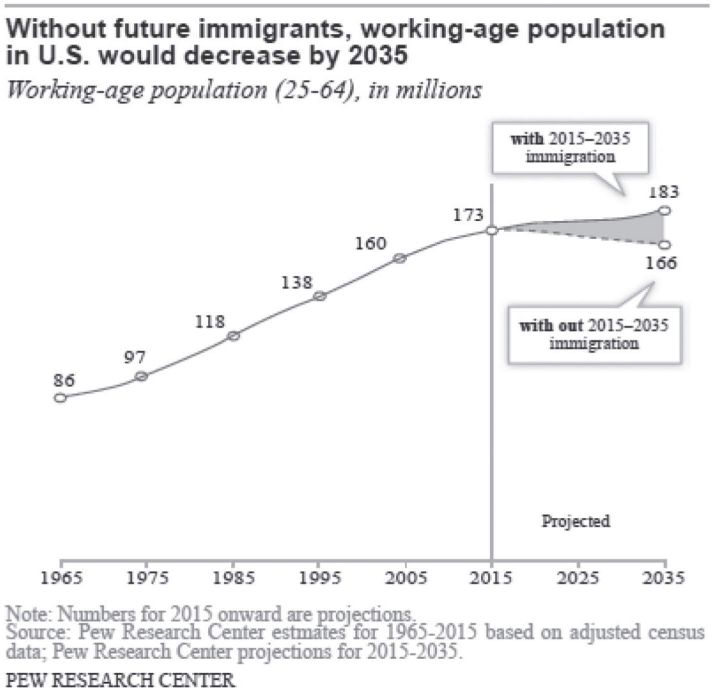

Figure 2. Projected change in the U.S. working-age population (2015 - 2035)

Projected change in the U.S. working-age population, 2015–2035

Ages 25-64, in millons

Group	2015	2035	Change
Immigrants	33.9	38.5	4.6
U.S. born with immigrant parents	11.1	24.6	13.6
U.S. born with U.S.-born parents	128.3	120.1	-8.2
Total	173.2	183.2	10.0

Note: Change calculated before rounding.
Source: Pew Research Center projections.

PEW RESEARCH CENTER

Figure 3. Without future immigrants, working-age population in U.S. would decrease by 2035[34]

on universities and high-tech enterprises in the U.S. and adversely affect high-end personnel training and technological innovation activities the country has always been proud of. The provisional travel bans and strict review of short-term visas have caused chaos among U.S. universities, research institutes and technology companies, and some ongoing cooperation and exchange programs were forced to make adjustments. The next move may be a change in long-term visa measures, especially to make the H-1B visa harder to obtain, and it has aroused more widespread concerns. Worried about a sudden change of policies and gloomy prospects of working in the United States after graduation, international students have begun to cool their heads. The number of international student applications received by American universities has dropped significantly. A recent survey conducted by a number of educational institutions in the United States showed that 39% of the respondent universities reported a trend of decreasing overseas applications, and 75% expressed their concerns about the difficulties in enrolling international students in the future.[35] This is detrimental to both recruiting and keeping top talents in the U.S. and conducting research and development. Thus, the education and scientific communities in the United States strongly criticized the Trump administration's change in immigration policy.

Lastly, Trump's adjusted energy and environmental protection policy will not be conducive to the development of new energy in the U.S. Besides the reassessment of the Obama administration's Clean Power Plan as discussed above and the easing of environmental controls on energy companies, the Trump administration also made substantial adjustments to the funding and personnel of the EPA. In the released budget outline, the EPA is the federal government department with the largest cut in funding -- a 31% decline in 2017. It will be forced to lay off 3,200 people, namely 20% of its current employees. Its research project on climate change and global climate cooperation will lose funding.[36] Although some local governments have said they want to adhere to the Clean Power Plan, the relaxation of carbon emission standards at the federal level may change the rules of the commercial market, and power companies will slow down the pace to shift to renewable energy or even reverse their course.

