



---

RESEARCH ARTICLE

---

**Trumpism as *nationalist neoliberalism*. A critical enquiry into Donald Trump's political economy**

**Adriano Cozzolino**

*University of Naples "L'Orientale"*

---

**ABSTRACT**

*The article provides a critique of Trump administration political economy. The argument of the paper is that Trumpism can be conceived as a combination of an economic-nationalist vision of international trade relations and a strengthening of neoliberal macroeconomic policy at home. More specifically, while the global projection of the new US administration follows a 'zero-sum game' and conflictual vision of the international trade, with respect to the domestic arena the budget documents for 2018 and beyond demonstrate a strong commitment in favor of businesses and top incomes, e.g. in terms of welfare cuts, labor policy and tax reform. At the same time, while social expenditures decreased, the spending for defense programs increases. The article argues that Trumpism represents a further evolution of neoliberalism in terms of fiercer neoliberalizing policies combined with elements of economic nationalism – thus, Trumpism as nationalist neoliberalism.*

KEYWORDS: Trumpism; Neoliberal nationalism; Militarism; Neo-mercantilism; Taxation.

**CORRESPONDING AUTHOR:**

Adriano Cozzolino ([acozzolino@unior.it](mailto:acozzolino@unior.it))

---

---

Work licensed under a Creative Commons Attribution-Non commercial-Share alike 3.0 Italian License

## 1. Introduction

In International Political Economy (IPE) scholarship, economic nationalism (or neo-mercantilism) and neoliberalism are usually conceived as two opposite poles, with Marxism featuring as the third main theoretical tradition (Gilpin 1987). In particular when it comes to international trade, there is a clear-cut partition between neo-mercantilism and neoliberalism; if the first posits a conflictual and ‘zero-sum game’ vision of international trade relations, the second, especially as theorized by liberal institutionalist theory (Oye 1986; Keohane 1989), sees trade in light of a ‘win-win’ approach and as the vehicle to attain international cooperation, peace and prosperity (more in paragraph 2). Read with these categories, the political economy of Trump administration appears to be a renewal of a neo-mercantilist spirit, which shows increasing distrust towards global trade and aims at the reindustrialization of the country. But are we really entering in a new mercantilist era? This study, departing from conventional IPE categories and analyzing jointly the foreign and domestic political economy of Trump administration, put forward a more nuanced and dynamic vision of Trumpism as increased neoliberalization (Brenner et al. 2010) combined with economic nationalist elements at policy and discourse level. From this, it follows the definition of Trumpism as *nationalist neoliberalism*, conceived as a further evolution within the neoliberal order. The category of neoliberalism is used here heuristically to explain both the electoral success of Trump and the defining features of Trumpism, thus framing: (I) the historical phase of capitalism whose contradictions have been instrumentally and effectively exploited by Trump’s populist rhetoric; (II) the ‘domestic side’ of the macroeconomic policy of Trump administration (see paragraph 4). On the other hand, the (re)introduction of the category of neo-mercantilism helps us to frame the economic nationalist elements of the US administration, concerning in particular international trade.

The electoral success of Donald Trump occurred after several decades of trade liberalization, rampant social inequalities (Piketty 2014) and a widespread crisis of legitimation of the traditional political elites. Trump achieved to champion, through the use of the populist imaginary and rhetoric (Chako & Jayasurja 2017), a

part of US society increasingly marginalized and impoverished. The electoral campaign was indeed centered on the 'American worker' and the reindustrialization of the country, winning support especially in those inner areas of the US exposed to international trade competition and severely hit by unemployment, loss of population and economic crisis. Since the admission of China in the World Trade Organization, for instance, the trade deficit of the US grew from \$83 billions to \$370 billions, determining the loss of 7 million jobs in the manufacturing sector and leading employment to fall from 18.9 million jobs to 12.2 million (Munro 2016).

The harmful effects of free trade agreements on a part of the US society partly explains the social origins of Trump election. According to a research by Autor et al. (2016) based on congressional elections from 2002 to 2010, there is an increasing political support to republican conservatives, and generally non-moderate politicians in areas exposed to deindustrialization, international trade and job losses, namely where local labor market features as the main driver of political polarization. More specifically, trade-exposed areas with a white population tend to replace democrats or moderate republicans with conservative republicans, while areas with a minority-dominated population tend to vote to radical democrats or socialists. To a relevant extent, as noted by Mark Munro (2016), 'The Rust Belt epicenter of the Trump electoral map says a lot about its emotional origins, but so do the facts of employment and productivity in US manufacturing industries'.<sup>1</sup>

Therefore, the appeal to the 'American worker', reindustrialization and job creation, along with the condemnation of bad trade deals for the US, proved to be the key in order to win electoral support – as Trump's populist rhetoric was entirely addressed to the victims<sup>2</sup> of the manufacturing crisis and the outsourcing of production. Nonetheless, if this briefly sketched picture can be conceived as the general context in which the electoral success of Trump could take place, the question at stake is to understand to what extent the pro-worker rhetoric reflects an overall

---

<sup>1</sup> The Rust Belt is the chain of states from Great Lakes to Midwest, namely those states hit by deindustrialization, increasing unemployment and loss of population: 'Of the 10 states hardest hit by manufacturing jobs loss in that decade, eight of them went for Trump.' (Alden 2017).

<sup>2</sup> See Samuels, 2017 for a Lacanian oriented analysis of the rise of conservatives and Donald Trump.

macroeconomic policy that really reverts the neoliberalization tendency of the last decades or, on the contrary, is just the ideological cover of the intensification of the neoliberal program *with new features*.

In order to do so, the study takes into account the overall political economy of Trump administration: on the one hand, the analysis zooms in on the questions of the renewal of the national interest through revising trade policy and trade agreements. On the other, the paper reviews the macroeconomic policy that emerges from the budgetary documents for 2018 and the policy projections for the whole mandate. The aim is to reconstruct the foundational aspects of Trumpism combining these two perspectives.

The paper is organized as follows: next paragraph discusses the conceptualization of Trumpism as both economic nationalism and neoliberalization. The following two paragraphs (3 and 4) analyze the political economy of Trump administration with specific reference to trade policy and domestic macroeconomic policy documents. Eventually, the conclusion recaps the definitional features of Trumpism as militarist and economic-nationalist version of neoliberalism.

