



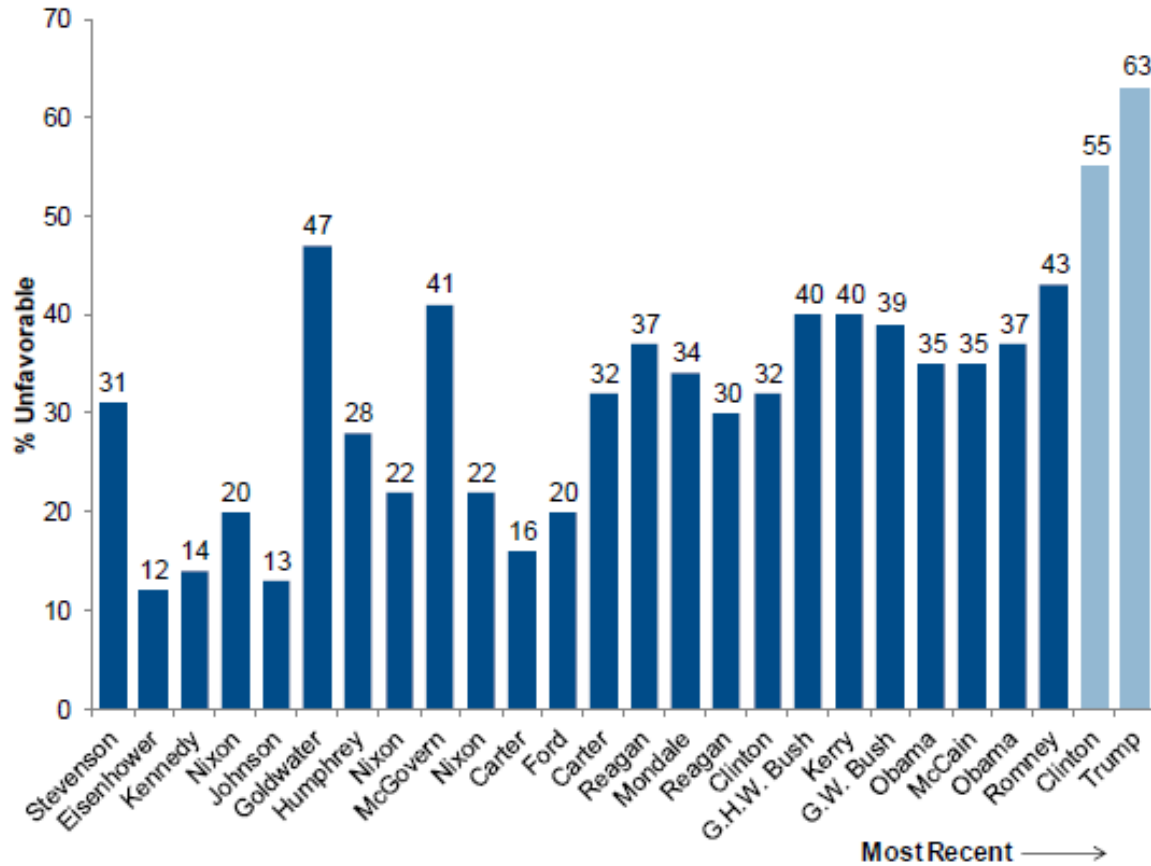
*Welcome to Dr. Sohn's  
Economic Network*



# **PRESIDENTIAL ELECTION 2016**



## Unfavorable Ratings





# Uncertainty



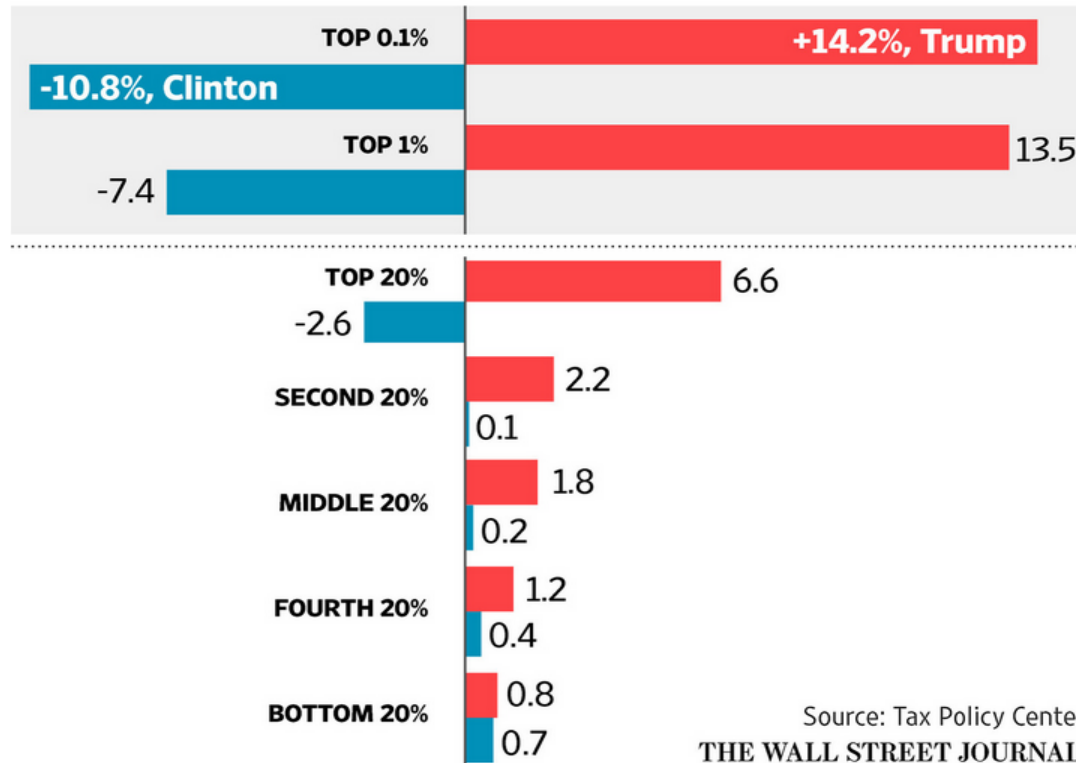


**Campaign Ended**  
**Reality Begins**

## Trump's Tax Plan: Supply-side Incentives

### Percentage change in after-tax income

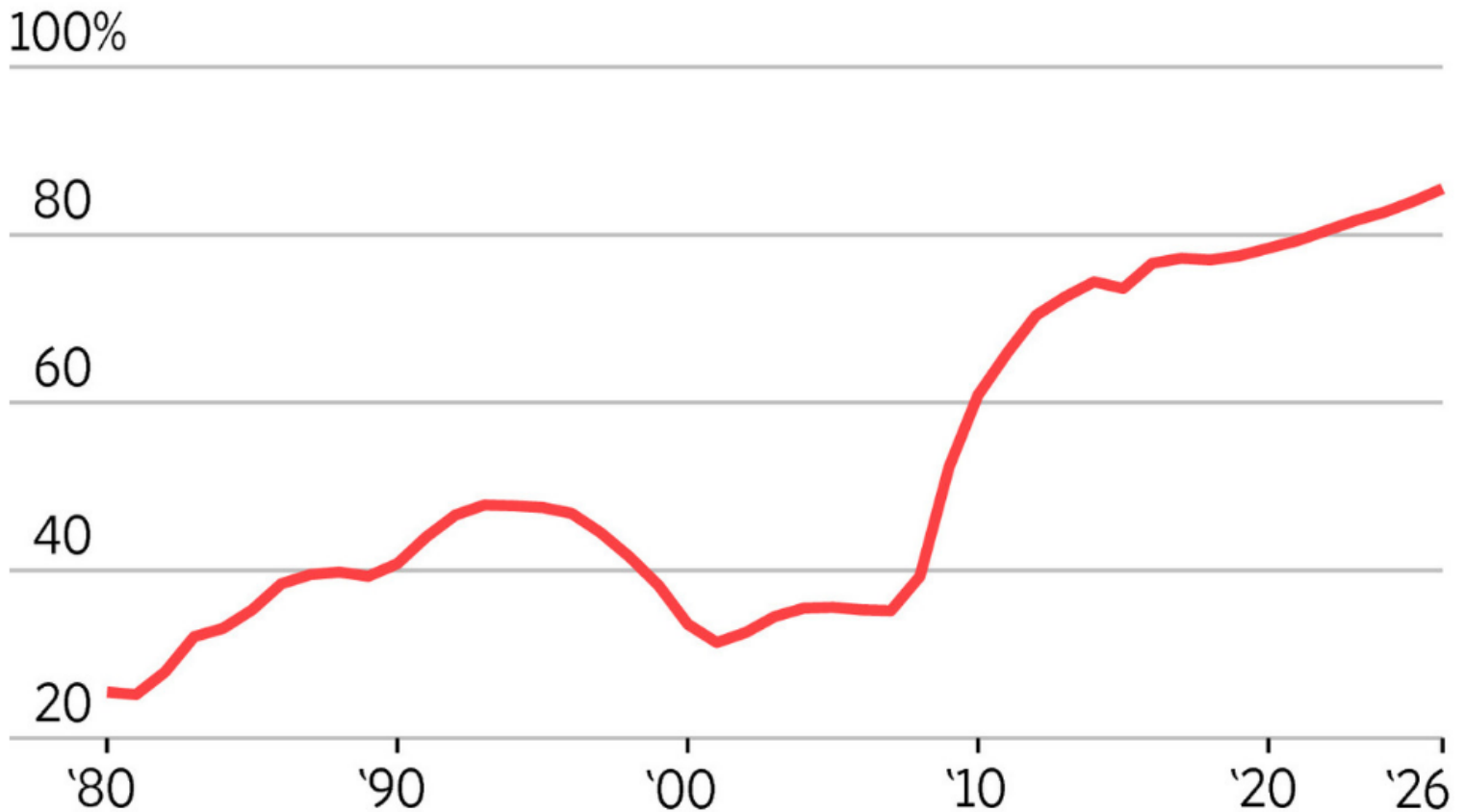
by candidate's tax plan and income level (2017)



