

WHAT HAPPENED



THE TRUMP PRESIDENCY IN REVIEW

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REORIENTING POLITICAL FOCUS from growth for its own sake to widely shared economic development that sustains vital social institutions;

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HELPING POLICYMAKERS NAVIGATE the limitations that markets and government each face in promoting the general welfare and the nation's security.



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Table of Contents

FOREWORD: THE WORK REMAINS

*President Trump told many important truths,
but one also has to act*

by Daniel McCarthy

1

INTRODUCTION

4

TOO FEW OF THE PRESIDENT'S MEN

*An iconoclast's administration will struggle to
find personnel both experienced and aligned*

by Rachel Bovard

5

A POPULISM DEFERRED

*Trump's transitional presidency lacked the vision
and agenda necessary to let go of GOP orthodoxy*

by Julius Krein

11

THE POTPOURRI PRESIDENCY

*A decentralized and conflicted administration was
uniquely inconsistent in its policy actions*

by Wells King

17

SOME LIKE IT HOT

*Unsustainable economic stimulus at an expansion's
peak, not tax cuts or tariffs, fueled the Trump boom*

by Oren Cass

23

FOREWORD: THE WORK REMAINS

President Trump told many important truths, but one also has to act

by Daniel McCarthy

Donald Trump's record as president is ripe for reevaluation even before he has left office. For more than four years progressives have insisted that history will judge Republicans harshly for the Trump era. Yet the Trump administration's policy record, separated from Trump himself, is hardly a thing to shock historians' tender sensibilities. Two key domestic achievements were of a bipartisan and even moderately progressive character: the passage of the USMCA trade deal and a distinctly libertarian criminal-justice reform package. President Trump gave the Club for Growth and pro-life social conservatives exactly what they wanted with the 2017 tax bill and the appointment of Amy Coney Barrett to the Supreme Court, two accomplishments for which left-of-center historians may fault him. Yet neither of those moves departed from the GOP agenda that has been in place since the Reagan era. Updates to a continental free-trade agreement, criminal-justice reform, tax cuts, and originalist judges do not add up to a radically right-wing program. By conventional measures, Trump's domestic record sits neatly beside those of President Reagan and each President Bush.

Even Trump's tariffs, while different in degree, are not so different in kind from the steel tariffs imposed by George W. Bush or the protections that

Reagan afforded the American motorcycle industry—the Gipper was the savior of Harley-Davidson. Nor was the spirit of Trump's economic nationalism a far cry from the spirit of Reagan's Plaza Accords. Trump was more ambitious and more haphazard in his industrial strategy, it's true, and he undertook it amid far more difficult global conditions—China is a more serious rival in every respect than the Japan of the 1980s was, and to rebuild America's industrial lead after so many years of anti-industrial policy was always going to take more than a single presidential term. Yet policies that shifted industry and trade advantage from China to Vietnam are, in fact, a useful beginning in correcting the mistakes that facilitated the ascent of an economic arch-rival. Trump has changed the policy debate about China, trade, and industry, in both parties, even if his own policies have not been a revolutionary break with the past.

How Trump's approach to trade and China will be seen by historians of the future will depend on the next few twists in the tale, not just on what happened during Trump's own time in office. If concern about China becomes a defining feature of American politics, as seems likely, Trump will be remembered as a trailblazer, whether or not his message is thought to have translated into immediate results. His role was to show the way; others must build the road. Beijing's regime might yet falter, a turn that

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optimists have been predicting incorrectly since 1989. Maybe tomorrow they will prove right. If not, however, history’s damning verdict is likely to fall not on Trump’s perception of U.S.-China rivalry but on the perceptions and policies of Trump’s loudest critics, the architects of globalization and Beijing’s concomitant empowerment.

Policy paradigms in our country arise and collapse messily, driven not by visionary technocrats but by flexible politicians sensitive to the vox populi and willing to experiment and muddle through.

Policy paradigms in our country arise and collapse messily, driven not by visionary academics and technocrats but by flexible politicians sensitive to the *vox populi* and willing to experiment and muddle through; leaders who have a direction in mind—or at least a destination—but nothing like a roadmap. The New Deal was haphazard too, and Reagan had neither the dogmatic consistency nor market fundamentalism of the Zombie Reaganism now worshipped across much of the American right.

The real Reagan offers a useful point of comparison for Trump: Reagan, too, had his critics among the gatekeepers of conservative orthodoxy, who loved the 40th president for his domestic agenda (usually) but found him far too soft on Mikhail Gorbachev and thought he’d been duped by the wily Russian. Contrary to legend, neoconservatives in the Reagan administration’s latter years were distinctly unhappy with the president and hoped for a truly hardline successor. But Reagan’s simple vision was right—he foresaw the peaceful end of the Cold War because he knew the Soviets were collapsing from within—while the neoconservatives, in all their sophistication, were wrong. Likewise, Trump’s grasp of the stakes in the 21st-century economic struggle is simpler, clearer, and more correct than the highly theorized, well-articulated, policy-rich, yet fundamentally wrong view of his critics. Those critics fancy themselves

free-marketeers and economic scientists more principled and dispassionate than other mere mortals but, truth be told, they are “true believers” of the same emotional sort who couldn’t accept Reagan’s bold diplomacy with the enemy.

Just as Reagan understood the Soviet Union’s rot, Trump has recognized the post–Cold War era’s political economy is basically gangrenous. The difference is that the Soviet Union only had to be destroyed. Applying ever greater pressure with a combination of firm deterrence, clear moral condemnation, and diplomatic engagement did the trick. The present economic regime has to be *replaced*—not with democratic socialism or central planning, but with a more nuanced and less oligarchic conception of the relationship between economics, politics, security, and society.

Today’s dogmatic liberalism places the economy apart from and in some way above politics and strategic security. Economics is purportedly scientific and moral, while politics and foreign relations are inherently compromising and reflect darkly on human nature. What’s good for the economy is good for society, namely stock prices and gross domestic product.



President Trump being sworn in on January 20, 2017 at the U.S. Capitol building.

If GDP is up, but life expectancy is down, that’s still progress. If GDP is up, but more and more of the growth is concentrated in fewer and fewer hands, it



President Trump meets with China's President Xi Jinping at the start of their bilateral meeting at the G20 leaders summit in Osaka, Japan, June 29, 2019. REUTERS/Kevin Lamarque

can always be redistributed. The scientific and philosophically righteous must come before the political and the socially pragmatic, or so goes the justification. The reality is much simpler: the highly credentialed elites win, while traditional forms of family and labor lose.

Donald Trump is a millionaire (or billionaire) with a degree from Wharton, not a factory-floor worker with a high-school education. But class politics, thankfully, is not identity politics. Trump, for whatever reasons of his own, is not a “true believer” in the system that has served his class so well. There’s a lot that he likes about it, and he boasts about stock-market records and GDP growth as much as any president. But he dares to speak about the system’s shortcomings, about deindustrialization, about the feeling that he and millions of Americans share—including millions of Americans who didn’t vote for him—that the economic game is rigged with trade, immigration, education, and financial policies that benefit the man-

darins and harm ordinary people. This truth, however roughly articulated, is just as important as the truth Trump has told about China. And these two truths are of course intimately related.

Yet telling the truth is not enough: one also has to act. Trump accomplished a great deal in his four years, considerably more than his critics are wont to admit. Most of the work that must go into renewing American life, however, remains to be done—not just by presidents and their staff but by the men and women outside of government who have the talent to put specific ideas on the policy agenda, and who can transform a needed iconoclasm into a well-wrought public argument, a plan of action, and substantive change. The essays in this symposium, evaluating what has succeeded and failed in the last four years and what is to be done next, carry on the work. They show the opportunity that Trump has created, which we now need to seize. ■

INTRODUCTION

Justice Elena Kagan, shortly after departing her domestic-policy role in the Clinton White House, penned an epic article for the *Harvard Law Review* titled, simply, “Presidential Administration.” Across more than 100 pages and 500 footnotes, Kagan described how President Bill Clinton, building on President Ronald Reagan’s efforts to rein in regulators, made the executive branch “more and more an extension of the President’s own policy and political agenda.” This template has become the standard. References to presidents and their administrations are used interchangeably, and as synecdoches for governing philosophies and agendas.

As in many things, President Trump does not fit this mold. Indeed, while the chattering classes enjoy pondering the prospects of “Trumpism without Trump,” the better question might be: Is there a “Trumpism,” or only a Trump? Looking beyond

the TV-celebrity personality and the 50,000+ tweets, was there a coherent vision or agenda? Was an administration staffed to advance it? And what, in the end, was actually done?

This symposium marks the first substantial attempt to construct and examine the Trump administration’s record of accomplishment, with an emphasis on economic policy in the three years prior to the onset of COVID-19. Its timing and length make it necessarily incomplete and perhaps downright premature, but as a “first rough draft of history” it can hopefully provide a starting point for debate and reflection. Indeed, even among the authors, there are numerous points of disagreement, if not about what *happened* then about what *mattered* and what it all *means*.

