

# TRUMP TOWERS

WHAT THE PRESIDENT-ELECT MEANS FOR FINANCE AND ECONOMICS



## INTRODUCTION

Donald Trump has upended the global world order. Many of the U.S. president-elect's pledges during the 2016 campaign flew in the face of the liberal market orthodoxy that has predominated since the fall of the Berlin Wall and undergirded the peace since the end of World War Two. Coupled with Britain's exit from the European Union, the free movement of goods and services, people and capital is no longer taken as a precept for future global prosperity in the West.

As the man with the least amount of experience directly relevant to the Oval Office, Trump in some ways represents an option on the economy, markets and businesses, with extraordinary risk and the potential to disruptively transform. As a result, never have the early choices in personnel and policy taken by a president been as consequential as the ones now faced by the New York real-estate mogul and reality-TV star.

Reuters Breakingviews has been skeptical of Trump since he kicked off his campaign in June 2015 with a speech in which he branded Mexicans "rapists." We have given credit where it has been due, for instance in his promises to close the revolving door between industry and government and to invest in America's crumbling roads and bridges. Trump's penchant for vulgar bigotry and his reductive approaches to complex issues like trade or financial reform, however, offset his few good policy ideas. Now that he will soon be president, we will hold him to an even higher standard.

As the world struggles to understand what the next four years will bring, we have compiled some of the columns we produced on Trump as president-elect, populist, candidate and businessman. While many of them are of a more recent vintage, including trenchant analysis of his potential Cabinet picks, impact on the rest of the world and implications of his vision of America, we also dug into the archives.

Indeed, our first piece on Trump, published perhaps fittingly on April Fools' Day 2004, called him a "bad role model" in business despite the high ratings of "The Apprentice." That's because auditors had raised "substantial" doubts about the ability of his Trump Hotels & Casino Resorts to continue as a going concern. Not long after, it went bust, marking one of many bankruptcies for Trump businesses.

Now that he will soon preside over the world's largest economy, its reserve currency and the deadliest store of nuclear weaponry, we can only hope that he surrounds himself with good and intelligent people, takes their counsel and makes decisions that lead to prosperity, peace and a greater America – and avoids a repeat of what happened with his lodging empire.

Rob Cox  
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## TRUMP THE PRESIDENT

### **Trump may embody his own isolationist policy**

By Jeffrey Goldfarb

Donald Trump could wind up the very embodiment of the isolationist ideals that helped get him elected president of the United States. The reality-TV star began his run over 500 days ago with a ride down an escalator at his eponymous New York tower and completed it with an unlikely ascent early on Wednesday into the White House. In winning over a majority of the electorate, he alienated nearly everyone in a public or private position of power.

A dark and fearful interpretation of a United States being overtaken by foreigners and fleeced by other nations was the centerpiece of Trump's campaign. He resolved to erect a massive wall on the border with Mexico, prevent Muslims from entering the country and send some 11 million immigrants packing. The Republican president-elect has suggested withdrawing from NATO, labeling China a currency manipulator and undoing commerce pacts such as the North American Free Trade Agreement.



U.S. President-elect Donald Trump speaks at his election night rally in Manhattan, New York, U.S., Nov. 9, 2016.

They add up to a nationalist doctrine that mostly aims to exert authority tactlessly over America's friends or keep the world at bay. The message appealed to voters across the country frustrated by the forces of globalization, automation and digitization that have left many of them in lower-paying jobs or without work as they watched the rich get richer as asset values were inflated by cheap money.

The crude nature of how Trump outlined this vision – calling Mexicans “rapists,” as just one of many examples – and other grotesqueries, including the courting of white supremacists and bragging about groping women, estranged him from anyone in the establishment. This was, of course, the point for a self-proclaimed billionaire running as an outsider who could drain the Washington swamp. It also means, however, that Trump heads to 1600 Pennsylvania Avenue in January with virtually no support in the corridors of power.

Only a handful of legislators acted as his surrogates during the race. Trump alienated many in his own party. Just a month ago, he called House Speaker Paul Ryan a “very weak and ineffective leader.” Along the way, he attacked the judicial branch, too, accusing a judge presiding over two lawsuits against Trump University of bias because of his Latino heritage. Late in the race, not a single chief executive from the 100 largest companies had donated to the New York real estate mogul's campaign.

That leaves Trump as detached and deserted as the America he seems to imagine. Without the backing of Congress or industry, he may find it hard to enact most of his ideas. Trump probably could start deportation proceedings and tear up trade deals unilaterally. He might test the limits of executive power, however, by trying to erect his border barrier, asking allies to pay for protection or bullying through other policies by circumventing channels established by 220 years of constitutional law. In this way, a Trump presidency may prove the biggest test for the checks and balances so integral to the American experiment.

*Published on Nov. 9, 2016*

## **Trump and the demise of the American global order**

By Peter Thal Larsen

History does not move in neat increments. Sometimes, though, dates are hard to ignore. So it seems fitting that Donald Trump's election as U.S. president was confirmed on the anniversary of the fall of the Berlin Wall. That day in 1989 marked the symbolic triumph of the liberal, democratic and mostly American-led world order that had ruled a chunk of the globe for the previous half-century. Trump's victory 27 years later marks its demise.

It is too early to say how the reality-TV star's dark and divisive campaign will translate into policy. At home, he will be constrained by a constitution specifically designed to limit a would-be tyrant's power. For the rest of the world, it remains to be seen whether Trump's actions live up to his more protectionist and belligerent rhetoric.

Nevertheless, the era of American dominance – a period that started at the end of World War Two and reached its peak following the collapse of the Soviet Union – is coming to an end.



This has profound consequences for the international order and the global economy. The former superpower enabled the lowering of trade barriers and relaxation of restrictions on flows of capital around the world, supported by the U.S. dollar. It sponsored international institutions like the World Bank, International Monetary Fund and World Trade Organization, which depended on American support – and funding – for their legitimacy.

The system is underpinned by American military might, projected through the North Atlantic Treaty Organization and a string of alliances with the likes of Japan, South Korea and Saudi Arabia. It also rests on a common set of ideas: faith in democracy, freedom and respect for the rule of law. Tellingly, German Chancellor Angela Merkel – not the president-elect – felt it necessary to reiterate those shared values on the morning after the election.

Trump's victory threatens this entire edifice. He has pledged to renegotiate the North American Free Trade Agreement with Mexico and Canada, and slap tariffs on imports from China. He has raised doubts about U.S. military support for NATO members. Meanwhile, his campaign was regularly characterized by a total lack of respect for democratic principles, judicial independence, a free press and even basic human rights.

This is not to deny the dark side of American hegemony: lofty ideals did not prevent the United States from pursuing destructive wars in Southeast Asia and cynically supporting third-world dictators. More recent attempts to quash Islamic extremism have repeatedly undermined its principles. Meanwhile, rules governing trade and finance often worked to the advantage U.S. banks and corporations over foreign rivals.



German Chancellor Angela Merkel poses with U.S. President Barack Obama and other G7 participants for a family picture at the G7 summit in Kruen near Garmisch-Partenkirchen, Germany, June 8, 2015.

It's also true that U.S. influence has been waning for some time. The attacks on Sept. 11, 2001 shattered belief in America's post-war security and launched the country into expensive and damaging wars in Afghanistan and Iraq. The financial crisis that culminated with the collapse of Lehman Brothers in September 2008 not only tipped the Western world into recession but demolished faith in financial and economic elites.

The political backlash sparked by those failures has already taken Britain out of the European Union. Now it has propelled a 70-year-old with a questionable business record and no experience of elected office to the White House.

Yet an explicitly inward-looking America would have a far-reaching impact on the world. Protectionist measures might prompt other countries to retaliate. Investors would seek alternative havens to the dollar. Countries that previously sheltered under the U.S. military umbrella would rearm, adding to regional tensions.

There are no other hegemony ready to step in. The European Union is grappling with a stagnant economy, a wave of migration and the threat of an expansionist Russia. Several of its members could suffer Trump-like insurrections next year. Even if it survives these threats, the EU will struggle to exert much influence beyond its borders for the foreseeable future.

China, meanwhile, will strengthen its grip on Asia: the Philippines and Malaysia are already cosying up to the People's Republic. However, China's extraordinary growth over the last three decades has largely depended on its ability to hitch a free ride on the global system of trade and finance policed by the United States. It is doubtful the world's second-largest economy is in a position to devise or enforce a new set of global rules, even if it wanted to.

American voters have toyed with isolationism and protectionism before. It is possible that future presidents will be able to rekindle its enthusiasm for openness. Trump might even turn out to be more of a pragmatist than he appeared on the stump. That's the early conclusion of investors, who have welcomed the prospect of a fiscal stimulus but seem less worried about an impending trade war. Nevertheless, the election must be seen as a clear indicator that America's unequivocal support for the liberal international order is ending. It may be another 27 years before we can be sure what that means for the world.

*Published on Nov. 10, 2016*

## Good case for working in Trump's White House

By Rob Cox

Back in my single days, I considered marrying Naomi Campbell. If word had credibly spread about this supermodel-bride desire, my bachelor credentials would have been huge. And so it is with Donald Trump's transition team. A steady drip of established and competent names trickling out to join the Cabinet gives a veneer of seriousness to the former reality-TV star that has been lacking since he started his presidential bid by calling Mexicans rapists in June 2015.

The most prominent corporate leader to surface as a possibility was JPMorgan Chief Executive Jamie Dimon, as Treasury secretary. Notwithstanding the controversy he or others like him would elicit from foes of the banking industry, and even Trump supporters who reckoned that by casting their ballot for him they were revolting against the establishment not embracing it, such experienced captains of industry or government would add much-needed professionalism to the president-elect's team. There's no indication any would be willing to attach his or her personal brand to a politician whose campaign was laced with bigotry and thuggish behavior.

Yet as odious as the idea may chime to Dimon and other qualified men and women of the private and public sectors or the defense and intelligence communities, their country – nay, the entire world – may depend on them swallowing their pride, holding their noses and signing up to a Trump administration.

Though Trump has amassed personal riches of undisclosed dimensions and vanquished Hillary Clinton, a practiced politico, the New York real-estate developer will, by a wide margin, be the least experienced man to ever occupy the Oval Office and control the world's reserve currency and America's nuclear codes.



Campaign CEO Stephen Bannon departs the offices of Republican president-elect Donald Trump at Trump Tower in New York, U.S. Nov. 11, 2016. REUTERS/Carlo Allegri



This brings a historical urgency to recruiting world-class talent to help him run the federal bureaucracy and to sweat policy details, a task the curiosity-deficient Trump has no demonstrated inclination, nor capability, of performing. Given this squalid reality, the greatest chance of avoiding failure for the U.S. economy may reside in Trump adopting the sort of corporate approach that has proven to work in the business world, one where he acts as a sort of chairman of the board, delegating unprecedented authority to Cabinet chiefs, the way he did hoteliers and construction contractors at the Trump Organization.

The alternative is unfathomable. A highly centralized Trump administration staffed by the second-rate guns for hire, white supremacist-leaning extremists on the right and cronies from his campaign would present unquantifiable geopolitical and financial risk. At a minimum, such a legion of the hapless would find it difficult to work with members of Congress, even with both the House and the Senate leadership claiming to share the same party affiliation, to turn even Trump's more sensible campaign ideas – and there are some – into legislation.

While the majority of Americans who voted for Trump's Democratic rival would disagree, the president-elect signaled an understanding that he will need to make concessions to recruit good people when he named Reince Priebus, the Republican National Committee chairman, as the next White House chief of staff on Sunday. He beat out Stephen Bannon, who followed a career as a Goldman Sachs partner to lead a propaganda outfit masquerading as a news organization, Breitbart News.

This is a minor triumph for the center. As a senior adviser to the president, Bannon will be able to dole out nights in the Lincoln Bedroom to lobbyists like Wayne LaPierre of the National Rifle Association, but Priebus will control access to the Oval Office and oversee hundreds of staff. Priebus also has strong ties to the two politicians who probably will play the role of co-chief executives to Chairman Trump in governing: fellow Wisconsin native, House Speaker Paul Ryan and Vice President Mike Pence, as well as Senate Majority Leader Mitch McConnell, the vice-chairman in the corporate analogy.

Trump may yet decide to follow predecessors Barack Obama and George W. Bush in centralizing decision making and curtailing the authority of Cabinet members. The elevation of Priebus over Bannon, however, suggests the president-elect knows he will need strong ties with Capitol Hill to transform his varied pledges involving taxes, immigration and infrastructure into actual policy.

What comes next is more complicated, though. Priebus can help conscript the more impressive names under consideration to run the Departments of Treasury, State, Defense and so on, but not without promises that they will be, in some ways, unshackled from the capriciousness of the commander-in-chief. Equally, they won't want to come aboard an operation already crowded with second-rate talent.

