**At least one bank strategist thinks a Trump presidency would kickstart the US economy**

Quartz - By [Eshe Nelson](http://qz.com/author/esheqz/) September 19, 2016

A strategist at the second-largest bank in the US says that if Donald Trump wins the presidential election, the economy “will probably take off in a big way.”

David Woo, head of global rates and currencies research at Bank of America Merrill Lynch, [told Bloomberg](http://www.bloomberg.com/news/articles/2016-09-12/strategist-if-trump-wins-the-u-s-economy-would-take-off-in-a-big-way?utm_content=business&utm_campaign=socialflow-organic&utm_source=twitter&utm_medium=social&cmpid%3D=socialflow-twitter-business) last week that Trump’s fiscal policy proposals could produce significant US growth. His optimism runs counter to [doubts expressed by several economists](https://www.washingtonpost.com/opinions/the-biggest-threat-to-the-us-economy/2016/06/20/af1f0120-371e-11e6-8f7c-d4c723a2becb_story.html?utm_term=.ef0134e0e0a4) about the viability of the Republican candidate’s plans.

Trump has said that, as president, he would spend huge amounts on [infrastructure spending](http://www.theatlantic.com/politics/archive/2016/08/donald-trumps-big-spending-infrastructure-dream/494993/)—$500 billion by some estimates—as well as cutting taxes and regulation. If the US Congress enacted even half of that stimulus, suggests Woo, the country would see its biggest fiscal expansion since after WWII. This could also see the dollar gain and US interest rates increase, he said.

He’s not alone in forecasting a boost to the US dollar if Trump wins. Stephen Lewis at ADM Investor Services says a stronger dollar would help the central banks of Japan and the euro zone by weakening the yen and the euro, and making policy makers’ efforts to ward of deflation easier. “Electoral success for the seemingly radical Mr Trump may turn out, at least in the short run, to be a stabilising influence,” Lewis wrote in a note last week.

Derek Halpenny, head of global markets research at Bank of Tokyo Mitsubishi, also laid out a scenario where Trump’s presidency strengthens the dollar:

A more aggressive fiscal stimulus package with a large infrastructural investment program and aggressive tax cuts coupled with a more hawkish Federal Reserve beyond 2018 when Chair Yellen’s term is not renewed could prove attractive for the dollar. Furthermore, Trump has been vocal about aggressive tax incentives to encourage US corporations to repatriate earnings from abroad which would also add fuel to dollar demand.

But many are not enthusiastic about the economic benefits of a Trump presidency. Economists at Citigroup warn that the Republican candidate’s leadership would create [less global economic growth](http://uk.businessinsider.com/citi-if-trump-wins-it-would-be-a-disaster-for-the-global-economy-2016-8)—possibly even prompting a recession—due to the financial market shock and Trump’s aversion to international trade agreements. Oxford Economics estimates Trump’s presidency would [shrink the US economy by $1 trillion](http://www.reuters.com/article/us-usa-election-trump-economy-idUSKCN11J25M).

No matter who wins the election, an even bigger issue could be political paralysis due to standoffs between Republicans and Democrats. A Harvard Business School [study](http://www.bloomberg.com/news/articles/2016-09-15/political-paralysis-is-the-biggest-threat-to-u-s-competitiveness?utm_content=businessweek&cmpid=socialflow-twitter-businessweek&utm_campaign=socialflow-organic&utm_source=twitter&utm_medium=social) published last week found that the starkly divided political system was the biggest barrier to US competitiveness and economic progress.

**Stiglitz Grades Trump 'F' on Economics, Cites China Trade Risk**

Bloomberg News - Monday, 19 Sep 2016 10:40 AM

The U.S. economy would be a big loser if Donald Trump wins the presidential election and imposes new tariffs on imports from China, according to Nobel laureate Joseph Stiglitz.

The end result would be a trade war, a correction in U.S. living standards and a net loss of American jobs, Stiglitz said Monday in an interview with Bloomberg News in Hong Kong. Stiglitz, 73, was chairman of the Council of Economic Advisers from 1995 to 1997, making him a member of cabinet when Bill Clinton was president.

On China’s economy, the Columbia University professor doesn’t expect a hard landing, though he’s concerned about the use of credit to fuel growth. And ahead of this week’s keenly anticipated Bank of Japan meeting, he isn’t expecting any fireworks.

The following are edited extracts from the interview:

Question: If Trump wins the election and implements new tariffs on China, what would the economic impact be?

Answer: Tariffs on China would have two immediate consequences. One, American workers who depend on low-cost Chinese goods would see their standard of living fall immediately. The likelihood that these industries will return to the U.S. is very low. On the other side, there would be retaliation. China would have within the World Trade Organization the right to impose retaliation against buying all the things they buy from the U.S. It would be a trade war. China would only do it selectively and the probability is that there would be more jobs destroyed than would be created. The net effect on employment would be negative. I think the U.S. would find itself the big loser.

Question: Is Trump raising any valid concerns about trading with China, or is he exaggerating?