## **2. Trumpism as combination of tougher neoliberalization and economic nationalism**

Trumpism is conceptualized here as a combination of elements of economic nationalism and increased neoliberalization. Rather than conceiving the two as opposite modalities of economic governance, I maintain that they are two intertwined segments of the current stage of the trajectory of neoliberalism as *historical* period. In other words, Trumpism displays at the same time an economic-nationalist projection concerning international trade – in this case departing from the multilateral trade policy that has long dominated US trade agreements (*contra*, see Morrison 2017) – and a strengthening of the neoliberal-oriented macroeconomic policy at the domestic level – in this case coherent with the last decades of US neoliberalization processes.

Let's start from the neoliberal dimension. Neoliberalism is a historical phase of capitalism, an ideology, and a set of institutional and political processes aimed at strengthening and broadening the rule of capital, especially finance, through state power (Harvey 2005; Saad-Filho & Johnston 2005; Duménil & Lévy 2011; Bruff 2014; Tansel 2017).

In historical terms, neoliberalism arose from the crisis of the Keynesian mechanism of capital accumulation in the mid-1970s. The years 1978-80 were the turning point for the establishment of the neoliberal paradigm, with the US paving the way (Harvey 2005).<sup>3</sup> The first key event in the rise of this macroeconomic paradigm was the monetarist-oriented macroeconomic policy inaugurated by Paul Volker, head of the Federal Reserve, in 1979 (Saad-Filho 2010). Fighting inflation at the expenses of employment – which, consequently, started to decrease from that period – became the main policy target among central bankers. With regard to the political dimension, in 1979 Margaret Thatcher became Prime Minister of the UK, and in 1980 Ronald Regan was elected as US President; both these governments pursued a fierce anti-labor policy and a market deregulation program, especially with respect to finance, with the objective of extending market mechanism to as many social sectors as possible – e.g. health, pension, public services and education – through privatization programs. In more theoretical terms, as Alfredo Saad-Filho put it, neoliberalism 'combines an accumulation strategy, a form of regulation of socio-economic reproduction and a mode of exploitation of and social domination based on the systematic use of state power to impose, under the ideological veil of non-intervention, a hegemonic project of recomposition of the rule of capital in each area of social life' (2010, p. 100).

The neoliberal phase of capitalism is historically characterized by two interlinked global tendencies: the increasing power of finance and the rise of social

---

<sup>3</sup> Outside what is conventionally understood as the West, neoliberalism made its appearance after the Pinochet coup in Chile, which overthrew the legitimate and democratic government of Salvador Allende in 1973. The Fascist regime of Pinochet, backed by the US, can be regarded as laboratory of intensive application of neoliberalizing policies. David Harvey interprets also the liberalizing policy under Deng Xiaoping in China, 1980, as neoliberal (2005, p. 1).

and economic inequalities, which affected the overall quality of democracy (*inter alia* see Solt 2008; Cole 2018). In regard to economic inequalities, Thomas Piketty has demonstrated that from the late 1970s and the 1980s there is an unprecedented rising of the top household income (2014, p. 48) and a growing gap between higher and lower incomes (see also Atkinson & Piketty 2010). In particular, Piketty stressed that when the annual average of yield based on income capital (profits, shares, rent, etc.) grows faster than the average growth rate of national income ( $r > g$ ), we witness to the rising of income inequalities (2014, p. 680). In the US, for instance, after the equalitarian trend of the 1950s and 1960s, from 1977 to 2007 the richer 1 percent of top incomes seized the 60 percent of the growth of national income, while ‘the other’ 90 percent was left an average income growth rate of 0.5 percent per year (2014, p. 454; see also Duménil & Lévy 2011). If capital income skyrocketed, wage incomes have been stagnating throughout the neo-liberal period. As matter of fact, from the same period real wages started to decline, along with the rise of the unemployment rate, ‘with the vast majority of American workers experiencing wage stagnation while those at the top rung of the economic ladder reap the benefits of growth in productivity’ (McNicholas et al. 2017, p. 1). As reported by Andrew Glyn, ‘US real wages at the bottom (first decile) did not grow at all between 1979 and 2003’ (2006, p. 117), favoring the concentration of wealth in top incomes. In this regard, with respect to wage differentials ‘the median compensation of workers to the salaries of CEOs increased from just over 30 to 1 in 1970 to nearly 500 to 1 by 2000’ (Harvey 2005, p. 16).

A key feature of Trumpism concerns taxation. The policy objective is decreasing taxes to wealthy households, coherently with neo-liberal doctrines which postulate that this kind of tax policy triggers ‘trickle-down’ effects on the society as a whole through improving the spending and investing power of those who have the capacity to do it. The reality, however, is that tax reform, especially during the 1980s, played a fundamental role in the increase of income gap and social inequalities, as the taxation system is the hallmark to assess how progressive or regressive is the income distribution within a country. In this regard, from the early 1980s there

were several major reforms<sup>4</sup> that modified the overall tax scheme and income distribution. Eight months after Ronald Regan became President, the Economic Recovery Tax Act (1981) dramatically lowered top incomes and corporate tax (Lynn 1996, p. 95). Kasten et al. (1996, p. 29) reported that the high-income families in the top 1 percent of income distribution benefited the most from tax reforms of the 1980s, due to the effective-tax-rate (ETR) decrease in absolute and relative terms. The reduction of taxation for top incomes augmented the level of income inequalities, to the extent that 'two-thirds of the absolute increase in the Gini coefficient between 1969 and 1989 occurred between 1980 and 1989. The rise of inequality [...] is further evidenced by a decline in the share of income received by the bottom three quintiles of families and a corresponding increase in the share going to the top two quintiles' (Lynn 1996, p. 97-8; see also Saez & Piketty 2003; Atkinsons & Piketty 2010, for more recent analyses of the trend).

The analysis carried on so far should be integrated now with another category, namely neo-mercantilism, in order to grasp the ruptures inaugurated by Trump administration with respect to trade policy, conceivable as the pivot of an economic nationalist agenda. It is worth stressing that economic nationalism is more than a policy: it is a mind-set based on a conflictual vision of international relations and a political rhetoric. In this last regard, Donald Trump proved to be able to appeal to the 'losers of globalization' and to those left behind by international liberal trade regime policy in order to fuel consensus. Or, seen in another way, to portray the US as structurally harmed by international trade (more in section 3).