Source: Tax Policy Center  
THE WALL STREET JOURNAL.

## Federal Debt % GDP

Federal debt held by the public as a share of the economy, 1980-2026 (2016-2026 estimated)



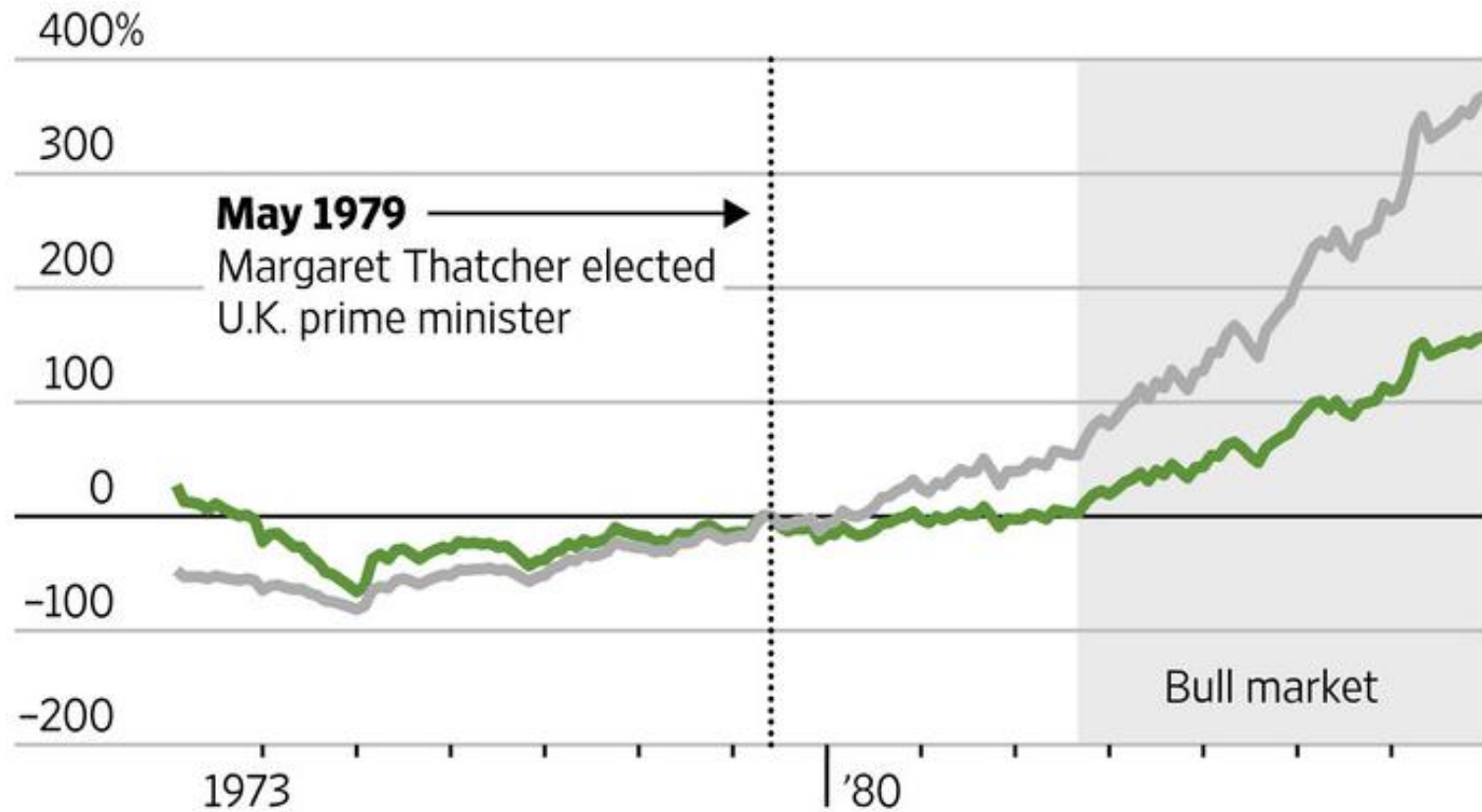
Source: Congressional Budget Office



## U.K. Equities Total Return

■ Real terms

■ Nominal







## Sources of Growth

- Infrastructure
- Corporate Tax Reform
  - Regulation



## Less Regulation

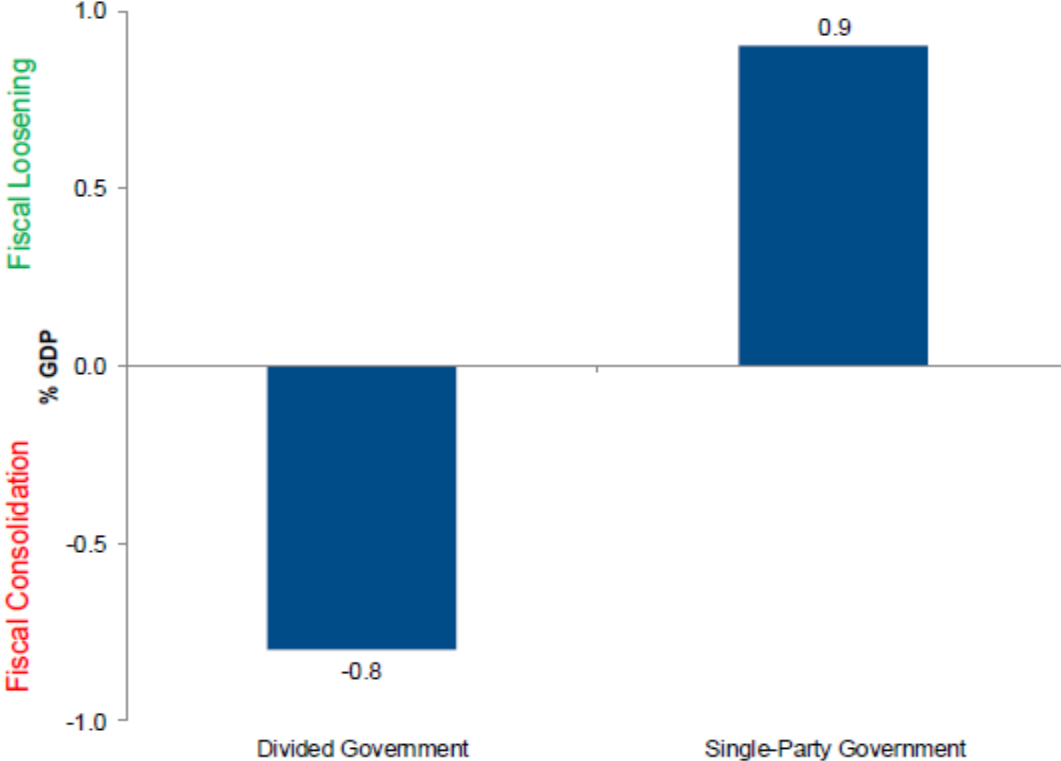
- Healthcare
- Energy
- Finance
- Wage



# Limits On Trump Plan

# Single or Divided Gov't on GDP

Avg since 1962



# Biggest Worry





## Export-led Growth

- **Reduced Poverty**
  - **Agriculture**
  - **Technology**





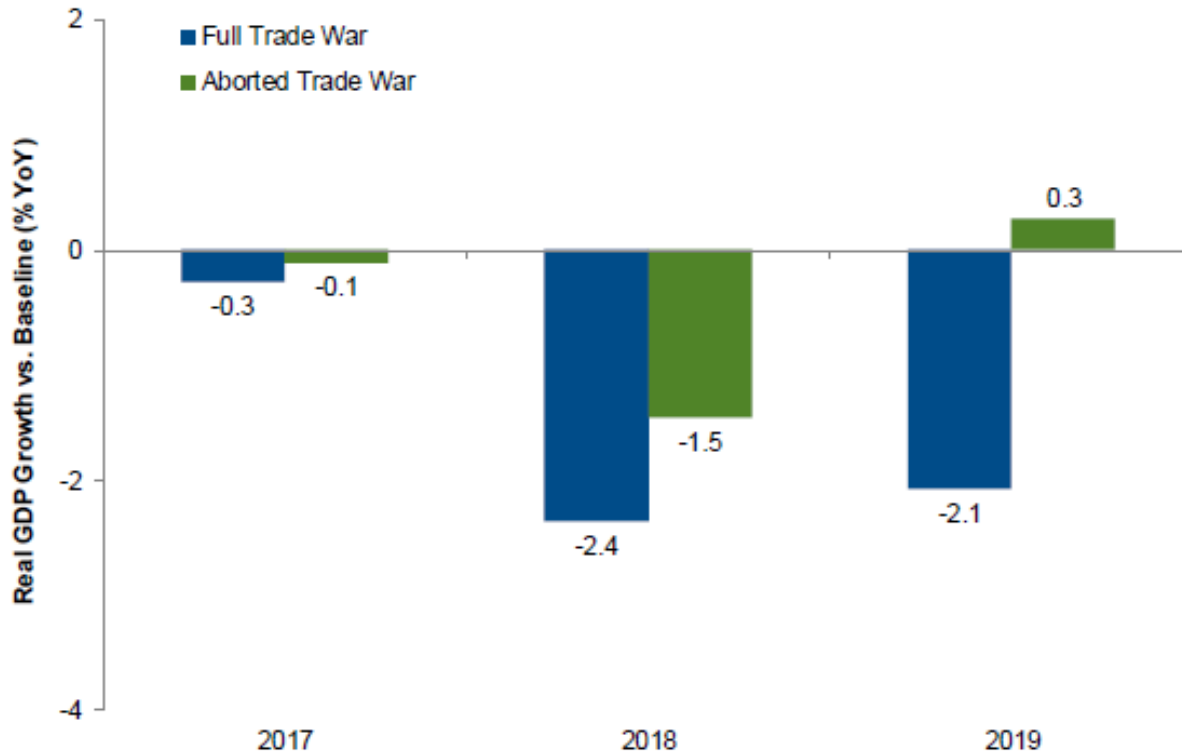
# Trump on Trade

## Isolationism

## Presidential Powers on Foreign Commerce

Name of statute	Authorization trigger	Presidential powers
<b>Trade agreements</b>		
NAFTA Implementation Act of 1993	Proclamation of tariffs	Proclaim return to MFN tariffs on imports from Canada and Mexico
	Maintain reciprocal concessions with Mexico and Canada	Proclaim additional duties following consultations with Congress
<b>Limited statutes</b>		
Trade Expansion Act of 1962	Finding of an adverse impact on national security from imports	Impose tariffs or quotas as needed to offset the adverse impact