The essays approach their subject from different perspectives, but several key themes emerge:

1

Trumpism cannot be declared a “success” or a “failure” because it did not exist. The administration, which neither emerged from nor erected institutional infrastructure or an intellectual framework, lacked both overarching vision and an integrated policy agenda. For most statements, appointments, and policy actions there exist equal and opposite ones.

2

Personnel proved an insurmountable obstacle. The administration’s indeterminacy and internal conflict were in part the result of the principal’s own style and substance. But its unusual ideological variability and its reliance on big names over steady hands greatly compounded the challenge. Agendas formed, rose, and fell on the strength of small teams in specific departments, while the prospect for progress requiring interagency coordination or an all-of-government approach was virtually nil.

3

The conservative future remains unwritten. The Trump administration leaves behind countless initiatives to debate and then build upon, or discard, with lessons in each case to be learned. But it is a case study, not a template. Future leaders could not replicate it if they tried, nor should they want to. Equally foolish, though, is using the administration’s shortcomings as evidence for a return to the pre-Trump status quo. As Trump’s presidency underscored, America faces many problems to which its right-of-center has long been unresponsive. Conservatives must now apply their principles to the development of a new path forward.

TOO FEW OF THE PRESIDENT'S MEN

An iconoclast's administration will struggle
to find personnel both experienced and aligned

by Rachel Bovard

Veterans of the conservative movement are familiar with Morton Blackwell's Laws of the Public Policy Process. His most quoted law is the 26th: "Personnel is policy." Laws 21 and 30 are less famous, but inform a proper approach to number 26: "An ounce of loyalty is worth a pound of cleverness"; "Better a snake in the grass than a viper in your bosom."

Most politicians ignore Blackwell's laws on personnel. When they enter public office, they look to fill their teams with people who fit into a few traditional categories: experts in campaign machinery who helped win the election, subject-matter experts with prior experience in a similar office, and people with gravitas, who will impress the public as muscular hires and signal that the newly elected officeholder is serious. What often gets overlooked—and what is without question the most important criterion to use when weighing potential hires—is philosophical alignment with the candidate and commitment to his program and governing agenda.

Rachel Bovard is the senior director of policy at the Conservative Partnership Institute, where she trains and advises congressional staff and members regarding parliamentary and policy strategy. From 2015 to 2017, she was director of policy services at the Heritage Foundation, where she worked closely with the Trump transition team. Previously, she spent a decade on Capitol Hill in both the House and the Senate.

A president can only accomplish his policy objectives if administration personnel are both capable and ideologically aligned, willing and able to engage the machinery of government and to bend it toward implementation of the president's priorities. This was especially so for President Trump, whose policy priorities either upended his own party's orthodoxy—from economics and trade to foreign policy—or forcefully engaged on social and cultural issues where Republicans had long emphasized rhetoric over policy substance.

Nor is a strong inner circle sufficient. A single cabinet official cannot redirect an executive agency by sheer force of will, gravitas, or even expertise. She requires assistance from philosophically committed, expert staff at the subcabinet level and below—something that was missing in the Trump administration's agencies, whose heads found themselves frequently undermined by their own political appointees.

The Trump administration suffered from an abundance of heavyweights, "experts," and vipers, but a notable lack of loyalty to the president's agenda. The result was an unwillingness to subordinate D.C. political machinations to a focus on accomplishing the president's agenda, and long periods of infighting, drift, and internal gridlock that hamstrung the Trump policy agenda in key areas.

Vipers in Trump's Bosom

The president's personnel woes began long before his inauguration. The Trump transition team exemplified the tension between gravitas and philosophical alignment. In tapping former New Jersey Governor and seasoned political operative Chris Christie to lead the process, the president-elect assumed he would have a steady hand at the top. But Christie was a rival, not just a former rival for the presidency, but a rival to the president's son-in-law and closest advisor, Jared Kushner.

More importantly, Christie had no discernable connection or commitment to the policy and ideological agenda laid out by the president-elect. Even after Christie endorsed Trump in 2016, he could barely articulate his support for the candidate's policy agenda, even noting "Donald Trump and I are not going to agree on every issue." While sycophancy is not a desirable characteristic, general philosophical alignment and a willingness to defend the president's ideas should be baseline requirements for staff.

Christie possessed neither qualification. The transition work was thus left to the team Christie assembled, including Rich Bagger, his former chief of staff; Bill Palatucci, a corporate lobbyist with ties to the RNC; and at least nine other lobbyists, including at least one who had done work for foreign governments. All were "qualified" and politically experienced, but each lacked a tangible connection or commitment to the goals President Trump wanted to achieve.

The personnel process created by this team was geared solely toward finding people with conventionally Republican expertise and experience, who almost by definition lacked the commitment to or understanding of the unique set of issues that propelled Trump into office. The result of this process famously concluded the week after the election when the personnel binders created by the Christie operation were discarded in a Trump Tower dumpster.

As the incoming administration hurtled toward Inauguration Day, hiring did not improve. Personnel

selections for key White House staff were controlled by former Republican National Committee Chair Reince Priebus and his lieutenant, Katie Walsh—again, two political operators "qualified" and "networked" by Washington standards, but woefully unprepared or unwilling to distinguish between people who just wanted a White House job and those who wanted to do battle for the president's agenda. Beyond Priebus and his aides, no one on the transition team was given visibility into the composition of the White House staff.

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Perhaps the most consequential Priebus hire, which would leave an indelible mark on the entire Trump presidency, was the selection of John DeStefano as director of Presidential Personnel. DeStefano was formerly an aide to John Boehner, the Speaker of the House who was ousted in a rebellion led by future White House Chief of Staff Mark Meadows. He was the President of Data Trust, a downtown Republican consulting outfit with ties to Karl Rove and Mitch McConnell's American Crossroads. DeStefano had no discernable expertise in personnel matters, and no connection to or understanding of Trump's focus or the conservative movement itself. Conservatives were vocal in their displeasure.

Yet it was DeStefano who would steer the personnel ship from February 2017 to the end of May 2019, when he departed the White House to advise the vaping company, Juul. His tenure largely served as a pipeline to shuffle establishment Washington into administration jobs for the sake of their resumes, rather than to do the difficult spade-work of confronting

Washington's toxic routines, which was what Trump made clear he intended.

The president also yielded tremendous deference in personnel to the Republican apparatus in Washington. Senate Majority Leader Mitch McConnell, who told Trump within the first few weeks, "I don't wanna hear any more of this 'drain the swamp' talk," ended up placing allies and D.C. regulars into key positions in the White House and various agencies. The president also left much of the subcabinet level staffing to the discretion of his cabinet secretaries. As a result, agencies were run by appointees pursuing the policy agendas (and perhaps political ambitions) of their respective secretaries or else functioning more as autonomous Republican political operatives than as shepherds of the president's policy priorities.

was ill-prepared to navigate the perils and political landmines of managing an executive branch agency full of vipers with their own agendas, and who possessed both the skill and willingness to pursue their own priorities.

The president was seemingly drawn to the celebrity of people like Gary Cohn, the former President and COO of Goldman Sachs, whom he tapped to be his Director of the National Economic Council (NEC). But Cohn, a registered Democrat, was a principal with his own agenda, one he was unprepared to subordinate. In a now-infamous anecdote, Cohn reportedly removed a letter from President Trump's desk—without the president's knowledge—that would have ended the United States-Korea Free Trade Agreement.



President Trump walks down the West Wing colonnade with Treasury Secretary Steven Mnuchin, Secretary of State Mike Pompeo, and U.S. Trade Representative Robert Lighthizer, May 29, 2020. REUTERS/Jonathan Ernst

The president's own preference for people who he perceived as having the gravitas and heft to command respect compounded the staffing misfires.

His choice of Rex Tillerson, as Secretary of State, was better in theory than in execution. Tillerson, though capable as CEO of ExxonMobil,

Trump's appointment of hedge fund manager, investment banker, and film producer Steven Mnuchin to Secretary of the Treasury was somewhat more successful. This was due perhaps to Mnuchin's lack of ideological constraints (National Economic Council head Larry Kudlow once remarked that he didn't know if Mnuchin was a Republican or a Democrat) and his willingness to engage in passionless negotiations on behalf of the president.

Outcomes appeared to matter to Mnuchin more than any particular policy emphasis, and perhaps because of that, he has received substantial credit for securing passage of the first COVID-19 relief package, which included both direct payments to individuals and a robust small-business relief program. But Mnuchin is still an investment banker at heart, and the bill also included an opaque \$450 billion "relief" fund to big business reminiscent of the 2008 bank bailout.

Larry Kudlow, who replaced Cohn at the NEC,

was also a Wall Street veteran (and a TV personality to boot) and tended to elevate priorities that emphasized financial markets. During the COVID-19 pandemic, for example, Kudlow publicly suggested tourism tax breaks as a remedy. On the outside, Club for Growth co-founder Steve Moore came to influence the administration's policy and received consideration for the Federal Reserve. Moore influenced the administration's economic approach to COVID-19, strongly and publicly advocating for a payroll tax deferral to benefit businesses and workers affected by COVID-19 related closures.

