

Funding the Future

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Trump is not delivering greatness to America: he's delivering chaos and decline, and people are beginning to notice.

<https://www.youtube.com/watch?v=0a-F9cfku7U&si=EDWUblK4ng7s5sIM>

This is the audio version:

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This is the transcript:

Earlier this week, Donald Trump's tariffs were ruled illegal by a court in the USA, which was great news for the rest of the world.

And then a day later, another US Court decided that maybe the White House had a case and the tariffs could. But they attached a condition to Donald Trump's appeal, which will inevitably end up in the Supreme Court, which was that if he loses, he has to repay any tariffs he's collected.

In the meantime, the world continues in a state of uncertainty.

We are living in an era of enormous instability in the USA.

America is tired of Trump's chaos.

His policies have proved to be incoherent and inconsistent.

180 court rulings have now been made against his actions, and other court actions have, of course, failed. But that's enough to show that Donald Trump is governing on the basis of disruption and not strategy.

There is no clear goal coming out of Trump. That's the fundamental point. Trump is simply producing chaos, and it's a reactive chaos in many cases.

He's not going forward. If you understand anything about what Trump is trying to do, he's trying to take the USA backwards to what he calls the Gilded Age of the 1890s and the first decade of the 20th century.

In the process, what he's doing is repeatedly challenging the rule of law. And the uncertainty that this is creating, the combination of this destruction of everything that is of value in modern America, plus this uncertainty created by the undermining of the rule of law, is grinding people down. Trump is not providing leadership to the USA.

What he's delivering is confusion. And this matters because people live their lives on the basis of routine and predictability.

And it's not just people who rely upon that. So do organisations. So do companies. So does international trade. So do other countries as a consequence. And what Trump is delivering is something quite different.

He's massively cutting spending by the US federal state. He's promoting inflation through tariffs. The combination is very clear. He's creating enormous public anxiety, both about the value of the dollar in people's pockets, but also about the value of the services that a great many people, between 25 and 30%, at least of US Americans, because access to healthcare might be threatened in their cases.

And when people are in fear, then people's hope disappears and people shut down.

More than that, they create something which is called the paradox of thrift. In essence, people who are under threat, which is what the people of the USA now are, put money aside. They save because it is the only action that they can take to potentially preserve their wellbeing in the face of this economic threat that they are being posed with, in this case by Donald Trump and his regime, and what it is doing. And saving creates dead money within an economy.

I keep on saying this on these videos, and people don't seem to understand it. Somehow, there is a belief that saving is virtuous in economic terms and funds investment. It doesn't. Saving does not fund investment. Saving is the act of putting money aside for a rainy day, and at our personal levels, there is absolutely nothing wrong with doing that; let me make that clear. But, this thrift, as Lord Keynes called it in the 1930s, where this phenomenon was also seen, has a macroeconomic

consequence, and that is that there is less money circulating in the economy, and therefore what Donald Trump is actually doing is almost inevitably creating the economic dynamic which will lead to a recession.

This is going to be especially hard on low and middle-income groups, but there are some groups for whom the impact will appear to be less, if only because they could leave the USA. And this is a situation which we now have to consider.

How many people are going to jump ship because of what Donald Trump is doing?

One group are very obviously the wealthy in the USA. Everybody else will be stuck. They won't have the means to quit. But some in the wealthiest parts of the USA will think about exiting. And we know already that the number of people applying for UK passports who also hold a US passport is rising fast in this country, albeit so far in relatively low overall numbers.

But that could change, because what Trump is showing is an enormous hostility towards intellectuals and those he would call the elite, many of whom he categorises as the enemy of the state. That level of hostility is going to be enough to encourage many to think about leaving if they have the opportunity to do so.

And the simple fact is that many will. Many of these people whom Trump is attacking - lawyers, academics, high-powered intellectuals - will be welcome in other countries, and a brain drain from the USA might become inevitable. It's also true to say that in the face of such threats, the wise leave early, before it becomes too late.

But the wealthy who are intellectual and who are subject to attack from Trump aren't the only people who are going to be leaving the USA. There's another group who are going to be leaving, although they actually weren't even there. These people are the owners of the hot money that is deposited in the USA.

They don't live in the USA, but they locate their money in the USA, in US government bonds, in US shares, and so much else. And in the face of the threats that are beginning to develop against this money being located in the USA, they might also want to take their money out of that country and put it elsewhere. In other words, we're not only going to have intellectual or human flight here, we're also going to have capital flight. And capital flight simply means that money leaves one country and is relocated in another.

The impact will be serious. The dollar will fall in value as a consequence, because people will try to sell it, and we are already seeing that phenomenon arising. And new tax threats from Trump are likely to exacerbate this. The result is that capital will flee, because capital hates chaos.

But that then leads me to another group who might then leave as well, and this is little

discussed so far, but I do wonder whether in a global world, US companies might now be considering leaving the USA.

No one has said they are as yet. But remember, the whole point about globalisation is that it has become relatively easy for companies to relocate from one jurisdiction to another.

We have seen a drain out of London and the UK into the USA over recent years as companies have relocated to US stock markets. But now that Trump is making life very difficult for those stock markets, and the payment of dividends from those stock markets because of changes in tax law that he's promoting, and for these companies because of the tariffs that he is imposing upon them as a consequence of being located in the USA, which is totally disrupting their supply lines, then he may be encouraging large companies in the US to actually pick up sticks and leave in the face of the legal uncertainty, which they now are literally having to deal with every day. They might, instead, wish to move to calmer jurisdictions that can provide the certainty that business also loves.

Who might go? Well, curiously, I think the first to leave might be the big tech companies. That, of course, seems illogical, because some of the big tech companies most certainly backed Trump, but not all of them did.

Could Apple leave because its supply chains are so challenged? Yes, I think that is possible.

Could Microsoft do the same, because it, too, is a producer of technology as much as it is of software? I think it could.

And could pharmaceutical companies go as well, because they rely on both international markets, but also very long international supply chains, which they will not be able to change anytime in the near future.

All of these critical US companies could be thinking right now about whether it's time to exit the USA. Just because they appear to be US companies does not mean they have to be registered there anymore. There are other stock markets around the world to which they could relocate. Trump is creating a hostile environment for them.

What's the consequence?

America's global economic role is at risk. Trump is fueling decline, not greatness. Chaos is not a growth strategy, and the US economy is beginning to demonstrate that what Trump is doing is a strategy for destruction and not a strategy for growth.