Answer: What he is identifying is a standard naive concern, when I say naive, I mean wrong, that foreigners can undersell us. Would he be any happier if they had a different exchange rate and lower wages? No, they would be selling their goods into the U.S. Trade is based on comparative advantage, we have lost comparative advantage partly because we didn’t have a good manufacturing policy. We still have a comparative advantage for high tech. No economist would ever say you look at bilateral trade. This is a global trade system, we might buy manufactured goods and have a trade deficit with China but then we sell goods elsewhere, you can’t look at it in a bilateral way. The whole framework in which he looks at it is something that would be given a student in a principles course in economics an F.

Question: So you would grade him F?

Answer: F. He just doesn’t understand much about economics.

Question: If Trump is elected, could he push through the kind of promises he has made, such as tariffs on China?

Answer: Everyone is talking about how much would he would be constrained by existing rules and our democratic process. We’ve never had it tried by someone who is that far out of the mainstream. The honest answer is nobody really knows. The president has a lot of authority and a lot of influence.

Question: On China’s economy, do you believe that growth is on track?

Answer: I certainly don’t think a hard landing is inevitable. They have done another impressive job. They have managed to keep the economy going on a reasonably even kilter. On the other hand, the way they have done it has added another dose of risk through credit.

Question: Away from China, the Bank of Japan meets this week, you aren’t expecting any rabbits to be pulled from the hat. Can you explain?

Answer: We have just reached the limits of monetary policy. Where monetary policy could have the biggest effect would be active policies to expand credit to some groups who haven’t had it before, like small businesses. I don’t think Japan is doing as badly as conventional wisdom says simply because they don’t correct for the size of the labor force in terms of growth of output per working age population. I look at standards of living and they are not doing that badly, you visit Japan you feel that you don’t feel a country in depression.

Question: You also say that the U.S labor market isn’t as strong as the headlines suggest. Can you elaborate on why you think the jobless rate is between 9 percent and 12 percent?

Answer: You have to look at people who are involuntarily working part time. There are people who are not searching who would normally be searching, then there are even those in disability roles who would normally not be disabled. Somewhere around 9 percent to 12 percent. There is no precision here. There is no significant inflation pressure, that’s a sign the labor market is not tight.

**Why a President Trump Could Start a Trade War With Surprising Ease**

NY Times - Justin Wolfers Sept. 19, 2016

Americans often dismiss populist promises that emerge on the presidential campaign trail because they are unlikely to be passed by Congress. Should [Donald J. Trump](http://www.nytimes.com/interactive/2016/us/elections/donald-trump-on-the-issues.html?inline=nyt-per) get elected, Congress most likely would moderate his proposals to cut taxes, increase spending and even to build a border wall.

But international trade policy is one area where a President Trump could unilaterally deliver on the changes that he has promised.

Mr. Trump has said that as president he would “[rip up](http://thehill.com/policy/finance/271723-trump-vows-to-rip-up-all-trade-agreements)” international trade deals such as the [North American Free Trade Agreement](http://thehill.com/policy/finance/285189-trump-says-he-will-renegotiate-or-withdraw-from-nafta-without-changes), [withdraw](https://www.ft.com/content/d97b97ba-51d8-11e6-9664-e0bdc13c3bef) from the World Trade Organization and sharply raise [the tariffs](http://www.latimes.com/opinion/op-ed/la-oe-navarro-trump-trade-china-tariffs-20160721-snap-story.html) charged on goods imported from [China](http://www.nytimes.com/2016/05/03/us/politics/donald-trump-trade-policy-china.html) and [Mexico](http://www.nytimes.com/2016/02/22/us/politics/trump-targets-free-trade-and-gop-follows-suit.html). As president he could pretty much do it. And there’s very little Congress can do to stop him, even if the result is a costly trade war.

This may seem surprising given that the [Constitution](http://www.archives.gov/exhibits/charters/constitution_transcript.html) explicitly gives Congress the power to “regulate Commerce with foreign Nations.” But over the years Congress has delegated much of that power to the president. Trade politics reflect an important asymmetry: New trade agreements require congressional approval, but undoing existing commitments does not. And so vast areas of international economic policy can be changed with just a president’s say-so.

The result is that the usual checks and balances don’t apply. (For anyone wondering, yes, the same rules would apply to Hillary Clinton if she were elected.) Mr. Trump is proposing a [reordering](http://www.nytimes.com/2016/03/11/us/politics/-trade-donald-trump-breaks-200-years-economic-orthodoxy-mercantilism.html) of the global economic system that would fundamentally reshape the structure of American industry. He could start a trade war that would [threaten](http://www.nytimes.com/2016/07/12/business/us-chamber-of-commerce-donald-trump.html) not only American exporters who need access to foreign markets, but also any business that relies on commodities or products made overseas.

Typically, congressional gridlock prevents presidential elections from causing wild swings in policy. For a [protectionist](http://topics.nytimes.com/top/reference/timestopics/subjects/p/protectionism_trade/index.html?inline=nyt-classifier) president, it has the opposite effect, strengthening his hand. The only way that Congress could block Mr. Trump’s agenda is by passing new legislation to repeal or alter the powers it has previously delegated to the president. But this would require a two-thirds majority in both the House and the Senate to override a likely presidential veto.