A Tale of Two Staffs: Immigration Policy

The Department of Homeland Security provides a quintessential illustration of the administration's personnel challenges. Early in the administration, John Kelly, a retired four-star general, was tapped to be Secretary of Homeland Security and brought with him Kirstjen Nielsen to be his chief of staff. His clashes with the administration began early, when it was clear he was not aligned with the administration's muscular approach to immigration enforcement, stating in his confirmation hearings that Trump's proposed border wall "will not do the job."

Nielsen, Kelly's protege, was plagued by many of the same issues when she became DHS Secretary. Conservatives questioned her belief in strong immigration enforcement, her remark that there was no need for a border wall "from sea to shining sea," and her commitment to Trumpian priorities like ending the Deferred Action for Childhood Arrivals ("Dreamers") program. Trump publicly aired his frustrations that illegal immigration at the border surged under her watch.

By contrast, the current acting DHS Secretary, Chad Wolf, had a largely successful tenure due to his relentless focus on, and public commitment to, pursuing the president's agenda. Where Kelly and Nielsen appeared publicly squeamish about the president's goals, Wolf appeared unflinching in his implementation of the administration's more creative and successful border-control measures.

Wolf's efforts were buttressed by the addition of Ken Cuccinelli, first as Acting Director of U.S. Citizenship and Immigration Services, and then in an acting capacity as Deputy Secretary of Homeland Security. He was ideologically aligned with the president on tough immigration protocols and, like Wolf, he was not distracted by national politics. A savvy operator with prior experience as Attorney General of Virginia, he muscled across a series of regulatory changes that resulted in substantial reform of the H1-B visa system.

Where Kelly and Nielsen oftentimes appeared buffeted by the political winds and eager to distance themselves from the president they served, Wolf and Cuccinelli asserted themselves forcefully, both "within the building" and in public, to deliver concrete policy successes on the president's behalf. Kelly, Nielsen, Wolf, and Cuccinelli all possessed the expertise and political experience necessary to do the job. But Wolf and Cuccinelli distinguished themselves in two key areas: demonstrated rhetorical and substantive adherence to Trump's goals, and a willingness to subordinate Washington politics to their pursuit.

Loyal Experts: Exceptions that Prove the Rule

Though the Trump administration was filled primarily by a combination of experts with ulterior ideological motives and outsider loyalists, a handful of ideologically aligned subject-matter experts stood out as Trump's most effective generals—the exceptions that prove the rule of the Trump administration's otherwise poor personnel record, and case studies in how a well-staffed administration might have looked.

Robert Lighthizer was sworn in as the U.S. Trade Representative in the Trump administration's first months and remained in the post throughout. He possessed the rare combination of deep expertise, broad credibility, and a long intellectual record that aligned with Trump's own outlook.

The administration's negotiation and passage of the United-States-Mexico-Canada Agreement, and savvy maneuvering at the World Trade Organization

were all testaments to his leadership and the quality of the team that he assembled around him. He was aided by Peter Navarro, a long-time skeptic of China, whose views heavily shaped the administration's aggressive posture toward the country.

Russell Vought's elevation to director of the Office of Management and Budget (OMB) was another bright spot. Vought, a former staffer for then-Congressman Mike Pence, had both extensive policy experience and a demonstrated willingness to battle with entrenched Washington interests, a skill he would need at OMB. Vought oversaw the development and implementation of key executive orders and deregulatory policies, and efforts to rein in civil servants—from streamlining the process for their termination with the creation of a “Schedule F” employee category to prohibiting agency trainings on “Critical Race Theory.”

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Though late in the game, the administration finally solved its personnel vetting issue with the hiring of John McEntee as Director of Presidential Personnel. McEntee inherited the office previously held by John DeStefano, and brought a critical difference in sensibilities to the job: McEntee thoroughly and intuitively understood the president, his policy agenda, and the type of staffer it required to implement that agenda. In a short time, he assembled a team of young talent who were deeply committed to the policy legacy that Trump wanted to leave and, importantly, who were unfazed by the bureaucracy.

McEntee and his team quickly began reversing

the deference in personnel choices that DeStefano had shown to cabinet heads, instead placing savvy and trusted political operators into key agency positions. Likewise, staff who publicly aired disagreement with the president's agenda, such as former Federal Communications Commissioner Mike O'Rielly, found their nominations withdrawn.

The Curious Case of Jeff Sessions

No discussion of Trump personnel could be complete without considering Attorney General Jeff Sessions, one of the administration's shortest-lived yet most consequential members, and at once a shining example of personnel done well and a cautionary tale of the cabinet level's limits.

The best Trump personnel possessed expertise, gravitas, and philosophical alignment with the president. No one embodied these qualities better than Sessions, who was both ideologically aligned on policy and personally loyal to the president—indeed, he was one of the only cabinet members who had supported Trump in the primary. Unfortunately, his tenure was rocked by Trump's belief that he mishandled Special Counsel Robert Mueller's investigation into allegations of Russian collusion, a belief which led to Sessions' downfall and exile from the administration.

A fascinating dimension of the Sessions saga is its demonstration of the need for dedication to the president's policy agenda even within a department headed by a well-chosen secretary.

According to the standard narrative, Sessions' troubles began when he recused himself from FBI Director James Comey's investigation of the Trump campaign's alleged ties to Russia. But the recusal would not have been a problem were it not for several disastrous personnel moves. As a prosecutor subject to an investigation, Sessions made the entirely customary choice, as recommended by DOJ's recusal counsel. Sessions rightly believed it would be impossible for him to lead or quash an investigation where he was personally a target.

But personnel decisions magnified the consequence of Sessions' recusal and ultimately doomed the Trump loyalist. The first was that Trump had not fired FBI Director Comey in January and installed a credible replacement. The second, and perhaps more important, was that Rod Rosenstein, the Deputy Attorney General who assumed management of the investigation following the Sessions recusal, was a product of establishment Washington. Rosenstein was selected by the Trump transition team, presumably due to experience, expertise, and command of the Justice Department bureaucracy. But while Rosenstein was undoubtedly competent at wielding the levers of government, he had no discernable interest in Trump's larger policy goals. He may have physically filled Sessions' role, but he left a large ideological vacancy for which Sessions was ultimately blamed.

The lesson is clear. Commitment to the mission matters at all levels: White House staff, cabinet, sub-cabinet, and even lower.

The Role of Institutions

The composition, priorities, and emphasis of the establishment Republicans in Washington, as well as the ruling class of Washington itself, uniquely shaped the personnel operation of the Trump White House in two ways.

First, while there existed no shortage of expertise and ability available to the president, there was a stunning and unprecedented absence of individuals and institutions with a grasp of, and commitment to, the policy agenda that got Trump elected.

This speaks more to the entrenched, ideological nature of the establishment GOP than it does to Trump's personnel operation, but it affected the White House in ways difficult to overstate. Past Republican presidents have traditionally culled staff from long-standing policy institutions like the Heritage Foundation and the American Enterprise Institute or from congressional offices in the House and Senate.

Trump drew on these resources, but many of

them outright opposed Trump and what he stood for. And even those who were cautiously supportive lacked the intellectual and policy prowess to advance his agenda with the creativity and forcefulness it required.

Second, the unprecedented rage directed at Trump by almost every mainstream media outlet perverted the incentives for administration staff in a way that rewarded those who actively undermined and publicly denounced the administration and its policies. Staffers at all levels who publicly turned on the president were rewarded with cable news spots, book deals, pundit contracts, and speaking tours.

While every administration must deal with leaks, liars, and tell-alls, the Trump administration was bedeviled by them. This was attributable in no small part to the lack of ideological commitment to the president and the broader agenda for which he stood. It was also attributable to the management style of Trump himself, which, rather than fostering unity, tended to seed chaos and rivalries.

External forces will plague all future White House staffs, with those seeking the most direct challenge to the status quo facing the strongest pressure. The best immunization is a community and institutions that build cohesion and loyalty, both internally and to the shared policy agenda. Bad personnel choices are always a risk, but good ones will never be better than the pool from which they are drawn.

Donald Trump was in some senses a victim of his own success, refashioning the Republican Party's electoral coalition and transforming the policy landscape much faster than existing institutions could adapt or new ones could emerge. Many in the existing establishment will eagerly declare the resulting failures as proof of their own superiority. But mostly it underscores their irrelevance. America is a democracy, not a technocracy, and so it is the citizenry rather than the bureaucrats who choose the nation's leaders and its direction. If some public servants are proudly incapable of serving the public, new ones will soon enough replace them. ■

A POPULISM DEFERRED

Trump's transitional presidency lacked the vision and agenda necessary to let go of GOP orthodoxy

by Julius Krein

Although Joe Biden advertised himself as a “transitional candidate” during the 2020 campaign, Donald Trump will probably be remembered as the transitional president. The issues his 2016 campaign raised, such as deindustrialization and competition with China, will continue to shape policy for the foreseeable future. Trump may also have paved the way for a different GOP than the one that has lost seven of eight presidential popular votes since 1988. But after one chaotic term, that future will be decidedly post-Trumpian rather than Trumpian.