Trade Act of 1974	Large and serious US balance-of-payments deficit	Tariffs up to 15 percent, quantitative restrictions, or both for up to 150 days
Trade Act of 1974	Foreign country denies the United States its FTA rights or carries out practices that are unjustifiable	Retaliatory actions, at presidential discretion, including tariffs and quotas
<b>Almost unlimited statutes</b>		
Trading with the Enemy Act of 1917	During time of war	All international commerce, plus the power to freeze and seize foreign-owned assets
International Emergency Economic Powers Act of 1977	National emergency	All international commerce, plus the power to freeze foreign-owned assets

## Impact of Trade War on Growth



Full Trade War: Permanent imposition of 35% tariff on Mexico, 45% tariff on China; they respond symmetrically.  
Aborted Trade War: Tariffs removed after one year. Source: Peterson Institute

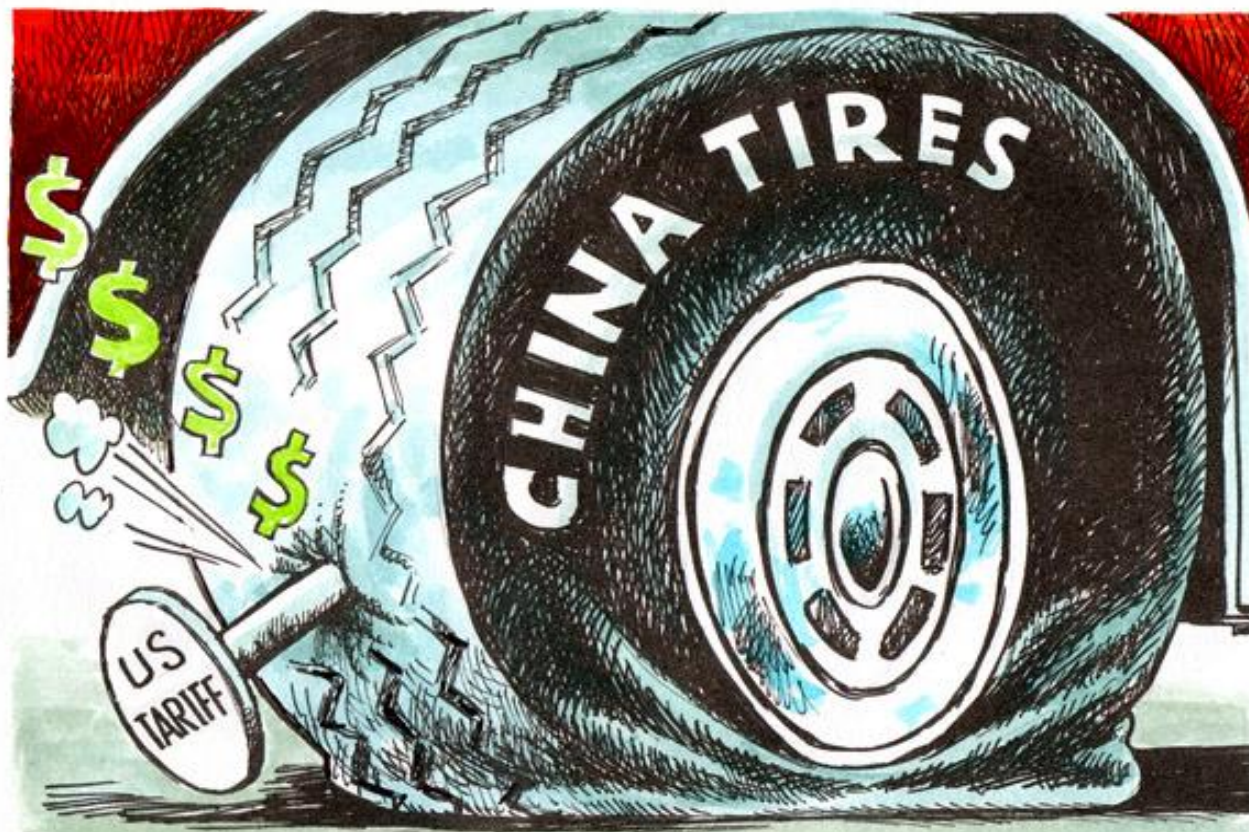


# Lower Income Groups

**Buy More Imports**

**Job Losses**

## Obama Tariff on Chinese Tires



DAVE GRANLUND © [www.davegranlund.com](http://www.davegranlund.com)



## Obama Tariff on Tire

- Saved 1,200 jobs
- \$900,000/job

Source: Peterson Institute



# Less Trade

Market Power

Oligopoly

(Sugar)