In theoretical terms, economic nationalism – also labeled new protectionism, economic nationalism, statism (see Gilpin 1987, p. 31-34) – posits that increasing the national volume of economic activity through the accumulation of wealth and resources is functional to the increase of the power of the state: wealth and power are the ultimate ends of state politics. The state is the main actor of the international system, first because 'States create the international social, political and

---

<sup>4</sup> In the 1980s there were five major reforms of tax policy: the Economic Recovery Tax Act (1981), the Tax Equity and Fiscal Responsibility Act (1982), the Deficit Reduction Act (1984), the Tax Reform Act (1986), the Omnibus Budget Reconciliation Act (1990) (see Kasten et al. 1996).

economic arrangements in order to advance particular sets of interests' (1981, p. 25); second, because the structure of the international system reflects the relative power distribution among dominant powers, so that the overall objective of the state is to preserve and/or increase its relative position in the global system characterized by 'a recurring struggle for wealth and power among independent actors in a state of anarchy' (Gilpin 1981, p. 7; cf. Keohane 1984). In other words, economic nationalists conceive the increase of the relative share of wealth, influence and power of one state as correspondent to the relative decreasing of another state's share. This perspective implies a conflictual view of international relations, rather than one based on the possibility of fruitful international cooperation like in the liberal institutionalist tradition (cf. Keohane & Nye 2012). As international relations are marked by endemic conflict, relative gains, insecurity and asymmetry, self-sufficiency – rather than economic cooperation – is the main goal of state policy. The core of self-sufficiency is linked to another key element of economic nationalism: industry. Industry is at the same time the vehicle to attain economic growth – and thus political strength – and, above all, to achieve self-sufficiency and reduce the pressure of external forces. Closely interlinked to the objective of re-industrialization, protectionism is one of key strategies to protect domestic industry against the 'invasion' of foreign goods; neo-mercantilist governments thus 'pursue protectionist and related policies to protect their nascent or *declining industries* and to safeguard domestic interests' (Gilpin 1987, p. 33; emphasis added). As we will see in next section, Trump's electoral campaign was based on the objective of the reindustrialization of the country and on the portraying the US as the loser of the global liberal trade regime; on the other hand, the first decisions of Trump administration concerning trade were based on the repeal of multilateral trade agreements in favor of a policy turning to bilateral agreements.

Concluding, Trumpism can be conceptualized as the combination of neo-liberal macroeconomic domestic policy with neo-mercantilist elements concerning international trade, within an overall *revanchist* discursive strategy aimed at portraying the US as structurally harmed by the international liberal trade regime, in the at-



tempt to 'make America great again' through a protectionist-oriented policy (Morrison 2017). After the conceptualization of Trumpism in general terms, the next two sections enquire the specificity of the political-economic strategy displayed by Trump administration in terms of trade policy and macroeconomic domestic policy.

### **3. The first side of Trumpism: international trade relations**

International trade figured in the top priorities of Trump administration, especially due to the US current account deficit of \$463 billion.<sup>5</sup> 'Horrible trade deals – Trump wrote in the Budget scheme of 2018 – from prior administrations have stripped wealth and Jobs from our Nation'.<sup>6</sup> The first act of the White House, issued in January 2017, was pulling out the US from the Trans-Pacific Partnership (TPP) negotiations.<sup>7</sup> The move, symbolically relevant, has manifested the new course of the US trade policy and the unwillingness of the US to bear the costs of its global hegemonic position. Soon after the withdrawal from negotiations, the White House released three executive orders aimed at reviewing the question of foreign trade and trade deficit, and to relaunch the industrial base of the country.

The first<sup>8</sup> of these orders was issued on 31 March 2017. The President urged all the executive departments and agencies of the Country to prepare a report on: (I) the entity of trade deficits and the causes of trade deficits; (II) unequal burdens and unfair discrimination against US commerce; (III) the effect of trade relationship on manufacturing and defense industrial base and (IV) wage growth and employment; (V) trade practices impairing national security. The second executive order<sup>9</sup> strengthened the policy-making direction of the first. The aim was to protect

---

<sup>5</sup> Data in Scott, 2017b.

<sup>6</sup> US Government, Office of Management and Budget, 2017a.

<sup>7</sup> White House memorandum available at <https://www.whitehouse.gov/the-press-office/2017/01/23/presidential-memorandum-regarding-withdrawal-united-states-trans-pacific> (accessed on 3 November 2017).

<sup>8</sup> See the Presidential Executive Order Regarding the Omnibus Report on Significant Trade Deficits, available at <https://www.whitehouse.gov/the-press-office/2017/03/31/presidential-executive-order-regarding-omnibus-report-significant-trade> (accessed on 3 November 2017).

<sup>9</sup> See the Presidential Executive on Establishing Enhanced Collection and Enforcement of Anti-dumping and Countervailing Duties and Violations of Trade and Custom Laws, available at

the revenue of the US against dumping practices of importers. ‘As of May 2015, \$2.3 billion in antidumping and countervailing duties remained uncollected [...] it is therefore the policy of the United States to impose appropriate bonding requirements, based on risk assessment, on entries of articles on entries of articles subject to antidumping and countervailing duties, when necessary to protect the revenue of the United States’ (*ibid*). In terms of policy implementation, this executive order urged all the executive agencies concerned, to develop a plan in order to cover importers that put at risk the revenue of the US and to enforce antidumping and countervailing liability through appropriate legal measures. At the same time, it aimed to develop a strategy aimed at (I) combating violations of United States trade and customs laws for goods and for enabling interdiction and disposal, including methods other than seizure, of inadmissible merchandise entering through any mode of transportation; (II) ensure the timely and efficient enforcement of laws protecting Intellectual Property Rights (IPR) holders from the importation of counterfeit goods. Eventually, in terms of repression, high priority is given ‘to prosecuting significant offenses related to violations of trade laws’.

The third executive order is even more meaningful in terms of economic-nationalism and neo-populist mind-set. It is meaningfully titled *Buy American and Hire American*.<sup>10</sup> The order is particularly important as it covers several issues like industrial growth, trade relations, immigration, and protectionism for US goods. The aim of the order is ‘to promote economic and national security and to help stimulate economic growth, create good jobs at decent wages, strengthen our middle class, and support the American manufacturing and defense industrial bases’ through the maximization, by the executive branch, of the use of goods, products, and materials *entirely produced* in the United States. At the same time, ‘in order to create higher wages and employment rates for workers in the United States, and to protect their economic interests, it shall be the policy of the executive branch to

---

<https://www.whitehouse.gov/the-press-office/2017/03/31/presidential-executive-order-establishing-enhanced-collection-and> (accessed on 3 November 2017).

