

# Trump, the Hamiltonians and the American System

Michael Stumo, CEO  
Coalition for a Prosperous America



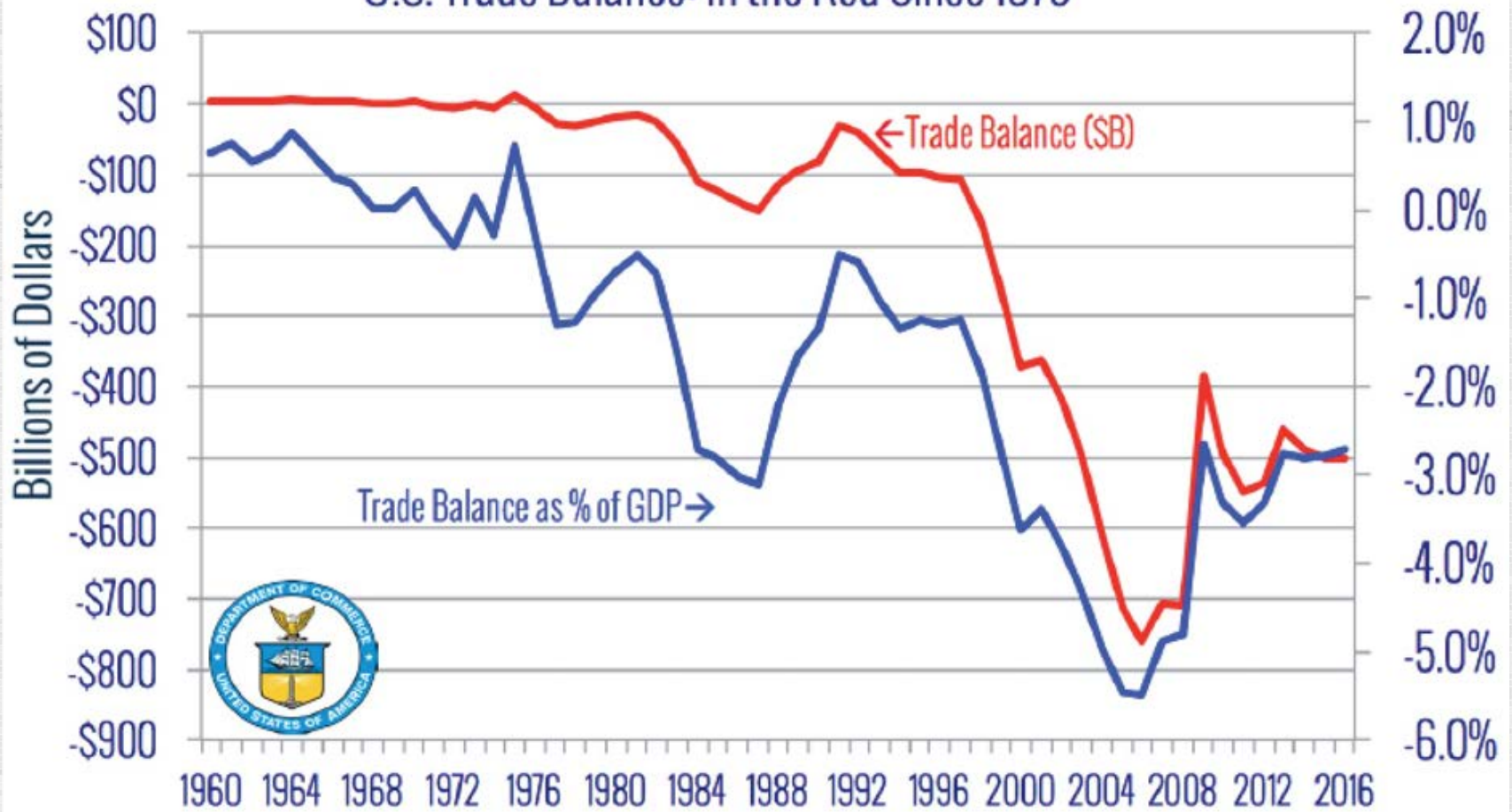
# How to Think About Trade in 3 Levels

1. **Volume of Global Trade:** caused by growth of global economies
2. **Balance/Imbalance of Trade:** caused largely by exchange rate misalignment
3. **Composition of Trade:** caused tariffs, comparative advantage, industrial policy, subsidies, technological advances, trade agreements

