

Election 2016

Part One: The Hostile Takeover

Seven years ago I took my eldest son to visit several universities in preparation of his college application process. Since he wanted to study engineering, we visited a few well-regarded schools in Texas and on the West Coast. At one of those schools (the one he eventually chose to attend), I got a clue as to what may have brought down Hillary Clinton and crushed Democrats' expectations in the election.

As is typical for college visits, we first gathered into a large student center room with many other prospective students and their parents to get the overall school pitch and instructions on why/how/when to apply. After that, we were carved up into groups for a campus tour of appropriate highlights.

The day job of headhunter makes me naturally curious about people. On this day, I chose to get acquainted with our tour guide, a young female undergraduate student. As we walked the university grounds, I asked about her major. Her answer permanently changed my perspective on modern politics and government. She was majoring in "political communications."

While I may have previously been unhappy with politics and government, it was at this moment my casually annoyed feelings turned into utter disdain.

"You can get a college degree in political propaganda?" I thought. "The university is teaching kids how to manipulate and control minds for the sake of government? If they are teaching this to kids, there surely already exist some very capable experts in political propaganda strategy, execution and analysis."

At that moment I feared the purpose of today's politics and government is to manipulate and control people. Political communications. You can now get a college degree in government brainwashing. You can be taught how to be a spin-doctor.

Up to this election, it appeared the Democrats had become experts at this process. They successfully used it in a divide-and-conquer political strategy—create or fertilize social issues, then divide the country into groups of common social concerns and aggregate those groups into a winning coalition of voter blocks. If you belonged to one progressive social concern group, then you naturally embraced the others. Having a politically correct social conscious became the dominant progressive theme.

Along the way of executing this social divide-and-conquer strategy, the Democrats left behind a good number of people who did not understand how or why ideological social correctness had become the new normal. Confused and left behind, a "what about us" silent and socially conservative group helped Donald Trump to a surprising victory.

While putting academically inspired social idealism at the front of their policy efforts, the Democrats totally lost attention to economy.

“But the economy is good today,” you might be thinking. “Employment continues to grow, and the last quarter GDP print proved our economic momentum continues.”

There is obviously so much TMI in the world these days that few people have time to read or care to read between the lines. The following information is just a few keyboard clicks away...

In case you didn't know, our federal government's fiscal year ends in September. How convenient in an election year. The Federal budget deficit for fiscal year 2016 was \$616B compared to a deficit of \$399B for fiscal year 2015. (Prior to this 2016 increase in budget deficit, our deficits had been falling for several years.)

So the federal government “stimulated” the economy with an extra \$616B more than they collected in taxes in the year leading up to an election. Not a bad political strategy if no one is noticing. But it doesn't end there. For fiscal year 2016, the federal government also took in \$380B more in tax receipts than it did in 2015.

Do the math. In fiscal year 2016, ending in September, right before the November presidential election, the federal government spent not just that extra \$380B in tax receipts, but also overspent an extra \$616B (the total deficit). All total, to make the world look warm and fuzzy for the outgoing president and to feather the nest of his chosen successor, the federal government spent right at \$1 TRILLION to stimulate the economy. You think that stimulus had anything to do with the reported “good” employment and GDP results right before the election?

What's surprising is how little we've heard about this. Trump's campaign certainly didn't use it in their “rigging the election” rhetoric. And of course mainstream media did not report it, no surprise given where their current political bread is buttered. This amazingly sneaky effort to juice the economy with significant government stimulus the year of the election speaks volumes of what the Democrats totally missed by letting a divide-and-conquer social strategy lead policy.

The Democrats' focus on social policy at the expense of productive economic policy has landed the U.S. firmly into the lap of government stimulus to keep our economic ship afloat. But as we saw and learned, the progressive's under attended economic policy created another large group of unhappy voters—the economically disenfranchised. Disenfranchised social voters plus disenfranchised economic voters put Trump into the White House.