# Problem w/ Free Trade

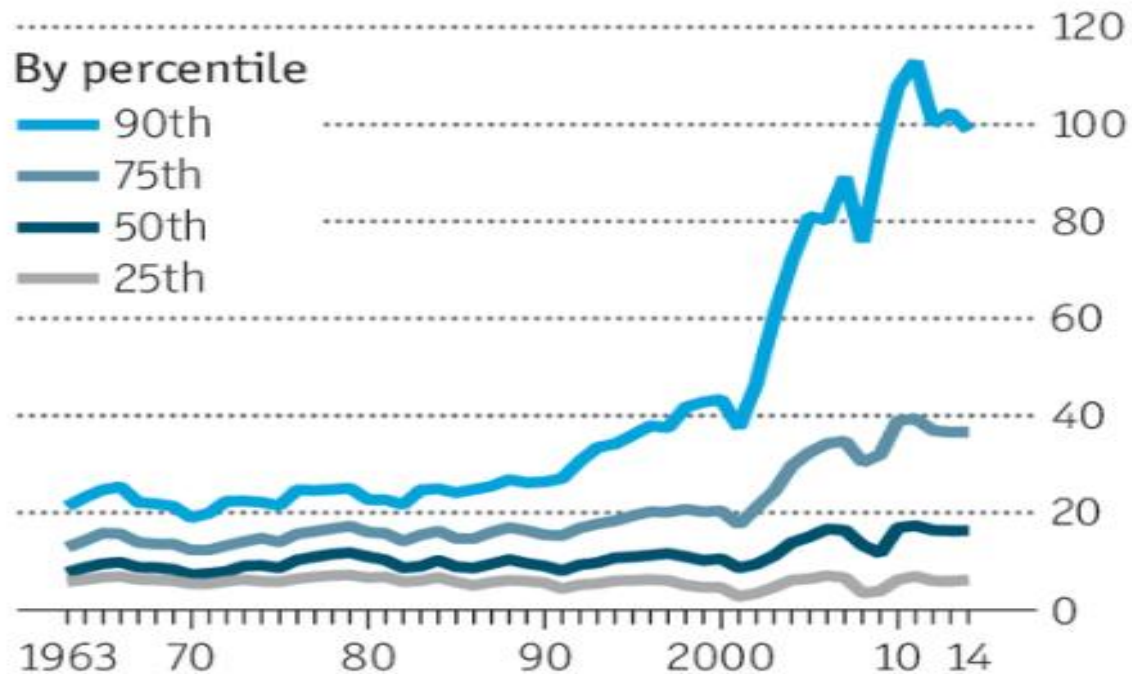
Winners

Losers



# Winners

## U.S. Public Non-financial Firms: ROE %



Sources: McKinsey Solutions;  
Council of Economic Advisers

\*Excluding goodwill

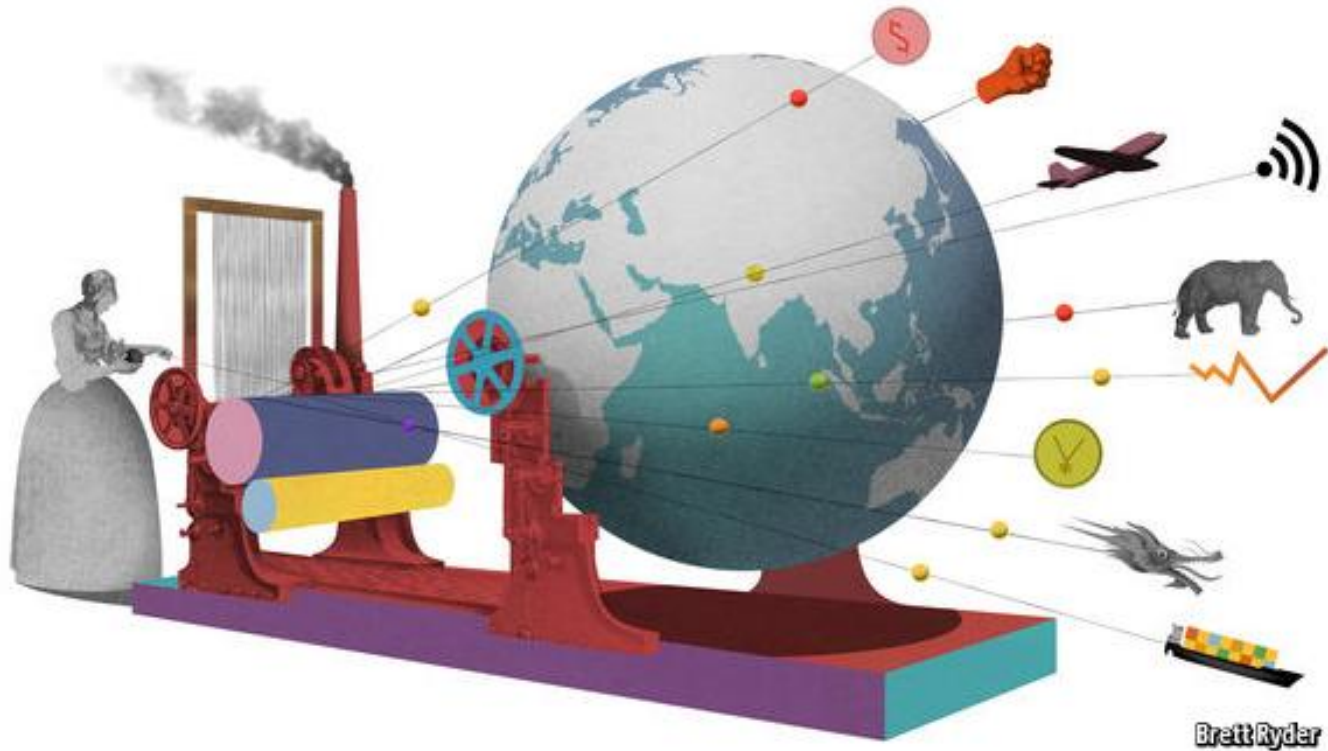


## Little Help for Losers

- 20% Mfg Job Lost to China
  - 0.1% GDP on Training

Source: Peterson Institute

# De-Globalization



Brett Ryder

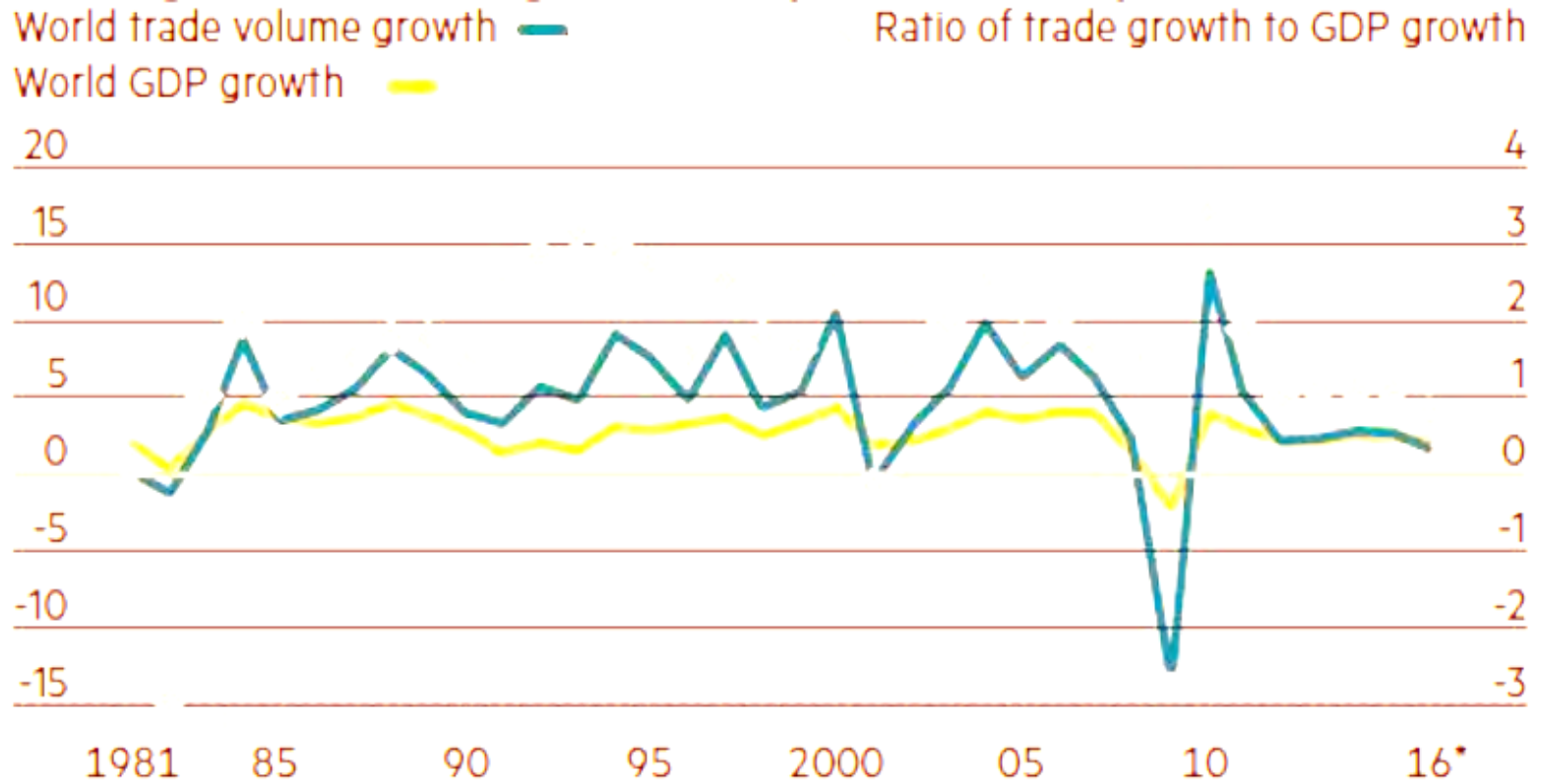


# Protectionism

Predates Trump

Global Recession

