

Donald Trump campaigned on the promise to make America great again. We can now begin to discern just what he meant by that. It is his version of Bill Clinton's old campaign slogan 'it's the economy stupid'. Trump's rendition is 'jobs, jobs, jobs'.

His roster of appointees carries a very clear message: America is open for business. There won't be much consideration for competing concerns like social programs, the environment or 'rights'. In Trump's view prosperity is the best social program.

The economic appointees have a number of notable characteristics; early support for Trump, hostility to China, a keen understanding of finance and an unusual talent for dealing with risk. These are can do guys, entrepreneurs and deal makers. Only one climbed a corporate hierarchy, dealing with organizational politics and concerned with the day to day detail of production. Of thirteen on Trump's Economic Advisory Council just two are academics, a couple are government guys, although one did work for an investment bank in the past, and two more work in real estate. One, a broker, does deals. The other has considerable experience in real estate development, something Trump understands. Of the thirteen the largest group, five, have all begun their own businesses. Most tellingly, they are all in the same business--finance. One started a regular bank but the other four practice investment banking, referring to their line of work as venture capital,



hedge fund, private equity or mergers and acquisitions. These are not regular bankers, diligently gathering up deposits and carefully assessing the security offered for a loan. These guys see money as something that is either borrowed or invested. They all show a keen eye for crisis. A distressed situation is an opportunity for them. Steven Mnuchin, Secretary of the Treasury designate, made his fortune buying a bankrupt mortgage bank. In the midst of the financial crisis the federal government took over Indy Mac, one of the largest mortgage lenders. Mnuchin formed a consortium of venture capitalists and bought it at a fire sale price. Curiously, the consortium was the only one to make a bid. Additionally the government guaranteed the new company against any loss over 30% of the principal owed on any loan. Only a cynic would suggest that such a sweet deal had anything to do with the fact that Mnuchin came out of Goldman Sachs,

the nation's premier investment bank and the one that is often referred to as America's shadow government. The bank's people figure prominently among high level Trump employees. Goldman's second in command, Gary Cohn, will be head of the White House National Economic Council. He is known as a trader and by his own admission he would not go on vacation if he could not get a fire sale discount on the trip. One other Goldman grad is in the administration and a fourth, who will be head of the Securities and Exchange Commission, is married to a Goldman employee.

Wilbur Ross, nominee for Secretary of Commerce and another Wall Street financier, shows a similar talent for finding a distressed situation, organizing the finance needed to take it over, and then using government connections to hedge the risk. In 2002 he knew, somehow, that the Bush administration was going to impose temporary quotas on steel imports. Ross quickly organized the takeover of a bankrupt steel company, restructuring it and making it profitable by virtue of the higher steel prices, then sold it at great profit. Ross spent his first twenty-four working years as a bankruptcy counselor for an investment bank. Indeed, he met the president-elect in the early nineties when the Trump casinos were threatening bankruptcy. Like many of the other financiers in the new administration Ross has a predilection for basic industries like steel, manufacturing,

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mining, energy and shipping. One of Trump's earliest and most trusted economic advisers is a former president of a steel company. He wrote a book entitled [American Made: Why Making Things Will Return Us To Greatness.](#)

Trump wants to protect these industries by renegotiating our trade treaties. Robert Lighthizer will be the next U.S. Trade Representative. He was deputy trade representative during the Reagan administration and has spent the bulk of his career as a lawyer representing industries, especially the steel industry, alleging unfair trade practices. In 2008 Lighthizer wrote a New York Times op-ed article in which he argued that Republicans traditionally were not free traders, that in fact they used to be the ones who wanted to protect American industry from foreign competition and should do so again. Another adviser, Peter Navarro, is an economics professor who has been on a crusade against China. He has advocated a 40% tariff on Chinese goods, written a book entitled [The Coming China Wars](#) and did a film called [Death by China.](#) He claims China cheats by currency manipulation, illegal export subsidies, intellectual

property theft, poor worker safety and lax environmental regulation.

Two things that won't get much protection are the environment and labor. Secretary of Energy designate Rick Perry is a former governor of Texas and hence a big promoter of fossil fuels. He has expressed doubts about the idea that humans have much to do with global warming. During the 2012 presidential campaign he famously suggested the Department of Energy be eliminated. The new head of the Environmental Protection Agency is also from a big energy producing state. Oklahoma Attorney General Scott Pruitt has declared himself an 'advocate against the EPA's activist agenda'. As Attorney General he is currently suing the EPA in an effort to end the agency's attempts to curb power plant emissions. The presumptive Secretary of the Interior has said he wants to open up federal lands to oil and gas exploration. The League of Conservation Voters has awarded him about the lowest rating they could give a politician, giving him a 3%. In sum, the Trump administration will not let environmental concerns interfere with unlocking energy resources. Cheap and abundant energy is seen as essential to making American industry great again.

The laboring class will also be left undefended. Presumptive Secretary of Labor Andrew Puzder is president of a large restaurant chain. Like many other Trump business advisers he turned this chain around, rescuing it from bankruptcy and returning it to profitability. He has

consistently opposed labor organization at his restaurants, opposed rises in the minimum wage, opposed worker benefits, including Obamacare, and opposed mandatory overtime pay for low level managers. Like most in this administration he believes that only private industry can create meaningful employment, that the government will only interfere to create roadblocks and that labor organizations actually stand in the way of productivity. Puzder's contribution to this thesis is his book, Job Creation: How It Really Works and Why Government Doesn't Understand It.

During his campaign Trump promised to deregulate American industry but especially to eliminate barriers to bank lending, saying that he wants 'banks to lend again'. Banks have over two trillion dollars on deposit at the Federal Reserve. In other words there is that much that is not circulating in the economy, not being lent to active business or to consumers. Recent bank regulation is designed to prevent bank failure by virtue of raising capital requirements on loans considered more risky. As a consequence banks have erred on the side of caution when assessing loan risk. Easing this restriction will generate a flood of lending.

This new administration will be populated with people who are eager to borrow, want to invest, have no fear of debt, believe

in protectionism, and think that restructuring and refinancing is the best way to revivify industry. They want a trickle down economy where the investors' benefit will ultimately get to a broader population.

The stock market has reacted positively to the message because the economic outlook is in fact rosy. Trump himself, however, is problematic. He is erratic, impulsive and narcissistic. What this will mean in the geopolitical and social policy arenas is impossible to predict. What we can predict is that the economy will grow and most likely grow faster than it has in the recent past. The consumer confidence index is higher than it has been in fifteen years. Business confidence too is higher than it has been in a long time. Let's hope that confidence is well placed.

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