Indeed, the first recruits to top positions will have to be impressive and surprising. That means holding off on appointing Sarah Palin, who dropped out of governing Alaska to launch a derisive reality-TV career, as secretary of the interior; Rudy Giuliani, who traded a legacy as New York's mayor after the Sept. 11 attacks to become the campaign's attack dog, as attorney

general; or Ben Carson, the neurosurgeon who insisted the Egyptian pyramids were built as granaries and not tombs for pharaohs, for health and human services. Their devotion is perhaps better rewarded with ambassador roles, to Moscow, the Vatican and Cairo, respectively.

Enlisting candidates with credible résumés, who nonetheless are willing to embrace the sort of disruptive and unconventional thinking he promised on the stump, would be a way for Trump to show he can move beyond the notion that he is the most puerile and intemperate president in American history. And by putting some much-needed moral and experiential checks and balances into the executive branch, it might even go some way to making America greater.

*Published on Nov. 14, 2016*

## **Draining the swamp starts with Trump's own team**

By Gina Chon

The first swamp that Team Trump may want to drain is its own. The real-estate mogul faces big-league conflicts as what may be the richest president-elect in American history. The same goes for his potential Cabinet of hedge-fund managers and chief executives. Trump's solution is to put his business into a family-run blind trust. It's not the best way to fulfill his pledge to clean up Washington.

Trump's sprawling business empire is unprecedented for a modern U.S. president. He lists positions in more than 500 companies, according to finance disclosures. Trump said his children will oversee his business, hardly the definition of a blind trust run by an independent agent. After all, Trump named his three eldest kids to his White House transition team last week.

Trump Organization businesses have more than \$500 million in outstanding loans with firms regulated by the government. Deutsche Bank, the creditor for four Trump loans, is facing billions in fines as part of a Justice Department case on the alleged mis-selling of mortgage securities.

Trump and his businesses are embroiled in dozens of lawsuits, which could put him at odds with his role of nominating federal judges. In one case, his attorneys asked to delay a Nov. 28 trial involving now-defunct Trump University. The judge overseeing the case is Gonzalo Curiel, whom Trump accused of being biased because he's of Mexican descent.

The business and finance executives who could become members of his Cabinet also face tough choices. Like Trump, two of his potential Treasury secretary picks, Steven Mnuchin and Thomas Barrack, are founders of investment firms. They will have to decide what to do if they are nominated, in addition to disclosing their assets and liabilities.

They could learn from past officials. Former Goldman Sachs CEO Hank Paulson sold his holdings in the bank to alleviate worries when he became Treasury secretary in 2006. Former New York Mayor Mike Bloomberg was accused of not distancing himself enough from his namesake media firm, which is prohibited from reporting on his wealth or personal life.

Trump said he wouldn't care about his eponymous company if he became the next commander-in-chief because his focus would be on making "America great again." If that's the case, the wall he and his allies should focus on building is the one between the government and their private businesses.

*Published on Nov. 14, 2016*



Donald Trump and his wife Melania vote in New York, U.S. Nov. 8, 2016. REUTERS/Carlo Allegri

## **American institutions are biggest election loser**

By Rob Cox

Hillary Clinton has been defeated by Donald Trump for the U.S. presidency. She can take solace, however, from not being the biggest loser of the most rancorous campaign of the modern era. Clinton can retreat with a storied career and a well-endowed family foundation. For the many American institutions damaged by the election, a comeback will be harder to accomplish.

While votes are still being counted, some fundamental pillars of democracy and the free market are already emerging tarnished from the White House bust-up. These include the parties and electoral system, the press, pollsters and perhaps most troublingly, the political independence of the Federal Bureau of Investigation and the rule of law itself.

Congress already was damaged goods, with approval ratings below 10 percent, well before the candidates hit the hustings. Now, both political parties can be added to the list of the hobbled. While the Grand Old Party has won back the White House and the legislative branch, its successful nominee battled with its leaders and trashed key tenets of Republican orthodoxy such as free trade. Victory aside, it's not clear what Trump's GOP stands for.

The losing Democrats face their own reckoning, as perceived scale-tipping for Clinton at the expense of her socialist rival, Bernie Sanders, led to the departure of its own party chair. The inevitability of a Clinton win from the get-go crowded out competition in the field, leaving only Sanders to challenge her during the primary season.

Throughout the campaign, Trump insisted that the Republican primary, and national electoral, systems were "rigged". Even on Election Day, his campaign filed a lawsuit arguing that a polling place in Las Vegas had improperly remained open to accommodate people lined up to vote. Though he has won, his assertions of vote-tampering, even without evidence, may now find copious support among Democrats.

More worrisome is the politicization of the FBI. Trump branded James Comey, the agency's Republican director, a traitor when he declined to pursue a prosecution of Clinton over her handling of classified information on a private email server. Then, in late October, Comey took the unusual step of informing Congress that the FBI was reviewing fresh material. Ten days later, and only 72 hours ahead of the national vote, it sounded the all-clear. The public disclosures, which broke with convention, leave Democrats questioning the bureau's motives.

The so-called Fourth Estate has been challenged by Trump's unorthodox candidacy. The onetime reality-TV star has lifted ratings, which garnered him \$4.6 billion in free publicity, estimates MediaQuant. Though his often outrageous and bigoted pronouncements earned him more negative coverage than Clinton, his victory will bring accusations from Democrats that the media suffered from a form of ratings bias that gave Trump an unfair advantage.

And the media's data-driven cousins, the pollsters, must hang their heads for prognostications that proved grievously inaccurate. Having similarly failed to project the outcomes of referendums on the UK's membership of the EU and Colombia's peace treaty, this is their third strike since June.

America has been in tricky spots like this before, from the contested ballot of 1824 that robbed Andrew Jackson, the original populist, of the presidency, to the contested 2000 election race. A handful of absentee votes and a 5-4 decision by the Supreme Court ultimately put Republican George W. Bush into office, leaving half the electorate feeling cheated.

The divisiveness of that campaign looks quaint compared to the acrimony on show in 2016. Trump's victory may head off the promised insurrections of his more extreme supporters, while forcing a rethink by both parties on the nature of democracy. Either way, a split electorate combined with diminished faith in institutions is serious cause for concern.

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## Trump gives Europe’s iconoclasts fresh credibility

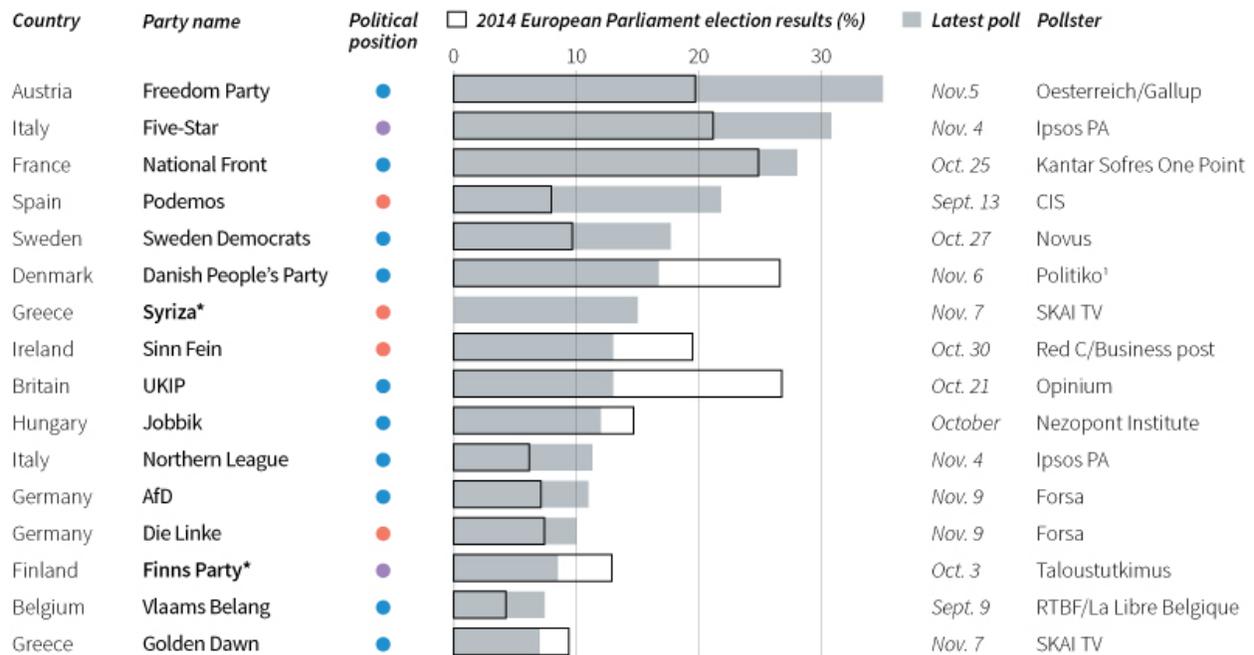
By John Foley, Neil Unmack

Among the congratulations expressed on Twitter for next U.S. President Donald Trump, four have special resonance for Europe’s political establishment. Leaders of upstart parties in Germany, France, Italy and the Netherlands – all of which face critical polls of their own in the coming year – quickly claimed Trump’s victory as a boon for their cause. No wonder: the former reality-TV star is living proof that inexperience and strong nationalism are no barrier to electoral victory. Mainstream parties can still regain ground if they act smartly, but Europe’s clunky decision-making processes do not favor speed.

Germany’s AfD, France’s National Front and the Dutch Party for Freedom are obvious beneficiaries of a Trump doctrine. Their leaders, Frauke Petry, Marine Le Pen and Geert Wilders, have positioned themselves strongly against migration. The latter two enthusiastically endorsed Trump’s campaign.

### Support for anti-establishment parties in Europe

Key: ● Left-wing ● Neutral ● Right-wing



\*Ruling party, or part of ruling coalition. The rest are all opposition parties. <sup>1</sup>Based on polls in the last 31 days from several pollsters. Source: Reuters; pollsters. Sample size ranges from 900 to 4,000 respondents. Margin of error ranges from +/- 1 to 3 percentage points.

C. Inton, 10/11/2016



Indeed Trump’s protectionist agenda could intensify some of the economic anxieties that have lifted those parties’ ratings. New U.S. trade barriers could divert surplus low-cost production from emerging markets to Europe, threatening jobs. And if a Trump administration ratchets up an assault on the Islamic State, migrant flows into the European bloc may increase.

Beppe Grillo, leader of the anti-establishment Five Star, declared Trump's victory a "general fuck you" in a blog on Nov. 9. Grillo's anticapitalism is less aligned with Trump's plutocratic stylings. But his desire to rip up the establishment is at odds with Italy's proposed constitutional reforms that will be put to a referendum on Dec. 4.

For Europe's mainstream parties, responding to the anti-establishment wave requires some strenuous group effort. The European Union isn't well suited for that. Trade barriers can be raised – new levies on some kinds of Chinese steel as high as 74 percent were announced last month – but they must be negotiated at an EU level. More fiscal spending to reduce high unemployment in Italy and France is an option, but the European Commission is already on the alert over budgetary largesse.

The big challenge is migration. Europe's rules on free movement of people, and the aim of parceling out migrants across the bloc, are already at breaking point. Meanwhile, there is little time to make much of a change. Elections in the Netherlands will take place in March, with France and Germany following shortly after. If Europe's mainstream is to survive, the system will need to bend. If it is too brittle, it may break instead.

*Published on Nov. 9, 2016*

## **Trump's team puts new economic theory to test**

By Gina Chon

Donald Trump could put new economic theory to the test. The rich real-estate mogul appealed to voters by railing against the establishment. And yet a range of financiers from Goldman Sachs, KKR and various hedge funds may wind up advising him. It's time to see whether a group without much Washington experience can improve on America's fortunes.

The president-elect assailed Democratic rival Hillary Clinton's ties to Wall Street, accusing her of being beholden to banks that paid her to speak to them. With so many mainstream Republicans shunning his candidacy, however, Trump himself will enlist help from the financial industry's moneyed elite.

Former Goldman banker Steven Mnuchin, who served as campaign finance chair, is a prime candidate for Treasury secretary. Hedge-fund firm bosses John Paulson and Anthony Scaramucci counseled Trump on policy during the race, and could do the same somewhere in the administration.

Given threats to scrap the Trans-Pacific Partnership and other trade deals, Trump's consigliere on the subject will be closely watched. He said he wants to eliminate the U.S. Trade Representative position and put it into the Commerce Department. Lew Eisenberg, who is finance chair of the Republican Party and a senior adviser to buyout shop KKR, and billionaire investor Wilbur Ross are among those who could be tapped to oversee the agency.