## Falling World Trade



\*provisional

Sources: WTO Secretariat for trade, consensus; Global Trade Alert



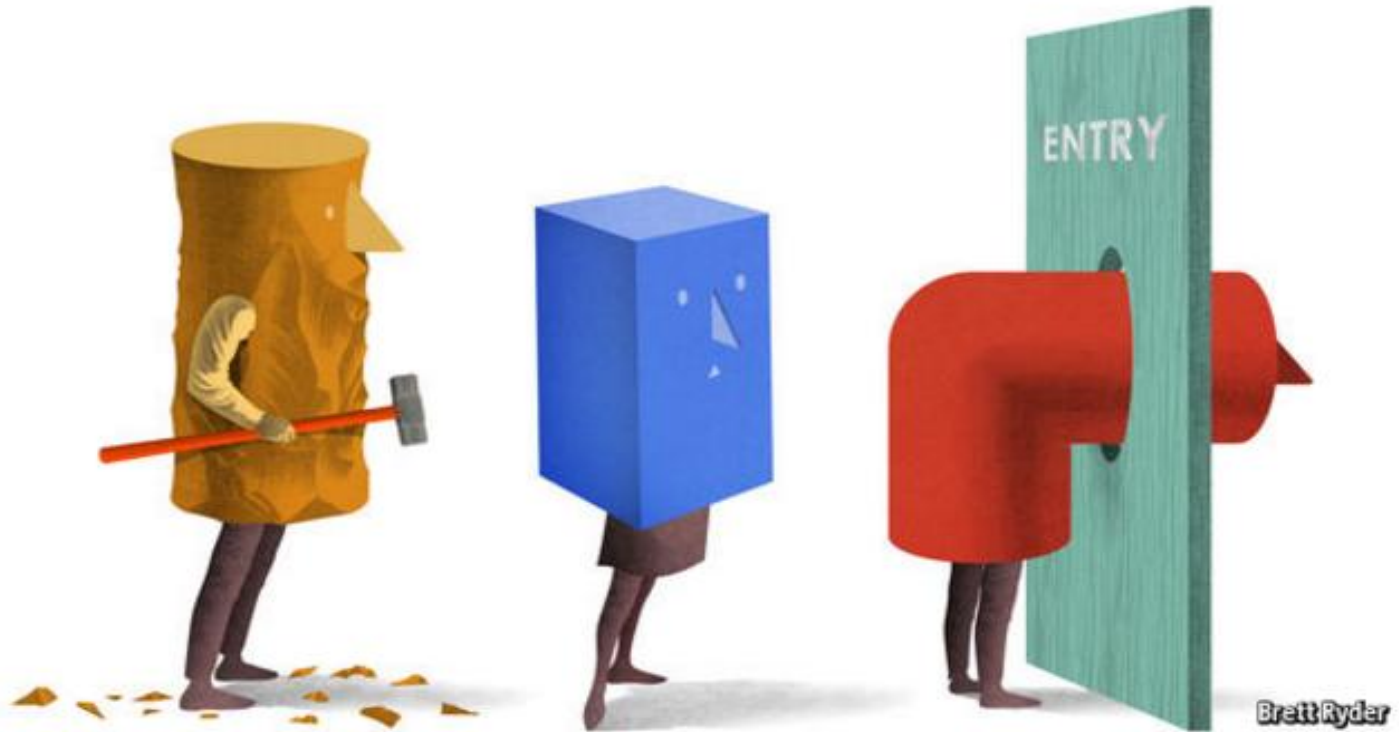
# Populism

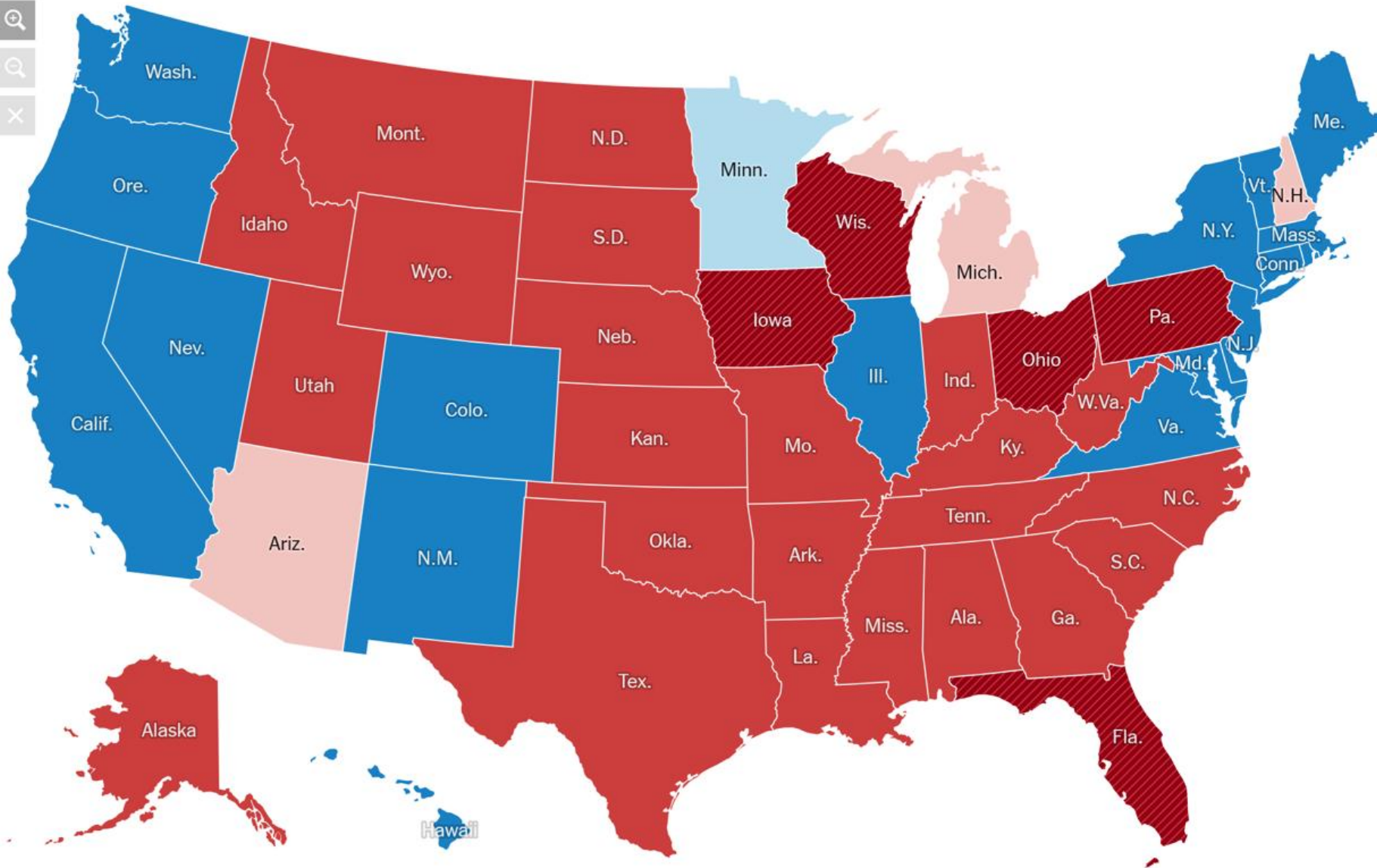
Anti-Establishment

Not Left or Right

Open or Closed

## Immigration Hurdles

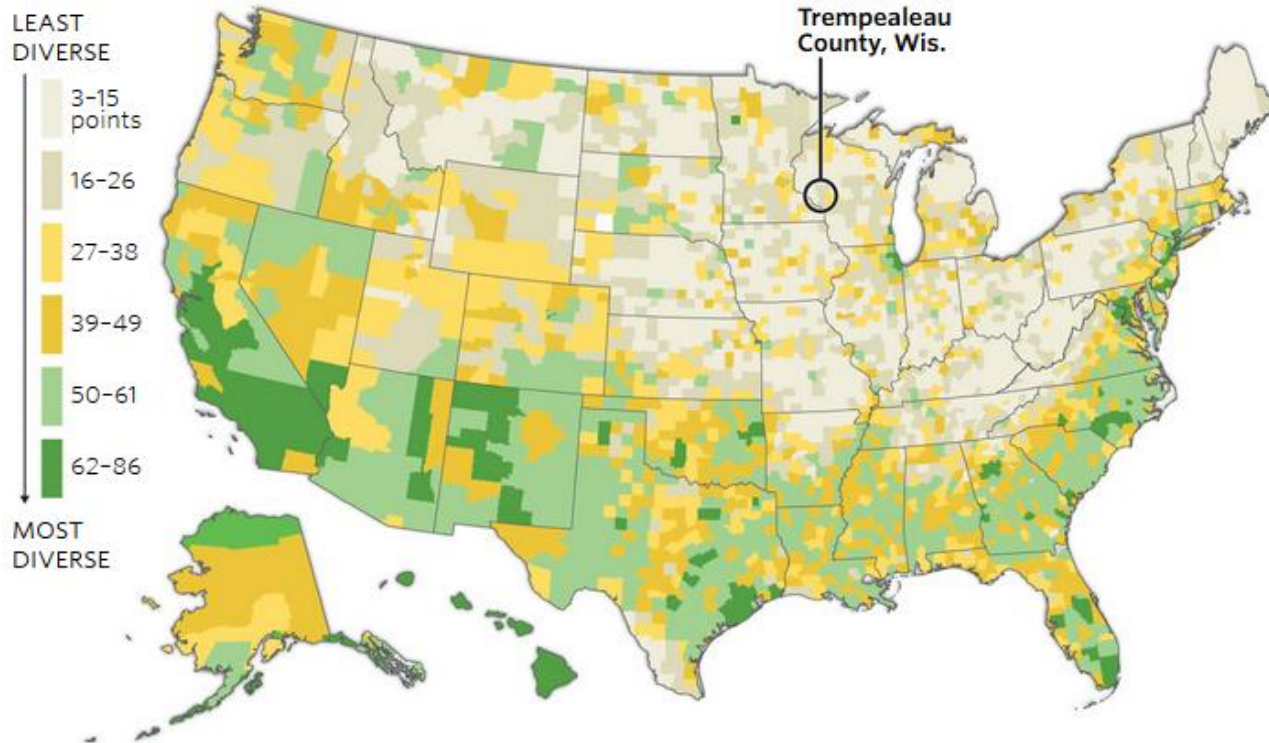






## Diversity in America

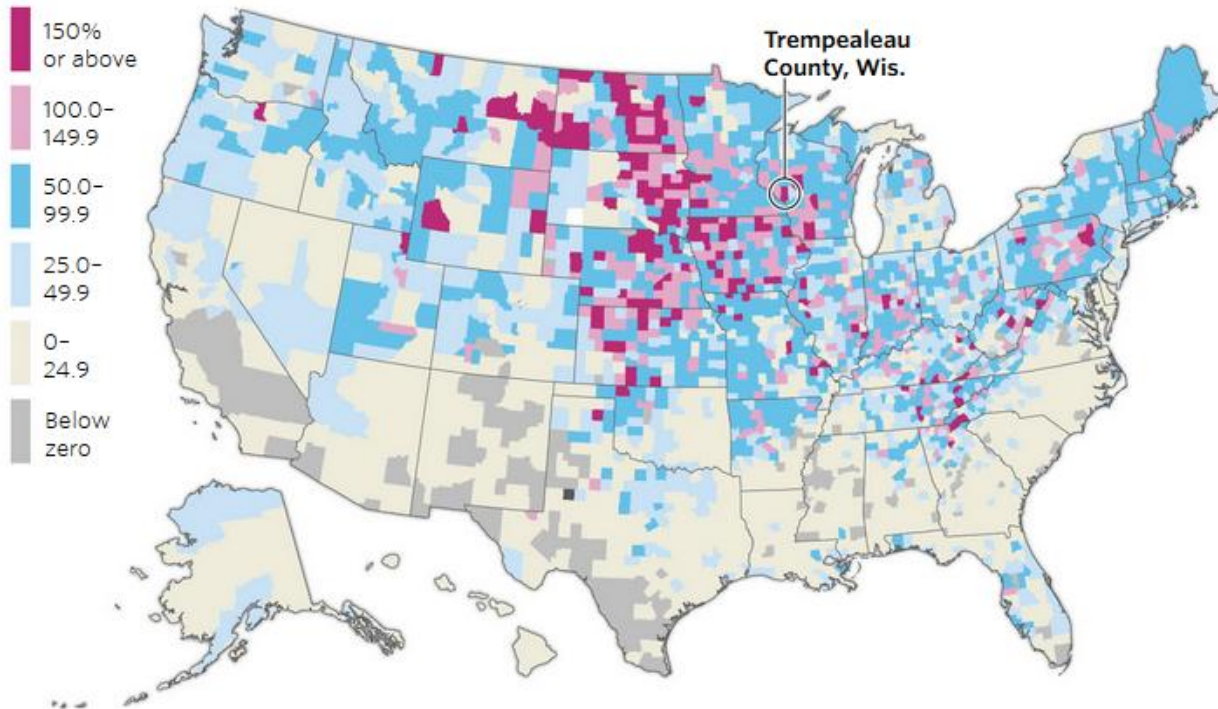
Overall diversity in 2015, based on an indexed measure of racial and ethnic diversity