The transitional character of the Trump administration is reflected in the missed opportunities that marked its economic policy record. The administration's approach to issues ranging from taxes to trade to health care and beyond was often self-contradictory and incoherent. Throughout the Trump presidency, Republicans kept at least one foot firmly within the boundaries of conservative orthodoxy, even as parts of the administration and some in Congress began tentatively exploring the “populist” directions outlined in the 2016 campaign. Any attempt to evaluate Trump's economic legacy must begin by separating these opposing strands. Doing so may also shed some light on the emerging debates over the post-Trump future in both parties.

The Failure of Trump's Tax Cuts

The 2017 Tax Cuts and Jobs Act (TCJA), which significantly lowered corporate and personal tax rates, remains Trump's signature legislative achievement. It was also, according to political scientists Jacob Hacker and Paul Pierson, the second-least popular piece of major legislation of the last twenty-five years. (The least popular was the 2017 attempt to repeal Obamacare.)

The reasons for this unpopularity are not difficult to grasp. The supply-side tax reform agenda that culminated in the TCJA has been standard GOP fare for decades, and its effect was never to raise wages or spur investment—however much those purported effects were used as justification—but to benefit holders of capital. The much-advertised Opportunity Zones, encouraging in principle as an effort to spur investment in struggling regions, have been beset by implementation struggles at the Treasury Department and thus far operate mainly as a capital-gains tax shelter.

Although, as Oren Cass notes in “Some Like It Hot,” it may be too soon to tell whether TCJA will contribute meaningfully to the nation's prosperity, early analyses, such as one by the Congressional Research Service, indicate that it had little to no im-

pact on either wages or business investment. But it did contribute to record corporate share buybacks—which mostly benefit the wealthiest stockholders. This should further discredit the Republican Party’s obsession with broad-based tax cuts as the primary lever of economic policy. Anyone campaigning for conventional tax relief in the future will likely have to explain why the biggest tax cuts since the Reagan administration had virtually no effect aside from inflating financial asset values. Republicans might also ask themselves why their party continues to pursue

By contrast, the tax increases imposed by the TCJA offer a generally positive legacy. The burden of its limitations on state and local tax (SALT) deductions primarily lands on the most affluent taxpayers in the most affluent locales, where the high cost of public services is otherwise subsidized by lower-tax jurisdictions. In addition, the TCJA imposed limits on the deductibility of corporate debt interest. In theory at least, this reduces the incentives for the high corporate debt burdens (often used to fund buybacks or cash returns to private



President Trump speaks flanked by White House economic advisor Larry Kudlow and Treasury Secretary Steven Mnuchin in the Brady Press Briefing Room at the White House, July 2, 2020. REUTERS/Tom Brenner

policies that disproportionately favor the wealthy when the most affluent parts of the country—including financial industry donors—preferred Democrats in 2020, despite the TCJA windfall.

The exception that proves the rule was the expansion and increased refundability of the child tax credit, a policy that genuinely benefits the budgets of working- and middle-class families, and is opposed in supply-side temples like the Wall Street Journal’s editorial page as insufficiently “pro-growth” and no more beneficial than a “Canine Tax Credit.” The generous expansion was not part of the TCJA’s initial outline or a Trump administration priority, and the effort by Senators Marco Rubio and Mike Lee to include it, offset by a slightly smaller corporate-rate cut, was met with angry resistance within the GOP. The expansion was not as large as the headline numbers might suggest, however, because it was accompanied by the elimination of dependent exemptions.

equity owners) that have plagued the U.S. corporate sector in recent years. The TCJA also introduced a tax on large university endowments. While its effects to date seem minimal, the endowment tax is at least directionally correct in seeking to penalize unproductive concentrations of wealth, and it potentially opens the door to other forms of institutional “wealth taxes” in the future. Finally, the TCJA eliminated tax deferrals on 1031 exchanges not involving real property. The tax benefits for all of these transactions should perhaps be eliminated: there is no obvious reason for the federal government to subsidize real estate speculation.

These underappreciated measures within the TCJA may prove more durable and economically significant than the headline rate cuts in the long term. Even on the most sacrosanct issue of conservative dogma, some heterodoxies may slowly be seeping into the Republican consciousness.

Trade and Reshoring

A reflexive desire for tax cuts has been a staple of Republican platforms since Ronald Reagan, but Trump’s hawkishness on trade diverged from a decades-long bipartisan consensus. And despite resistance from the Republican establishment, the Trump administration arguably made more progress on trade policy than on any of the other populist themes aired during the 2016 campaign. From updating NAFTA to imposing tariffs on a wide range of goods to negotiating the “Phase One” deal with China, the Trump administration can point to a number of accomplishments. Moreover, Trump’s criticism of the trade policy of previous decades has become the new consensus position, as evidenced by the Biden campaign’s “Made in America” plan. Few people today view offshoring and deindustrialization as complacently as they did before Trump.

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Nevertheless, the administration’s actual record on reshoring is little better than mixed. While Trump showed no lack of zeal in imposing tariffs, too often his administration failed to take the necessary steps beyond them to promote domestic investment, and Trump’s trade diplomacy was never integrated into a larger policy plan to promote strategic sectors. On trade overall, then, as in other policy areas, the Trump administration seems more likely to be remembered as the beginning of a larger transition than as the completion of a realignment.

Trump’s tariffs against China achieved tangible gains without resulting in anything like the catastrophes predicted by neoliberal “experts.” Consumer in-

flation and demand were not meaningfully affected, even in many targeted sectors. Moreover, the “trade war” eventually led to the signing of the Phase One deal with China, which commits the Chinese to an additional \$200 billion in purchases of U.S. goods and services over 2017 levels and contains provisions addressing technology transfers, currency manipulation, and other contentious issues. Although China is already falling behind its purchase commitments, perhaps this is of secondary concern. The true purpose of the “trade war” was never to right the trade imbalance but to end America’s indifferent posture and bring the Chinese to the table about their abusive trade practices.

In fact, overall U.S. trade deficits continued to widen under Trump and, as a percentage of GDP, remained roughly where they were during most of the Obama administration. Perhaps most importantly, the U.S. trade deficits in advanced technology products and manufactured goods have widened significantly since 2016. Notably, the deficit with China did decrease substantially in 2019, but much of this appears to be the result of reshuffling supply chains to other countries (which may still constitute a victory in geopolitical terms) and not from reshoring back to the United States.

In theory, higher tariffs on imports plus lower corporate taxes at home should have produced a boom in capital spending and domestic production. In reality, however, investment remained anemic throughout the Trump presidency, especially when compared to similar periods of full employment, and a broad-based domestic manufacturing rebound never materialized.

Why not? In my view, Trump’s tariff–tax cut combination failed to boost domestic production primarily because tariffs are far more effective at protecting existing industries than at developing new (or lost) ones. The depleted U.S. industrial base is more in need of the latter. Thus while tariffs likely did encourage some additional investment in the steel sector, for example, they were unlikely to encourage the rebuilding of hollowed-out sectors such as telecom

equipment manufacturing, flat-panel displays, lithium-ion batteries, heavy forgings, advanced machine tools, laser diodes, drone hardware, active pharmaceutical ingredients, and on and on.

Developing advanced manufacturing industries—and, specifically, competing with the Asian manufacturing model—requires a much more robust set of supporting policies aside from trade barriers, such as investment subsidies, supply chain mapping, shared production facilities, process innovation support, and sources of stable demand (e.g., government procurement). The Trump administration was too often absent on all of these issues. Indeed, the administration on multiple occasions proposed cutting funding for the few programs that undertake such activities, such as the Manufacturing Extension Partnership and Manufacturing USA institutes, as well as various agencies tasked with export promotion, technological research, infrastructure development, and other critical programs. The administration did arrange a subsidized deal with Taiwan Semiconductor to build a new semiconductor foundry in Arizona and supported a few other manufacturing projects. But nowhere did its efforts coalesce into a coordinated industrial strategy.

Labor and Immigration

Few things about the Trump administration are uncontroversial, but relatively robust income growth during his presidency, particularly among lower-earning cohorts, should be widely celebrated. Although overall inequality as measured by the Gini coefficient continued to rise while Trump was in office—primarily driven by a buoyant stock market—lowest-quartile wages grew faster than those of higher-earning workers. In 2019, bottom quartile wages grew at 4.7 percent. Unemployment, which was 4.7 percent when Trump took office, reached a fifty-year low of 3.5 percent in September 2019.

Of course, the extent to which the Trump administration's policies actually drove this growth is a more debatable question. Rising minimum wages, for example, certainly had something to do with it:

twenty-three states increased their minimum wages in 2019 alone, and bottom-quartile wages grew significantly faster in those states. The Trump administration can hardly take credit for these developments, even if Trump personally was less hostile to minimum wage increases than conventional pre-Trump Republicans, despite his opposition to a \$15 federal minimum in 2020.