Although Trump failed to garner support from chief executives at the biggest 100 companies, he does take advice from the corporate world. Harold Hamm, who runs oil producer Continental Resources, may be a leading contender to be top man at the Energy Department.

Most of these allies, all of whom and more appear on the Breakingviews Economic Dream Team Machine, have not held jobs in the nation’s capital. A Republican-controlled Congress could make pushing policy marginally easier for Trump and his crew. The party holds only a slim majority in the Senate, though, and will need Democrats to help pass proposals.

The political-outsider pitch is often an easy one to make on the campaign trail. Governing typically demands a special set of skills, however. Team Trump soon will find out how easily specialized business experience translates into broader economic prosperity.

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Can you build the perfect team of experts to rev up the American economy for the U.S. president-elect? Reuters Breakingviews has evaluated potential candidates from both parties for key economic positions in the Donald Trump White House and graded them in six categories based on their prior experience or academic achievement. One category - the "One Percent Ick Factor" - can reduce the scores of candidates whose wealth or work on Wall Street might work against them in a Senate confirmation process.

Try the [Economic Dream Team Machine](#).

## Trump infrastructure push is some relief for Fed

By Gina Chon

Donald Trump's infrastructure push could provide some relief for the Federal Reserve. The U.S. president-elect promised spending on roads and bridges in his victory speech. A fiscal splurge would make it easier for the central bank to keep raising rates. Clarity on the fate of Fed Chair Janet Yellen, however, matters more.

Trump said America's infrastructure will become "second to none" in his speech to supporters following his election win. Though plans are vague, he has previously promised to allocate \$500 billion to \$1 trillion to rebuild dilapidated roads and bridges. The shift to fiscal spending chimes with Yellen and other Fed officials, who have suggested that such investments are needed to boost growth and take some of the pressure off stretched monetary policy.

Hopes for a spending boost – combined with a reasonably calm market reaction to Trump's victory – should keep the Fed on track to raise interest rates in December, as expected. The economy has shown signs of stronger improvement that would warrant an increase. The initial estimate of third-quarter GDP indicated 2.9 percent growth, which is the fastest rate in two years. Yields on 10-year U.S. Treasury bonds hit 1.96 percent on the morning of Nov. 9, reflecting higher interest rate expectations.

More important, though, is clarity on Yellen's position. During the last few months of his campaign, the Republican candidate threatened to replace her and accused the central bank of keeping interest rates low to help his rival, Democrat Hillary Clinton.

It would be rare to push Yellen out three years into her four-year term. Ever since President Ronald Reagan was elected in 1980, Fed chiefs have served in successive Republican and Democratic administrations. The independence of the central bank and its leader is central to its credibility.

Economists who have been suggested as replacements for Yellen have policy experience. They include Glenn Hubbard, former chair of the Council of Economic Advisors under George W. Bush, and John Taylor, a former head of international affairs at the Treasury Department.

Appointing an economist of that caliber would reassure investors. But it would be better to keep Yellen on as Trump concentrates on filling Cabinet positions and delivering his many election promises. With the U.S. economy recovering nicely, it would be a mistake to undermine the Fed.

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## Short-term bank gains may turn into long-term pain

By Antony Currie, Dominic Elliott

Donald Trump's surprise election win should bring some welcome relief to banks. A Republican Party in control of Congress also usually appeals to financial markets. The president-elect's erratic positions on other important issues, however, could turn those short-term gains into long-term pain.

U.S. bank stocks rallied early on Wednesday after learning that Trump is set to become the country's 45th president. As with Britain's vote in June to leave the European Union, gyrations in government debt and currency markets could mean brisk business for traders of bonds, currencies and commodities.

A commitment to spending on American roads and bridges, reinforced in Trump's victory speech, also is a good sign for Wall Street. A repeal or significant reform of Dodd-Frank, President Barack Obama's 2010 law reining in banks after the financial crisis, is more likely, too, and may help the bottom line of financial institutions. The next Treasury secretary, Securities and Exchange Commission chair and head of supervision at the Federal Reserve also could be friendlier to the industry.

Higher interest rates would be an additional benefit, and Trump has supported the idea. A 1 percentage-point increase could add billions of dollars to the top line of the biggest U.S. lenders within a year, and act as yet another fillip to trading desks at the likes of JPMorgan, Goldman Sachs and Bank of America.

Trump's inconsistency over financial policy and regulation could cancel out those gains, though. Earlier this year he spoke in favor of low rates, for example. If he replaces Fed Chair Janet Yellen, uncertainty would abound.

There's also ambiguity over his attitude to structural bank changes. Last month Trump called for a modern-day version of Glass-Steagall, the Depression-era act that kept retail and investment banking separate. That implies replacing current regulation with, well, other revenue-sapping regulation.

America's banks would be better placed than their European peers. Trump's protectionist leanings imply that foreign banks with big U.S. operations, such as Deutsche Bank and Credit Suisse, may face even more punitive oversight than now, for example.

The prospect of trade wars and a tax policy that could add \$5 trillion to the deficit, as one research outfit has estimated, also may spell bad news for the economy. The banking sector would be among the first to suffer. More trading revenue won't offset all that.

*With additional reporting by Gina Chon.*

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## Oil industry just fine without U.S. help

By Kevin Allison

The U.S. oil sector doesn't need Donald Trump's help. During the race for the White House, the president-elect pledged to create 500,000 new jobs a year by cutting red tape for drilling – part of a maximalist energy policy that includes trying to revive the beleaguered U.S. coal industry's fortunes. That may resonate with a Republican-led Congress. But Trump's plan already looks out of date.

The victorious candidate, who takes his energy advice from billionaire oilman Harold Hamm, said on his newly launched transition website that he wants to “unleash an energy revolution” by opening federal lands to oil companies and removing environmental barriers to drilling. That might have made financial sense in 2014, when oil cost more than \$100 a barrel amid fears of tight supply. Today, giving the likes of Exxon Mobil access to previously off-limits deposits looks akin to giving ice to an Inuk.

U.S. crude output nearly doubled during President Barack Obama's first seven years in office as hydraulic fracturing opened up vast new oil and gas deposits. The boom acted as an effective stimulus as the country emerged from the financial crisis. In 2012, for example, shale production pumped some \$150 billion into the U.S. economy, according to IHS.

The U.S. Energy Information Administration expects production to dip around 6 percent this year from a peak of over 9.4 million barrels a day. The drop, though, is more a reflection of low prices than a lack of drilling opportunities.

Less regulation might lower production expenses, but would exact an environmental price. The savings might also pale next to the cost reductions U.S. shale drillers have achieved for themselves through better production techniques. The conventional wisdom two years ago was that shale drillers needed \$80 per barrel to make money. Today it's more like \$40.

Access to new supplies might become important over the longer run – particularly if Trump successfully rolls back President Obama's climate agenda. For now, though, overabundance is a bigger challenge than scarcity. Encouraging yet more production now may only depress prices at a time when the U.S. is already approaching full employment. That will make it hard for Trump's energy policy to deliver on its promises.

*Published on Nov. 10, 2016*

## Silicon Valley could use a stronger D.C. firewall

By Gina Chon

Silicon Valley could use a stronger Washington firewall. The tech industry mostly fared well under President Barack Obama. But the relationship with President-elect Donald Trump, who criticized Apple, Amazon.com and IBM while campaigning, is almost non-existent.

Obama has long been a fan of Silicon Valley. Facebook co-founder Chris Hughes helped him build the digital platform he deployed in his first presidential bid. Later, he hired Megan Smith, a rising star at Google, as the U.S. government's first ever chief technology officer. Several administration officials went on to work for the industry, like former Obama adviser David Plouffe, who landed at Uber.



Peter Thiel, co-founder of PayPal, speaks at the Republican National Convention in Cleveland, Ohio, United States on July 21 2016. REUTERS/Jonathan Ernst

Obama has been, in turn, an ally on issues the industry cares about, such as immigration reform. Granted, Obama backed the government's mass surveillance program, but he called for more restrictions on data collection. The administration also successfully pushed for strong net neutrality rules that require internet service providers to treat all data equally.

The technology industry, though, declined to support Trump and is not familiar with his allies. And the country's next commander-in-chief often attacked the sector while on the campaign trail. He has repeatedly criticized Amazon, saying it has a "huge antitrust problem." Chief Executive Jeff Bezos also owns the Washington Post, which has published stories critical of Trump.

A Trump administration could cause a lot of headaches for Silicon Valley. He has backed expanding government surveillance and even called for a boycott of Apple after the company refused to help the FBI unlock an iPhone as part of a mass shooting investigation. His possible attorney general, former New York Mayor Rudy Giuliani, is an advocate for aggressive law-and-order policies.

The industry needs to quickly build up its Trump ties. It already has a potential emissary in entrepreneur Peter Thiel, the only tech leader to publicly back Trump. One issue where the two sides could find common ground is tax reform. Trump wants to overhaul the tax code; that would suit Apple, which has complained about rules that incentivize companies to keep cash overseas.

Silicon Valley has already been boosting its Washington presence and lobbying budgets over the past few years. Deploying some of their considerable resources to cozy up to team Trump would be a smart move to help offset the chance of disruption by fiat.

*Published on Nov. 10, 2016*

## **Mega-M&A risks morphing into breakups by command**

By Jennifer Saba

Donald Trump's election as the next American president risks morphing the era of mega-M&A into bumper breakups by command. The self-described dealmaker has already railed against AT&T's planned \$85 bln tie-up with Time Warner, wants to rip apart Comcast-NBC Universal and may have a beef with large banks. Corporate chieftains' imperial ambitions may have to be put on hold.

The next commander-in-chief's campaign rhetoric may, of course, be just that; his apparent lack of ideology makes it impossible to divine. And much of his ire was focused on the media, whose coverage he both craved and loathed. He described CNN news network owner Time Warner and its plans with AT&T, for example, as a "power structure" rigged against him and voters and promised his administration would not approve the deal "because it's too much concentration of power in the hands of too few."

The nation's big banks also don't get much Trump love. He aims to both get rid of the post-crisis Dodd-Frank reforms but also reintroduce Glass-Steagall, the Depression-era law that kept commercial and investment banks apart. His transition website, meanwhile, states: "The big banks got bigger while community financial institutions have disappeared at a rate of one per day."

He's not the only one who reckons that the current pace of corporate roll-ups should be stopped. Higher prices and fears about many assets in various industries being owned by just a handful of companies fueled not only Trump's campaign but also that of Democratic presidential nominee Bernie Sanders.

The biggest sign of whether Trump's intent will turn to action will come when he anoints the new heads for the Justice Department, the Federal Trade Commission and the Federal Communications Commission. All three play roles in reviewing deals. The litigious Trump could nominate aggressive regulators who aren't afraid of bringing anti-competitive lawsuits or being challenged in courts by companies seeking to merge.

He may not stop at nixing or reversing big deals, either. Trump singled out e-commerce retailer Amazon as having a "huge antitrust problem." Founder and Chief Executive Jeff Bezos also owns the Washington Post, which has been highly critical of the president-to-be.

President Obama's merger reviewers have hardly been slouches. They're currently challenging Anthem's purchase of Cigna and Aetna's bid for Humana. If Trump's campaign remarks are any indication, his picks could be even bigger deal slayers.

*Published on Nov. 11, 2016*

## **Mexico's greatest defense against Trump is time**

By Martin Langfield

Time is Mexico's best defense against Donald Trump. The U.S. president-elect's policies on trade and immigration, if enacted, could turn Mexico into the impoverished and less friendly country his overheated campaign talk decried. Political and economic reality, though, argues for patience.

The peso weakened more than 12 percent against the dollar in the two days after Tuesday's election. The last time it fell so dramatically, the U.S. president rode to the rescue, orchestrating a \$50 billion emergency loan to help fend off a sovereign default. That was Bill Clinton in 1995's Tequila Crisis, figuring that a stable, prosperous neighbor was better for America than the opposite. Now the United States is not the cavalry but the cause of the debacle.

Mexico's \$1.2 trillion economy is in far better shape now, largely thanks to the North American Free Trade Agreement, which came into force at the start of 1994. Trump wants to rewrite or dump it, saying it's too generous to Mexico and has destroyed U.S. manufacturing jobs.

Cheaper Mexican labor has made its way into the business calculus of many U.S. companies. The country, for example, now accounts for around a third of the U.S. auto industry's \$150 billion of net annual imports, according to Evercore ISI.