# Global Imbalances

- **Surplus countries (China, Germany, Japan, Korea)**
  - overproduce/underconsume thereby exporting capital, goods and unemployment to deficit countries
  - excessive reliance upon deficit country consumers for growth
- **Deficit countries (US, UK, Spain, Portugal, Greece)**
  - low growth/stagnation
  - under utilized capital, labor and plant capacity
  - aggregate demand leaks overseas

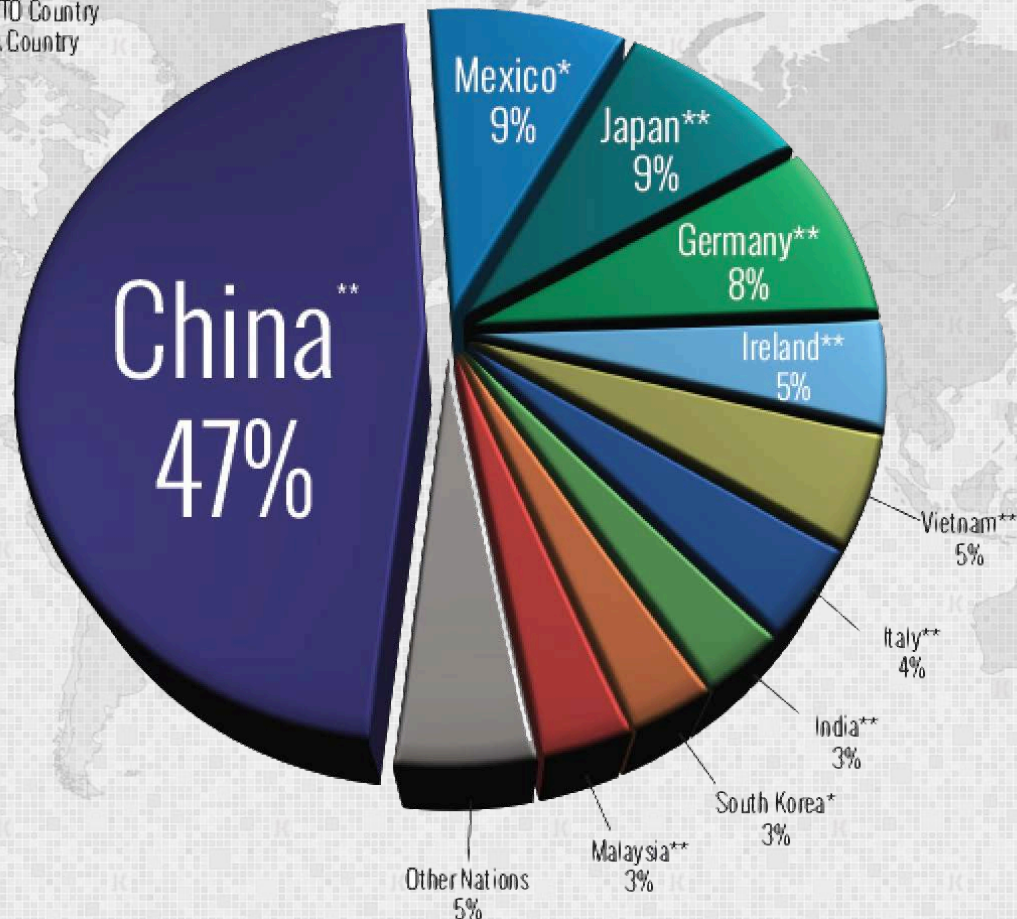
## U.S. Trade Balance: In the Red Since 1975