Given the enormous backlash to Trump's election, it should be no surprise the intense progressive focus on social “values” is very well entrenched in the Democrat collective consciousness. They fell victim to their own “political communications” strategy. If you've coopted the media, the disseminator of information, the disseminator of “the truth,” then you believe the “truth” they tell.

Democrats had formed a self-reinforcing loop of bad information. They kept looking in the mirror and priding themselves on...themselves. No one else really mattered, certainly not any flyover bumpkins.

The truth is what you want to believe. The truth is what you need to believe. The truth is what you constantly hear.

The Democrats lost the election because they began believing their own propaganda, and in doing so they let the economy drift aimlessly. The socially and economically disenfranchised decided it was time for a newer new normal.

Part Two: The Leveraged Buyout

The election results were such a surprise that we now have every progressive pundit out there projecting the inevitable economic disaster awaiting the nation and the world. Economic Nobel Laureates and laureate wannabes galore are projecting massive fiscal deficits, trade wars and ensuing economic chaos. They seem to have forgotten that Donald Trump is an experienced and savvy businessman, not a career politician. A highly experienced “Art of the Deal” negotiator is now in America’s corner.

Trump is not likely going to build a wall between the U.S. and Mexico, but he’ll use that position to negotiate something in America’s favor. And he’s not likely going to slap high tariffs overnight on our trade partners. Again, he’ll use this posture as a negotiating position to improve American interests. Remember, we are getting an “Art of the Deal” president. We should expect Trump to negotiate for the U.S. just as he’s historically negotiated for himself.

What of the economy he is inheriting?

The progressive focus on social correctness has so overshadowed common sense economic policy that we now have a very dysfunctional economy. All the current administration has been able to do is put lipstick on the pig by using its well-trained and experienced “political communications” experts to misdirect, spin and divert attention from the real issues.

Readers should keep in mind that if the government or politicians are waving their arms in the air about a certain “big” issue, it likely is because they don’t want you to notice the real issue. This is the job of “political communications.”

The U.S. economy is a classic underperforming case, similar to a giant, sleepy, private sector company that’s been poorly managed by too many bureaucrats. There are loads of ways to improve our economy’s operation by changing/upgrading corroded processes and infrastructure, and investing in core competencies (like natural resources) that the social do-gooder bureaucrats abandoned.

Consider this situation similar to what private equity investors pray to find—a bloated bureaucracy, under utilized assets, trillions in stranded assets, a highly innovative workforce, access to low cost of capital, with many opportunities to upgrade and improve systems, processes

and ultimately, increase the “company’s” value. Sure the “company” is over leveraged but hey, it’s an excellent turnaround opportunity. What other country in the world has comparable potential?

With the help of some highly experienced private sector consiglores, Trump has a good chance of turning this economic ship around. And if successful, the country’s rabid divisiveness may settle down.

Social challenge emanates from economic challenge. If economic opportunity doesn’t exist, then people start pointing the finger in blame—fertile ground for experts in “political communications.”

If an idle mind and idle hands are the devil’s workshop, the key is to keep people well employed and earning enough to focus on their personal lives over the man that’s putting them down.

There is great opportunity for the United States of America today. A businessman, not a career politician, will be running the country. And improved economic circumstances will lead to a less divisive society.

Part Three: The Big Risk

There is one rather large risk the election results point to, but it is not the risk most people are probably thinking about.

Most people are thinking that Trump’s abrasive personality will prevent productive change from happening. Or that he will start a trade war by slapping China and Mexico with high tariffs, and that those high tariffs will drive up inflation for U.S. consumers.

Trump’s “personality” risk certainly exists, but let’s remember that he likely has just been negotiating on America’s behalf. Maybe his very presidential acceptance speech carries through to his role as president. There is what you need to do and say to get elected, and then there is what you do once you are elected. This is as it has been in presidential politics forever.

One would think an experienced businessman like Trump is going to bring very capable advisors to his team. End of day, Trump’s bombast will likely be used for negotiating while his advisors will lead him to a productive and well prioritized to do list.