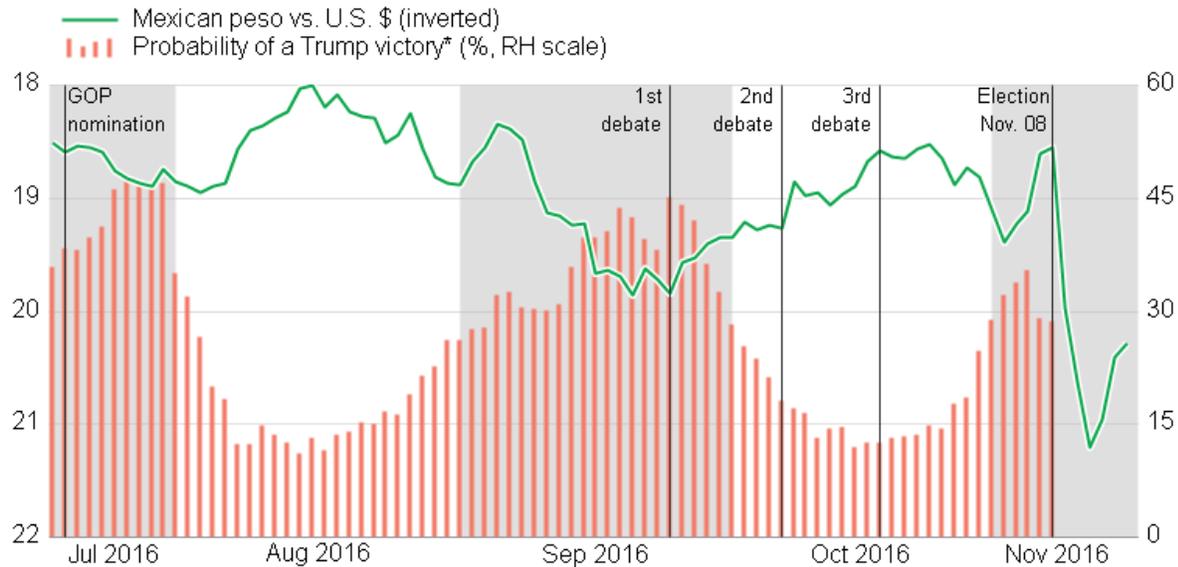
Yet the trade agreement helps the United States compete with China. Mexican purchases of U.S. goods and services support more than a million American jobs, according to the U.S. Department of Commerce. Mexican exports to the United States have increased more than 600 percent to some \$320 billion a year since NAFTA came into effect.

In Trump’s telling, the United States is swamped by Mexican immigrants, many with criminal intent. Yet domestic growth helped prompt more of the country’s citizens to return home between 2009 and 2014 than came to America, according to the Pew Research Center. Low oil prices have slowed the Mexican economy of late – and it could suffer further if the central bank decides to raise interest rates to protect the peso.

Trump, though, cannot easily nix NAFTA. He can renegotiate it, but that takes time – and Congress has to ratify any changes. U.S. business leaders may meanwhile lobby against drastic action, while Trump’s plans to block Mexicans’ remittances home and build a border wall may face legal and budgetary challenges. Mexico can feel justly aggrieved by his words. Its best move for now, though, is perhaps to turn the other cheek.

*Published on Nov. 11, 2016*

## Mexican peso vs. probability of Trump victory



Source: Thomson Reuters Datastream, \*www.fivethirtyeight.com

V. Flasseur | @Breakingviews

## Canada a small, vulnerable blip on Trump radar

By Robert Cyran

Canada may be largely off Donald Trump's radar, but it's still vulnerable. While Mexico's peso currency plunged more than 12 percent on his surprise election as U.S. president, the Canadian dollar barely budged. Investors appear to be gambling Trump's call to rip up NAFTA won't affect the export-dependent economy. Perhaps, but Canada is susceptible to other forms of turbulence emanating from Washington.

Exports account for about a third of Canada's GDP. Of these, about three-quarters go to the United States. Moreover, the two economies' tight intertwining means many companies are dependent on American imports. While a trade war would be serious – a study by Export Development Canada estimated exports to the United States could drop up to 5 percent if a 10 percent tariff were slapped on goods – it seems improbable.

Withdrawal from NAFTA is possible with six months' notice, but the American Senate might challenge the decision. Moreover, a previous free-trade agreement would still be in effect. Trump could slap on tariffs, but many American firms, such as General Motors, Ford and their employees, would be collateral damage in a trade war. That cost might not be worth the bother for a president more concerned about unfair trade with China and Mexico.

Canada's Prime Minister Justin Trudeau has said negotiation is always an option. That could open the door for other topics. Trump, for example, said he backs the Keystone XL pipeline to move more Canadian oil to U.S. terminals, which would presumably benefit pipeline owner TransCanada – as long as America receives a cut of the revenue. That's hard to imagine under trade laws, but perhaps there can be some indirect give-and-take in other areas, such as the long dispute over Canadian lumber imports. The two leaders could even discuss a shared interest in infrastructure.

The risk from Canada's south isn't just trade. Canada's interest rates follow the lead of the Federal Reserve. Should U.S. inflation take off, or investors demand a higher risk premium on U.S. Treasury bills, that would probably raise rates in Canada. With debt-to-disposable income at record levels there, closing in on 170 percent, consumer spending would take a big hit. Even if Trump ignores Canada, the country doesn't have the same luxury when it comes to its neighbor.

*Published on Nov. 15, 2016*

## TRUMP THE POPULIST

### **Trump's Muslim tirade fails basic capitalist test**

By Andy Critchlow, John Foley

By seeking to close America's doors to Muslims, Donald Trump has failed in his first big philosophical test as a potential president. The world's largest economy got that way partly because it has been open to capital flows and people – including those from the Arab world. Real-estate mogul Trump seems not to grasp that the capitalism that made him rich depends on openness.

Think first about the financial interdependency. Dollars invested in U.S. debt by oil-rich sheikdoms of the Middle East have helped to finance gigantic U.S. deficits. Oil-exporting nations, including Muslim nations like Saudi Arabia and the United Arab Emirates, were the fourth-highest holders of Treasury securities up to the end of September, according to Treasury data.

In calling for closed borders, Trump was talking about people, not money. But it's hard to imagine shutting the door to one of those without repelling the other. American companies from Citigroup to Twitter have also benefitted from infusions of Arab capital. The U.S. would have taken longer to emerge from the financial crisis had money from the Muslim world been frozen out.

Meanwhile Trump has been a direct benefactor of Middle East enclaves embracing America's brand of free-market capitalism, which depends on the movement of people. At a time when Dubai was being described by President George W. Bush as a model Muslim state, Trump was trying to develop a real-estate project in the sheikhdom. His ties in Dubai span from golf to retail. Dubai-based billionaire Khalaf al-Habtoor – once a fan of Trump – has said he regrets ever backing him. Trump-related products have been dropped by a major Dubai retailer.

If anything, Trump's bigoted tirade doubles down on a mistake made by his chief presidential adversary. Dubai was effectively blocked in 2006 by lawmakers including Democratic hopeful Hillary Clinton from operating six U.S. ports on national-security concerns, against the wishes of a Republican president. If Trump can't see that open is better than closed, it's hard to see how he can make America great again.

*Published on Dec. 9, 2015*



## Corporate GOP convention snub boosts Trump appeal

By Gina Chon

Corporate America's snub of the Republican National Convention may only boost Donald Trump's appeal. The dearth of company sponsors at the GOP bash, which kicked off Monday in Cleveland, reflects unease with the White House hopeful's stance on issues like trade and immigration. It's a sharp contrast from past nomination parties, where businesses usually provide most of the support.

Big companies turned out in force for the 2012 Republican convention. The GOP nominee that year, Bain Capital co-founder Mitt Romney, was seen as a very business-friendly candidate. Wall Street firms like JPMorgan and companies such as Ford Motor helped support that event in Tampa. Donating to the gathering is a way for firms to curry favor with politicians they may need in the future.

But Trump has clashed with several high-profile companies, like Amazon, while some of his policies have turned off business groups. He said in April that Ford's move to build an assembly plant in Mexico was an "absolute disgrace," and called for a boycott of Apple in February after the company declined to unlock a mass shooter's iPhone for the FBI.



Speaker of the House Paul Ryan closes the Republican National Convention in Cleveland, Ohio, United States on July 21, 2016. REUTERS/Mario Anzuoni

His plan to build a wall along the U.S. border with Mexico and ban Muslims from entering the United States sparked calls for companies to shun the convention. Organizers for the confab were short about \$6 million days before the event being held at the Quicken Loans Arena, home court for the Cavaliers of the National Basketball Association.

There was only a small, visible corporate presence at the convention on its first day. One station invites delegates to "Connect with Skype at the RNC," while delegates can express their views at the "Twitter Soap Box" next door. Outside the convention there's a Facebook booth, located near the Freedom Marketplace where conventioners can listen to music or grab refreshments.

The limited backing from businesses fits Trump's message that he is not beholden to anybody. That image is reinforced by his roster of speakers, which is light on GOP establishment names like Bush, and long on entertainers like Scott Baio, star of TV sitcoms "Happy Days" and "Charles in Charge." In short, this convention is more about spectacle than business, as befits a reality-television candidate.

*Published on July 18, 2016*

## **Why Brexit would be a boon for Donald Trump**

**By Rob Cox**

*It is June 24 and a majority of Britons have voted to leave the European Union. U.S. Republican presidential candidate Donald Trump says he's inspired by their victory and calls for a similar referendum on the North American Free Trade Agreement and Trans-Pacific Partnership in the United States. Breakingviews obtained an early copy of Trump's speech (three-quarters of which is composed verbatim of Trump's previous comments on the topic).*

I just got off the phone with my English politician friend Boris Johnson. I congratulated him on his huge victory in convincing the people of Britain to do what we should be doing here.

Yesterday, the British held a referendum and decided they've had enough. No more sending good manufacturing jobs overseas. No more letting bureaucrats in Brussels decide the shape of their bananas or whatever. Seriously, it's crazy.

No more giving Romanian plumbers jobs that belong to English workers. And no more allowing freeloading migrants to cross the English Channel. Migration has been a horrible thing for Europe.

We might have fought with the Brits over the years. They even tried to keep me out of the country. I know Great Britain very well. I know the country very well. I have a lot of investments there. The Brits are sending a message as clear as day across the pond: We will no longer surrender this country, or its people, to the false song of globalism.

America First will be the major and overriding theme of my administration.

You won't get that from Crooked Hill and Lyin' Bill. They got us into this mess. It's a total disaster. Under a Trump administration, no American citizen will ever again feel that their needs come second to the citizens of foreign countries.

I will never enter America into any agreement that reduces our ability to control our own affairs. NAFTA has been a total disaster and has emptied our states of our manufacturing and our jobs. Never again. Only the reverse will happen. We will keep our jobs and bring in new ones. There will be consequences for companies that leave the United States only to exploit it later. Let's say Ford – let's say Ford moves to Mexico. If they want to sell that car in the United States they pay a tax. They're not going to build their plant there. They're going to build it in the United States.

We will either renegotiate NAFTA or we will break it. Because, you know, every agreement has a defraud clause. We're being defrauded by all these countries.

Our manufacturing trade deficit with the world is now approaching \$1 trillion a year. We're rebuilding other countries while weakening our own. Ending the theft of American jobs will give us the resources we need to rebuild our military and regain our financial independence and strength.

I am the only person running for the presidency who understands this problem and knows how to fix it. I have the smartest people on Wall Street lined up already. They're going to represent us on Japan, on Mexico. Mexico, by the way, is taking our jobs. I love the Mexican people. Their food is great, too.

Then there's the Trans-Pacific Partnership. Crooked Hill now says she's against these agreements. Gimme a break: she wrote it for Obama.

It's a horrible trade agreement. You have 12 countries – all of whom want to rip our heart out. You have China, which is not a part of it but wants to be a part of it at a later date. They're watching every move, ready to come in, as they always do, through the back door and totally take advantage of everyone.

It's too complicated. It's too big. Each country knows every word of that document and our people have never even looked at it or read it. It's 5,600 pages long. We don't know what the hell it says. It's like Obamacare; nobody ever read it. We should not do it.

And the situation is about to get drastically worse if the TPP is not stopped. One of the first casualties will be America's auto industry, and among the worst victims of this pact will be the people of Ohio. The TPP will send America's remaining auto jobs to Japan.

America's politicians – beholden to global corporate interests who profit from offshoring – have enabled jobs theft in every imaginable way. They have tolerated foreign trade cheating while enacting trade deals that encourage companies to shift production overseas. In recent

months, for instance, we have seen Carrier air conditioning lay off 1,400 workers and move to Mexico. Since NAFTA was signed in 1993, we've lost approximately 900,000 jobs to Mexico alone, the pro-labor Economic Policy Institute found.

I am the only candidate in this race who will bring our manufacturing jobs back. I have been warning for decades what would happen if we didn't confront foreign trade cheating, and sadly, my fears have come to pass.

Like the British did – and in the spirit of Winston Churchill – we're going to take our country back. I don't care if you're a Democrat or a Republican – or if you backed Bernie Sanders. Shameful what the Democrats did to that good man. He had it right when he said NAFTA and TPP were disastrous.