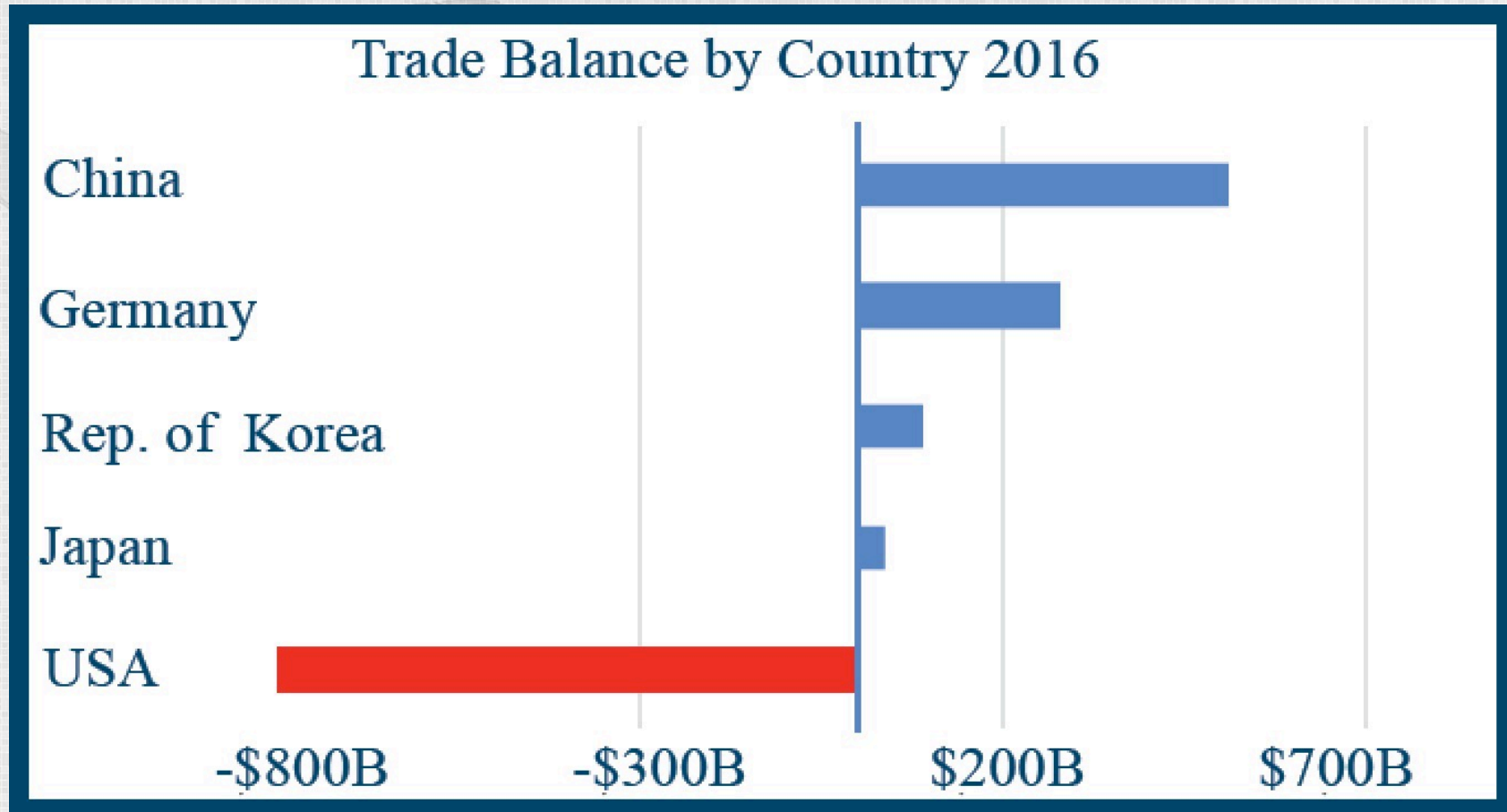
# Top Ten Trade Deficit Countries

These countries account for 97% of America's 