On the other hand, some of Trump's economic propositions may reinforce these strengths of the U.S. For example, allowing the lease of federal land for exploiting coal and shale oil and gas could help reduce the costs of resources. Another example is deregulation on the financial sector, which is expected to make investments more active and encourage financial innovation. A third example is arguing for the return of manufacturing companies, which should help U.S. companies gain production experience and skills and enhance their capabilities of technological innovation and invention.

In terms of the weaknesses, Trump's economic policies are generally destructive.

Firstly, public primary education will be further weakened. Betsy DeVos, the Secretary of Education he appointed, has always been known for advocating private primary and secondary education. She neither knows nor values the public education system. Her speeches and actions have faced criticism and opposition from the American Teachers Association for several times. And according to the Trump administration's budget outline, funding for the Department of Education will be cut by 14% in 2017 and a number of curricular and extra-curricular supplementary learning programs will be forced to cancel, which makes it even worse for the public primary education that needs to be strengthened urgently.

Secondly, Trump's energy policy will delay or even hinder the adjustment of the old energy industry. Trump repeatedly declared that he wanted to increase coal mining and employment in the coal industry. This is in conflict with the shift in the U.S. energy and economic structure and does not actually help traditional energy regions and lower-class workers. This illusory hope can only prolong their pain during the transformation. Since the 1980s, the number of coal workers in the United States has been on the decline. The main reasons were increased productivity of the coal industry and the price competition from the oil and gas industry and it had nothing to do with excessive government intervention. In recent years, the ability of the new energy industry to create jobs has completely surpassed that of the coal industry. For example, the number of workers in the solar industry doubled between 2011 and 2015 and was three times as much as in the coal industry, and they were also better-paid. The average wage per hour in 2015 reached USD 21 dollars, an increase of more than double the average rate in the United States that year.[37] Trump called for the revitalization of the coal industry, but this will interfere with the natural process of market adjustment and make it more difficult to achieve the balance between the development of new and old energy as well as between energy development and environmental protection.

Thirdly, deregulation may make the risk of financial innovation out of control again. Loosening financial controls, particularly the repeal of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which aims to prevent large-scale systemic financial risks and has been signed by former President Barack Obama as federal law, could revive the financial crisis. Daniel Tarullo, who stepped down from the Federal Reserve Board of Governors, warned before leaving that the lessons of the financial crisis were forgotten. He reminded the Trump administration that the policies of the past eight years, especially the provisions on adequate capital reserves and supervision, were born out of the lessons learned when core financial institutions nearly dragged the U.S. economy and even the world economy into an abyss. They're needed indefinitely.[38] Even many people in the financial sector have expressed concerns about the arbitrary deregulation and openly opposed the complete repeal of the Dodd-Frank Act.[39]

Lastly, a cut in the public funding for science and technology may weaken the basic research in the United States. While federal research funding has been insufficient for years, Trump still proposed in his budget plan to further slash the funding in this aspect. According to a study by Moody's, an international rating agency, the proposed budget cuts will affect the National Science Foundation and the National Institutes of Health (NIH). The USD 5.8 billion dollars cut in funding to NIH will put projects of 300,000 researchers across the country in a dangerous situation.[40] In the meantime, the Science Advisor to the President has been vacant for a long time and staff in the White House Office of Science and Technology Policy left one after another. There was even rumor that the office would be taken out completely.[41] While the U.S. basic research community is calling for the attention and support of the federal government, Trump has shown indifference and laissez-faire.

Conclusion

The comprehensive analysis has shown us that the long-term impact on the U.S. economic structure will obviously be more detrimental than helpful if Trump's economic proposals are implemented. His governance almost always runs counter to what's needed for improving the structural elements of the United States. His policies will undermine the strengths of the structural elements of the U.S. while exacerbating the weaknesses. They will strike a blow on the most energetic part of the current U.S. economy -- higher education, new energy, high-tech industries and cultural industries, and further weaken the problematic parts of public basic education, financial supervision and public research funding.