When I am president, we're going to trash these agreements once and for all. Thank you and God bless this great country.

*Published on May 10, 2016*

## **Trump and UK's Leave campaign are peas in a pod**

**By Rob Cox**

Donald Trump shares much with the UK's Leave campaign. Both play fast and loose with facts, and backtrack from promises all too easily. Yet by invoking the future of the North Atlantic Treaty Organization, the stakes could be even higher for a victory by the presumptive Republican nominee for U.S. president.



Boris Johnson speaks during a Vote Leave rally in Manchester, April 15, 2016. REUTERS/Andrew Yates

The day after Britons abandoned the European Union, the political face of the movement backpedaled on a central pledge of the campaign. Nigel Farage, leader of the UK Independence Party, said he couldn't guarantee that some 350 million pounds of weekly funds sent to Brussels could be diverted to Britain's National Health Service. The claim had been emblazoned on buses and other Leave propaganda, and was believed by almost half of respondents in a poll just ahead of the referendum.

Such dissembling is distressingly familiar for American voters. Like the Brexiteers, Trump successfully thumped his rivals in the Republican primaries by making outrageous statements, often unsubstantiated. He also has made policy pledges devoid of concrete plans to enact them. When these proved unworkable, he has – like Farage – backpedaled.

The billionaire once called for “a total and complete shutdown of Muslims entering the United States.” Last week, speaking from his golf course in Scotland, he said his ban would apply only to “terrorist” countries. Whether nuance or flip-flop, the position resembles Brexit in its oversimplification and absence of a detailed way forward.

Britain's pro-Leave leaders are scrambling to create an actual alternative to the EU while markets are plunging and business confidence tanking. Ultimately, though, the UK is a trading nation, with a long history and dependence upon transacting business beyond its borders. It can find a path using conventional methods like individual trade treaties.

Some of Trump's more disruptive ideas may be less easily managed once embraced headlong. Take abandonment of NATO, the security arrangement that has ensured regional peace since World War Two. Trump says it “may be obsolete.” It wouldn't be easy to unilaterally pull out of NATO without the Senate's backing, even if it makes a nice rallying cry to put America first.

But as Britain just learned, just saying no can be dangerously easy. Creating an alternative is hard. One without the other is a recipe for disaster.

*Published on June 27, 2016*

## **Trump's environment scorn affronts business sense**

By Antony Currie

Donald Trump's scorn for the environment is an affront to business sense, too. The U.S. Republican party's presidential nominee claims he'd protect American jobs by ditching last year's Paris climate accord among 195 countries, nixing energy regulations and favoring farmers over fish in water-starved California. On Monday the Republican National Committee claimed in its 2016 election platform that coal is “clean.” They're neglecting both the facts and the likely economic benefits of battling climate change.

For example, Trump and many other Republicans blame the decline of the U.S. coal industry on rules designed to protect the environment. The reality, though, is that cheaper alternatives

like natural gas and resistance from investors – not just from Washington’s pen pushers – have had a lot to do with it. Allowing more fracking, as Trump also proposes, would probably send gas prices even lower, making coal even less viable.

The candidate claims the Paris agreement gives foreign bureaucrats control over energy use in America. That is objectively false. Under the deal, it’s up to each country – and even each region and city – to decide whether to contribute to efforts to stop the earth’s temperature from rising. There’s no penalty for ignoring the goals of the accord.

Meanwhile, alternative energy sources are on the rise, thanks to technological innovations as well as some government help. They accounted for more than half of new energy generation last year, a rising figure. Bank of America Merrill Lynch reckons there is, globally, \$13.5 trillion of potential investment to reduce climate change. America’s share of that should create jobs – as well as returns for pension plans.

In May Trump asserted that “there is no drought” in parts of the Golden State. That echoes farmers who told him water is being held back to protect a near-extinct fish. His stance aligns him with an agricultural water district, Westlands, which the Securities and Exchange Commission recently fined for misleading bondholders. Their wish – more water for them, less or none for the fish – is at best a stopgap idea.

More fundamental solutions would address issues like skewed water rights and a growing population. And ignoring the water shortage runs serious risks for California. A mega-drought similar to the one that hit Australia in the 1990s and 2000s could cut state economic output by a cumulative \$500 billion over a decade, according to BofA. That alone dwarfs the financial benefits fossil fuels and farmers might get from a few years of Trump-style favoritism. A serious dealmaker would know that.

*Published on July 20, 2016*

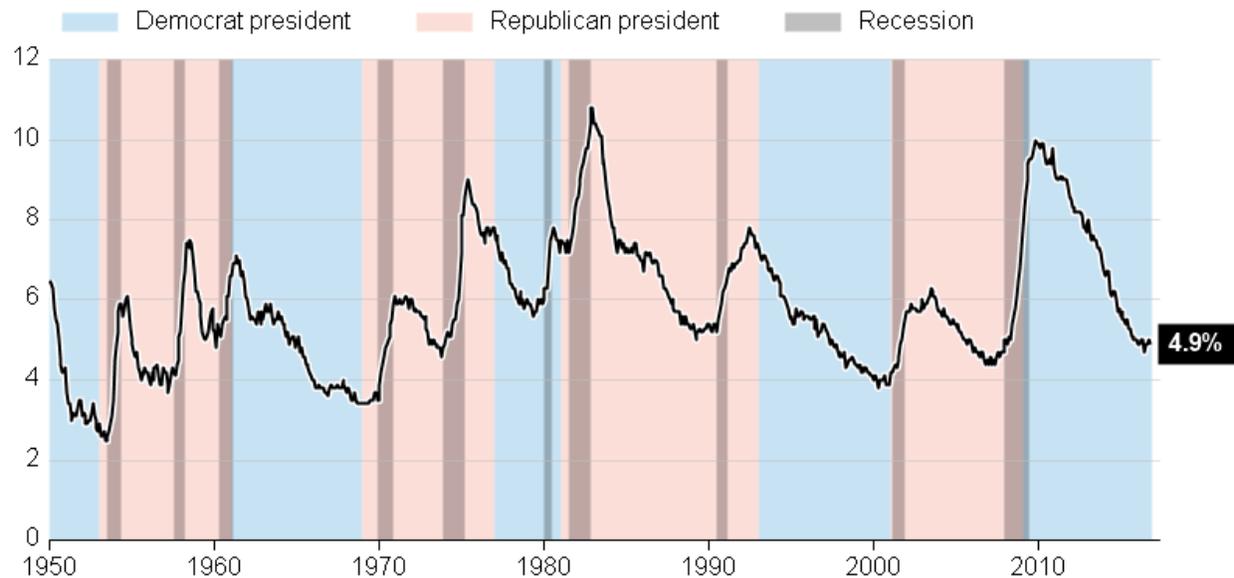
## **Trump chooses fear mongering over economic promise**

By Gina Chon

Donald Trump’s fear mongering could strike a chord with American voters. The White House hopeful was officially anointed at the Republican National Convention in Cleveland on Thursday night. He and other speakers, like technology investor Peter Thiel, presented a dire picture of the world. At a moment when the public is focused on violence at home and abroad, the strong appeal of law and order may overshadow all else.

The New York businessman’s gloomy portrait of the U.S. economy depends on a selective use of the facts. The recovery since the 2008 financial crisis has been slow but sustained, and the unemployment rate has been cut in half since the 10 percent peak in late 2009. Trump said 58 percent of African-American youth are jobless. According to the Labor Department, the unemployment rate for blacks ages 16 to 19 is 31 percent. Nonetheless, Trump’s message has resonated with blue-collar workers who feel they have not benefited from globalization.

## U.S. unemployment rate



Source: Thomson Reuters Datastream

V. Flasseur | @Breakingviews

Perhaps because of this mixed economic picture, Trump focused on security. In June, 49 people were killed in a shooting at a gay night club in Orlando, Florida – a massacre that evinced a rare shout-out from a Republican candidate for the LGBTQ community. Seventy-one percent of Americans think a terrorist attack could take place in the near future, the highest level since 2003, according to a June CNN-ORC poll.

Trump vigorously played on those fears. He talked about the recent murders of police officers and described “men, women and children” being “viciously mowed down” by a truck in Nice. “The crime and violence that today afflicts our nation will soon come to an end,” he promised. “Beginning on January 20th 2017, safety will be restored.” According to the FBI, violent crime was up 1.7 percent in 2015 compared to 2014.

Thiel provided a warm-up for Trump’s vision, calling the government “broken.” The early investor in Facebook and billionaire founder of PayPal said: “Our nuclear bases still use floppy disks. We don’t accept such incompetence in Silicon Valley, and we must not accept it from our government.”

Trump trails only slightly behind his Democratic Party rival Hillary Clinton in key swing states like Ohio, despite her backers spending more than \$20 million on television ads in June. Trump has already made headway with his populism. If his message polls strongly, any chances of an election based on recharging economic growth will be greatly diminished.

*Published on July 22, 2016*

## TRUMP THE CANDIDATE

### **Trumponomics favors pin-stripes over blue collars**

By Gina Chon

Donald Trump's plan to make America great again favors pin-striped suits and Hermès ties over blue collars. The Republican presidential nominee laid out his plan to boost U.S. growth on Monday, calling for corporate tax cuts and a halt to new financial regulation. Billionaire investors and donors to the Trump campaign who comprise his newly announced economic team helped craft the proposal.

The artifice was perpetuated by Trump's decision to unveil his latest ideas in Detroit, a Rust Belt symbol of American labor only two years out of bankruptcy. And yet a blanket moratorium on any new federal rules would primarily benefit big businesses and Wall Street. Trump cited manufacturing industry research that "overregulation" costs the economy up to \$2 trillion a year. The U.S. Chamber of Commerce, bank lobbyists and others have sued President Barack Obama's administration dozens of times over a variety of restrictions. Trump also wants to roll back environmental protections, including ones that reduce carbon-dioxide emissions.

Much of Trump's economic scheme seems to rely on trickle-down theories that have been debunked. As the ranks of the rich expanded under Presidents Ronald Reagan and George H.W. Bush, the middle class shrank. The International Monetary Fund said in a 2015 report that if the share of income among the top 20 percent increases, GDP growth actually declines because the benefits don't reach the lower classes.

It is telling that most of Trump's advisers are wealthy businessmen. The economic team he announced last week includes hedge-fund boss John Paulson, who made his fortune betting against the U.S. housing market just before the 2008 financial crisis. Another is Cerberus Capital founder Stephen Feinberg, who along with his wife gave the Trump Victory fundraising group nearly \$680,000.

Trump made some effort to help lower-income individuals, including by reducing their taxes. He also has backpedaled on his original idea of cutting the rate on top earners to 25 percent and instead is now on the same page as House Speaker Paul Ryan at 33 percent. Even when Trump ostensibly aims for the poor, however, he helps the rich. A proposal to make childcare expenses tax-deductible, for example, seems to overlook that nearly half of American households already pay no federal income tax, and would therefore benefit those making more.

For a candidate supposedly championing the working class, the rich New York real-estate developer sure has a soft spot for the 1 percent.

*Published on Aug. 8, 2016*



## Trump tries morphing political fantasy into reality

By Gina Chon

Presumptive Republican presidential nominee Donald Trump is trying to morph political fantasy into reality. The White House hopeful had a kumbaya moment with Republican leaders on Thursday to smooth over differences. He has also dialed back some of his more radical ideas on taxes, entitlements and U.S. debt. He needs to: Broadening his appeal is key to wooing party elders, donors and voters.

Trump's ascendancy has so far relied on a mix of generalizations, nationalism and insults. That has won him enough support to practically secure the Republican nomination for the presidency. But it has alienated whole swaths of people in the three constituencies he will have to win over to become commander-in-chief.

First is the party establishment. His brash manner prompted many, including several former presidents and presidential candidates, to refuse to endorse him. Trump is now trying to repair some of the damage: Thursday he met with House Speaker Paul Ryan, who last week refused to endorse him. They're still not on the same page but declared their tête-à-tête a "positive step toward unification."

Having GOP bigwigs on his side may make life easier with the second group he has to charm: donors. Running for president is a far more costly enterprise than the primary campaign, which he largely paid for himself. That's why Steve Mnuchin, the former Goldman Sachs banker who is running his campaign's finances, is at SALT, the annual powwow for the hedge-fund industry – with varying success.

The reality-TV star is also softening his stance on some policies and pronouncements. Doing a deal to reduce America's indebtedness might, he now says, involve buying bonds back at a discount, not a default as he implied last week. He may also be open to reforming Social Security, reversing his earlier position but bringing him in line with many in the party.

Trump even asked two conservative economists to revise his plan to slash tax rates. His initial take was likely to add \$1 trillion a year to the deficit; the changes, which reduce the proposed rate drops, would cut that to \$380 billion a year, according to the Tax Foundation.