Source: WSJ calculations based on Census Bureau data

## America's Heartland Become More Diverse

Change in diversity from 2000-15, based on percentage change in an indexed measure of racial and ethnic diversity



## Arcadia's Hispanic Population

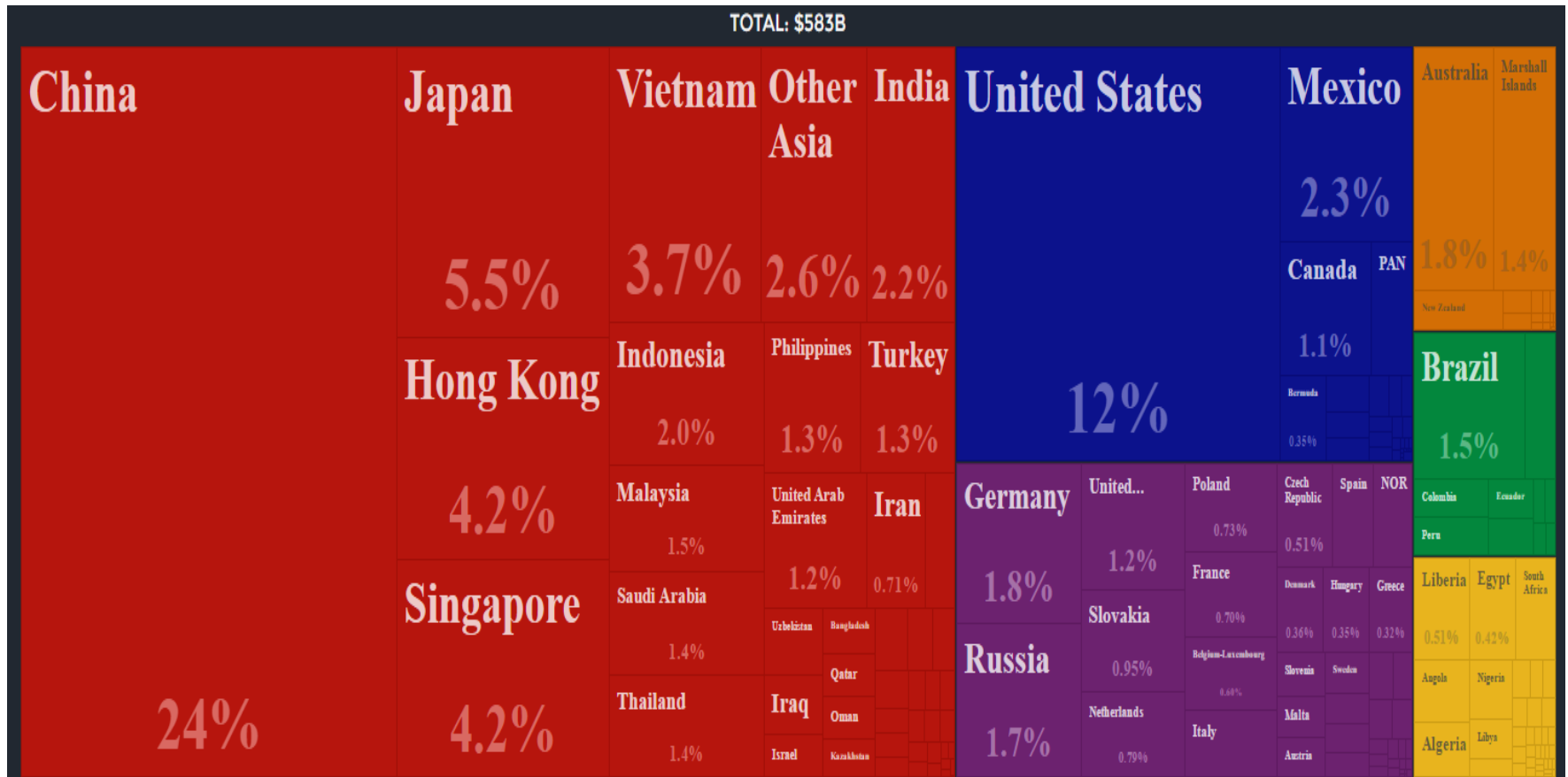


In Arcadia, Hispanics went from being 3% of the population to 35% between 2000 and 2014. The dairy-farming town's population rose from around 2,400 to 3,000. *PHOTO: ANGELA JIMENEZ FOR THE WALL STREET JOURNAL*