2016 goods trade deficit

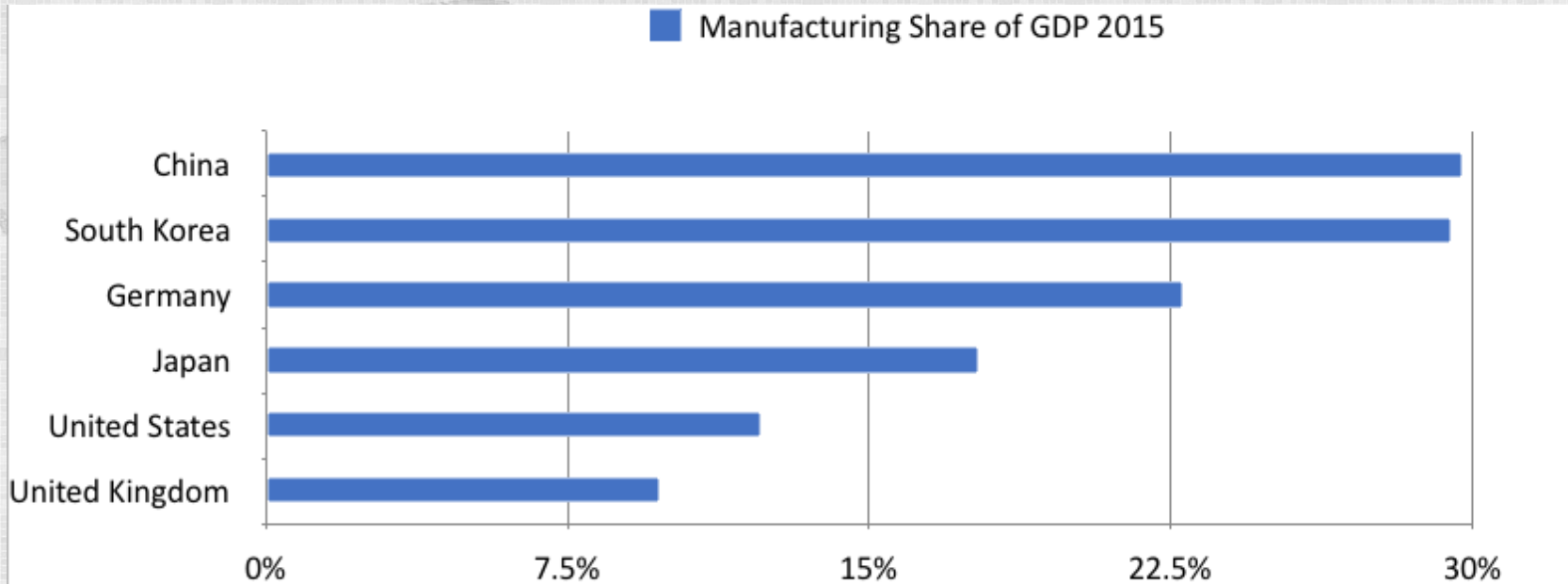
\*\* Indicates WTO Country  
\* Indicates FTA Country




