Trump’s Economic Policy

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• Long overdue tax reform
  – Corporate rate no longer world outlier
  – Limitations on PIT deductions

• 44 Cleanup

• Regulation: principles and protocols

• Trade policy: an alternate flavor of protectionism

• Immigration
  – Canadian/Australian point system (planned version of Becker)
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Figure 1. The Laffer curve
Revenue without tax is normalized to zero
Figure 2. The Laffer curve
Revenue without tax is normalized to zero

Government revenue

0

Tax rate

A

B

C

D

ACA Individual & Employer Mandates
Running Government Like a Business: The Regulatory Budget
Regulatory Principle #2: Choice and Competition
Reducing government entry barriers for drugs: FDA deregulation → more entry

Generic Drug Applications Approved, 12-Month Moving Average

Number of approvals

Sources: Food and Drug Administration; CEA calculations.
Reducing government entry barriers for drugs: FDA deregulation $\rightarrow$ more entry $\rightarrow$ lower prices

**Inflation-adjusted CPI for Prescription Drugs, 3-Month Centered Moving Average**


Note: CPI covers retail transactions, which are about three-fourths of all Rx drug sales. Inflation adjustments are relative to the CPI-U for All Items. Trend line is calculated based on the second term of the Obama Administration.
The Opportunity Costs of Vehicle Fuel Efficiency

Source: Mulligan (2020) and Anderson & Sallee (2011). Note that $116/MPG/Vehicle is equivalent to $86 per ton of GHG.
My proposal to the politically correct Automobile Companies would lower the average price of a car to consumers by more than $3000, while at the same time making the cars substantially safer. Engines would run smoother. Very little impact on the environment! Foolish executives!
The Opportunity Costs of Vehicle Fuel Efficiency

Source: Mulligan (2020) and Anderson & Sallee (2011). Note that $116/MPG/Vehicle is equivalent to $86 per ton of GHG.
Who Would Pay for a Revival of the Regulatory State?

Cost as a percentage of household income

<table>
<thead>
<tr>
<th>Quintile of the household income distribution</th>
<th>Bottom</th>
<th>2nd</th>
<th>middle</th>
<th>4th</th>
<th>Top</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor regulation (reflected in wages)</td>
<td>0.8%</td>
<td>0.6%</td>
<td>0.4%</td>
<td>0.3%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Other consumer regulation</td>
<td>7.7%</td>
<td>3.7%</td>
<td>2.4%</td>
<td>1.6%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Fracking ban</td>
<td>6.8%</td>
<td>3.6%</td>
<td>2.5%</td>
<td>1.9%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Sources: CEA, Census, BLS, author's calculations.

Note: Reviving the Regulatory state = reverse 10 leading deregulatory actions of the Trump Administration (5 labor, 5 consumer) + return to the 2000-2016 regulatory growth path in these areas + ban fracking. Returning to the growth path is less than 1/5 of the costs shown above.
Figure 3. Deregulation creates more growth than a regulatory freeze

Real income

2001  2016  2021  time

Cumulative gain from a regulatory freeze (1.1%)
Additional gain from deregulation (1.8%)

previous growth path
Presidents Reagan and Trump. Public domain photos from the Executive Office of the President and the White House, respectively.

- "I am a tariff man."
  
  **President Donald J. Trump, December 4, 2018**

- "We should beware of the demagogues who are ready to declare a trade war against our friends—weakening our economy, our national security, and the entire free world—all while cynically waving the American flag."
  
  **President Ronald Reagan, November 26, 1988**
## Trade Policy Actions during the Reagan and Trump Administrations

as of December 2019

<table>
<thead>
<tr>
<th>Type of Action</th>
<th>Reagan</th>
<th>Trump</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quotas tightened</strong></td>
<td>Autos, Textiles</td>
<td>Steel from Korea, Brazil, Argentina</td>
</tr>
<tr>
<td></td>
<td>Steel, Machine tools</td>
<td>High-emissions vehicles, which are disproportionately imported.</td>
</tr>
<tr>
<td></td>
<td>Sugar, Clothespins</td>
<td>Aluminum from Brazil, Argentina</td>
</tr>
<tr>
<td></td>
<td>Semiconductors</td>
<td></td>
</tr>
<tr>
<td><strong>Quotas relaxed</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tariff increases</strong></td>
<td>Motorcycles</td>
<td>Steel, Solar panels</td>
</tr>
<tr>
<td>(including tariff quotas)</td>
<td>Canadian lumber</td>
<td>Aluminum, Washing machines</td>
</tr>
<tr>
<td></td>
<td>Various Japanese imports</td>
<td>Various Chinese imports</td>
</tr>
<tr>
<td><strong>Tariff decreases</strong></td>
<td></td>
<td>Reduced distortions in international postal terminal dues.</td>
</tr>
</tbody>
</table>