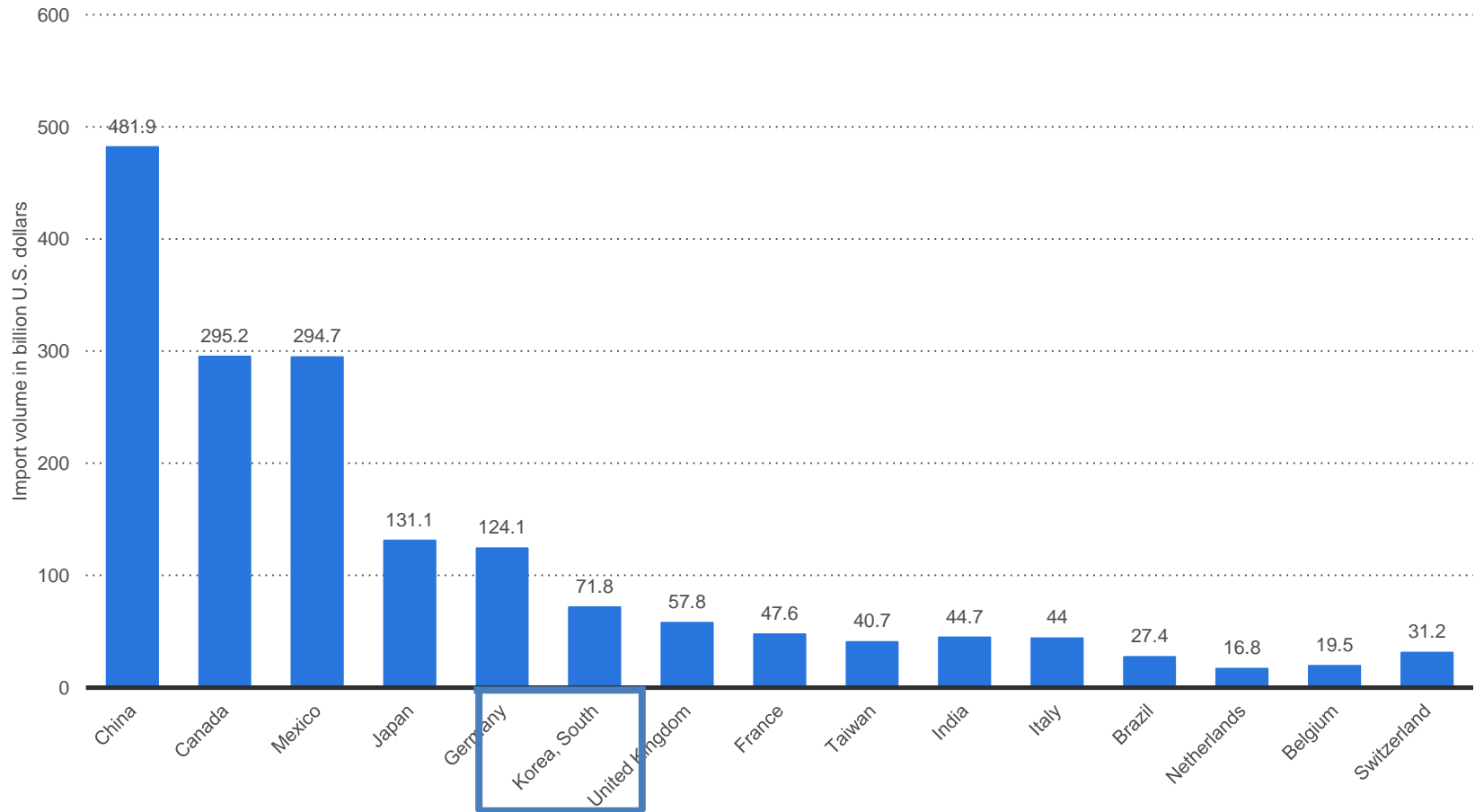
# Korea's Economy

An aerial night view of a city skyline, likely Seoul, South Korea. The image shows a dense cluster of skyscrapers and modern buildings, many of which are illuminated with blue and white lights. A wide, multi-lane road runs through the center of the frame, with light trails from vehicles creating a sense of motion. The background features a body of water and distant hills under a dark sky.

