Trump: "Tariffs! I Want Tariffs!"

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POITOU, FRANCE – “We live in a slow-growth world,” summarized a canny friend, “but with high-growth debt and high-
asset prices.”

Today, we turn to a report on *Zero Hedge* for further precision. But we’ll get to that in a minute.

First, let’s begin with less precision…

Broken Promises

The promise of the Trump administration was, in a nutshell, that it would look a and improve the future before we got th

How?

Drain the “swamp”… cut the regulations… slash corporate tax rates by about 20%… kill O’care… raise tariffs on import
the trade deficit – these are all measures that were supposed to increase stagnant economic growth rates.

Higher growth would then fill the malls and restaurants and make it possible to pay our debts.

With the exception of the boneed proposal for tariff hikes from Trump’s trade czar, Peter Navarro – which would have th
effect – these changes might have been successful.

Too bad “The Donald” has been able to fulfill so few of his campaign promises.

We predicted as much. We were right. And many Dear Readers will never forgive us. They seem to think that because
coming, we willed failure upon Team Trump.

We deny the charge. We have no such power.

“Idiot” Allegation

In yesterday’s mailbag alone, several readers objected. For example:

> Mr. Bonner, you have been out of this country too long. You have lost touch with the everyday American – yes, the
> the libs say, that put President Trump in office.
>
> Read Mr. GINGRICH’s book UNDERSTANDING TRUMP. I’ve always enjoyed a lot you write but you’re way off bas
> president. I’m afraid you may fall into Taleb’s IYI group.

–

IYI group? We had to look it up.

Black Swan author Nassim Taleb is writing a new book called *Skin in the Game*. In an excerpt, he argues that many of
“Intellectual-Yet-Idiots.”

We don’t contest the “idiot” allegation, but we know Nassim, and we doubt that we are the sort of idiot he has in mind.

Another reader:

> You have it wrong. Trump is not the reason the swamp isn’t draining. It’s because of people like you that blame one president, for decades of abuse from Congress on the American people. Everyone that has their personal agenda i preventing him from draining the swamp.
>
> Do you really think one man can do it? If you do, you are more challenged than I thought. Rather than being like ev else and piling on, here’s an idea: Why not look at the positive things Trump has done?
>
> Because if he hadn’t, you and everyone else would really be running for the hills by now. Or in your case, the failed am so sick and tired of you people that claim to be so smart about everything. You are no different than Congress. the same… the swamp that will destroy this country.

– I

Uh… that was just our point. One man – especially one as limited as Donald J. Trump – couldn’t beat the Deep State.

As to how that makes us a swamp critter, we have no idea.

“Bring Me Some Tariffs!”

Another comment from the *Diary* mailbag:

> The president won’t be throttled so easily. In my opinion, from 80+ years of voting and observation, Mr. Bonner is le his conclusions and has been swallowing too much swamp water.

–

Maybe.

But today, we will leap even further with an even bolder prediction: The only thing the president will achieve is a partial implementation of his least worthy objective: putting up trade barriers.

A major reform of the tax code… O’care… entitlements… even the border wall with Mexico… will require Congress to g Trump won’t get it. He’s a win-lose guy. Not a cooperation guy.

That leaves only war making and trade – areas where the chief executive can put up his own walls.

Mr. Trump has already given up his America First foreign policy pledge. Next, he will turn over tax reform and monetary the Goldman Group – led by Cohn and Mnuchin. That will leave him with only one wall left: trade policy.

A report out yesterday by news outlet Axios tells us that Mr. Trump is getting frustrated. In a private meeting, he urged h underlings to get out their trowels. He reportedly said to them, “I want tariffs. Bring me some tariffs!”

Tariffs he will probably get. And they will have the result they always have: stifling international win-win deals, slowing t reducing economic growth.

Downtrend in Growth

Which brings us back to the point of departure…

U.S. asset prices… and debt… depend on future output. People must pay their debts… and buy their products and ser tomorrow's income.

Keeping it simple, U.S. national debt – at least according to the official tally – doubled over the last eight years. But outp
incomes didn't double.

Instead, GDP went from $14 trillion to $18 trillion, an increase of less than 30% (again, based on official figures).

In other words, government debt is increasing more than three times faster than the economy that sustains it.

And over the same eight-year period, U.S. stock prices tripled, increasing 10 times faster than the economy they depen

As reported in this space, in terms of sales – which can't be fudged – U.S. stock prices haven't been this high since the
the dot-com bubble.

And a new report on *Zero Hedge*, by fund manager Francesco Filia, tells us that in terms of anticipated growth, stock pr
higher than ever before:

> When measured against potential growth, even on its highest earnings, the S%26P has never before been this exp
> is 60% above its historical average fair value. […][T]he point we make is that the willingness of investors to pay up f
> earnings – even the most generous one as multiples are projected against the highest such earnings in 10 years –
> related to potential GDP growth in the years a, as an historically-reliable proxy for earnings potential.
>
> It is one thing to buy 30x earnings if the economy grows furiously; it is quite another to spend that much if the econo
> slow-walks. […] The thing is that long-run growth has declined for decades now, as it is embroiled in the structural t
> Secular Stagnation: bad demographics (declining labor participation rates and shrinking working population in adva
> economies), over-capacity and over-indebtedness, falling productivity of new credit, low productivity of labor and ca
> disruption from new technologies. […]
>
> The downtrend in potential growth spans several decades; an inversion is possible but imprudent to factor in.

Future incomes will support neither stocks nor bonds. Prices of both must come down.

Regards,

Bill