

VIEWPOINT

Triad Business Journal welcomes letters to the editor

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► BUSINESS PULSE SURVEY

WE ASKED

WOULD THE REPEAL OF OBAMACARE HELP OR HURT NORTH CAROLINA BUSINESSES?



THIS WEEK'S QUESTION

WHICH INDUSTRY DO YOU THINK PROVIDES THE GREATEST OPPORTUNITY FOR ECONOMIC GROWTH IN THE TRIAD?

POINT OF VIEW

Will U.S. economy suffer from a Trump Recession?

Early last year, the Economist Intelligence Unit listed a possible Donald Trump presidency as one of its top 10 global risks for 2017. The EIU assessment was based on concerns (fueled by the candidate's own rhetoric) that a President Trump would start trade wars, ruin relations with Mexico and make it easier for Islamic terrorists to recruit members.

Well, the risk has been realized. President Trump is a reality. There is still a great deal of uncertainty, given that Trump isn't a policy guy. His comments on such issues as an Obamacare repeal have been inconsistent, unclear or both.

A president's greatest opportunity to make policy (or wreak havoc) is in foreign affairs. But what about the domestic outlook? Since November I've been asked many times whether Trump's economic policies will cause a recession. My answer is no, but with caveats.

One of Trump's most frequent campaign promises was to re-impose tariffs and renegotiate trade deals. It resonated with many voters, but our trading partners in Europe and Asia won't like it and will likely retaliate.

The resulting trade war could inhibit American exporters' ability to sell to other countries, and that could lead to job losses. But only a relatively small share of non-farm employment depends on exports. Bad news in that sector is unlikely to throw us into a recession.



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A trade war's effects on consumers would be more widespread. We're likely to end up paying more for products due to tariffs and high domestic costs, making consumers worse off. And because most manufacturing jobs were lost to automation rather than international trade, any offsetting benefit on the jobs side will be small.

So a trade disruption wouldn't be great for the economy. But it probably wouldn't cause a recession. Recessions result from lower aggregate consumer spending on all products, not from less spending on some products and more on others. The expansion won't end because of a less desirable mix of consumer spending.

Expect similar effects if the U.S. clamps down on illegal immigration and repeals Obamacare. Each would

cause some costs to rise and alter spending patterns. Not all consumers would be made worse off, but on balance, the effects would be negative. And yet neither action is likely to move us closer to recession.

But there are caveats. First, the current expansion is getting old. It began in mid-2009 and is now 7 1/2 years old. We've never had an expansion last more than 10 years. The older an expansion gets, the greater the chance that something (an international event, a failure of consumer confidence) will trigger a recession. So regardless of Trump's policies, there will most likely be a recession while he's in office.

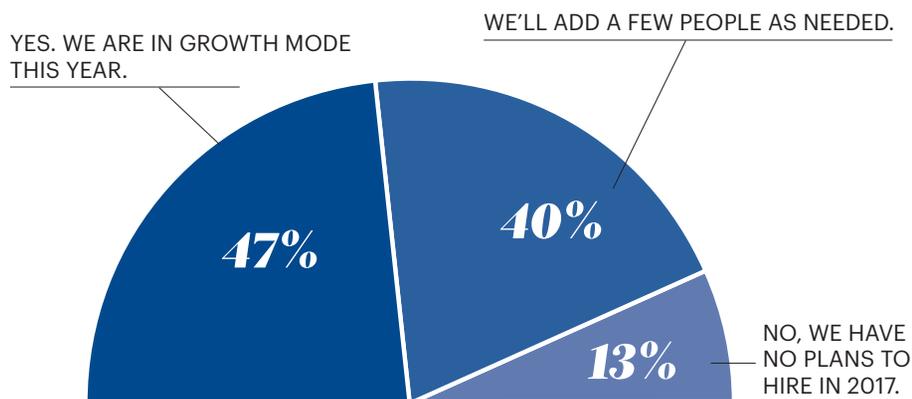
If we do return to recession under Trump, and if it looks anything like the last one, it could go badly. One of the keys is interest rates. If we fall back into recession while rates are still low, monetary policy will only go so far, requiring fiscal policy and increased debt to pick up the slack. But Republicans nearly always oppose such solutions.

Hopes that Trump will promote fiscal stimulus are overblown. Experts don't believe his privatization-oriented infrastructure plan will work. And as much fun as it is to cut taxes on the rich, doing so has yet to create many jobs.

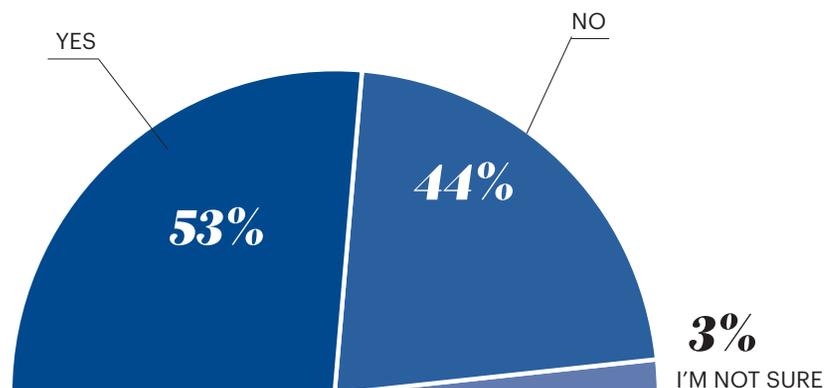
So we can expect a ticking recession clock, likely trade wars, ineffective policy, and an unwillingness to fight a recession if it happens. It might not be disastrous, but it's not encouraging.

► SURVEY SAYS ...

DOES YOUR COMPANY PLAN TO HIRE IN 2017?



SHOULD WINSTON-SALEM, GREENSBORO OR HIGH POINT BECOME SANCTUARY CITIES?



► YOU SAID IT



ARE CALL CENTERS AN IMPORTANT PART OF THE TRIAD'S ECONOMIC DEVELOPMENT STRATEGY?

"I don't believe it is a vital part of bringing in jobs, but these call center jobs can be stepping stones for college and high school kids until their professional careers take off. Just as fast food has done. People in retirement can benefit also."

RT HUDGINS

NEW APPLE INVESTMENT IN N.C. COULD EVENTUALLY PUSH SPENDING TO \$5 BILLION:

"The cloud is an actual place, and it is, in part, in Catawba County, North Carolina."

CINDY SAVARESE ALSPAW