Indeed, for all the talk of Trump as a tribune of the working class—including from the president himself—his administration never really strayed from Republican orthodoxy on conventional labor issues. Trump's NLRB acted to make unionization more difficult on multiple occasions, while the Department of Labor took steps to reduce the number of workers eligible for overtime pay. Recently, DOL has proposed

For all the talk of Trump as a tribune of the working class—including from the president himself—his administration never really strayed from Republican orthodoxy on conventional labor issues.

broadening the classification criteria for independent contractors, making it easier for “gig economy” firms to exclude workers from employee benefits. To be sure, no one expected the Trump administration to launch experiments with sectoral bargaining or other ambitious labor policies, but if the GOP genuinely wants to claim the mantle of the “working-class party,” it will need to update its playbook on these issues.

A stronger case can be made for the administration's immigration restrictions, especially with respect to the labor market's lower end. As *The Economist* reported earlier this year, wages in occupations with a high percentage of low-skill immigrant labor (such as housekeepers and some maintenance workers) saw faster wage growth than other low-paid jobs. Geographies that experienced declines in their foreign-born populations also outperformed in wage growth.

Yet even on immigration, the Trump administration’s policy was less consistent and less aggressive than was typically portrayed in the media, and many proposed changes were blocked by the courts. While the nation’s foreign-born population had grown by roughly 650,000 per year since 2010, the rate fell by more than two-thirds in 2017, averaging 203,000 from 2017 to 2019. Yet attribution to specific policy changes is a challenge. Trump was only able to implement a few policy changes during the first three years of his presidency, mostly concerning refugees and asylum admissions (though approvals of asylum applications increased during Trump’s term, and deportations were notoriously lower than they were under President Obama). The most significant restrictions—such as suspending the issuance of new H-1B visas—were not imposed until after the COVID-19 outbreak in 2020.

From 2016 to 2019, H-2A (seasonal agricultural workers) visa issuances actually rose considerably, while H-2B (seasonal non-agricultural workers) visas increased slightly in 2019. In the same period, before COVID-19, H-1B issuances were roughly flat.

Of course, popular perception itself affects migration flows. But a change in tone is not the same as consistent enforcement—especially with respect to employer violations—or substantive reform. Unfortunately, immigration largely remains a symbol in America’s culture wars—and Trump’s own rhetoric only further polarized the issue—while its economic ramifications, which could perhaps unite a broader legislative constituency, are too often ignored.

Financial Regulation and Monetary Policy

Trump’s approach to the financial industry during his first campaign was often conflicted—featuring both harsh attacks on fund managers and promises to “dismantle” Dodd-Frank. But his administration was consistently soft on the industry, though not especially ambitious in any direction. In 2018, for example, the president signed a bipartisan bill that

raised the threshold at which enhanced regulations for “systemically important financial institutions” would go into effect, but broadly left Dodd-Frank’s provisions intact.



President Trump wears a hardhat as he tours the Granite City Works hot strip steel mill, July 26, 2018. REUTERS/Joshua Roberts

The president’s approach to monetary policy was far more visible. Trump consistently and vociferously called for more accommodative monetary policy throughout his tenure—which his appointed Fed chair, Jay Powell, largely delivered—in contrast to traditional conservative rhetoric that emphasizes inflation fears and “sound money.” While low rates are not without problems, it seems highly unlikely that any of the Trump era’s economic successes would have been possible without them. Moreover, congressional Republicans’ willingness to generally fall in line behind Trump on this question perhaps signals that the discredited notion of monetarism is finally losing its grip on the party’s collective consciousness.

On the other hand, in 2020, Trump nominated Judy Shelton—an advocate of the gold standard with hawkish views on both monetary policy (at least prior to Trump’s election) and fiscal deficits—to the Federal Reserve’s Board of Governors. Although she failed to receive Senate confirmation, Shelton’s nomination

once again revealed the inability of the administration and the Republican Party to pursue a clear direction on key policy questions.

Big Tech and Antitrust

In one of the few points of agreement during the 2020 presidential campaign, both Trump and Biden called for repealing Section 230, a provision of the Communications Decency Act that grants liability protections to social media and other internet platform providers—and which often functions as a signifier of broader efforts to rein in Big Tech. In general, skepticism of the tech companies has increased across the political spectrum since Trump entered office. The administration’s actual policy record on these issues, however, is more complicated.

For example, Trump signed the Stop Enabling Sex Traffickers Act in 2018, which curbed 230 protections on content that violates sex trafficking laws. In 2020, Trump’s FCC also indicated that it would begin exercising its authority to “interpret” Section 230, though the significance of any potential FCC intervention is still unclear. Finally, in December 2020, Trump threatened to veto the National Defense Authorization Act if Section 230 was not repealed; as of this writing, it is unclear whether this threat will produce any results with only a few weeks remaining in Trump’s presidency.

Meanwhile, Trump’s FTC and Justice Department have announced antitrust investigations into Amazon, Facebook, Google, and other tech behemoths, with the Justice Department filing suit against Google in October 2020. The implications of these antitrust actions could ultimately be immense, but to date no concrete rulings or penalties against the tech companies have been enforced.

In truth, after four years, most of the administration’s tough talk has amounted to little more than—ironically—tweets. Today, the Big Tech firms are larger and stronger than ever, especially in the wake of COVID-19’s devastation of many small businesses. Even on the question of censorship—the issue of

greatest concern to most Republican politicians—the power of the social media platforms has increased dramatically since Trump was elected, to the point of censoring the president’s own social media accounts with impunity. Indeed, the Trump administration continually catered to Big Tech’s interests, aggressively defending the industry’s tax arbitrage strategies against international efforts to tax digital commerce. Trump also went out of his way to denounce European antitrust action against tech monopolies. As long as this is the case, it will be difficult to view Republican criticism of Big Tech—which has proven remarkably malleable—as anything more than theatre.

A Mixed Record

Donald Trump will leave office with a decidedly mixed record—not only with the typical wins and losses of any presidency, but also in terms of the administration’s crosscutting ideological tendencies. The GOP will have to resolve these tensions at some point—while the Biden administration is about to face many of the same questions in its own way—and the right direction should be obvious: Trump’s conventional conservative economic policies (e.g., tax cuts, Obamacare repeal) were unpopular failures; his more “populist” overtures—while certainly leaving room for improvement—fared better. Many of those policies achieved broad, cross-partisan appeal and could, in the long run, prove to be enduring successes.

If the polarization and sensationalism around Trump’s persona fade with time, his policy record will probably be found to compare reasonably well against those of the other post-Cold War presidents. At the very least, even accounting for a shaky response to COVID-19, Trump avoided the multiple catastrophes of the George W. Bush administration.

But his successors will have to do better than that if we are to overcome the significant and growing challenges facing America at this time. Trump’s “transitional” presidency will only be a success if it ushers in administrations who can more coherently and competently pursue the most promising themes of the populist project. ■

THE POTPOURRI PRESIDENCY

A decentralized and conflicted administration was uniquely inconsistent in its policy actions

by Wells King

History buffs eagerly await the final volume of *The Years of Lyndon Johnson*, Robert Caro’s magisterial biography that has thus far—through four volumes and 3,000 pages—reached only to the months after the Kennedy assassination. Caro reports that his manuscript is already more than 600 pages long, and less than halfway through Johnson’s administration. An assessment of the policy actions taken by President Trump’s administration, written as it concludes, will necessarily be less comprehensive and definitive. But policymakers do not enjoy the historian’s luxury of time; policymakers must begin now to identify where the incoming administration and future administrations will find a foundation to build upon and inspiration for further progress.

Policy is where the rubber of personnel decisions meets the road of governing philosophy. Agencies with differing leadership and priorities travel in differing directions. Alignment of presidential vision, agency staff, and political opportunity can yield real progress, while conflicts within and among such factors cause a pile-up. Unsurprisingly, then, the Trump administration’s track record features plenty of each. In some domains, administration policy reflected the president’s worker- and industry-focused campaign platform, boosting the fortunes of Amer-

icans in the labor market and American producers in the global economy. In others, officials clung to outdated orthodoxies or executed poorly, leaving little worth replicating or even preserving.

Successes for American Workers

The Trump administration showed a clear and consistent commitment to policy reforms that advanced the prospects of less-skilled American workers in the labor market.

A prominent example of this focus was support for alternative pathways into stable, family-supporting jobs for Americans without college degrees. The White House established a National Council for the American Worker that developed a strategy for skills training and retraining in high-demand sectors, including a “Pledge to America’s Workers” that secured commitments from more than 430 companies and non-profits to provide more than 16 million training opportunities for American workers over the next five years. The Department of Labor also oversaw a major expansion of apprenticeship programs, adding 800,000 new participants in registered apprenticeships, accelerating the pace set by the Obama administration. For high-demand sectors where traditional apprenticeships (concentrated in the building and skilled trades) were unavail-

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able or difficult to register, the Department created an “Industry-Recognized Apprenticeship” (IRAP) model that enables third parties, such as state agencies, education providers, and employer associations, to develop the standards and curricula for training programs. Though funding faces an uncertain future, programs have already been recognized or approved in 20 industries, and the Department of Labor projects that there could be thousands more in ten years.