<sup>10</sup> See the Presidential Executive Order *Buy American and Hire American*, available at <https://www.whitehouse.gov/the-press-office/2017/04/18/presidential-executive-order-buy-american-and-hire-american> (accessed on 3 November 2017).

rigorously enforce and administer the laws governing entry into the United States of workers from abroad'. In this last regard, there is a clean-cut relation between economic interests and immigration policy. The 'hire American' policy is indeed related to the development of new rules and issue new guidance 'to supersede or revise previous rules and guidance if appropriate, to protect the interests of United States workers in the administration of our immigration system'.

From the three executive orders issued by Donald Trump emerges how trade is crucial in terms of reduction of trade deficit, protection of the industrial manufacturing and defense base, GDP and employment growth. Trump himself stated that 'for most of our nation's history [...] American presidents have understood that in order to protect our economy and our security, we must protect our industry' (Financial Times 2017). As noted earlier in the paragraph, the first action taken by the new President was to withdraw the US from TIP; afterwards, the North-Atlantic Trade Agreement (NAFTA) came also under fire, as Trump expressed several times the aim of revising the agreement, in particular to re-impose tariffs and review the 'rules of origin', namely the specification of whether, and to what extent, the components of a trade good belong to the US and/or the NAFTA area – in this regard, Chinese products would be particularly damaged. In this last regard, China is the main concern of the new administration in terms of international trade relations. According to the estimations of the International Monetary Fund for 2015 (see World Economic Outlook database 2016), China has accumulated a trade surplus of \$600 billion, more than the half with the US.<sup>11</sup> Trump, besides accusing the Chinese to cheat with currency, namely to draw upon currency manipulation practices (BBC 2016), proposed to raise the tariff on Chinese imports to 45 percent.

Many of the proposals, however, so far remained limited to circumscribed matters. In fact, a trade war in such an integrated world economy would definitely not be an easy task, especially after the massive outsourcing of the manufacturing

---

<sup>11</sup> According to the Foreign Trade Bureau, just in 2016 the trade deficit was \$347 million. Data across many years available at <https://www.census.gov/foreign-trade/balance/c5700.html> (accessed on 3 November 2017).

production of the past decades. China currently holds the leadership in the global production chain of the high-end technology products (e.g. computer industry, biotechnology, aerospace and nuclear technology). According to a report by the Economic Policy Institute,<sup>12</sup> ‘in 2015, the United States had a \$120.7 billion deficit in advanced technology products with China, and this deficit was responsible for 32.9 percent of the total US-China goods trade deficit’ – with further harmful outcomes in terms of wage stagnation and job losses, quantified in 3.4 million from 2001 (when China entered in the World Trade Organization) to 2005, 74.3 percent in manufacturing industry.

It is worth stressing, moreover, that Trump administration did not show a repeal for trade as such: rather, these first few months of trade policy display a preference shift from multinational agreements to *bilateral* ones (Fabry 2017; see also Noland et al. 2017). This can be partly explained by Trump’s mind-set, characterized by an aggressive and leadership-oriented stance towards negotiations and agreements (see, for instance, Trump’s book *The art of the deal*; see also Capehart 2015), to detriment of a cooperative and multilateral approach. In this regard, the Presidential memorandum of withdrawal from TTP (see fn. 8; emphasis added) also urged to ‘begin pursuing, wherever possible, *bilateral* trade negotiations to promote American industry, protect American workers, and raise American wages’. As noted by McNicholas et al. ‘as bilateral trade agreements are more likely to be ratified than multilateral ones, we are likely to see more trade agreements ratified as a result of the President’s directive’ (2017, p. 9-10; see also Chacko & Juayasurja 2017, p. 5).

So far, the trade policy of the Trump administration has shown a neo-mercantilist vision especially with respect to international treaties (TTP, NAFTA). On the other hand, (I) the strategy of pursuing bilateral agreements will likely be the direction of the economic-nationalist projection of Trumpism in the international level; (II) the tariff policy so far has been far less timid if compared to the usually much-vaunted statements of Donald Trump, and a trade war would actually harm the US first, given also the type of goods imported from China. According to the

---

<sup>12</sup> See Scott, 2017a.

analysis made by Noland et al. (2016, p. 26-34), a full trade war scenario with Mexico and China – through raising the tariffs respectively to 35 percent and 35 percent on nonoil products – would lead to inflation and stock market decline, in turn determining a higher cost of debt and equity, economic depression and rising unemployment up to 4.8 million jobs in the private sector.

Concluding, the pathway of a neo-mercantilist vision concerning trade policy has been traced, and it is likely that will constitute the overall orientation of the future international trade agreements.<sup>13</sup> It should be also noted that the great absent from Trump's narrative are the US multinational corporations, which have largely benefited from the outsourcing of manufacturing production towards China and other developing countries. In this regard, the international trade policy of Trump administration is complemented by a strategy aimed at the repatriation of multinational corporations via tax reduction, and boosting investments through a thorough supply-side pro-businesses macroeconomic policy. Next section zooms in on the domestic side of Trumpism.

#### **4. Budget cuts, welfare and tax reform, increases of defense expenditures: Trumpism as aggressive neoliberalism**

Recalling from the analysis of trade policy, employment and American working population appeared to be on top of Trump's concerns (see the *Buy American and Hire American* executive order). To a relevant extent, the appeal to the impoverished (white) working and middle-class, along with the reindustrialization of the country was the key narrative of Trump's winning electoral campaign. The question, though, is to understand to what extent the first year of his mandate, and the macroeconomic policy projection in the near future, is coherent with a pro working-class politics or, on the contrary, can be conceived as the ideological cover of fiercer neoliberalization programs. In order to do so, this section analyses the budg-

---

<sup>13</sup> According to Fabry (2017) there will likely be in the future two possible scenarios concerning trade: (I) an aggressive economic-nationalist agenda based on the repeal of international agreements and trade war, or (II) a protectionist policy with limited disruption, based on anti-dumping policies, and ad-hoc targeting of enterprises, and bilateral negotiations.

et documents for the year 2018 and beyond. Afterwards, the remaining subparagraphs takes in specific account the welfare reform, the reform of taxation, and the labor policy.

