



Trump's win and his place in history

Description

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History is not just the outcome of personalities, competing platforms, or a matter of chance. It can be all of that at times. But history is cumulative and proceeds in long cycles, with significant shifts and realignments every 40 to 50 years or so, according to various theories in the historical and social sciences. These historical cycles are not random, but reflect a combination of economic, social, and political factors that eventually converge at regular intervals. History may not repeat itself, but it does rhyme, because of recurring human behaviours and social structures. In this light, we examine Trump's significant win in the recent US elections, with the conclusion that the way forward will potentially be rather bumpy and at times chaotic.

Historical cycles and realigning elections

Part of this cyclical pattern of history are the so-called "realigning" elections, which occur in the same cyclical and coincident manner, marking corresponding shifts in the political landscape and changing ideologies and voter bases. Realigning presidents emerge in such instances of social and economic pressure where a change of direction is needed.

Trump's second term: a moment of realignment?

The election of Donald Trump for a second term may be such a moment in the United States today. Realigning elections can be single events, or they can come as a series of

events. So, his term, if not exactly the dawn of a new era, it will be a transition to one. Regardless, his win on November 5 had many of the characteristics of a realigning election.

Trump was the unpredictable anti-establishment candidate, the counter-elite, with an agenda that was partly revolutionary. This perhaps explains why he was contested so bitterly, from impeachment to assassination attempts and defections from within his party – most notably the Cheneys, who endorsed Kamala Harris.

The election itself was a huge Republican victory. The Republicans won the presidency, the Senate, the House, and secured a conservative-leaning Supreme Court. This is a significant change in the political landscape.

Also interesting, and perhaps more meaningful, is the fact that, compared to the 2020 election, Trump increased his share of the popular vote in almost every demographic group, no matter how one slices the electoral pie – by age, race, gender, location, or education – and also won in traditionally Democratic-leaning states. His strength, however, came from rural areas, white men and women, and Generation Xers, those aged 45-64, the largest and most engaged voting bloc. But there was at the same time, a distinct increase in support for Trump from minority groups and working-class voters who traditionally lean Democratic.

Economic policies and challenges

However, some of his intended economic policies are questionable and not exactly anti-establishment. Trump campaigned for mass deportations of illegal immigrants, raising tariffs, extending the 2017 tax reform, and further cutting taxes while streamlining the spending side of the fiscal equation. This is a tall order that will not be easy to implement.

Limiting and controlling immigration will have a direct impact on the economy. Without immigration, employment in the United States shrinks, and when employment shrinks, real output stagnates. Open immigration suppresses wages and boosts growth, and economic elites tend to favor it.

Trump rejects traditional free-market orthodoxy regarding trade, in favor of reindustrialization, and tariffs will be one policy tool in this strategy. But tariffs are not such a straightforward policy tool. Tariffs will lead to retaliation from other countries, especially China, and will reduce global trade, which has already been weakening since the global financial crisis. They work against the benefits of comparative advantage that

underpin so much of our productivity. Tariffs are ultimately paid by the consumer, will be inflationary, and will reduce growth potential.

Tax cuts and fiscal imbalance

Trump succeeded in making the tax code more regressive in his first term. Now he will extend the tax cuts from the 2017 Tax Cuts and Jobs Act, which are set to expire in 2025. He will further reduce the corporate tax rate from 21% to 15% and eliminate taxes on Social Security beneficiaries, according to his campaign pledges. But the latter is completely regressive and unnecessary, since anyone near the poverty line already pays no taxes on these benefits. Higher tariffs will raise a little more revenue, but not much. And so, the budget deficit will worsen, and the debt will continue to rise quite steeply.

He wants Elon Musk to conduct an efficiency audit of federal spending. But this is not the first time a businessman has been brought in to conduct an efficiency audit of the government. The potential to cut spending will be limited because a large part of government spending is on entitlements, mainly Social Security and Medicare, defense, and interest payments on the debt.

Road ahead

Trump's economics look messy from the start, and it is doubtful that he will be able to go all the way without causing major disruptions domestically and globally. Against an inflexible spending side, and in the midst of an already large fiscal imbalance, America needs more taxes, not less.

Historical context and future implications

So, where does the election of Donald Trump and his MAGA movement fit into this realigning historical interval? To understand this, we need to understand the directional changes taking place in domestic reality and the international arena, and look at the historical context.

Franklin Roosevelt, first elected in 1932, and Ronald Reagan, elected in 1980, each for their own contrasting realities, were realignment presidents. Franklin Roosevelt emerged from the depths of the Great Depression in a period leading to war. His presidency was marked by the New Deal coalition that redefined how the economy worked. The New Deal was a series of programs and public works, reforms and regulations in response to the Great Depression, but politically it was an unwritten contract that balanced the interests of labor, business and government. The result was an unprecedented and inclusive period

of growth in which working people's living standards rose in tandem, and income inequality fell sharply.

But this era ended on time four decades later, in the stagflation episode of the 1970s, from which Ronald Reagan emerged in 1980. This was a period of insufficient capital and demand, low investment and low productivity. The new era thus marked the beginning of the collapse of the New Deal and its implicit contract, and saw instead the rise of the neoliberal paradigm. Paul Volcker, at the helm of the Federal Reserve, waged a war on inflation, ushering in a long period of disinflation and falling interest rates that boosted growth in the 1990s and 2000s. This was accompanied by fortuitous events such as the fall of the Soviet Union and the rise of China, which underpinned a period of accelerating globalization and deindustrialization in the West. During this period, inflation-adjusted wages stagnated and at times declined. Instead, the benefits of growth went disproportionately to the elite, and the great income compression of the New Deal was reversed. The income gap between the top and bottom percentiles of the income distribution widened sharply, leaving most behind. So, the neoliberal era is now, perhaps, where the New Deal era was in the 1970s, and right on time!

In conclusion

Today, the United States is suffering economically from the aftermath of this long period of increasing globalization and deindustrialization, during which the economy was transformed from a manufacturing base, to a post-industrial financialized economy. Trump's election may, in fact, be more revealing than previous periods about the underlying tectonic social forces at play that are shaping American society. How Trump will transform the American economy and society, or redefine its place in the global geopolitical order, is highly uncertain, but his presidency is shaping up to be a long battle. Popular discontent in the United States has been building for more than four decades and will not dissipate quickly or easily. So, the period ahead will be chaotic at times, but at the end of this term America will not be the same, nor will much of the world around it.

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