Through immigration policy, the administration also sought to boost the prospects of less-skilled American workers by reducing foreign workers’ access to the labor market and curbing employer abuses of visa programs. Immigrations and Customs Enforcement (ICE) increased worksite enforcement against illegal immigrants and their employers. In 2019, the president reached “Safe Third Country” agreements with Guatemala, Honduras, and El Salvador to ease the flow of asylum-seekers at the southern border. The agreements require asylum-seekers traveling to the U.S. through Central America to make their claims in the first “safe third country” they reach. The Trump administration struck a similar arrangement with Mexico through its Migrant Protection Protocols (MPP) or “Remain in Mexico” program that requires Mexico to accept some asylum-seekers as they await their day in U.S. immigration courts and includes a commitment by Mexico to deploy troops to secure its border with Guatemala.

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Targeting abuse of the H-1B visa program, which provides employers with access to lower-cost labor for jobs requiring higher levels of education, the Department of Labor revised upward the wage

scale for H-1B workers to ensure greater parity with American workers: requiring pay at the 45th percentile of a given profession for entry-level workers (up from the 17th percentile) and at the 95th percentile for the highest-skilled workers (up from the 67th). The Department of Homeland Security narrowed the education qualifications for H-1B visas, requiring applicants to possess a degree in the particular field in which they wish to work. The policy reforms, however, prompted a legal challenge led by the U.S. Chamber of Commerce and, as of this writing, had been struck down in federal court.

The administration had major immigration failures as well, most prominent the cruelly and ineptly implemented “child separation” policy. In some cases, as with the effort to reverse the Obama administration’s Deferred Action for Childhood Arrivals (the “Dreamers”), a combination of poor administrative practice and judicial overreach frustrated intended actions. In still others, the problem was one of omission—failing to substantially improve border security, for instance, or mandate the E-Verify system for determining worker eligibility.

As Julius Krein notes in “A Populism Deferred,” the net effect of the Trump administration’s efforts does appear to have been a substantial decline in the rate of migration—both legal and illegal—into the United States. Whereas the nation’s immigrant population grew by roughly 650,000 per year from 2010 to 2017, that rate slowed by more than two-thirds, to about 200,000 per year, from 2017 to 2019, a remarkable shift in the face of the latter period’s substantially stronger economy and labor market. To some degree, the shift may also have been responsible for the labor market’s strength—regions that saw their foreign-born populations shrink experienced relatively greater wage growth.

Finally, the Trump administration sought to implement its general approach to labor markets in federal employment policy. President Trump directed federal agencies to remove unnecessary degree requirements from their hiring policies, citing the need for a skills- and merit-based civil service. He also reversed an egregious abuse of the H-1B system by

the (publicly-owned) Tennessee Valley Authority and subsequently barred H-1B visa-holders from replacing American workers (both citizens and green-card holders) at federal agencies and on federal contracts.

Successes for American Producers

Alongside efforts on behalf of American workers seeking well-paying jobs, the Trump administration also sought to help American firms who could provide those jobs, pursuing policies aimed at deterring unfair foreign competition and boosting domestic investment and innovation.

This goal was most evident in the administration's trade policy, which featured important and valuable steps but lacked a coherent strategy for replacing the status quo. The administration's most aggressive actions came against China, where it imposed substantial tariffs that forced the Chinese to the negotiating table, ultimately yielding the "Phase One" agreement. That agreement included Chinese commitments to purchase \$200 billion in American goods and services annually by 2021 and to refrain from forced technology transfers. But it failed to address some of China's most aggressive mercantilist practices, including intellectual-property theft and subsidization of critical industries, and China's compliance remains to be seen; it has already fallen behind in its purchase commitments. The most important tangible accomplishment may have been political rather than economic, establishing a framework in which the United States has demonstrated a capacity to retaliate with tariffs against Chinese abuses and China has agreed to negotiate under those conditions.

Elsewhere, the administration's negotiation and renegotiation of trade agreements achieved some additional benefits for domestic producers. These included small, bilateral agreements with Japan and

South Korea and the update to NAFTA known as the United States-Mexico-Canada Agreement (USMCA). In addition to new intellectual-property protections, USMCA discouraged automotive production from shifting to Mexico by increasing domestic content requirements for automobiles from 62.5 to 75 percent and requiring that 40 to 45 percent of a vehicle's parts be made in a high-wage factory. It also established sweeping labor protections and secured commitments from the Mexican government to pursue legal reforms that would reduce labor abuses and raise wages. At the WTO, the U.S. Trade Representative defanged the appellate body by blocking new appointments, thus preventing member countries from abusing the litigation process to overturn U.S. trade laws.



President Trump stands with members of his Cabinet as he makes an announcement about U.S. trade relations with China and Hong Kong in the Rose Garden of the White House, May 29, 2020. REUTERS/Jonathan Ernst

Some actions, though, had the counterproductive effect of isolating the United States from potential allies who could have helped in confronting China. Withdrawal from the Trans-Pacific Partnership (TPP) negotiations abandoned a nascent trading bloc explicitly designed to counteract China's influence. Tariffs imposed on Canadian and European products lacked strategic rationale and likewise alienated important partners whose collaboration would prove vital on issues like 5G deployment.

Domestically, the Trump administration pursued sporadic efforts to reshore supply chains and boost innovation. President Trump issued a “Buy American and Hire American” executive order to impose stricter enforcement of existing federal procurement laws and establish “the policy of the executive branch to maximize, consistent with the law . . . the use of goods, products and materials produced in the United States”; Executive Order 13944, issued amid the COVID-19 pandemic, directed federal agencies to purchase “essential drugs” and medical equipment made in the United States. The administration also launched and funded a dozen federal research centers in AI and quantum computing, consolidated the military’s space operations into a single branch, and directed NASA to launch manned lunar missions by 2024. But beyond securing a \$12 billion investment from Taiwan Semiconductor for a chip-fabrication plant in Arizona, the administration made few tangible strides toward strengthening the domestic industrial base. An issue like 5G equipment development and deployment, for instance, received substantial political attention and high-level engagement by the White House, but the administration never developed a whole-of-government approach or achieved meaningful progress.

Regulating Wisely

While an emphasis on deregulation has been standard Republican fare for decades, the Trump administration took a nuanced approach, deregulating in some areas but more often seeking to slow the pace of new regulation, streamline the process in existing regulation, or emphasize different types of regulation. In health care, especially, it regulated aggressively.

All of the administration’s regulatory activities operated within the context of Executive Order 13711, issued within days of President Trump’s inauguration, which established a “2-for-1” rule requiring that federal agencies eliminate two regulations for every new regulation issued and a “regulatory budget” limiting the cumulative economic cost of new regulations issued. In the four years that followed, the Trump administration issued substantially fewer

economically significant regulations per year than the Obama, Bush 43, or Clinton administration.

Environmental regulation was an area of particular emphasis. President Trump issued Executive Order 13807 to streamline the National Environmental Policy Act (NEPA) review process for infrastructure and construction projects, limiting the types of projects requiring review, establishing time limits for reviews, and deemphasizing assessment of climate-change effects. In its most significant regulatory action, EPA replaced the Obama administration’s flagship Clean Power Plan, which required states to sharply reduce carbon emissions from their power plants, with the Affordable Clean Energy plan, which set less strict emissions standards and afforded states greater flexibility to set power-plant performance standards. While reducing emphasis on climate change, the EPA substantially increased its focus on “Superfund” sites, where federal action is required to address toxic contamination of land or water. By September 2020, the administration had addressed fifty-eight such sites and accelerated clean-ups in several major projects that had stalled, returning to a pace of progress not seen in nearly two decades.

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Health care offers a noteworthy counterpoint, where the Trump administration issued important new regulations aimed at lowering prices by improving transparency and prohibiting anti-competitive practices. The Centers for Medicare and Medicaid Services issued rules requiring hospitals to disclose the prices they negotiate with insurance companies and prohibiting drugmakers from paying Medicare

“middlemen” rebates to pharmacy benefit managers. President Trump issued Executive Order 13948, adopting a “most favored nation” price-control policy to guarantee that Medicare Part B paid drugmakers the lowest price available to other wealthy countries. And Trump signed legislation ending so-called “gag orders” that prevented pharmacists from disclosing cheaper drug options to consumers. In one crucial deregulatory move, he also signed “Right to Try” legislation allowing terminally ill patients to use experimental drugs and therapies not yet approved by the FDA.

Recycling Old Playbooks

Many of the Trump administration’s biggest policy misses occurred where officials appeared to draw from a satirical version of the standard Republican playbook, siding uncritically with “the market” or “choice” or “smaller government” regardless of situation or outcome.

The Department of Education stands out in this respect, particularly when placed beside the Department of Labor’s innovative approaches to supporting non-college career pathways. The agency repealed rules requiring training and certificate-granting programs to prove that their graduates achieved gainful employment and revised the Borrower Defense to Repayment rules to make it more difficult for students whose schools defrauded them or closed while they were enrolled to have their federal loans discharged.