Whether this is all enough to entice enough of the all-important and relatively moderate undecided voters to follow him is the big question. The answer lies in whether Trump can overcome his biggest obstacle: himself.

*Published on May 12, 2016*

## Anti-immigration policies amount to bad economics

By Gina Chon

Anti-immigration policies might make good television in some quarters of America, but they amount to bad economics everywhere. Republican presidential nominee Donald Trump has ramped up his tough talk against foreigners. He wants to beef up deportation forces and even halt certain new green cards. The plans are pricey and would require hiring thousands of additional government workers.

Trump argued last week that illegal immigrants cost the United States more than \$113 billion a year. His estimate seems high, but still pales in comparison to the cost of the programs he is advocating to fix the problem, which could top \$1 trillion, according to an analysis by Breakingviews.

First, there is his plan to deport 11 million illegal immigrants living in the country. It's still unclear whether Trump is sticking to that vow given he said they were subject to deportation, but also said "the appropriate disposition of those who remain" would be decided later. If he did follow through on his initial vow to force all of them to leave, it would be the most expensive part of his plan.



An activist hits a piñata of U.S. Republican presidential nominee Donald Trump during a protest in Mexico City, Mexico, Oct. 12, 2016. REUTERS/Edgard Garrido

Immigration-enforcement officials have estimated it costs \$12,500 for each person they deport, totaling about \$3 billion for the 235,000 people removed in 2015. Deporting 11 million people would be a massive undertaking, requiring more than 80,000 extra detention officers, nearly 315,000 more beds, and an additional 50,000 flights and bus rides, according to the American Action Forum. It estimates that would cost up to \$300 billion if done in two years, though it might take as many as 20 years.

The far larger expense is the loss of output that would disappear with those illegal immigrants, some 7 million or so of whom are in the U.S. workforce. Annual production would fall by up to \$623 billion if they left the country, according to AAF. Another nearly \$30 billion would be lost in federal and local tax revenue paid by those workers, and payouts to the trust funds for Social Security and Medicare, according to studies by the Social Security Administration and other agencies.

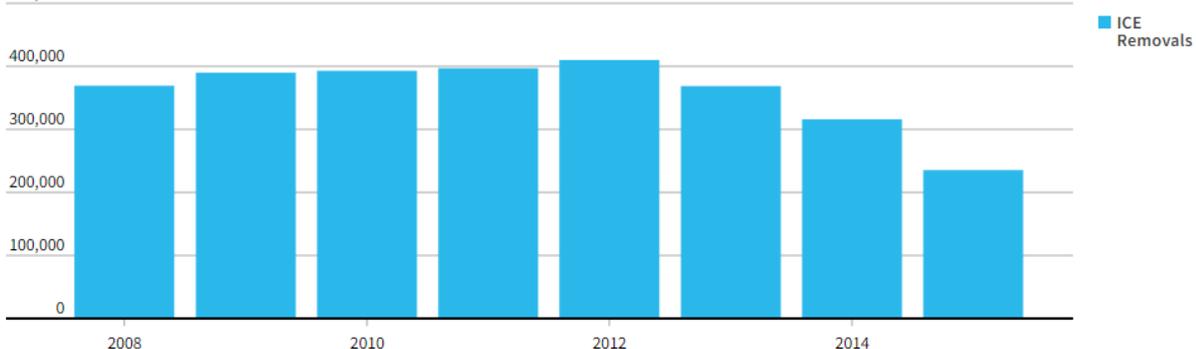
On the other hand, allowing those immigrants to stay could provide an additional boost to government revenue since more taxes could be collected from them over time. The Congressional Budget Office estimated in 2015 that legislation known as the Dream Act, which would have granted legal status to certain illegal immigrants, would have brought in \$2.3 billion in additional government revenue – against an estimated \$1.1 billion in additional spending for Social Security, student loans and tax credits.

## Deportation of undocumented immigrants

The U.S. Immigration and Customs Enforcement enforces immigration laws in conjunction with U.S. Customs and Border Protection and U.S. Citizenship and Immigration Services.

FY 2008-2015

500,000



Source: U.S. Immigration and Customs Enforcement  
By Travis Hartman | REUTERS GRAPHICS

One idea Trump hasn't backed down from is building a wall along the southern border with Mexico. Trump's estimates of its cost have varied, though he maintains Mexico would pay for it. Engineering experts estimate the expense of a 2,000-mile wall, which could take at least five years to build, at about \$25 billion. Last Wednesday, Trump described the wall as having advanced technology, including above- and below-ground sensors, which would raise the price further.

The New York real-estate tycoon also wants to suspend visas for people in countries with inadequate screening, though he has not outlined criteria for that threshold. Previously, he has said he wants to ban all Muslims, which could cost as much as \$18 billion in lost tourism revenue per year. The United States doesn't track visitors by religion, but visitors from the Middle East alone spent nearly \$7 billion in 2014, according to the U.S. National Travel and Tourism Office.

Trump has said he'd abolish a waiver program that allows citizens from mostly European nations to come to the United States without a visa. The U.S. government estimates such travelers spend about \$84 billion a year. Trump also wants to add an "ideological certification" to immigration screening to ensure only those who "share our values" are admitted to the country. It is unclear how such a program would work, though the additional vetting would likely cost billions.

Trump's plans would also affect far more people than the estimated 11 million illegal immigrants. The largest potential group comes out of the 1 million people who receive green cards, or permanent-residency status, each year. Trump said he wanted to halt issuing new ones for foreign workers. Including family members, who make up the bulk of permanent residents, the Cato Institute estimated Trump's plan could affect about 63 percent of green-card holders. He would also severely curb the 85,000 skilled foreign workers who come to the country every year on H-1B visas.

Trump also wants to repeal President Barack Obama's 2011 executive action granting legal status to certain illegal immigrants who came to the United States as children. The program has about 730,000 registrants. Even programs like visas for cultural exchanges and visiting scholars, which Trump describes as jobs programs for foreign youth, would be shut down, affecting 171,000 people.

A more diverse society arguably produces other benefits that are not easily measured in dollars. But strictly looking at anti-immigration policies purely through their price tags, the numbers don't make economic sense. Trump's nativist policies would cost far more than what he says they'd save.

*Published on Sept. 7, 2016*

## Trump's economic plan built on typical hyperbole

By Gina Chon

Donald Trump's new economic plan is built on typical hyperbole. The Republican White House nominee on Thursday said his proposals to cut taxes and red tape would boost annual U.S. GDP growth to 3.5 percent and create 25 million jobs over a decade. But there are a lot of big ifs.

In a speech at the Economic Club of New York, Trump recalled the decades after World War Two, when output growth averaged at least 3.5 percent a year. But aside from other differences, that period encompassed a surge in population with the baby boomers, who are now retiring, and robust growth abroad. Economists reckon growth could do better than the most recently reported 1.1 percent pace, but few see anything approaching 4 percent as feasible.

Trump claims big reductions in personal income-tax rates and business tax, which he plans to cut to 15 percent from 35 percent, will help stimulate growth. But it's not clear how the tax savings could be deployed to supercharge the economy to the extent he is expecting. Despite high levels of corporate profit, business investment has fallen in the last three quarters, according to the Bureau of Economic Analysis.

He also reckons a rollback of emissions and other regulations, reducing the cost of using coal and other fossil fuels, will boost GDP, as will the reworking of trade deals. The overall calculus is that headline reductions in tax revenue totaling \$4.4 trillion, presumably over the standard 10-year horizon, will fall to \$2.6 trillion using what's known as dynamic scoring, a method of incorporating the expected boost to growth.

More than half that would be recouped thanks to looser regulations and the touted "America First" trade benefits. The rest, \$800 billion, Trump says can be saved with gradual cuts to spending in areas other than Social Security, Medicare and defense, though he hasn't said where.

These figures, however, don't take account of the potential costs of other policies, like deporting up to 11 million illegal immigrants and otherwise strengthening America's borders. Trump's separate proposals for defense would also cost more than at present – an additional \$150 billion, according to the Committee for a Responsible Federal Budget.

Trump's audience of financiers and corporate executives cheered his pitch in New York. But the huge potential cost of his plan only shrinks with assumptions that are characteristically heroic.

*Published on Sept. 15, 2016*



Donald Trump speaks at the Cobo Center in Detroit, Michigan Aug. 8, 2016. REUTERS/Eric Thayer

## **Trump spins halfway decent revolving-door ideas**

By Gina Chon

Donald Trump is spinning halfway decent ideas about revolving doors. The Republican presidential hopeful wants tougher rules on lobbying by government officials. The five-point plan, however, skips the issue of foxes guarding henhouses. There's also the matter of "ethics reform," however sensible, from a candidate who plays so fast and loose with facts.

In typical bombast, Trump said on Monday that "it is time to drain the swamp in Washington." He proposes prohibiting executive-branch officials, members of Congress and their staff from lobbying for five years after they leave public office. Trump also would impose a lifetime ban on presidential deputies from formally trying to influence elected officials on behalf of a foreign government.

The real-estate mogul, who takes advantage of loopholes in the tax code, wants to close them in the lobbying sphere. One is named after former Senate Majority Leader Tom Daschle. The Democrat only officially registered as a lobbyist this year despite having worked for a decade advising companies on government issues because of arcane rules about time devoted to the practice.

While laudable, Trump's proposal stops short of addressing the revolving-door issues raised by Elizabeth Warren. The progressive senator from Massachusetts has criticized the hiring of bankers for government posts and questioned why executives from Goldman Sachs, Citigroup and other Wall Street shops often are nominated for senior positions at the Federal Reserve and the Treasury Department.

Given the source, Trump's reforms may face an uphill battle. His own team faced questions about staffing choices. Paul Manafort, for example, resigned as his campaign manager in August after attracting attention for the work he did in Ukraine for the party of a former pro-Russian president who is accused of corruption.

What's more, according to PolitiFact, Trump has told falsehoods and outright lies more than 70 percent of the time during his run for the White House. He nevertheless has resurrected an important subject that faded from view since President Barack Obama vowed to crack down on influence peddling eight years ago. Even if Trump loses in November, he leaves a lobbying-reform plan that deserves to reach the White House.

*Published on Oct. 18, 2016*



A man leans out of a Hummer shouting words in support of Donald Trump while driving through Times Square in New York, U.S., Nov. 9, 2016. REUTERS/Mark Kauzlarich

## TRUMP THE BUSINESSMAN

### Donald Trump makes bad role model

By Rob Cox

Ask a random group of Americans which businessman they most admire and Donald Trump emerges at the top of the list. That the New York real estate developer even ranks at all may be a testament to the power of celebrity over common business sense.

While a relative unknown abroad, Trump has become a household name in the United States by virtue of his hosting a reality-television programme, "The Apprentice," in which he assigns tasks to a group of aspiring entrepreneurs. He gives the winner a job and personally fires the losers on primetime TV. The show garnered the second-highest audience in the United States last week, and is the NBC network's biggest hit of the year.

The trouble is that while Trump is playing a model of enterprise on television, in real life he's making a botch of a large part of his business. Trump is the majority shareholder, chairman and chief executive of Trump Hotels & Casino Resorts, the listed proprietor of three Atlantic City casinos bearing his name. On Tuesday, the firm's auditor raised "substantial" doubts about its ability to continue as a going concern.

That's almost an understatement given the company's financial condition. In the past five years, Trump Hotels has spent \$409m more to service its \$1.8bn of debt than it has generated in operating income. And the situation is worsening. A rival casino has opened on Trump's doorstep in the New Jersey resort and has been raking in business. With no money for capital expenditure, it's hard to see how Trump can fight back. Add to this the fact that \$1.3bn of Trump's debt is due in the next two years (while it has just under \$100m of cash on hand) and it's hard to see how lenders will avoid a haircut, potentially wiping out shareholders completely.

So is America's most admired businessman contrite? Not a bit. Trump, who narrowly avoided personally filing for bankruptcy a few years ago, said this week that he had recently been too busy making money from the private real estate investments he made with proceeds from listing Trump Hotels to focus on the company's troubles. Trump may have chutzpah but he ain't no role model.

*Published on April 1, 2004*



## Trump's move into mortgages looks ill-timed

By Edward Chancellor

Donald Trump wants to become a mortgage broker. His new company, unsurprisingly named Trump Mortgage, has taken out broker licenses in several U.S. states and is applying to become a nationwide home-lender. Yet despite a pickup in loan applications last month, the world's least reclusive property developer has chosen a strange time to enter this highly competitive market.

The mortgage applications index rose by 7 percent last month, according to the Mortgage Bankers Association. That's a welcome piece of news to an industry which has been hearing the opposite of late. Regulators have been cracking down on loose lending practices. Home sales and refinancing have slowed as interest rates crept upwards. All this has contributed to a 20 percent decline in mortgage applications since last summer's peak. Competition has produced cut-throat pricing on new loans. Brokers are making less money from originating and selling their loans, according to research firm Portales Partners.