The bigger risk is the growing movement to upend the status quo in the Western world. It started with Brexit, where British voters chose to leave the European Union. Just as with Trump’s election, the Brexit vote caught the mainstream political leadership and media by surprise.

Trump’s victory puts Britain in an even stronger negotiating position with the EU. He will likely provide Prime Minister Theresa May with “we got your back” support, which puts the EU in a very poor negotiating position.

But Trump's victory now signals that additional nationalist movements in Europe could also soon claim victory. The simple conclusion is that the EU's days are numbered. It's not a matter of when the EU falls apart, but how soon.

Supporters of nationalism movements around Europe would initially rejoice over their freedom from the bureaucrats in Brussels, only to wake up soon after to an enormous amount of economic chaos. If each country is to reassume their old currency, then what happens to the value of their sovereign debt? Who owes whom what? And what happens to Europe's banking and other financial systems (pensions, insurance) that are large owners of that sovereign debt?

Breaking the EU apart could easily take many years to execute. The process is unlikely to be very orderly. It could trigger a rather dramatic fall of Europe's economy, which would waterfall down to the global economy, including that of the U.S.

So there is still great risk that no matter how productively the Trump team works its magic on U.S. domestic economic policy, a global recession/depression could easily be in the cards if this current nationalist movement continues to burn through Europe. Yet, any effort by Trump's team to increase domestic sustainability, like being energy independent, would be productive risk mitigation to a potential global economic unraveling.

Part 4: A New Era

Guess what folks, the world is changing, and it's not changing in the way or at the pace we expected. Driverless cars, virtual reality leisure gadgets and luxury lifestyles may have held the headlines and our attention lately, but they will soon be buried on the back page should nationalism continue to gain momentum. And with two nationalistic "wins" in a row, it would seem that momentum is rather solidly entrenched.

Seeing these two recent populist movements succeed points to rather large problems in legacy advanced economy government systems that have wholeheartedly supported globalization and "free trade." As we should all know, nothing is free. These last two populist uprisings squarely confirm it.

These populist uprisings suggest established governments no longer understand their countries, are no longer capable of enacting productive policy and are sorely in need of a significant overhaul. The massive build up of government debt certainly proves they don't understand their economies.

These results also point to a growing amount of insecurity not just with "free trade" but also with the rapid advancement of technology that has both enabled globalization and is quickly replacing all manner of labor. The doubling down on "political communications" confirms that governments all over the western world are misreading the current environment and lack productive instincts to navigate through it.

Widening income inequality, the rapid growth of sovereign debt, dependency on government stimulus, the power of corporate enterprise over labor, the business-government partnerships that

seem slanted to the elite in both, a declining middle class, employment security that exists in the public but not the private sector, better pay and benefits in the public over the private sector, private sector wage stagnation, escalating economic angst, the expanding social safety net need and the breakdown of traditional values are all clues of systems that have become dysfunctional. Why?

The Armchair believes we are in a dramatic transition of economic eras, moving from the Industrialization Era that started after Gutenberg invented the printing press and to an entirely new era we can't yet name because we don't know what it will be or how it will shape our economic and social institutions. This in-transition position creates a lot of uncertainty and insecurity. We have not been reading about it in the headlines, but we have just witnessed it first hand in two revolutionary political events.

Changing from a system that developed over 500 years doesn't come without challenges and adjustments. It pushes people to question the status quo since that status quo is not, cannot be responsive to their needs. At some point people may even reject the mechanism of today's dramatic change...technology.

There has always been an ebb and flow to civilization's march forward. We may be just around the corner from a period of ebb (nationalism) that naturally happens after a period of flow (globalization).

In a fragile and insecure transitional world, the key to survival will be self-sustainability, an obvious path should nationalism continue its spread. It seems somewhat ironic that the path of nationalism that could bring down the global economy is also the path one needs to be on if such actually happens.

The not so obvious is becoming more and more obvious...

Who cares about the cornucopia of delights in the city...It's time to save the family farm from burning down.