To avoid making this paper too long, the author didn't discuss the impact Trump's policies have on the distribution of economic returns, nor analyzed in depth the social and political consequences. Generally speaking, the implementation of his economic policies will exacerbate the already outstanding socio-economic inequity in the United States to a more unacceptable level. From the health-care reform and deregulation to the upcoming tax reform and budget adjustments, the beneficiaries of Trump's governance are concentrated in the ultra-high-income groups, while the disadvantaged are the middle and low income groups. Ironically, the core supporters that helped him win the election -- white people with low income and education in townships -- will also suffer from significant losses. This is also why his support rate has been declining since the launch of "Trumpcare" and only 17% of Americans approved of this bill before the withdrawal of its first version.[42] A large number of right-wing voters have been resolutely demanding the repeal of Obamacare over the past seven years, but after knowing the details of the Republican bill, they found that the new health care system would make their situation even worse, and that there was a huge gap between Trump's real policy and their expectations.

It is hard to say whether the billionaire administration driven by the populist wave would ultimately succeed in the political process of the United States.

Therefore, it is still hard to say whether the Trump administration, which relied its winning on Main Street and its ruling on Wall Street, or which gained its presidency by the populist wave and sought governance by the billionaires, would continue its success in the political process of the U.S. Under the political system of decentralization and checks and balances, the final version of policy is often far from the original idea of the ruler. Interestingly, the most successful contemporary economic policies in the United States were the fruits of checks and balances, such as Reagan's tax reforms checked by the Democratic Congress and Clinton's welfare reform pushed by the Republican Congress. As the president who has the least ideological beliefs or political ideas in the American history, Trump's attitude of whether to allow his economic propositions to be tempered by the system of checks and balances will ultimately determine whether they will benefit or hurt the American society and economy.

---

1 "I inherited a mess, believe me." Said Trump at the 2017 Conservative Political Action Conference. (Remarks by President Trump at the Conservative Political Action Conference, February 24, 2017, https://www.whitehouse.gov/the-press-offi ce/2017/02/24/remarks-president-trump-conservative-political-action-conference); He said in his inaugural address: "Rusted-out factories scattered like tombstones across the landscape of our nation." (Donald Trump, The Inaugural Address, January 20, 2017, https://www.whitehouse.gov/inaugural-address).

2 Donald Trump, Joint Address to Congress, February 28, 2017, https://www.whitehouse.gov/the-pressoffice/2017/02/28/remarks-president-trump-joint-address-congress.

3 "Washington flourished – but the people did not share in its wealth. Politicians prospered – but the jobs left, and the factories closed. The establishment protected itself, but not the citizens of our country." Donald Trump, The Inaugural Address, January 20, 2017, https://www.whitehouse.gov/inaugural-address.

4 Donald Trump, The Inaugural Address, January 20, 2017, https://www.whitehouse.gov/

inaugural-address.

[5] White House, "Bringing Back Jobs And Growth", https://www.whitehouse.gov/bringing-back-jobs-and-growth.

[6] Remarks by President Trump at the Conservative Political Action Conference, February 24, 2017, https://www.whitehouse.gov/the-press-office/2017/02/24/remarks-president-trump-conservative-political-action-conference.

[7] The first travel ban, namely *Executive Order 13769*, signed by Trump on January 27, 2017 involved seven countries. After federal courts blocked the travel ban, the revised version, *Executive Order 13780*, on March 6, exempted Iraq and targeted at the other six countries.

[8] H.R.1628 - American Health Care Act of 2017, http://fi les.kff.org/attachment/Proposals-to-Replace-the-Affordable-Care-Act-Summary-of-the-American-Health-Care-Act. Accessed on May 5, 2017.

[9] Remarks by President Trump on Healthcare Vote in the House of Representatives, May 04, 2017, https://www.whitehouse.gov/the-press-office/2017/05/04/remarks-president-trump-health-care-vote-house-representatives. Accessed on May 5, 2017.

[10] It's the total increased budget of the Department of Defense and the Department of Homeland Security. If including the Department of Veterans Affairs, the total amount is USD 59.5 billion dollars. Alicia Parlapiano & Gregor Aisch, "Who Wins and Loses in Trump's Proposed Budget," *The New York Times*, March 16, 2017, https://www.nytimes.com/interactive/2017/03/15/us/politics/trump-budget-proposal.html? _r=0.