# Top trading partners of South Korea

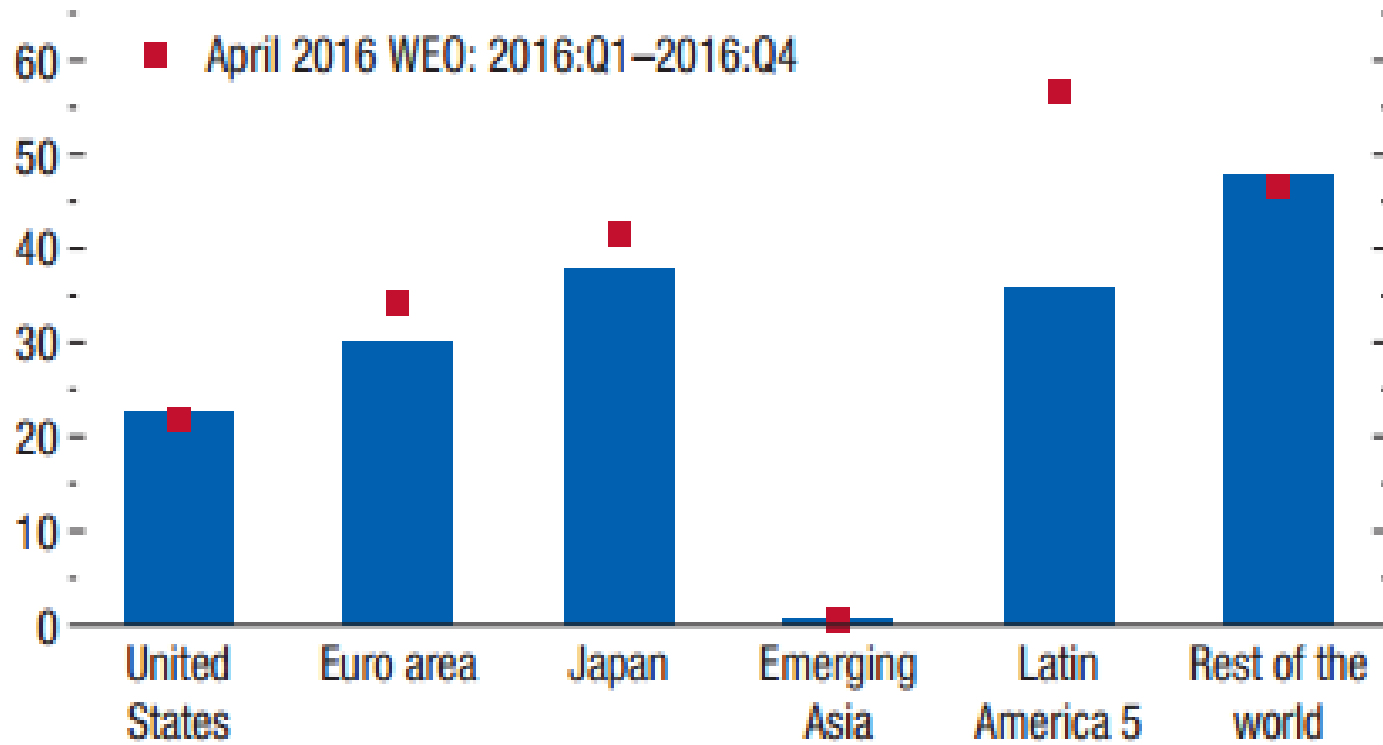


# Top trading partners of the United States for trade goods in 2015(in billion U.S. dollars)



Source: US Census Bureau

## Probability of Recession Through 2017 II



Source: IMF



# Korea's Headwinds

Global Economy

Structural 3D

Trump Factor

Choigate





# Korea's Homework

Response to Trump

S.T. Policy Response

L.T. Policy Response



## B of Korea Response

Household Debt

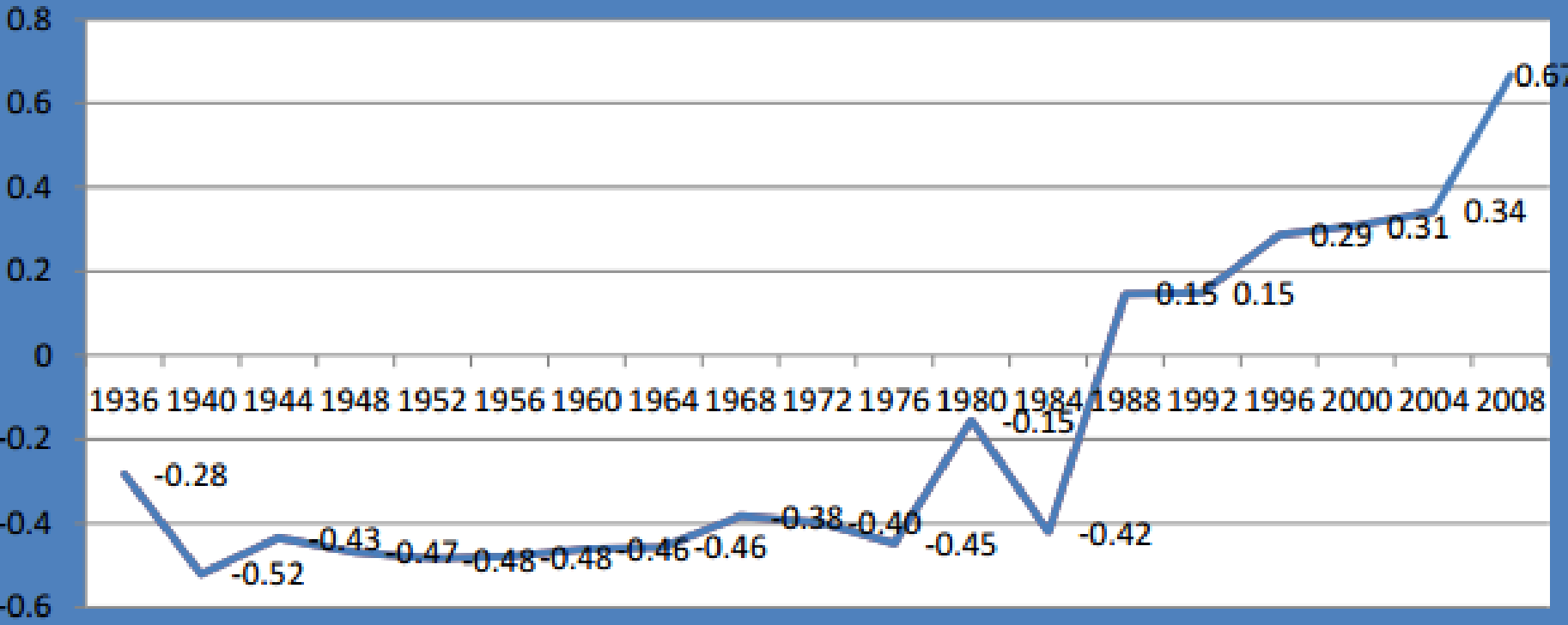
Federal Reserve

Table 1: Summary of Dow Jones Industrial Average (DJI) Around Election Day\*

Year	Election Winner	Party	DJI Before Election*	Election Day	DJI Wednesday	DJI 1-Day Change (%)	DJI Friday	DJI 3-Day Change (%)	DJI Next Friday	DJI 1-Week Change (%)	DJI Next Month (in 21 Trading Days)	DJI 1-Month Change (%)	DJI in 4 Years (in 1000 Trading Days)	DJI 4-Year Change (%)
190	William McKinley	(R)	60.87	11/6/190	62.9	3.33	65.15	7.03	68.19	12.03	65.07	6.90	63.72	4.68
190	Theodore Roosevelt	(R)	66.21	11/8/190	67.07	1.30	68.03	2.75	69.69	5.26	68	2.70	82.22	24.18
190	William Howard Taft	(R)	82.9	11/3/190	84.87	2.38	87.28	5.28	88.38	6.61	86.58	4.44	91.44	10.30
191	Woodrow Wilson	(D)	90.29	11/5/191	91.94	1.83	91.31	1.13	90.09	-0.22	87.88	-2.67	95.05	5.27
191	Woodrow Wilson	(D)	107.21	11/7/191	106.83	-0.35	107.7	0.41	109.62	2.25	106.43	-0.73	76.65	-28.5
192	Warren G. Harding	(R)	85.48	11/2/192	84.99	-0.57	83.48	-2.34	77.56	-9.27	77.3	-9.57	101.96	19.28
192	Calvin Coolidge	(R)	103.89	11/4/192	105.11	1.17	104.9	0.93	108.96	4.88	111.56	7.38	257.13	147.5
192	Herbert Hoover	(R)	257.58	11/6/192	260.68	1.20	263.1	2.12	276.66	7.41	279.79	8.62	61.86	-75.9
193	Franklin D. Roosevelt	(D)	64.58	11/8/193	61.67	-4.51	68.03	5.34	62.96	-2.51	60.05	-7.01	182.25	182.2
193	Franklin D. Roosevelt	(D)	176.67	11/3/193	180.66	2.26	181.6	2.79	182.65	3.38	180.97	2.43	132.45	-25.0
194	Franklin D. Roosevelt	(D)	135.21	11/5/194	131.98	-2.39	136.6	1.06	134.74	-0.35	130.33	-3.61	148.87	10.10
194	Franklin D. Roosevelt	(D)	147.92	11/7/194	147.52	-0.27	148.1	0.11	145.77	-1.45	149.23	0.89	188.28	27.29
194	Harry S Truman	(D)	189.76	11/2/194	182.46	-3.85	178.4	-6.00	176.01	-7.25	175	-7.78	265.83	40.09
195	Dwight D. Eisenhower	(R)	270.22	11/4/195	271.29	0.40	273.5	1.20	274.44	1.56	282.05	4.38	490.18	81.40
195	Dwight D. Eisenhower	(R)	495.36	11/6/195	491.14	-0.85	485.3	-2.02	480.66	-2.97	492.73	-0.53	587.30	18.56
196	John F. Kennedy	(D)	597.62	11/8/196	602.25	0.77	608.6	1.84	603.61	1.00	605.16	1.26	876.20	46.61
196	Lyndon Johnson	(D)	875.5	11/3/196	873.81	-0.19	876.9	0.16	874.1	-0.16	870.78	-0.54	950.65	8.58
196	Richard Nixon	(R)	946.23	11/5/196	949.47	0.34	959	1.35	963.7	1.85	977.69	3.32	930.46	-1.67
197	Richard Nixon	(R)	984.8	11/7/197	983.74	-0.11	995.3	1.06	1005.57	2.11	1033.26	4.92	937.00	-4.85
197	Jimmy Carter	(D)	966.09	11/2/197	956.53	-0.99	943.1	-2.38	927.69	-3.97	946.64	-2.01	959.90	-0.64
198	Ronald Reagan	(R)	937.2	11/4/198	953.16	1.70	932.4	-0.51	986.35	5.24	970.48	3.55	1195.89	27.60
198	Ronald Reagan	(R)	1229.24	11/6/198	1233.22	0.32	1219	-0.84	1187.94	-3.36	1170.49	-4.78	2183.50	77.63
198	George Bush	(R)	2124.64	11/8/198	2118.24	-0.30	2067	-2.71	2062.41	-2.93	2141.71	0.80	3200.88	50.66
199	Bill Clinton	(D)	3262.21	11/3/199	3223.04	-1.20	3240	-0.68	3233.03	-0.89	3276.53	0.44	6059.19	85.74
199	Bill Clinton	(D)	6041.67	11/5/199	6177.71	2.25	6220	2.95	6348.03	5.07	6437.1	6.55	10271.72	70.01
200	George W. Bush	(R)	10977.21	11/7/200	10907.06	-0.64	10603	-3.41	10629.9	-3.16	10617.36	-3.28	10137.05	-7.65
200	George W. Bush	(R)	10054.39	11/2/200	10137.05	0.82	10388	3.31	10539	4.82	10585.12	5.28	8519.21	-15.2
200	Barack Obama	(D)	9625.28	11/4/200	9139.27	-5.05	8944	-7.08	8497.31	-11.72	8635.42	-10.28	13077.34	35.86

\* DJI closing price of the day just before election results were revealed, which was Monday before 1980 and Tuesday since 1984.

# Evolution of Correlation between DJI Change after Election Day and GDP Growth of Past 10 Administrations





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