



**DK Analytics, Post #41: Trump, the “[real US worker deal](#)” and [Hooverism](#), revisited? 7/4/2018**  
**Trade weighted US\$: 89.97; US 10-yr: 2.83%; S&P 500: 2,713; Oil: \$73.64; Gold: \$1,256; Silver: \$16.08**



### The good:

“Red state” Americans, yours truly included, are grateful that President Trump is calling out the fake news for what it is: fake -- and out to get any powerbrokers that threaten its pervasive media dominance. Clearly, a media with [a revolving-door to bureaucrats](#) has facilitated unprecedented industry consolidation since President Clinton signed the [Telecommunications Act of 1996](#). The increasingly incestuous, oligopolistic relationship between big government and big business has resulted in a crony press that rivals the [Pravda \(“truth”\) press](#) in the former USSR. Thus, instead of news and a check on increasingly abusive government power as the [Framers intended](#), the misnamed “Main Stream Media” (MSM) has been generating propaganda supportive of an increasingly [fascist](#) regime, i.e., the US government.

Billionaire real estate and successful entertainment tycoon Donald Trump refused to become part of today’s MSM quid pro quo. He didn’t have to, nor did he want to. Instead, he took his “America First” ([including bringing jobs back home](#)) message to “flyover country” via the Internet/his Twitter account and as supplemented by his frequent, rousing, and well-attended speeches. Critically, he was also backed by the one largely anti-leftist entity in the MSM, [ratings dominating Fox News](#), which has long resonated with “red state” Americans. Thus, the battle lines were drawn. An all-out MSM backlash against this nonconformist ensued, and “news” morphed even more completely into statist, [anti-Trump propaganda](#), a.k.a., fake news. It wasn’t only fabricated stories, one-sided allegations or quotes taken out of context, but utter and complete suppression by the vast majority of the MSM of [lawless behavior](#) by those positioned at the top echelons of federal power during the [prior administration](#) as well as unconstitutional behavior being carried forward into the current administration and into the [115<sup>th</sup> US Congress](#).

The Trump administration, however [compromised](#), appears to be making a [largely clandestine effort \(via sealed indictments\)](#) to smoke out the “deep state” (the unelected bureaucracy and its hangers-on both inside and outside the government) lawlessness it has been a [victim of](#). Any success here, *no matter how unlikely* given the de facto “broad daylight conspiracy” -- [criminal decision makers keeping quiet](#) buttressed by their staffs wanting to maintain the [huge bureaucracy’s unconstitutional power](#), their [outsized compensation](#) and their privileged benefits status quo -- would be monumental. Such an achievement could spark a rule of law revival, arresting our [B.R.](#) trajectory. Meanwhile, a *strategic* return to greater constitutional fidelity is getting a sorely needed lift by Trump’s fine [judge/justice](#) selections!

### The bad:

Trump’s [integrity](#). Is it there, when it counts, beyond his stellar judge selections and beyond the fact that he isn’t an “unindicted felon,” i.e., [Hillary Clinton](#)? This isn’t an idle concern, for integrity begets and nourishes credibility, which is critical to a president’s “bully pulpit” efficacy in “troubled times.” Some worrisome signs include:

- His [real estate developer exploitation](#) of the [property rights-curdling Kelo v. New London decision](#) suggests neither fidelity to a constitutional anchor ([property rights tied at hip to liberty](#)) nor to the lot of everyday Americans.
- His tabloidesque remarks about Ted Cruz’s dad being involved in the [JFK assassination](#) give further pause.
- His debate claim of putting [Hillary in jail](#) if he’s elected only to pathetically comment, once president-elect, that “[Hillary Clinton had suffered enough](#)” is disingenuous at best.
- His apt campaign claims that the [low unemployment rate was fake](#), the recovery was the weakest ever, and the stock market was [a bubble](#) susceptible to an interest rate spike morphed into the [lowest unemployment rate since the turn of the century](#), [the best economy ever](#), and [the best stock market](#) ever once he sat in the oval office.

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- From vowing to crack down on illegal immigration and erecting a wall on the southern border, [Trump's 1.8m "pre-wall" amnesty](#) proposal threatens to effectively "green-light" the very illegal, third world immigration that has led to a [massive transfer of property from citizens to aliens](#) while thwarting wages and Balkanizing America.
- From railing against Goldman Sachs cronyism and globalism on the campaign trail to a [GS-laced Trump cabinet!](#)
- From vowing to shrink the federal government once elected, Trump signed [legislation](#) which further [bloats it](#).
- Instead of being honest about the long, tough road ahead to bring America back to manufacturing strength (reindustrialization takes time!), Trump has preferred exerting unconstitutional pressure on select manufacturers to highlight US job preservation thanks to his intervention, even as a closer look at such ["agreements"](#) disclosed [heightened taxpayer expense and producers' expanded outsourcing options](#). How does one spell "demagoguery?"