Last month's upward blip is a false dawn, caused by borrowers rushing to lock-in rates before they climbed any further. Loan volumes are vulnerable to any further housing slowdown. New home sales continue at around three times the trough level seen early in the last decade. The MBA's refinance index is also far above its 1990s average and the mortgage applications index hovers at double its average 10 years ago. After the long boom, the residential lending business is bloated. Trump hopes to use his glitzy brand to consolidate the industry. However, in order to lead the consolidation he must first survive the coming shake-out.

*Published on April 7, 2006*

## Deutsche's loan to Trump put hope over experience

By Lauren Silva

Deutsche Bank's property development loan to Donald Trump was a triumph of hope over experience. The bank apparently hoped the U.S. property magnate's early-1990s meltdown was a one-time affair. But like its problems with Harry Macklowe, another developer with a troubled borrowing past, Deutsche's decision to overlook The Donald's record and extend credit to his Chicago development is now causing it grief.

The property downturn and lending market collapse of the late 1980s and early 1990s forced Trump to hand over some of his properties to lenders. He rebounded shortly thereafter and once again splashed his name on buildings and casinos across the country. Deutsche Bank evidently decided that Trump's meltdown was a one-time affair, since it made a \$640 million loan in 2005 to build the Trump International Hotel and Tower in Chicago.

About half the loan came due in early November. But refinancing for commercial real estate projects is scarce. Lenders are choosy when they are lending at all and Chicago isn't a good market for new property developments. In addition to Trump's new building, which will have

over 480 condominiums, a behemoth called the Chicago Spire is under construction, which will eventually have nearly 1,200 condos.

Deutsche Bank hasn't declared Trump in default; rather it has sued him for a \$40 million personal guarantee on the loan. The Trump camp says the loan should have been automatically extended, and there is a chance that the two groups settle and Trump's Chicago tower ends up turning a profit.

But if not, and the loan isn't eventually repaid, the bank may end up owning the property. That would be the third time in the current downturn that Deutsche has run into problems with big commercial real estate loans. It foreclosed on the \$3.5 billion Cosmopolitan Resort & Casino in Las Vegas. It also led the sale of a group of New York buildings that Macklowe bought for \$7 billion in 2007 using Deutsche Bank loans.

Macklowe, too, had run into trouble with his lenders in the past. Both he and Trump fared better in recent years, raising lenders' comfort levels. And the ongoing debt and property market reversals are among the most severe ever, pressuring most all developers. Still, lenders are meant to evaluate worst-case scenarios before making a loan and consider how borrowers have dealt with their banks in the past. Deutsche Bank should let experience triumph over hope the next time around.

*Published on Dec. 1, 2008*



The Trump Tower logo is pictured in New York, U.S., May 23, 2016. REUTERS/Carlo Allegri

## Trump resurrection no bellwether for buyouts

By Lauren Silva

Donald Trump's resurrection isn't necessarily a bellwether for buyouts. The casino mogul-turned-reality television star has convinced a bank to restructure a loan to allow his Atlantic City, New Jersey, casinos to emerge from bankruptcy again. But while that sounds like an encouraging return of lender risk appetite, it doesn't necessarily mean financing will start to flow for private equity firms seeking to fix their own problem children. And buyout firms are in any case less likely to want to resuscitate their cratered companies.

Trump Entertainment Resorts entered bankruptcy for the third time in February, when a clash with its bondholders caused Trump to resign. He subsequently bid to buy the company for \$100 million, a deal that the company chose over a competing offer from bondholders. As part of the deal, Beal Bank Nevada agreed to extend the maturity on a \$486 million loan.

Of course, plenty of other investors, like buyout firms, are seeking to restructure loans. Only buyout shops are having a harder time. Deutsche Bank played hardball over a debt swap proposed by Kellwood, a clothing retailer owned by buyout firm Sun Capital, before agreeing on terms. JPMorgan is fighting cable company Charter Communications in bankruptcy court over a plan that would disadvantage its senior lenders.

Beal may be willing to cut The Donald some slack because the casinos are so closely tied to his brand. He has run the company for decades. So other investors might hesitate to swoop on properties so closely associated with him.

By contrast, other failed companies have attracted a flock of vultures. Nortel, for example, recently received several bids for a telecom unit that it was selling out of bankruptcy. And Trump may be one of the only parties who believe the casinos have a future. Banks may not like backing him, but he may be their best hope for some recovery.

Private equity firms also don't get as much advantage out of the long and expensive process of reviving failed portfolio companies, often preferring to leave them in the hands of creditors and set sights on their next targets. Trump's ego and brand give him more reason to go the extra mile. Beal had better hope Trump's third new beginning proves to be the charm.

*Published on Aug. 4, 2009*

## Trump gives for-profit education an even worse rap

By Daniel Indiviglio

Leave it to American real-estate mogul Donald Trump to give the for-profit education industry an even worse rap than it already has. Schools looking to make a buck have come under scrutiny recently for taking students' money but providing lackluster job results. New York State's \$40 million lawsuit over Trump's foray into the industry underscores the need for these institutions to make credentials clear.

It's hard to take anything The Donald does seriously. Although he started off as a genuine businessman several decades ago, he has since used his gilded empire to spawn a reality-TV career and even a much-derided presidential run. You can now sip from gold-accented Trump champagne flutes, even douse yourself with his "Success" cologne.

Given Trump's financial achievements, and his lack of modesty, it is no surprise he opened a school to pass on the secrets of his success. Though Trump University seemed a dubious enterprise out of the gate, its legitimacy is now formally in question thanks to the lawsuit brought this week by New York Attorney General Eric Schneiderman. He alleges that the billionaire made false claims about the school's classes and instructors.

While it's hard to sympathize with the 5,000 pupils foolish enough to pay for Trump's insights, the suit gives the broader for-profit college industry another black eye. Just last Friday, a day after unveiling a new plan to slow growth in college tuition, President Barack Obama made disparaging comments about for-profit schools. He complained that some are notorious for making big bucks but failing to prepare students for jobs.

In theory, schools can make a profit and prepare students for the workforce simultaneously – particularly when high-priced university degrees provide few practical skills. The trick is distinguishing the educators from the fraudsters. To that end, a ranking system like the one Obama proposed is a step in the right direction.

In the meantime, here's a hint to prospective pupils: if a school is named after a guy better known for firing people on television than closing deals, it's best to steer clear.

*Published on Aug. 26, 2013*



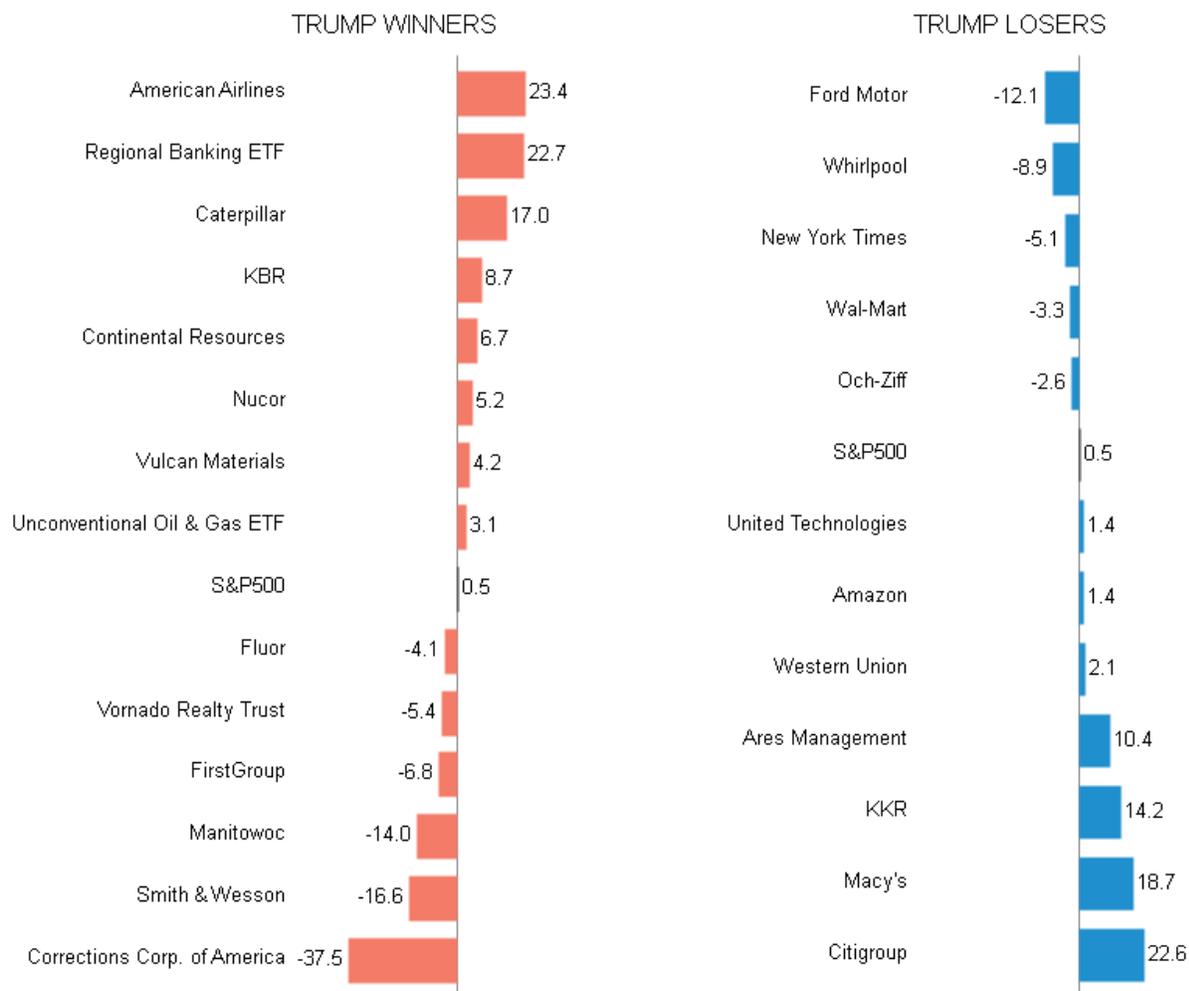
## Stock picking for a “Trump Victory Portfolio”

By Rob Cox

The U.S. presidential race is tight after the first debate between the two candidates and only six weeks until the election. That means it’s time to start thinking about a stock portfolio in the event Republican nominee Donald Trump defeats his Democratic opponent Hillary Clinton.

### Trump Victory Portfolio

*Share performance (%) since Donald Trump became the Republican party's nominee for president in July.*



Source: Thomson Reuters Datastream, data to 16/11/2016

V. Flasseur | @Breakingviews

The Breakingviews “Trump Victory Portfolio” mimics a long-short equity hedge fund to position investors for such an event. The New York real-estate mogul’s positions have been hard to pin down and he has proven to be fickle on a variety of issues. As credit-rating agency

Moody's put it in June: "Quantifying Mr. Trump's economic policies is complicated by their lack of specificity."

Parsing speeches, unscripted remarks and the few papers he has produced on economic and financial matters nevertheless hints at how to trade a President Trump. The basic contours of his growth plan are: reducing regulations, or halting new ones, for industries ranging from energy to financial services; lowering individual and corporate tax rates; boosting infrastructure spending; and renegotiating trade deals. He also has pledged to deport as many as 11 million undocumented immigrants and further restrict foreigners from moving to the United States.

Finally, Trump has put forward an "America First" policy on the nation's security alliances that could fundamentally increase geopolitical risk. To wit, Trump on Monday underscored his position that Japan, South Korea and Saudi Arabia should shoulder more of their own defense burdens. He also has said the North Atlantic Treaty Organization ought to be reconsidered.

Trump's plan to cut corporate taxes – if he could negotiate one of his self-proclaimed great deals with Congress – would boost the bottom line of many U.S. companies. That's especially true of smaller ones with largely domestic businesses that do not have the resources of a General Electric or Microsoft to minimize tax liabilities. That favors an overweight position in the Russell 2000 Index over the S&P 500 Index. And his "America First" theme argues against owning most overseas stocks.

Indeed, many big exporters and companies with manufacturing in countries Trump has fingered for possible tariffs or sanctions, including Mexico and China, could get whacked. Trump name-checked two of them: Ford Motor, appliance-maker Whirlpool and Carrier, the air-conditioner manufacturer that is part of United Technologies. Those stocks may make for good Trump-victory losers.

