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US ECONOMIC POLICY UNDER THE TRUMP ADMINISTRATION: AN UNMISTAKABLE DIRECTION TRANSCENDING PARTISAN DIFFERENCES

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- When considering future US economic policy, careful attention must be paid to trends that transcend partisan differences.
- There has been a conspicuous decline in any sense of vigilance about fiscal deficits and, in trade policy, there seems to be a distinct resonance between the two major political parties on protectionism.
- The resolve of the younger generations holds the key to the future, making evidence-based policy making all the more important.

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The emergence of a “split Congress” from the 2018 midterm elections foreshadowed developments that would lead to a still greater intensification of partisan conflict in the US under the Trump administration. However, allowing these partisan disputes to distract from a closer look at economic policy could lead to misinterpretations of the US’ future course, as it is in the areas of fiscal and trade policy that Republicans and Democrats have been moving in similar directions.

In fiscal policy, alarm over the fiscal deficit has been fading in both parties. The Republicans have traditionally been the party of “small government” but, under the Trump administration, they have played a role in expanding fiscal deficits. The tax reforms of 2017 and the raising of the spending caps in 2018 were both expansionary fiscal policies passed by a Congress in which the Republican Party held a majority in both houses.

At the same time, many of the candidates seeking the Democratic Party’s nomination for the 2020 presidential election support policies such as the “Green New Deal” and “Medicare for All” that seem likely to produce an even wider fiscal deficit. With interest rates remaining low, not only the liberal wing of the Democratic Party that has long favored “big government” but even moderate Democrats who previously advocated for fiscal soundness are insisting that the risk posed by government debt is small.

In trade policy, there are indications that protectionism is resonating between President Trump and the Democratic Party. Having again become the majority party in the House of Representatives, the Democratic Party is more likely to criticize the laxity rather than the nature of the Trump administration’s protectionist policies.

Republican members of Congress who are supporters of free trade have not been able to constrain President Trump’s protectionism and, indeed, a sense of crisis regarding China as a rival for future technological hegemony is shared across party lines.

In both of these areas, it will be the resolve of the younger generations that will determine the country’s direction. The generations born in or after 1981 already outnumber the baby-boomer generation, and the starring roles in

deciding the future course of US policy are steadily shifting from one generation to the next.

The decisions facing the younger generations are not easy ones. The lack of serious concern about the fiscal deficit has made it easier to shoulder younger generations with the burden of repaying the national debt. On the other hand, excessive alarm over the fiscal deficit has blocked investment needed for improving productivity, and the younger generations will be the principal victims of any deleterious effects this will have on future living standards.

Public opinion polls on trade policy generally show the younger generations favorably disposed toward globalization. However, the younger generations have a keen awareness of inequality, strongly object to big corporations, and take great interest in “social justice”. No matter how positive the younger generations may be toward globalization, an overriding interest in social justice could ultimately bring them to tolerate protectionist policies.

Presenting facts on which to base conclusions would be very useful for younger generations as they confront decisions. In trade policy, for instance, does the aspiration for social justice constitute a sufficient reason for the younger generations to accept protectionism? Is there really no way of tying the pursuit of free trade into the pursuit of social justice? Offering robust analyses on these questions would undoubtedly help the younger generations arrive at persuasive conclusions.

International cooperation must also not be overlooked. Japan and other countries face their own difficulties with regard to fiscal and trade policy. In fiscal policy, for instance, Japan’s national debt level exceeds that of the US, and data from both Japan and the US as well as analyses of that data could prove useful references for both countries.

In the interest of more firmly establishing “evidence-based policy making”, the US has been working to create an environment to facilitate data-sharing. By broadening the scope of these efforts and putting in place an environment conducive to sharing data and research findings internationally, measures could then be considered to reinforce the foundations of “evidence-based policy making”.



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