Alongside efforts to empower ineffective education programs at the expense of students, the administration implemented purportedly market-friendly reforms on behalf of the financial sector. The Department of Labor took steps to allow private-equity

funds access to individual 401(k) investors, who lack the resources and expertise to properly assess the industry’s risk profile, fee structures, or its notoriously opaque performance measures. The Consumer Financial Protection Bureau relaxed restrictions on payday lending after an aggressive lobbying campaign from the industry. And the Securities and Exchange Commission proposed another layer for the hedge-fund industry, lifting disclosure requirements for all but the largest funds and allow activist funds to operate undetected.

The Trump administration also made repeated efforts to shrink and constrain the safety net rather than pursuing constructive reforms. The Office of Management and Budget proposed significant cuts to major safety-net and entitlement programs. The 2021 Trump budget, for example, called for cuts over the next decade of \$181 billion in SNAP, \$21 billion in



President Trump shows signed executive orders for economic relief during a news conference at his golf resort in New Jersey, August 8, 2020.
REUTERS/Joshua Roberts

TANF, \$920 billion in Medicaid, and \$750 billion in Medicare. Meanwhile, agencies sought to implement new work requirements. The Department of Agriculture attempted to introduce work requirements for SNAP that could have affected food stamp eligibility for 1.3 million Americans. The Department of Health and Human Services began issuing waivers to states so that they could experiment with work require-

ments for Medicaid. By November 2020, eight states’ experiments had been approved and another seven were pending, but the program has worked badly. In Arkansas, the first state to proceed, thousands of eligible beneficiaries were purged from Medicaid rolls as cumbersome reporting requirements made employment data difficult to log; the Arkansas program was struck down in federal court as were similar programs in Kentucky and New Hampshire. While the Trump

administration has continued to promote the waivers, at least three states paused their programs.

A final, bizarre but instructive, case is the Department of Housing and Urban Development's attempt to reform Obama-era Affirmatively Furthering Fair Housing policy. Led by Dr. Ben Carson, a renowned neurosurgeon with no experience in housing or urban policy, HUD initially pursued an innovative approach

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that would establish incentives for recipients of federal funding to reduce regulatory barriers to housing supply in high-cost areas. This was a worthy goal that could have significantly benefited lower-income and working-class households. But in the summer of 2020, seemingly motivated by the Trump re-election campaign's desire to appeal to suburban voters, the administration reversed course. It not only scrapped

the proposed HUD reforms, but also attempted to moot AFFH entirely. Under the banner of "protecting the suburbs," HUD introduced a new rule that would allow anything that "rationally relates" to AFFH's objectives to fulfill its requirements, claiming that Opportunity Zones (which offered tax breaks to developers) would better address housing affordability.

The AFFH whiplash is emblematic of the paradoxes underlying many of the administration's policy actions: a collision of good ideas, inadequate personnel, and tone-deaf political judgment produced good policies in some cases, bad ones in others, but rarely a coherent strategy or meaningful inflection point. This makes for a legacy both fascinating and frustrating, and one that no set of partisans can comfortably embrace or dismiss in full. The incoming Biden administration will presumably seek to undo much of what its predecessor has done, but hopefully it will take the time first to notice the many important accomplishments—in areas like workforce development, trade and immigration, rational regulation, and health care—that could be built upon rather than cast aside. Republicans contemplating their post-Trump future would likewise do well to avoid a binary decision between embracing and disavowing the Trumpian program wholesale. ■

SOME LIKE IT HOT

Unsustainable economic stimulus at an expansion's peak,
not tax cuts or tariffs, fueled the Trump boom

by Oren Cass

Economic performance under each president is a topic of endless partisan wrangling, with cherry-picked metrics, timeframes, and baselines proving one's preferred administration a triumph and the opposition's a calamity—all of which requires the further, questionable assumption that the identified effect has presidential policy as its cause. Even by these low standards, interpretation of the Trump administration's economic record already suffers from a *Rashomon*-like divergence of self-interested narratives. Democrats argue that the economy's strength prior to the onset of the COVID-19 pandemic was inherited from President Obama and that trendlines mostly carried forward existing momentum. Republicans credit President Trump for presiding over a nearly unprecedented boom but, depending on their own policy preferences, attribute it to either the conventional “supply-side” agenda of tax cuts and deregulation or else to Trump's willingness to reject that agenda on issues like trade. As in *Rashomon*, none of these stories holds water.

The American economy did generate impressive results on some dimensions in 2018–19, far better than what the pre-Trump trajectory would have predicted, but those dimensions do not include the ones that supply-side policies are supposed to influence. Put bluntly: the Trump administration's tax

cuts did not quickly spur investment, dynamism, and growth. As for the agenda most associated with Trump himself—rejecting Republican orthodoxy on issues like free trade and purportedly focusing on concerns of the working class—it went mostly unrealized. Where pursued, the policies were not ones that would generate results in so short a timeframe regardless.

What differentiates the Trump policy environment, and best explains the excellent outcomes experienced by workers, is the extraordinarily stimulative monetary and fiscal policy pursued at the peak of the business cycle. Never has America run its economy so “hot,” and the results speak for themselves. But such a strategy is neither sustainable nor sufficient in the long-run; at some point, investment and productivity must rise if prosperity is to spread. So while the success of the Trump economy holds important lessons, the question of where conservatives go from here remains an open one.

The Blue-Collar Boom

As the COVID-19 tsunami swept toward American shores, the nation's economy was enjoying the eleventh year of its longest expansion on record. A tight labor market continued tightening beyond what economists considered the point of “full em-

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ployment” where everyone who wants a job can find one. Employers, faced with more jobs to fill than workers to fill them, were forced to bid up wages and draw additional workers off the sidelines. The results appeared in paychecks and household incomes.

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The labor-market data are by now familiar and mostly speak for themselves. After hovering around 5 percent through 2015–16, the unemployment rate fell to 3.7 percent in late 2018 and averaged less than 4 percent through all of 2018–19. The consecutive readings of 3.5 percent in November–December 2019 were the lowest since the late 1960s. Prospective workers were returning to the labor force: The share of prime-age men working full-time, which had fallen as low as 73 percent in the Great Recession’s aftermath, reached 82 percent. The Social Security Disability Insurance rolls, which had doubled to nearly 11 million between 1993 and 2013, had fallen 10 percent by 2019. With the labor market’s tightening came wage growth, which reached its highest level since the Great Recession.

Remarkably, the strongest gains appeared among historically disadvantaged groups. For instance, the unemployment rate for prime-age Black men had risen to 19.7 percent in March 2010, creating a gap of almost 9 points above the rate for prime-age men overall. By November 2019 that level had fallen to 4.2 percent, closing the gap to less than 2 points. Whereas annual wage growth for college graduates had outpaced that of workers with a high school degree (or less) by more than a full point in the late-1990s boom and by close to a point in the mid-2000s, in 2018–19 they had drawn even. Likewise, while the top quartile’s wages had typically grown faster than the bot-

tom quartile’s from 2002–14, in 2018–19 the bottom quartile’s annual growth was faster by more than a full point.

All these trends resulted in impressive gains for household incomes. Median household income rose 6.8 percent (more than \$4,000) from 2018 to 2019, to an all-time high of nearly \$69,000. This was the largest one-year increase on record and more than double the total increase realized from 2000 to 2018. The poverty rate fell to an all-time low of 10.5 percent. All this deserved celebration. But why did it happen?

The Supply-Side Story

Advocates for the standard Republican playbook of tax cuts and deregulation argue that the Trump administration pursued precisely that course, and that the economic results offer vindication. The “rising tide,” they say, “lifted all ships.” But at least with respect to the Tax Cuts and Jobs Act of 2017 (TCJA), policy bears no causal relationship to the economic data. The ships are up, but the tide never came in.

The failure to supply a supply-side boom is most obvious in the investment data, which show no discernible uptick. Lower tax rates were intended to induce higher investment levels. But as Aparna Mathur, a senior economist at the White House Council of Economic Advisers (CEA), observed in September 2019, “it would be fair to conclude that there has been no discernible break in trend since the TCJA.” Mathur made this observation while a resident fellow at the American Enterprise Institute, and host of a symposium on the TCJA’s impact. At best, concluded a range of participants drawn from across the political spectrum, it was too soon to tell if the TCJA would deliver. But this, of course, means it could not be responsible for the economy’s performance to date.

In the months prior to the pandemic’s onset, the trend headed the wrong direction. The annualized growth rate for gross private domestic investment fell for four straight quarters in 2018 and 2019, just as overall economic performance was peaking. Real investment was lower in Q4 2019 than Q4 2018, the first

year-on-year decline since the Great Recession. Having failed to influence investment, the tax cut's benefits to corporations likewise appeared not to reach workers. Stock buybacks, on the other hand, surged by more than 50 percent.

The case for deregulatory success is stronger. As Wells King describes in “The Potpourri Presidency,” the administration made numerous efforts to deregulate and succeeded at least in slowing the pace of new regulation. The dividends of such efforts would appear in measures like productivity growth and new business formation, both of which did show improvement.