The reality-TV star also has personally threatened other companies. Amazon.com – whose founder Jeff Bezos owns the Washington Post, which called Trump "a unique threat to American democracy" – has "got a huge antitrust problem" and is "getting away with murder tax-wise," he has said. In a tweet, Trump said "Don't shop at Macy's. Very disloyal," after the department-store chain moved to phase out Trump-branded merchandise following his derogatory comments about Mexicans. He consistently refers to New York Times Co as "failing."

It's not clear whether, or how, Trump would retaliate against these declared corporate nemeses, but he will do them no favors. They are underweight in the Trump Victory Portfolio.

Similarly, Trump has joined Clinton in saying he would abolish the carried-interest tax deduction, which could ding the profitability of investment partnerships in the private-equity and hedge-fund industries. Many of these firms are now publicly traded, such as Ares Management, Blackstone, Carlyle and KKR.

On the flip side, the businesses of some Trump supporters may get an easier ride. That club includes Continental Resources, the \$17 billion energy group controlled by Harold Hamm, and Vornado Realty, whose boss Steven Roth serves as an economic adviser to the candidate. So does steelmaker Nucor's former chief executive, Dan DiMicco.

Though he has not specified how he would cut red tape, Trump has criticized the Dodd-Frank Act and praised Jeb Hensarling, the leader of the House Financial Services Committee, who wants to make life easier for small banks at the expense of big ones. A logical Trump trade, then, would be to buy the PowerShares KBW Regional Banking Portfolio ETF, with its holdings of shares like Bank of the Ozarks and Community Bank System, and to short Citigroup. Trump also has said he would remove barriers to drilling and hydraulic fracturing for oil and gas. The VanEck Vectors Unconventional Oil & Gas ETF might be a way to play that pledge.

Trump's immigration and trade policies would create winners and losers, too. Deporting 5 percent of the workforce would push up wages, putting more money in the pockets of shoppers at Wal-Mart Stores and other retailers. It also would increase their own labor costs, while slapping tariffs on imports from China would make goods more expensive. Wal-Mart's heavy reliance on Chinese suppliers puts it at risk under a Trump regime.

Building detention centers to corral deportees and erecting a 2,000 mile wall on the Mexican border would require plenty of building materials, like the kind made by Vulcan Materials and Martin Marietta. It also should help equipment makers like Caterpillar and Manitowoc, as well as construction companies such as KBR and Fluor. They also might get a lift from Trump's promise to double the \$250 billion in infrastructure spending Clinton advocates.

The forced exodus of immigrants would be bad news for Western Union, the biggest sender of financial remittances. On the bright side, shipping millions of people back to their native lands will require 50,000 flights and bus rides, the American Action Forum reckons. That'd be good for American Airlines and United Continental, with their extensive Latin American routes, and FirstGroup, the UK-listed company that owns Greyhound bus lines.

Similarly, Trump has cast himself as the rightful heir to Richard Nixon's campaign for law and order. That presumably would benefit Corrections Corp of America, which owns, operates and manages prisons. Trump's endorsement by the National Rifle Association also should be good for gunmakers like Smith & Wesson if he is elected.

Clinton has thus far garnered more support than Trump from the investment community, which has showered her campaign with donations. They know well enough, however, to hedge their bets.

*Published on Sept. 28, 2016*

## Donald Trump's bankrupt character

By Rob Cox

The elders of America's Republican Party have been pulling their hair out trying to understand why loudmouthed New York property mogul Donald Trump leads the race for the 2016 presidential nomination. One explanation they may not have fully considered is monetary policy.

Cheap money has helped the brash billionaire become rich as Croesus while his companies have serially reneged on their debts. While it is true that bankruptcy codes long ago undermined "dictum meum pactum" – or my word is my bond – in dealings between creditors and borrowers, there's still something unsettling about a potential leader of the free world whose word seems to be worth so little.

As a businessman, Trump is a creature of the Federal Reserve's decades of easy money. Low interest rates lift all economic boats, but few more so than real estate assets – the main source of Trump's financial success. His wealth, which Forbes pegs at \$4 billion (the candidate suggests twice as much), not only helps him to fund his primary campaign, it shapes his narrative as an entrepreneur and outsider to the Washington establishment.

Trump succinctly summed himself up in last week's GOP debate this way: "I'm Donald Trump. I wrote 'The Art of the Deal.' And I say this not in a braggadocious way – I've made billions and billions of dollars."

For once, Trump is unequivocally right about something: He needn't brag. Trump's career has perfectly coincided with a 30-year mega-cycle during which the cost of money has marched ever downward. The nominal rate on the 10-year U.S. Treasury has slipped to about 2.2 percent today from 15 percent in 1981, the year in which Trump said money is "totally unessential – but something you should certainly try and have enough of."

As risk-free rates decline, future projected cash flows look more attractive. Consequently, investors have flocked over the years to Trump's many projects, even though he has a history of defaulting on his obligations. As his rival Carly Fiorina put it to him at last week's GOP debate: "You ran up mountains of debt, as well as losses, using other people's money, and you were forced to file for bankruptcy not once, not twice – four times."

As Trump is quick to rejoin, his great familiarity with the bankruptcy process is a sign of his business acumen. But he is not appealing to the American people to become the CEO of a corporation governed by the laws of Delaware. He wants to be president of the United States – a nation with more than just financial promises to honor. He would be the first contender for the Oval Office with so demonstrable a record of broken vows.

Though all of his transgressions were perfectly legal, Trump's bankruptcy recidivism suggests a flawed character. It is deeply embedded in Judeo-Christian philosophy that an honorable man sticks to his vows. In the book of Numbers (30:2), Moses tells the heads of the tribes of



Israel: "If a man vows a vow to the Lord, or swears an oath to bind himself by a pledge, he shall not break his word. He shall do according to all that proceeds out of his mouth."

And while there are no doubt many financiers of the leveraged buyout variety who would argue otherwise, many business people still consider it dishonorable to break promises, even if the law is forgiving. And though there is a difference between personal and corporate bankruptcy, Trump has often blurred the line, for instance by very often using the Trump name for his companies and in negotiations.

"It is not good thinking – either at the corporate level or at the personal level – to believe you can simply walk away from your circumstances," was how Gerard Arpey, who resigned as chief of American Airlines in 2011 to protest the board's decision to seek bankruptcy protection, put it to Michael Lindsay, author of a book on executive leadership and president of Gordon College, a Christian liberal arts college. Arpey also provided a pragmatic justification for keeping promises in business. "It's important to the character of the company and its ultimate long-term success to do your very best to honor those commitments."

Bondholders have not always been indulgent about Trump's bankruptcies. They nearly swiped his yacht and shuttle airline in the 1991 bankruptcy of the Trump Taj Mahal casino in Atlantic City. From that episode, Trump figured out that he should not put his personal assets at risk for his companies. The lenders seem not to have learned much, as Trump and his companies rolled them on three more occasions.

That is their stupidity, but it is also reflects a wider market failure to price credit risk in an era where the cost of money is so low. "I like low interest rates," Trump told Bloomberg TV in August, adding that "from the country's standpoint, I'm just not sure it's a very good thing, because I really do believe we're creating a bubble."

The question is whether the Trump political bubble will be as difficult to deflate as the monetary one.

*Published on Sept. 24, 2015*



A boy holds a book by Republican presidential nominee Donald Trump at a campaign rally in Canton, Ohio, U.S., Sept. 14, 2016. REUTERS/Mike Segar

## **Review: Trump foretold his own grander artifice**

By Rob Cox

A few hours before Donald Trump accepted his coronation as the Republican Party candidate for president of the United States, I finished reading “The Art of the Deal,” the New York real-estate developer’s 1987 autobiographical manual for success. The timing was unintentional, but fortuitous. I departed Cleveland a day earlier than planned after finding too few serious people capable of articulating details to match the party leader’s bold promises on economic policy, immigration, global trade and finance.

Closing the book at the Cleveland Hopkins International Airport on Thursday morning, the reason so little substance could be found at the Republican National Convention became abundantly clear. “Art of the Deal” is essentially a guide to Potemkin dealmaking. Though published when Trump was a rising mogul from Manhattan, and not a political upstart, the book illustrates the synergies of those twin ambitions. Then as now, showmanship on the outer edges of artifice is Trump’s single greatest skill.

Plenty of ink has been devoted to analyzing the best seller for clues about the candidate, particularly in the past week as Trump prepared to accept the party's nomination. Tony Schwartz broke nearly 30 years of silence since ghostwriting "Art of the Deal" with critical views about his co-author in an explosive tell-all to the New Yorker magazine earlier in the week. Though he guiltily accepts some blame for helping to create Trump's persona, there is still no better brochure for the perplexed on the man himself than their collaborative tome.

In part, that's because in place of the broad platitudes put forth by candidate Trump, the book describes his core competencies with storytelling and lively anecdotes. Schwartz may deserve credit for bringing them to life. The clarity they shed on Trump's modus operandi, however, is as relevant today as when he was reviving Manhattan's Commodore Hotel, ripping down the friezes of the Bonwit Teller building or outwitting a Hilton heir (whose name Trump's youngest son now bears) nearly four decades ago.

The wheeler-dealer who emerges from "Art of the Deal" is not afraid to mislead, in what he calls "truthful hyperbole," make things up to get his way and manipulate the media to gain advantage. While this doesn't necessarily distinguish Trump from many other politicians or successful businessmen, few made a career of bragging about it. Trump's unabashed embrace of his own morally questionable behavior makes him especially unique, not a little fascinating, and potentially dangerous.

Some attractive qualities do emerge from "Art of the Deal." Despite a Ptolemaic view of the universe, with Trump Tower at its center, women play important roles in his life and business. Trump's first wife, Ivana, is conveyed as something of a partner, too, even though he has since replaced her – and her successor, Marla Maples – with Slovenian ex-model Melania. Trump made Barbara Res, at 33, the first woman ever put in charge of building a New York skyscraper. He also calls out Louise Sunshine and Blanche Sprague as important executives in his company.

It's hard not to admire Trump's chutzpah in trying to create a competitor to the monopoly of the National Football League, which he wrote "painted me as a vicious, greedy, Machiavellian billionaire, intent only on serving my selfish needs at everyone else's expense." His underdog role in taking on City Hall to rebuild Wollman Rink in Central Park is laudable, too.

Indeed, in Mayor Ed Koch he finds a worthy adversary, and learns the power of toying with the press to win in the court of public opinion. He convinced the city to let him refurbish the rink, an eyesore from his Trump Tower aerie, in less than six months and substantially under budget. The episode provided a formative lesson for the fledgling tycoon on how private enterprise can get things done where governments and municipalities fail.

These victories, like others in the book, come with giant asterisks that cannot be ignored. To gin up sales at Trump Tower, for example, he hoodwinked a reporter into believing newlyweds Prince Charles and Lady Diana were considering the purchase of an apartment by refusing to confirm or deny the story.

He tells of blustering his way into getting Equitable Real Estate to sell him the Bonwit Teller department store building and scaring city planners into approving his plans by creating “hideous” models of alternative structures should they stand in his way: “Naturally they were horrified,” he wrote. “I’m not sure they believed we’d ever build it, or even that it was buildable, but there was no way they could be sure.”

Tactics designed to deceive and generate fear in his adversaries and partners feel particularly relevant as Trump campaigns for the presidency as the “law-and-order” candidate. Richard Nixon successfully did the same in a tumultuous 1968.

A crowning deception came while trying to lure Holiday Inn into an Atlantic City casino partnership. When he discovered the company’s board was meeting in the New Jersey seaside resort town, Trump writes: “I called in my construction supervisor and told him that I wanted him to round up every bulldozer and dump truck he could possibly find, and put them to work on my site immediately. Over the next week, I said, I wanted him to transform my two acres of nearly vacant property into the most active construction site in the history of the world.”

The ploy worked, and in June 1982 the two sides reached a deal. It fell apart a few years later for reasons Trump said he could not reveal for legal reasons. “Art of the Deal” ends before the difficulties of Trump’s casino businesses became the stuff of four bankruptcy court filings.

Nevertheless, the ruse, like other episodes in the book, instructs readers to accept that negotiations and dealing with counterparts – be they real estate developers or world leaders – is a game, one where tricks like moving earth around or creating a set of ugly blueprints are acceptable.

In construction and casinos, he may be right. But Trump is no longer merely asking Americans to admire his gleaming marble foyers and gilded escalators. He is asking voters for stewardship of an \$18 trillion economy and keys to the nuclear codes. Before doing so, they would be well served to read or reconsider the man who features in “The Art of the Deal.”

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President Barack Obama meets with President-elect Donald Trump in the Oval Office of the White House in Washington Nov. 10, 2016. REUTERS/Kevin Lamarque

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Cover: Republican U.S. presidential candidate Donald Trump poses for a photo after an interview with Reuters in his office in Trump Tower, in the Manhattan borough of New York City, U.S., May 17, 2016. REUTERS/Lucas Jackson