[11] Ibid.

[12] Gary Cohn, "President Trump Proposed a Massive Tax Cut. Here's What You Need to Know," White House, April 26, 2017, https://www.whitehouse.gov/blog/2017/04/26/president-trump-proposed-massive-tax-cut-hereswhat-you-need-know. Accessed on April 29, 2017.

[13] Briefing by Secretary of the Treasury Steven Mnuchin and Director of the National Economic Council Gary Cohn, White House, April 26, 2017, https://www.whitehouse.gov/the-press-offi ce/2017/04/26/briefing-secretarytreasury-steven-mnuchin-and-director-national. Accessed on April 29, 2017.

[14] Bob Davis & William Mauldin, "Trump administration may seek only minor adjustments to Nafta," *The Wall Street Journal*, March 29, 2017, http://www.marketwatch.com/story/trump-administration-may-seek-only-minoradjustments-to-nafta-2017-03-29.

[15] "The Regulatory Wrecking Ball," *The New York Times*, April 6, 2017, https://www.nytimes.com/2017/04/06/opinion/the-regulatory-wrecking-ball.html.

[16] David Blackmon, "President Trump's Latest Energy Executive Order Is Not Just About Coal," *Forbes,* March 27, 2017, https://www.forbes.com/sites/davidblackmon/2017/03/30/president-trumps-latest-energy-executiveorder-is-not-just-about-coal/#47c4a31a198d. Jeremy Carl, "What President Trump's Energy and Climate Executive Order Does — and Doesn't Do," *National Review*, March 31, 2017, http://www.nationalreview.com/article/446309/trump-energy-climate-executive-order-coal-clean-power-plan.

[17] Sy Mukherjee, "Why Drug Companies Don't Want President Trump to Deregulate the FDA," *Fortune*, February 15, 2017. http://fortune.com/2017/02/15/trump-fda-deregulation-bio-pharma/, "What Trump's deregulation agenda misses," CNBC, February 6, 2017, http://www.cnbc.com/2017/02/06/what-trumps-deregulation-agendamisses.html.

[18] Parlapiano & Aisch, op.cit.

[19] Hiroko Tabuchi, "Trump Cuts Leave Bridge and Rail Projects Hanging," *The New York Times*, April 5, 2017, https://www.nytimes.com/2017/04/05/business/dealbook/bridge-rail-infra-

structure-trump.html.

[20] Michael Kruse, "He's a Performance Artist Pretending to be a Great Manager," *Politico*, February 28, 2017. http://www.politico.com/magazine/story/2017/02/hes-a-performance-artist-pretending-to-be-a-greatmanager-214836.

[21] Paul Krugman, "Conservative Fantasies, Colliding With Reality", *The New York Times*, March 17, 2017, https://www.nytimes.com/2017/03/17/opinion/conservative-fantasies-colliding-with-reality.html.

[22] Cited in Matt Egan, "Dow soars 300 points, closes above 21,000 for the first time", CNN, March 1, 2017, http://money.cnn.com/2017/03/01/investing/dow-21000-trump-speech/.

[23] Bob Pisani, "Why Wall Street Is Excited about Trump's First Step Toward Deregulation," CNBC, March 17, 2017, http://www.cnbc.com/2017/03/17/wall-street-is-excited-about-trumps-fi rst-step-toward-deregulation.html.

[24] James Surowiecki, "Trump's Mysterious Stock Boom," *New Yorker*, March 6, 2017, http://www.newyorker.com/magazine/2017/03/06/trumps-mysterious-stock-boom.

[25] Alan Rappeport, "Trump Reversals Hint at Wall Street Wing's Sway in White House," *The New York Times*, April 12, 2017, https://www.nytimes.com/2017/04/12/us/politics/export-import-bank-janet-yellen-china-currency.html.

[26] Robert Barro, "How to Engineer a Trump Boom," *The Wall Street Journal*, March 27, 2017, https://www.wsj.com/articles/how-to-engineer-a-trump-boom-1490655757.