Productivity growth is the *sine qua non* of long-run increases in prosperity, but it has proved elusive in recent years. While annual growth averaged 2.8 percent in the post-war period during 1948–73, and a still-respectable 1.9 percent during 1974–2005, it stalled in the years after the Great Recession, averaging only 0.7 percent during 2011–16 and exceeding 1 percent only once in that period. Beginning in 2017, the rate climbed—to 1.2 percent, then 1.4, percent, and then 1.7 percent in 2019. While still quite poor by historical standards, this at least represents significant progress, and the sort of progress for which reduced regulation might claim some credit.

Likewise, business formation is vital to economic health, struggled in recent years, and should respond to the regulatory environment. After plunging in the Great Recession, firm creation bounced back slowly and had barely recovered their pre-recession levels by 2015 before falling slightly in 2016. The years 2017–19 all saw gains.

The supply-side metric to rule all others is growth in gross domestic product (GDP), and here—despite the labor market's excellent results—the data are unavoidably poor. Real GDP growth fell each year of



President Trump looks on as Jerome Powell, his nominee to become chairman of the U.S. Federal Reserve, speaks at the White House, November 2, 2017. REUTERS/Carlos Barria

the Trump presidency, from 2.7 percent in 2017 to 2.5 percent in 2018 to 2.3 percent in 2019—a rate lower than the 2.4 percent averaged during President Obama's second term.

The MAGA Story

Advocates for the “Make America Great Again” platform on which Trump won the presidency in 2016 see in the strong economic results a vindication of his political and economic heterodoxy and his efforts to support domestic producers and workers. The problem with this view, as Julius Krein shows in “A Populism Deferred,” is that the Trump administration never translated the rhetoric into a coherent agenda. It did not implement an industrial policy to effect a significant reshoring of supply chains, nor

spur waves of new investment in innovation, nor lead a major push on infrastructure, nor pursue aggressive education or labor reforms, nor confront the rent-seeking in the financial or technology sectors.

The exception that proves the rule is China, where the administration paired rhetoric with action, most prominently a broad package of tariffs. Imports of Chinese goods fell by 16 percent in 2019—by far the largest decline since China joined the World Trade Organization in 2001. By comparison, imports fell by 12 percent during the recession in 2009, the only other year to see a double-digit decrease. The Trump administration’s aggressive negotiating posture yielded the “Phase One” agreement in early 2020, which featured commitments from China to purchase more American goods and curtail some unfair trade practices.

But because the China policy was not part of a larger trade strategy or a program to boost domestic industry, its initial economic effect was a shift toward production in other foreign countries—imports from the rest of the world rose 2 percent in 2019, so that total imports were nearly unchanged. Meanwhile, exports to China fell by 11 percent, the largest decline since 1990, with no offsetting gain in exports to other countries. Real U.S. manufacturing output peaked in 2018 below its 2007 high and then declined in 2019. In combination, the net effect was that America’s global trade deficit in goods fell only slightly in 2019 and remained the second largest on record, just behind the all-time high set in 2018.

Unsurprisingly, then, the labor market’s overall strength does not appear to have stemmed from a manufacturing boom. The sector did add more than 400,000 jobs in 2017–18, better than any two-year period of the Obama administration, which had the benefit of a Great Recession baseline. But the gain in 2019 was only 61,000 jobs. Productivity growth in the sector also remained painfully low—after four straight years of decline during 2014–17, it mustered only a 0.3 percent gain in 2018 and 0.1 percent in 2019, with the last three quarters of 2019 all running negative.

The lack of structural economic reform is also apparent in geographic data, which show that struggling regions continued to fall further behind. The Economic Innovation Group’s Distressed Communities Index divides all U.S. zip codes into five quintiles from “prosperous” to “distressed” based on factors like poverty rate, labor-force participation, and business and employment growth. The lowest two quintiles, classified as “distressed” or “at risk” in 2000, saw the lowest rate of job growth during 2007–16 and then continued to experience the least growth during 2017–18, the last year for which data are available.

Perhaps the fairest grade for both the supply-side and MAGA agendas then is not a letter, but an “Incomplete.” Of the two, the tax-cutting comes out the worse for having been tried aggressively and found wanting, and for results that were not just elusive but seemingly negative.

To distract from this reality, some supply-siders have tried instead to declare MAGA the failure, or even blame it for tax cuts yet again underdelivering. It is foolish, though, to insist in one breath that tax cuts just need more time and then in the next to declare efforts at remaking the global trading system a failure on the basis of results in year two. This repeats the unfortunate pattern in which factories and industries

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offshored by free trade are explained away as the inevitable disruption that accompanies greater, aggregate, long-run gains, while factories and industries harmed in the short-run by a more confrontational trade strategy are held immediately aloft as proof of a flawed strategy. Whether the economy’s general equilibrium will land higher or lower in a policy

environment that emphasizes domestic industry is not a question that the first-order effects in the first few years can resolve.

The Stimulus Story

How could the economy generate such strong labor-market outcomes despite low growth, weak investment, stagnant productivity, and declining exports? The answer lies in fiscal and monetary policy, which both operated as if the nation were mired in recession. Attempting to stimulate an economy at the top of a record-long business cycle yields interesting results.

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In fiscal policy, the federal government's budget deficits in 2018–19 were unprecedented. The 2019 deficit, which reached 4.6 percent of GDP (\$1 trillion), was the largest ever run outside the context of a war or recession. By comparison, the deficit in 2007 at the peak of the prior business cycle was only 1.1 percent. Both during 1999–2000 and in 1969, the last two times the unemployment rate dipped below 4 percent, the budget was in surplus. Ironically, the TCJA's main effect has likely been as a deficit-expanding fiscal stimulus, though its supply-side evangelists would deny such an effect even exists. A traditional stimulus program entails the government borrowing idle capital and spending it during a period of high unemployment, creating additional demand for goods and services that in turn creates additional demand for labor. In this case, the same mechanism would have further tightened a labor market already near full employment and left employers scrambling to attract and retain workers.

In monetary policy, the interest rates established by the Federal Reserve in 2018–19 were also unprecedented. Low interest rates make more capital available more cheaply to businesses and consumers, encouraging them to invest and spend, which again is likely to increase the demand for labor. Traditionally, interest rates are cut during periods of weak economic performance and high unemployment, to deliver additional stimulus, and raised during boom times, lest too much money chasing too few opportunities lead from a boom into a bust. But the federal funds rate averaged 1.8 percent in 2018 and had reached only 2.4 percent in the summer of 2019 when the Board of Governors began announcing cuts. In September 2019, with the unemployment rate at 3.5 percent, interest rates declined. By comparison, in 2004–05, with interest rates near 2 percent and the unemployment rate above 5 percent, the Board of Governors steadily raised rates until reaching 5.25 percent. In 2000, the last time the unemployment rate fell below 4 percent, interest rates exceeded 6 percent.

The dozens of state and local minimum-wage increases in recent years may be another complementary factor that drove wages higher for the labor market's lowest earners. In 2019, more than twenty states increased their minimums. Economist Ernie Tedeschi has found that the upward wage pressure in such localities could explain about 20 to 25 percent of the wage growth experienced by the lowest third of earners. Without that effect, those earners would be experiencing growth slower than at the middle and top of the distribution; with it, they lead the way.

The dog that has not barked through these aggressive policy experiments is inflation. In theory, massive government borrowing at the moment when private demand for capital should be highest would send interest rates skyrocketing. Suppressing rates by flooding markets with freshly printed bills should devalue the currency. Employers raising wages for employees who have become no more productive should have to commensurately increase prices. But none of this has happened. Instead, inflation has hovered near the target rate of 2 percent, slightly below the average rates for the 1993–2000 and 2001–07 business

cycles, suggesting that policymakers had previously misunderstood the economy's capacity and been short-changing workers, who have the most to gain when they are few and jobs are many.

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If enormous budget deficits leave the federal government as the economy's primary borrower and "investor," but that investment takes the form of entitlement and transfer payments, capital formation will suffer. When interest rates make money nearly free, many investors seem encouraged to speculate rather than develop productive assets. Meanwhile, the structural challenges that have driven a long-term, secular decline in male labor-force participation, widening

regional divergence, and soaring wealth inequality, all still require redress. The wreckage of the COVID-19 pandemic will only make that harder. Minimum-wage hikes can deliver results when labor markets are tight and when the minimums have gone unchanged for too long, but they cannot be repeated ad infinitum.

Still, economists and policymakers have much to learn from the experience. The concept of full employment requires recalibration, and the tolerance for policies that benefit workers while risking inflation should increase—the burden is now firmly on inflation hawks to find actual harm before reaching a conclusion that the economy has overheated. And while employers have long warned that insufficient labor-market slack or an inadequate supply of immigrant visas would lead quickly to disaster, in fact it appears to lead toward exactly what we want: the long-term unemployed returning to work, investments in training, and rising wages.

The challenge remains to develop an agenda that will deliver those results on a sustainable foundation of rising investment and productivity, providing a framework for supporting broadly-shared prosperity in the decades to come. ■



President Trump waves as he walks on the South Lawn of the White House, November 29, 2020. REUTERS/Yuri Gripas



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