The Budget Document for the fiscal year 2018, titled *A New Foundation For American Greatness* (see fn. 7; see also the Budget blueprint *America First. A Budget Blueprint to Make America Great Again*), provides essential information in order to understand the overall political-economic address of Trump administration. The main aim of the Budget policy for 2018 is to balance the federal budget and boost economic growth, given the growth of the government debt and a persistent stagnant economic situation. ‘The new Administration inherited an economic situation in which the United States is \$20 trillion in debt and yet at the same time dramatically undeserving the needs of its citizens due to a broken, stagnant economy’ (Budget document, p. 8). Also productivity, the Trump administration laments, has achieved a historical low peak, averaging 0.5 percent from 2011 to 2016. The sources of the economic stagnation – worsened by the Great recession started in 2007-8 – are detected in five main elements:

(I) Unfair trade policies, which have determined trade deficits and stripped jobs and wealth;

(II & III) Burdensome Federal regulations and Permitting process. Environmental federal regulations (issued especially by independent agencies) and the general regulatory state are sources of added costs and a slowdown of business activity. The same applies for Permitting process: major infrastructure projects have to pass through federal agencies for reviewing potential impacts on safety, security, community, and the environment. According to Trump administration, ‘the legal requirements and processes for the permitting and review of major infrastructures projects have developed a siloed and ad-hoc way’, delaying the timing of approval of the projects.

(IV & V) Business tax and low business investment. According to the new administration, corporate tax in the US is the highest in the OECD countries, with a tax rate of 38.9 percent against the average 24.7 percent in the OECD (though, the

weighted average to GDP is 31.39 percent<sup>14</sup>). Especially due to the differentials in corporate taxes with developing countries, 'businesses will have the incentive to locate overseas' (Budget document, p. 7), thus determining a steady decreasing of business investments.

The outline of the sources of poor growth and job losses allows us to get to the core of Trump's economic vision, unsurprisingly aggressively committed towards business and market. Burdensome constraints to business activity and corporations – whether in terms of excess of regulations or corporate tax – along with bad trade deals, are identified as the key problems of the US economy, to be adjusted through a supply-side oriented agenda. More specifically, the economic policy outlined by Trump administration can be conceived as a mix of budget cuts, welfare state reform and deregulation – indeed, the only sector benefited from spending increases is defense policy.

Following a clear-cut neoliberalizing program, the main aim of the Budget document and the related *Major Savings and Reforms* document<sup>15</sup> is to reduce the global role of the government through a program of budgetary cuts and reduction of social welfare, namely 'an aggressive set of program elimination, reduction, and saving proposals that redefine the proper role of the Federal Government' (New Foundations, p. 12). Along with spending reduction, moreover, Trump administration planned also to reduce the civilian workforce employed in the federal government, to reform agencies and federal programs, and to reform public employment through the introduction of managerial criteria (New Foundations, p. 14).

With specific respect to budgetary policy, the Document plans a reduction of federal spending equaling \$3.6 trillion – aiming to achieve the balanced budget in ten years. According to the *Major Savings* document, in 2018 the spending reduction equals to \$57.3 billion cuts in discretionary programs (\$26.7 billions in program elimination and \$30.6 billions of reductions). Importantly, the only sector concerned by increases in spending is defense, as the Budget Blueprint included a \$54

---

<sup>14</sup> See Pomerleau and Potoski, 2016.

<sup>15</sup> US Government, Office of Management and Budget, 2017b.

billion increases for 2018, compensated by the spending reduction in non-defense programs (New Foundations, p. 12). In terms of federal programs elimination, the sectors mostly concerned (millions of \$) are Education (\$4.976), Health and Human Services (\$4.834) and Housing and Urban Development (\$4.123). With respect to discretionary reductions (millions of \$), the sectors hit by budget cuts are State and USAID (\$10.674), Health and Human Services (\$6.720), Education (\$1.527), Energy (\$2.154), Housing and Urban Development (\$2.042), Transportation (\$1.733), Labor (\$1.419) and Environmental Protection Agency (\$1.175).

This overview of the general budgetary policy and the vision underpinning the role of the government with respect to social programs, defense policy and business activity aims at laying emphasis on the aggressive neo-liberal agenda put forward by Trump administration. In order to close the circle, the next subparagraphs zoom in on the welfare reform, tax reform and labor policy.

#### *4.1. Welfare reform and the repeal of Medicaid program*

Many social welfare programs are planned to be reduced or eliminated due to the spending cuts planned by Trump administration in the years to come. Particularly concerned by budgetary reduction is the Health and Human Services sector, a key segment of the reform of welfare policy. For instance, the budget blueprint for 2018 stipulates the elimination of programs and agencies such as the Agency for Healthcare Research and Quality, the Community Services Block Grant, the Low Income Home Energy. Spending reductions concern also the National Institute of Health Topline, the Food and Drug Administration Medical Product User Fees, the National Institute for Occupational Safety and Health, the Child Support Enforcement Program and the Temporary Assistance for Needy Families. Medicaid, the healthcare reform issued by Obama administration that has extended the health insurance program, has been cut off along with a number of other federal health programs like Medicare, Exchange subsidies, the Federal Employee Health Benefits Program. The aim of the repeal of Medicaid is ‘to create a free and open healthcare market’ and ‘to empower States to make decisions that work best for their markets’



(New Foundations, p. 9), earning savings equal to \$70.000 millions between 2018-2021 and \$610.000 millions between 2018 and 2027.

The welfare policy reform is likewise important in order to shed light on Trump's vision of social relations. To a relevant extent, Trump administration consider those living on welfare programs as '*dependent* on the Government' (New Foundations, p. 10; emphasis added), so that through tightening the requirements of the eligibility to welfare programs, people are forcibly pushed to return to the job market again. More specifically, Trump administration proposals entail a series of reforms to tightening the eligibility for the Supplemental Nutrition Assistance Program, the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC). Moreover, the reform provides also for the introduction of the Social Security Number valid for work in order to claim for the EITC and the CTC. In relation to this last welfare program, the current law stipulates that also individuals without the CTC are entitled to such benefit, whereas under the proposed reform just those who are authorized to work in the US can claim for EITC and CTC. The reform of disability programs also follows a similar rationale, namely the reduction of the overall social spending and promotion of the labor force participation of disabled people, introducing 'new program rules and require mandatory participation by program applicants and beneficiaries' (New Foundations, p. 11). In quantitative terms, the federal government has imposed mandatory savings proposals for Disability Programs equal to \$8.839 millions between 2018 and 2022 and to \$72.454 million until 2027.