[27] "NY Fed President: 'Animal Spirits Have Been Unleashed'" CNN, February 28, 2017, http://money.cnn.com/2017/02/28/news/economy/new-york-fed-dudley-animal-spirits/.

[28] Richard Fisher, the former President of the Federal Reserve Bank of Dallas, called it "Panglossian balance". Richard Fisher, "Globalization and Government Policy," remarks at the fifth Annual Federal Reserve Bank of Philadelphia Policy Forum, December 2005, https://www.philadelphiafed.org/-/media/research-and-data/events/2005/fed-policyforum/papers/fisher_speech_policy_forum_12-2-2005.pdf?la=en.

[29] The transition from an import country to an export country in all fields is expected to complete during 2017 and 2018. Linda Qiu, "Fact Check: Trump's Misleading Words on Energy and Jobs," *The New York Times,* March 28, 2017, https://www.nytimes.com/2017/03/28/us/politics/fact-check-trump-climate-executive-order.html.

[30] Calculation based on data from the U.S. Energy Information Administration, https://www.eia.gov/totalenergy/data/monthly/pdf/sec1_5.pdf.

[31] REN21, *Renewables 2016 Global Status Report*, p.13, http://www.ren21.net/wp-content/uploads/2016/10/REN21_GSR2016_KeyFindings_en_10.pdf.

[32] Cf. Judy Esterin (USA), *Closing the Innovation Gap* (Lu Jia and Weng Yifei, Trans.), Beijing: China Machine Press. 2010 edition.

[33] Cf. John Kao (USA), *Innovation Nation: How America Is Losing Its Innovation Edge, Why It Matters, and What We Can Do to Get It Back* (Ge Yue, Shen Xiaoli and Guo Lihua, Trans.), Beijing: Contemporary China Publishing House. 2009 edition.

[34] Ibid., http://www.pewresearch.org/fact-tank/2017/03/08/immigration-projected-to-drive-growth-in-u-sworking-age-population-through-at-least-2035/ft_17-02-27_workforcegen_without_immigrants/.

[35] Elizabeth Redden, "Will International Students Stay Away?" Inside Higher Ed, March 13, 2017, https://www.insidehighered.com/news/2017/03/13/nearly-4-10-universities-report-drops-international-student-applications.

[36] Parlapiano & Aisch, op.cit.

[37] Patrick Gillespie, "Solar Energy Jobs Double in 5 Years," CNN, January 12, 2016, http://money.cnn.com/2016/01/12/news/economy/solar-energy-job-growth-us-economy/.

[38] "Outgoing Fed Official Sees Room for Banking Rule Changes, But Fears Financial Crisis Forgetfulness," PBS News Hour, April 6, 2017, http://www.pbs.org/newshour/bb/outgoing-fed-official-sees-room-banking-rulechanges-fears-financial-crisis-forgetfulness/.

[39] Christina Rexrode & Emily Glazer, "Banks to Donald Trump: Don't Kill Dodd-Frank," *The Wall Street Journal,* December 8, 2016, https://www.wsj.com/articles/banks-to-donald-trump-dont-kill-dodd-frank-1481194801.

[40] Danielle Douglas-Gabriel, "Trump Budget Cuts Could Hit Research Universities Hard, Moody's Warns," *The Washington Post*, March 28, 2017, https://www.washingtonpost.com/news/grade-point/wp/2017/03/28/trumpbudget-cuts-could-hit-research-universities-hard-moodys-warns/.

[41] Cecilia Kang & Michael D. Shear, "In Empty Offices, Critics See Evidence of Trump Devaluing Science," *The Boston Globe*, March 30, 2017, https://www.bostonglobe.com/news/nation/2017/03/30/empty-offi ces-critics-seeevidence-trump-devaluing-science/uTxmTe9QIns89ehagfvS5I/story.html.

[42] Bob Bryan, "Only 17% of Americans Support 'Trumpcare' in New Poll," *Business Insider*, March 24, 2017, https://www.businessinsider.com/quinnipiac-poll-shows-17-percent-of-american-support-trumpcare-ahca-2017-3#6oOwUCqEA47bo1Vy.99'.