### The ugly:

A potential [Trump trade war](#) is a [huge risk](#) to both the US and the global economy, but the US is especially vulnerable. This is due to America's largely [self-inflicted manufacturing enfeeblement](#), its huge [net dependency on foreign goods](#) (just go to WalMart's non-grocery aisles) and [foreign financing](#), and its dependency on continued widespread overseas acceptance of dollar-based trade, ... despite America's [\\$7.9trn net debtor status](#) vis-à-vis the rest of the world, over [\\$21trn in US debt](#), and the [US's decade-long \\$1trn plus average yearly expansion in federal debt](#). Some reflections:

- Is Trump going the [Hoover route](#) (dangerous "interventionism" and an escalating [trade war](#))? Hoover was a leading industrialist before he became president. Are we about to revisit this dark chapter in history?
- A nation that has an [\\$800bn plus annual deficit in goods trade](#) and has lost a vital portion of its manufacturing base can ill afford to start a trade war, from consumers' or producers' perspectives. It needs component parts that are often made only overseas nowadays ([think the "787"](#) or [US-assembled cars](#)) to produce high-value added finished products for domestic consumption and for exports, much less give it the ability to restore a domestic supplier base and address destructive corporate governance and compensation (more below).
- Tariffs are taxes on Americans that the feds collect – we thought Trump was about shrinking government?
- [Protectionism \(tariffs\)](#) is the worst form of [cronyism](#): domestic steel and aluminum shareholders and their "[Wilbur Ross cronies](#)" will do fine, but domestic manufacturers of Maytag washers, Ford trucks, [Harley Davidson](#) motorcycles, GE locomotives, CAT dozers, Carrier chillers, etc. (and their workforces) will be negatively impacted or worse (bankruptcy). This is thanks to the resulting uncompetitive materials costs and/or retail prices that are out of consumers' reach both domestically and in export markets, where outfits such as Harley will face a one-two punch of higher domestic steel and aluminum prices and tit-for-tat import tariffs for US made bikes.
- Trump should solely be talking up lowering tariffs globally -- e.g., seeking [Mexico's zero tariffs to 44 nations](#).
- As is widely known, our top brass corporate compensation structure ([CEO compensation was some 20x the average worker in 1965 and 271x in 2016](#)), including [\\$7m CEO signing bonuses](#) and [relatively rapid vesting of untold millions of underpriced options](#), coupled with [litigation](#) and [regulatory](#) insanity have come together to yield a "slash & burn" business model. In today's world, the C-Suite a) no longer has parallel [strategic organic growth interests](#) (p. 5) with American workers, taxpayers, and communities, b) is incentivized to cut/gut domestic cap ex instead of investing, and c) is motivated to outsource and fire domestically instead of hiring and training American workers. Today's senior management is rewarded for slashing costs while buying back stock with both cash flow and by issuing [trillions in new debt](#) to give EPS a "financial engineering lift." The C-Suite focus: drive up the stock price *ASAP instead of focusing on building globally competitive products*, which is an unending effort. As such, "corporate anorexia" has become the destructive norm. Coupled with lacking trade schools, a [failing educational system](#), and perpetually large government deficits, these are the true flies in the ointment!

Unfortunately, such truths don't make for great soundbites, but they remain truths. Plus, other high-wage workforces ([with generally better paid workers than in the US](#)) operating in generally [strong currency nations](#) -- e.g., [Switzerland](#), [Germany](#), and, for a long time, [Japan](#) -- have generated sustained and substantial trade surpluses of recent vintage that sometimes extended for decades, and [typically included surpluses with China](#).

Commensurately, those that blame high US wages or a strong buck as "America's chief culprits" are just not getting the big picture right, much less how to best address it: with "brick-by-brick" home-grown solutions (for largely home-made problems) instead of misleading, silly, and *patronizing* claims of having (virtually) instantly "made America great again!" Moreover, reputational integrity does matter when a president is attempting to make constructive deals for his country. Yes, Virginia, both [policy and integrity](#) (character) matter.

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### **Allocation conclusion:**

If, against all odds, the rule of law is restored in the US and [the lawless actors infesting the governing class](#)/controlling the instrumentalities of power are brought to justice, the profound and breath-takingly stunning “gravity of it all” would rapidly turn greed into fear in terms of so-called “traditional asset” valuations. In other words, sales would drive risk premiums much higher and net present values much lower, pricking today’s “bubble valuations.”

In the meantime, the US government’s reckless, deficitary fiscal policy would be even more exposed in a GDP-pum-meling trade war -- we are already way overdue for a recession amidst a historically weak, productivity-waning, [debt-encumbered](#), artificial recovery. Huge US commitments, political calculations, and a fiat currency -- “[The US can pay any debt ... , it just can’t guarantee purchasing power](#)” -- could result in unprecedented amounts of dollar printing. It appears to be more a question of “when” rather than “if.” This suggests that [the buck will be sacrificed](#) in a tactical attempt to protect money center bank balance sheets ([and the Fed itself](#)) from “valuation meltdowns” and to meet “nominal dollar commitments” of a strategic nature. [Monetization of debt](#) would become permanent and be expanded upon. How does one spell doubling-down on currency debasement? Against this backdrop, it is hard to imagine a secularly more bullish case for [undervalued precious metals](#) -- and a more opportune time to reduce exposure to massively overvalued [bonds](#) and [stocks](#). (And please recall, markets are “[reversion beyond the mean machines!](#)”)

Finally, it is fitting indeed, on Independence Day, that we celebrate America’s historical blueprints -- The [Declaration of Independence](#), which led to the *first-ever* strict enumeration of governmental powers and codification of individual liberty and inalienable rights, otherwise known as the [US Constitution](#), including the [Bill of Rights](#). How appropriate that Americans, and proponents of codified freedom around the globe, still have the unique opportunity to fortify their financial fortunes with the very “[constitutional money](#)” that could prove pivotal in the challenging times ahead in terms of supporting their families and in terms of helping to rebuild a return to free market capitalism and constitutionalism. An increasing number of originalist/constitutional judges should be of strategic help. Thank you, Mr. President.

Sincerely,  
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