#### 4.2. *Increasing the income gap: tax reform scheme*

*A New Foundation for American Greatness requires a new approach to how we tax, regulate, and support American worker and job creators* (New Foundation for American Greatness, p. 6)

As already mentioned in this section, the main economic problem detected by Trump administration is the excess of burdensome taxation – on corporations and personal incomes – and regulation, which constraint business activities and prosperity. Generally, despite the rhetoric about the ‘American worker’, the tax reform policy of Trump administration is a new and fiercer step in the direction of an overall taxation scheme that increasingly favors top incomes – given also that the projected modification of the overall tax revenue is linked with the reduction of expenditures concerning welfare programs as Medicare and Medicaid.

The vision of the White House with respect to taxation is that a ‘comprehensive overhaul to our tax code will boost economic growth and investment’ (New Foundations, p. 13), creating also new jobs. In other words, the strategy for economic growth and job creation passes through the liberation of the forces of capital. At the same time, the aim of the administration is to make the US ‘a more attractive business environment’ (*ibid*), through a fiscal dumping strategy aimed at bringing back corporations and high incomes – in this case, the proposal is favoring the repatriation of profits made overseas by multinational corporations without penalties or additional taxes. Among the tax reform proposals for instance, there is the end of the minimum tax, the repeal of the 3.8 percent Obamacare surcharge on capital gains and dividends, and the abolition of death tax. The reform scheme passes thus through three main policy instruments: (I) the reduction of the tax rate on businesses; (II) the elimination of the special interest tax break to lower the tax rates for businesses; (III) the repatriation of the overseas profits without incurring additional taxes (New Foundations, 2017, p. 14).

Specifically, the proposed reform of the taxation structure as emerged by the joint work of the White House and the Senate Financial Committee<sup>16</sup> provides a new taxation scheme for individual incomes and corporations. With respect to individual incomes, the current system is made of seven rates and income thresholds (adjusted on single filer, joint filers or head of household). The proposed restructuring of the tax scheme, likewise grounded on a structure of seven thresholds, delivers an overall reshuffle/diminution of the structure of the rates (see Table 1). With respect to corporations, the reform (among other provisions) lowers the corporate income tax from the current 35 percent rate to 20 percent from 2019; eliminates the alternative minimum tax; enacts deemed repatriation of currently deferred foreign profits, at a rate of 10 percent for cash and cash-equivalent profits and 5 percent for reinvested foreign earnings (Walczak and El-Sibaie, 2017).

**Table 1 - Projected Tax Reform of Trump Administration**

<b>Current tax rates for head of household</b>	<b>Tax rates for head of household after 2018 Reform</b>
10 % not over 13.350	10% not over &13.600
15% = \$13.350 to \$50.800	12% = \$13.600 to \$51.800
25% = \$50.800 to \$131.200	22.5% = \$51.800 to \$60.000
28% = \$131.200 to \$212.500	25% = \$60.000 to \$170.000
33% = \$212.500 to \$426.700	32.5% = \$170.000 to \$200.000
35% = \$426.700 to \$444.550	35% = \$200.000 to \$500.000
39.6% over \$444.550	38.5% over \$500.000

*Source: Senate Financial Committee. Available at <https://www.finance.senate.gov/taxreform>*

The new reform, at the same time, doubles the estate tax exemption from \$5.6 million to \$11.2 million; increases the standard deduction to \$12.000 for single filers to \$18.000 for heads of households and to \$24.000 for joint filers; eliminates

<sup>16</sup> See in particular the bill *Tax Cuts and Jobs Act* released by the Senate Financial Committee, 10 November 2017.

the additional standard deduction and the personal exemption. According to calculations, the tax reform would allow to \$1.5 trillion tax cut over 10 years (New York Times, 10 September 2017), that is to say reducing further the federal budget and likely increasing the government debt. Above all, as stated by Jacob Kirkegaard (2017), the tax reform will render the US tax system, already one of the more regressive among OECD countries, even more regressive, therefore increasing income inequalities.

#### *4.3. Working-class rhetoric and anti-labor policy reality*

As noted earlier in this section, the Department of Labor (DOL) suffered from \$1.419 billion budget cuts, and several agencies and programs were hit by spending reductions or program elimination.<sup>17</sup> Despite the political emphasis on the ‘American worker’ outlined in the trade policy, the budget blueprint for 2018 provides for the elimination of the DOL’s international labor grants and the reduction of the Bureau of International Labor Affairs, which ensures that trade agreements are fair for US workers (see *Major Savings and Reform*, p. 60). In terms of program’s elimination, the Unemployment Insurance Solvency Standard was suppressed in order to burden the States alone for the funding of the unemployment insurance. Trump urged the DOL to review also the Fiduciary Duty Rule, aimed at improving the workers’ rights to be informed when financial advisers are paid a commission to steer clients towards specific investments – namely, when there is a conflict of interests. With respect to regulations, the new administration blocked the Fair Pay and Safe Workplaces Rule. As stated by McNicholas et al. (2017, p. 3)

*The rule required companies applying for federal contracts to disclose violations of federal labor laws and executive orders addressing wage and hour, safety and health, collective bargaining, family medical leave, and civil rights protections. Currently, there is no effective system for distinguishing between law-abiding contractors and those that violate labor and employment laws.*

---

<sup>17</sup> For a thorough reconstruction of the first months of Trump’s labour policy, see in particular McNicholas et al 2017.

Trump administration blocked also a DOL resolution assisting the Individual Retirement Account (IRA), a retirement scheme set-up by local government for private-sectors workers when employers do not offer a workplace retirement plan. The IRA plan provides workers with the automatic enrolment and deduction in retirement schemes administered by local government. In terms of workplace safety, the White House delayed the effective date of a rule aimed at limiting the workers' exposure to beryllium in the workplace, one limiting the permissible exposure to crystalline silica in the construction industry, and another aimed at protecting miners' safety and health. Eventually, Trump administration blocked also the resolution Workplace Injury and Illness Recordkeeping rule, aimed at improving the employers' obligations to keep records of workplace injuries and illness (*ibid*, p. 4), and proposed a rule (5 December 2017) to allow employers to legally pocket workers' tips for estimated \$5.8 billion (see Shierholz et al. 2017).

