

# WHY TRUMP COULD BE MAKING THE WORLD A LESS PROSPEROUS PLACE

The new US President's approach to running the country's economy may halt economic progress across the globe

By Trevor Williams



**D**ONALD Trump's election as the 45th President of the United States is a throwback to the isolationist and protectionist sentiment of the 1930s.

In that period, this approach resulted in beggar-thy-neighbour policies and a weakening of the world economy, exacerbating the economic downturn.

In trying to 'make America great again', he might make it, and the world, less prosperous.

The good news is that the world is immeasurably better off today than it was in the 1930s, and is a long way from widespread protectionism.

Much of this progress was ironically down to the efforts of the US being lynchpin and guarantor of the world trading system and global institutions for 70 years.

Because the US economy is so strong, it will be least affected by the policies that President Trump is espousing, assuming he can turn into reality. Before looking at the impact of them on the world, what are these policies and what danger could they cause, not just for the world, but also for the US?

In the US election campaign, all the key candidates seemed to accept that free trade and globalisation were responsible for the loss of manufacturing jobs in the US.

None of the candidates appeared to be aware – or willing to say – that this was simply not true.

They did not say that the fall in manufacturing jobs as a share of total employment was an aspect of all advanced economies, and that free trade had little to do with the reason why these jobs were declining.

It has got to be worrying that despite the actual lesson of the last 70 years, that free trade benefits all participants, as David Ricardo predicted as far back as in 1817, this does not seem to have featured enough

to change the majority view.

Also, it ignores the huge job creation in the services part of the US economy where the majority of employment is now centred.

## EMPLOYMENT

It also ignores the fact the US unemployment rate is just 4.6 per cent, well below the five per cent rate that signifies that the economy is at full employment.

Trump's intention of putting 'America first' would fall into this category.

Worryingly, this viewpoint is even worse than that of a 17th-century mercantilist, because they would have at least taken all aspects of a trade relationship together and drawn up a balance sheet. Even they would not have focused on just one aspect of it, such as

**“Emerging markets stand to lose out from any diminished access to the US market”**

manufacturing.

Trump's narrow view of trade ignores the reality that the world is becoming healthier – people are living longer and are more wealthy than ever before in human history.

Never have so many had so much. There are more democracies, fewer violent deaths and fewer wars.

Literacy has increased, and there is more equality.

People travel more freely than ever. Last year, there were 3.7 billion passenger journeys on international airlines.

One of the other troubling aspects of the US President's economically nationalistic view of the world is that it puts government at the heart of ac-



**NEGATIVE POLICIES?:** President Trump's approach to economic and trade issues could mean bad news for the global economy

tivity, rather than people and companies.

It suggests that what should be produced must be done according to the national interests, as decided by the governments rather than by the actions of what millions of people want and by firms responding to those wishes.

Economic nationalism is not a free market view of the way the economy should operate, but a statist and corporatist view – one that failed so abysmally in the 1930s, and will fail again.

But, at least in the US, there are constitutional and legal limits on what the President can and can't do.

To be sure, there are some countries outside of the US that would have cheered Donald Trump's win. Russia could be one of them.

Trump has argued about forgetting the Russian invasion of Ukraine and the seizing of Crimea, and to focus on what the two countries could do together in the fight against Islamist terror.

The Turkish Prime Minister might also be pleased, as there will be less talk about democracy and more about where there could be cooperation between the countries.

But many others will be apprehensive. Take Mexico, where a wall looks likely to be built – though it is US taxpayers that will foot the bill. Expect efforts to water down the North Free Trade Agreement (NAFTA).

Europeans might worry about comments on NATO's usefulness, especially if they do not pay more.

Japan and Australia are concerned as the US has pulled out of the Trans-Pacific Trade Partnership.

## CENSURE

China might face a trade war or censure as a currency manipulator.

Emerging markets stand to lose out from any diminished access to the US market.

It could be that the President

thinks they are too small to matter with not enough to gain for the US.

Giving less access to the US market could impact countries across Africa, including Ethiopia, South Africa and Ghana.

The World Trade Organisation might challenge some of what the US President tries to do to limit trade.

The losses from American moral leadership stand not just to be trade-related, but in perceptions about what is acceptable for governments to do and for politicians to behave.

Another aspect of this is that aid or preferential trade access might be withdrawn, based on a more narrow definition of US self-interest.

If so, this will hit US 'soft power' in what will be an increasingly important part of the world given its population growth and vast natural resources.

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