Even that might not be enough, if the courts hold that the president’s constitutional power over foreign affairs can be used to terminate trade agreements.

[Gary Hufbauer](https://piie.com/experts/senior-research-staff/gary-clyde-hufbauer), a senior fellow at the Peterson Institute for International Economics, outlined this case in a [research paper](https://piie.com/publications/piie-briefing/assessing-trade-agendas-us-presidential-campaign) released Monday. Mr. Hufbauer, who holds both a law degree and a doctorate in economics, is a leading scholar of international law and trade and a former deputy assistant secretary for international trade and investment policy at the Treasury Department under President Carter. (I’m also a nonresident fellow at the Peterson Institute.) Mr. Hufbauer’s analysis is already causing waves among policy wonks in Washington and economists on Wall Street.

The easiest promise for Mr. Trump to deliver is the one to renegotiate or leave Nafta, the agreement that abolished tariffs between the United States, Canada and Mexico. That agreement — like nearly all free trade agreements — includes an escape hatch: The United States can withdraw from the pact after giving [six months’ notice](https://www.nafta-sec-alena.org/Home/Legal-Texts/North-American-Free-Trade-Agreement?mvid=1&secid=d5a8ba07-1fb2-4f28-88d0-a8eac08611a2). Thus Mr. Trump doesn’t need to rip up the agreement, but simply to send Canada and Mexico a letter putting them on notice.

Similar [escape hatches](https://www.wto.org/english/docs_e/legal_e/04-wto_e.htm#articleXV) would also allow Mr. Trump to withdraw the United States from free trade agreements with other nations, and even from the World Trade Organization. Leaving the World Trade Organization would immediately allow other countries to raise the tariffs they charge on American exports.

How has the White House accumulated such powers? As the United States entered World War I, Congress passed the [Trading with the Enemy Act](https://www.law.cornell.edu/uscode/html/uscode50a/usc_sup_05_50_10_sq1_20_sq1.html), which gave the president the power to regulate all international trade and financial flows, and even to freeze or seize foreign assets. It was an extremely broad grant of power because the law applies to all international commerce, not just that with enemy nations.

It’s a power meant to be used only in national emergencies or times of war, but this tends to be interpreted very broadly. For instance, the [courts allowed](https://casetext.com/case/united-states-v-yoshida-intern-inc#idm140606753341840-fn21) President Nixon to [add](http://www.presidency.ucsb.edu/ws/?pid=107023) a 10 percent “[import surcharge](http://www.nber.org/papers/w17749)” in 1971, based on the continuing “economic emergency.” Mr. Hufbauer argues that continuing military engagements in Iraq and Afghanistan “would seemingly suffice to satisfy” this requirement.

Alternatively, the president could rely on the [International Emergency Economic Powers Act](https://www.law.cornell.edu/uscode/text/50/chapter-35) of 1977, originally written to give the president the tools to inflict economic sanctions on America’s enemies. The law could easily be used to restrict trade with just about any country. While the law is supposed to be exercised only in the wake of an “unusual and extraordinary threat,” Mr. Hufbauer says that this is a standard that is easily met, as “the courts have never questioned presidential declarations of a ‘national emergency.’ ”

Beyond these emergency powers, two separate Cold War-era statutes also give the president power to regulate international trade. Under the Trade Expansion Act of 1962, the president can raise tariffs as necessary to strengthen national security. Mr. Trump’s rationale for raising tariffs against Mexico or China probably meet this standard.

Alternatively, the president can impose tariffs of up to 15 percent for 150 days to deal with balance of payments deficits, under the Trade Act of 1974. Another section of that act gives the president the power to levy a tariff to retaliate against unfair trade practices, and this could easily be invoked against China, citing allegations of exchange rate manipulation. President George W. Bush [used that law](https://www.asil.org/insights/volume/7/issue/4/us-provides-section-201-relief-american-steel-industry) in 2002 to impose tariffs on steel.

With so many different legal rationales, it seems almost certain that if Mr. Trump became president, he would have the power to create a more isolated American economy.

Of course, his actions would anger our global trading partners. Their remedies are limited, though. After all, even the World Trade Organization recognizes the need for national security exceptions to its rules. Even if Mr. Trump were found to breach their rules, the only recourse for other countries would be to retaliate by raising their own tariffs. It’s a prospect that scares many economists, but appears not to worry Mr. Trump.

The bottom line, according to [Todd Tucker](https://toddntucker.com/), a [fellow](http://rooseveltinstitute.org/todd-n-tucker/) at the Roosevelt Institute who has [written extensively](https://www.citizen.org/documents/Rise_and_Fall_Fast_Track_Trade_Authority.pdf) about the expansion of executive power over international trade law, is that Mr. Hufbauer’s study “confirms that trade liberalization in recent decades sits on much shakier foundations than is commonly acknowledged.”