# Current Acct Balance by Country



# Deindustrialization result

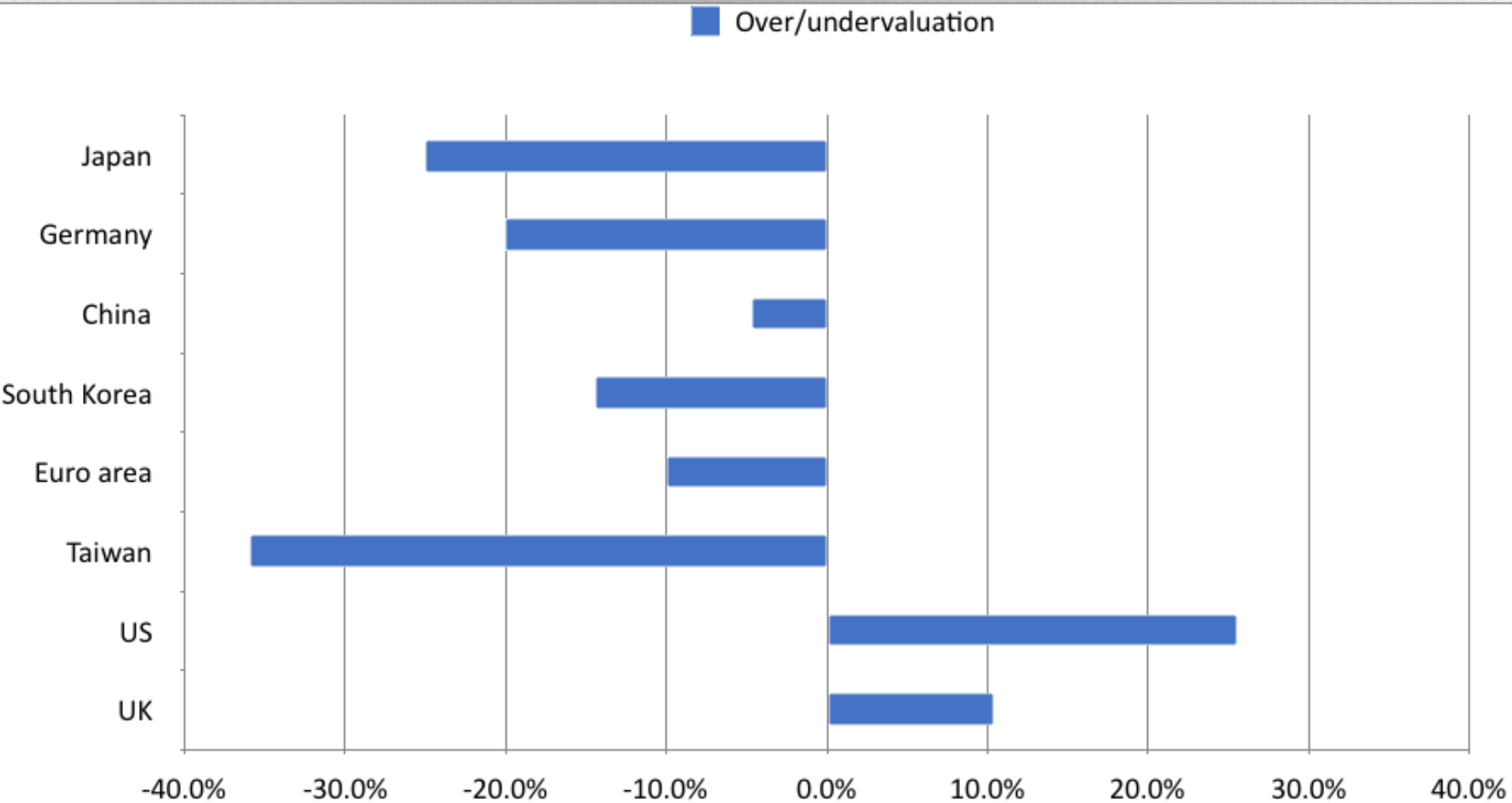


# Fixing the Dollar

- 
- Exchange rates have lost their connection with trade balancing equilibrium prices
  - Undervaluation for Surplus Countries
    - Taxes consumption reducing imports and household spending
    - Subsidizes production spurring exports



# The Dollar Stays Too High



# Competitive Dollar for Jobs and Prosperity Act

- New Fed Mandate: Achieve and maintain current account balance
- New Fed Tools
  - Variable rate charge on incoming capital to push dollar to trade balancing/competitive price
  - Countervailing currency intervention – for foreign manipulators
- Result: Fix Trade Deficits... forever!

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