## **5. Conclusion: Trumpism, *senile disorder*<sup>18</sup> of neoliberalism?**

The analysis made in the previous sections has sought to shed light on the contradictory core of the political economy of Trump administration by looking at the overall picture and taking into account the budget policy, taxation and welfare reform, as well as at the international economic relations and defense policy. The first side of Trumpism can be conceived as the strengthening of the neoliberal pathway: the macroeconomic strategy to boost economic growth and employment is thoroughly committed to a supply-side oriented policy made of tax cuts on corporations and top incomes, and on the reduction of regulations for business activity. The plunge of taxes – a proper fiscal dumping strategy, given the extent of the cuts (see paragraph 4.2) – is also conceived as the necessary step to repatriate profits made above by multinational corporations. In the same direction, the budgetary documents and the spending decisions reveal the effort to reduce dramatically the role of the government in terms of expenditures for welfare and other sectors, e.g.

---

<sup>18</sup> The quote is adapted from a polemical pamphlet by Lenin, *Left-wing Communism: an Infantile Disorder*.

education, health system, environment, employment insurance. The strengthening of the neoliberalization process concerns also the budgetary and welfare policy, in particular due to the reduction of budgetary expenditures for welfare programs and agencies, and to the negative vision associated to welfare as such.

If the role of the government with respect to wealth redistribution, education and welfare is shrinking in terms of spending magnitudes, on the side of trade and defense it is moving towards an increasing nationalist and militarist orientation. In fact, the second side of Trumpism concerns the international economy and the defense policy, two aspects of Trump's redefinition of the national interest. If from the 1930s the US national interest was linked to a liberal international rule-based order, this belief has been actually reverted with Trump administration. As seen in paragraph 2, the trade policy inaugurated by the White House is based on a conflictual and zero-sum game vision of the international trade. This does not imply, however, a total repeal of trade, also due to the potential cost of a trade war. Rather, this belligerent stance will be likely translated in the prevalence of bilateral trade agreements fast-tracked<sup>19</sup> by the White House, and an increasing unwillingness to bear the costs of the US (post?) global hegemonic role. The economic nationalism is part of a broader strategy in which the military and defense also have a prominent role. In this regard, the Trump administration has diverted to this sector \$54 billions from non-defense spending, stressing the role of military defense of US borders and promising also 'a focus on overt power through the expansion of the navy in the Asia-Pacific' (Chacko & Juayasurja 2017, p. 5).

Coming to the conclusions, in theoretical terms, the article has sought to use IPE categories dynamically, employing them to shed light on Trump administration political economy *in the making* and to stress its intrinsic contradictions. From the empirical analysis, Trumpism emerges as a combination of longstanding patterns of supply-side and pro-business oriented macroeconomic policy and welfare state retrenchment, with a neo-mercantilist trade policy and belligerent militarism.

---

<sup>19</sup> The 'fast-track' is a procedure aimed at speeding-up the approval of bills concerning trade agreements through cutting down debate and/or filibuster, amendments, and other special procedures (Shapiro 2006).

So far, it is hardly to speak about a renewed 'military Keynesianism' (cf. Chacko & Juayasarja 2017): rather, it seems to be the dawn of a military and economic-nationalist neoliberalism. This implies that the shift towards a nationalist-oriented discourse and policy can be compatible, as seen for instance with respect to taxation and fiscal policy, with the trends that have characterized the neoliberalizing patterns over the past decades. On the global side, the US will be likely unwilling to bear the costs of the international liberal trade regime as emerged in the post-WWII era, possibly rewriting, in the forthcoming years, the international rules concerning trade agreements and commercial relations – that is to say, a foundational aspect of global politics.

However, Trumpism is characterized by another and deeper contradiction: it is a populist capitalization of the structural contradictions of neoliberalism and of the crisis of legitimation of the traditional political elites, and, at the same time, a strengthening of those (neoliberal) patterns which have determined economic imbalances and social unrest – yet, intertwined with new nationalist elements. This occurs, moreover, within an international order increasingly characterized by systemic instabilities. As such, rather than leading the US away from the current political and social crisis while providing also a source of stability for the architecture of the international order, the Trump administration will likely exacerbate and accelerate the manifold crises of our time.

## References

- Alden, E 2017, 'The roots of Trump Trade Rage', *Politico*, 16 January, viewed 20 October 2017, <[trumps-trade-rage-214639](#)>.
- Atkinson, AB & Piketty, T 2010, *Top Incomes. A Global Perspective*, Oxford University Press, Oxford.
- Autor, D, Dorn, D, Hanson, G & Majlesi, K 2016, *Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure*, Working Paper, National Bureau of Economic Research, viewed 20 October 2017, <<http://www.nber.org/papers/w22637>>.
- Bruff, I 2014, 'The Rise of Authoritarian Neoliberalism', *Rethinking Marxism: A Journal of Economics, Culture & Society*, vol. 26, no. 1, pp. 113–129. <https://doi.org/10.1080/08935696.2013.843250>
- Capelhart, KW 2015, 'Hyman Minsky's Interpretation of Donald Trump', *Journal of Post-Keynesian Economics*, vol. 38, no. 3, pp. 477–492. <https://doi.org/10.1080/01603477.2015.1075358>
- Chako, P & Jayasuriya, K 2017, 'Trump, the Authoritarian Populist Revolt and the Future of the Ruled-based order in Asia', *Australian Journal of International Affairs*, vol. 71, no. 2, pp. 1–7. <https://doi.org/10.1080/10357718.2016.1266463>
- Cole, A 2018, 'Poor and Powerless: Economic and Political Inequality in Cross-National perspective, 1981-2011', *International Sociology*, vol. 33, no. 3, pp. 357–285. <https://doi.org/10.1177/0268580918760430>
- Duménil, G & Lévy, D 2011, *The Crisis of Neoliberalism*, Harvard University Press, Cambridge.
- Fabry, E 2017, 'Trump Trade: More Bark than Bite?', Policy Paper, *Jaques Delors Institute*, 21 April, viewed 5 January 2017, <<http://institutdelors.eu/publications/trump-trade-more-bark-than-bite/?lang=en>>.
- Gilpin, R 1981, *War and Change in World Politics*, Cambridge University Press, Cambridge.



- 1987, *The Political Economy of International Relations*, Princeton University Press, Princeton.
- Glyn, A 2006, *Capitalism Unleashed. Finance, Globalization and Welfare*, Oxford University Press, Oxford.
- Harvey, D 2005, *A Brief History of Neoliberalism*, Oxford University Press, Oxford.
- Kasten, R, Sammartino, F & Toder, E 1996, 'Trends in Federal Tax Progressivity, 1980-1993', in J Slemrod (ed), *Tax Progressivity and Income Inequality*, Cambridge University Press, New York, pp. 59–89.
- Keohane, R 1984, *After Hegemony. Cooperation and Discord in the World Political Economy*, Princeton University Press, Princeton.
- Keohane, R 1989, *International Institutions and State Power: Essays in International Relations Theory*, Westview Press, Boulder.
- Keohane, R & Nye, J 1977, *Power and Interdependence*, Longman, New York [4th edition, 2012].
- Kirkegaard, JF 2017, 'Tax Overhaul Risks Making the US Tax and Transfer System (Even) More Regressive', Policy Brief, Paterson Institute for International Economics, viewed 10 January 2018, <<https://piie.com/publications/policy-briefs/tax-overhaul-risks-making-us-tax-and-transfer-system-even-more-regressive>>.
- Lynn, KA 1993, 'Trends in income inequality: the impact of, and implications for, tax policy' in J Slemrod (ed), *Tax Progressivity and Income Inequality*, Cambridge University Press, New York, pp. 95–130.
- Noland, M, Hufbauer, GC, Robinson, S & Moran, T 2016, 'Assessing Trade Agendas in the US Presidential Campaign', Policy Brief, *Paterson Institute for International Economy*, viewed 7 November 2017, <<https://piie.com/publications/piie-briefings/assessing-trade-agendas-us-presidential-campaign>>.
- McNicholas, C, Shieroldz, H, Bivens, J & Costa, D 2017, 'The first 100 days. President Trump's top priorities include rolling back protections to workers' wages, health and safety', Working Paper, *Economic Policy Institute*, viewed 6

- November 2017, <<http://www.epi.org/publication/the-first-100-days-president-trumps-top-priorities-include-rolling-back-protections-to-workers-wages-health-and-safety/>>.
- Morrison, JA 2017, 'Bound to Not Lead: 2016 as Unexceptional Americanism', working paper, *London School of Economics*, viewed 11 January 2018, <<https://dx.doi.org/10.2139/ssrn.3053962>>.
- Munro, M 2016, 'Manufacturing Jobs Aren't Coming Back. President-elect Trump's promise to bring back production jobs ignores the realities of advanced manufacturing', *MIT Technological Review*, viewed 25 November 2017, <<https://www.technologyreview.com/s/602869/manufacturing-jobs-arent-coming-back/>>.
- Oye, K 1986, *Cooperation Under Anarchy*, Princeton University Press, Princeton.
- Piketty, T 2014, *Capital in the Twentieth-First Century*, Harvard University Press, Cambridge, London.
- Piketty, T & Saez, E 2003, 'Income Inequality in the United States, 1913–1998', *Quarterly Journal of Economics*, vol. 118, no. 1, pp. 1–39. <https://doi.org/10.1162/00335530360535135>
- Pomerleau, K & Potoski, E 2016, 'Corporate income taxes around the world, 2016', *Tax Foundation*, viewed 7 November 2017, <<https://taxfoundation.org/corporate-income-tax-rates-around-world-2016/>>.
- Saad-Filho, A 2010, 'Monetary Policy in the Neo-liberal Transition: A Political Economy Critique of Keynesianism, Monetarism and Inflation Targeting', in B Jessop, R Albritton & R Westra (eds), *Political Economy and Global Capitalism*, Anthem Press, London, pp. 89–119.
- Saad-Filho, A & Johnston, D 2005, *Neoliberalism. A Critical Reader*, Pluto Press, London and Ann Arbor.
- Samuels, R 2017, *Psychoanalyzing the Left and the Right After Donald Trump*, Palgrave Macmillan, London.

- Scott, RE 2017a, 'Growth in the U.S.-China trade deficit between 2001 and 2015 cost 3.4 million jobs. Here's how to rebalance trade and rebuild American manufacturing', Working Paper, *Economic Policy Institute*, viewed 3 November 2017, <<http://www.epi.org/publication/growth-in-u-s-china-trade-deficit-between-2001-and-2015-cost-3-4-million-jobs-heres-how-to-rebalance-trade-and-rebuild-american-manufacturing/>>.
- Scott RE, 2017b, 'Trump Administration trade policy review misses the bigger picture', Working Paper, *Economic Policy Institute*, viewed 3 November 2017, <[www.epi.org/blog/trump-administration-trade-policy-review-misses-the-big-picture/](http://www.epi.org/blog/trump-administration-trade-policy-review-misses-the-big-picture/)>.
- Shapiro, HS 2006, *Fast Track: A Legal, Historical and Political Analysis*, Transnational Publishers, New York.
- Tansel, CB 2017, *States of Discipline. Authoritarian Neoliberalism and the Contested Reproduction of Capitalist Order*, Rowman & Littlefield, London.
- Walczak, J & El-Sibaie, A 2017, 'Details of the Senate Version of the Tax Cuts and Jobs Act', *Tax Foundation*, viewed 15 November 2017, <<https://taxfoundation.org/details-senate-tax-cuts-and-jobs-act/>>.
- Shierholdz, H, Cooper, D, Wolfe, J & Zipperer, B 2017, 'Employers would pocket \$5.8 billion of workers' tips under Trump administration's proposed 'tip stealing' rule', Working Paper, *Economic Policy Institute*, viewed 10 January 2018, <<http://www.epi.org/publication/employers-would-pocket-workers-tips-under-trump-administrations-proposed-tip-stealing-rule/>>.
- Solt, F 2008, 'Economic Inequality and Democratic Political Engagement', *American Journal of Political Science*, vol. 52, no. 1, pp. 48–60. <https://doi.org/10.1111/j.1540-5907.2007.00298.x>.
- US Government, Office of Management and Budget 2017a, *Budget of the U.S. Government. A New Foundation for American Greatness. Fiscal Year 2018*.
- US Government, Office of Management and Budget 2017b, *Major Savings and Reforms: Budget of the United States Government. Fiscal Year 2018*.