

President 'Id' or President 'Super-Ego'?

By Kerry Pechter Thu, Sep 29, 2016

About Monday's presidential debate: It's irresponsible for a candidate to stoke anxieties, to inflate them like toy balloons and leave them hanging in the air, without demonstrating a grasp of the underlying problems, or offering specific solutions to them.



Ideally, I'd like to hear the voice of a healthy adult ego from a presidential candidate—a succinct, pragmatic, circumspect voice of reason, confident but self-effacing. During Monday night's debate we heard the voice of an unfettered id on the one hand and the voice of an ultra-disciplined superego on the other.

Neither struck the desired tone, but of those extremes—id or superego—only one is suited to assume the transcendent POTUS position. I predict that a majority of voters would rather see a parental figure in the White House than a temperamental child. Or maybe not. We'll know by November 9.

Freudian analogies aside, the candidates' comments about money absorbed all of my attention. Trump, the Houdini of debt, had much more to say about debt, income, trade deficits and taxes than Clinton. My favorite of his zingers: A twofer suggestion that the stock market will crash if the Fed raises rates and the Fed chair isn't raising rates for political reasons. Here's the quote:

Trump: Look, we have the worst revival of an economy since the Great Depression. And believe me: We're in a bubble right now. And the only thing that looks good is the stock market, but if you raise interest rates even a little bit, that's going to come crashing down. We are in a big, fat, ugly bubble. And we better be awfully careful. And we have a Fed that's doing political things. This Janet Yellen of the Fed. The Fed is doing political — by keeping the interest rates at this level.

He's accusing Yellen of conspiracy to suppress interest rates so that the economy looks good for Democrats during the pre-election period. That's old hat. More interesting to me was the prediction that the stock market will crash if rates go up "even a little bit." Trump scores a point for voicing what many fear (but are afraid to say in public). He loses a point for not saying what as president he might do about it—other than seize the opportunity to

buy blue chip stocks at steep discounts. If Trump is right, and Boomers really are within a quarter-point of losing a big chunk of their retirement savings, maybe we should start taking profits off the table? Maybe we should lock those profits into annuities.

The next eyebrow raiser: Trump's income and his taxes. According to him, he earned \$694 million last year. That's more than four times what Taylor Swift earned, according to *Forbes*, and almost nine times what LeBron James earned. Impressive. As for him being "smart" for paying no federal taxes when he applied for a state casino license, I wonder if he means to lead by example.

Trump: The income is filed at \$694 million for this past year; \$694 million. If you would have told me I was going to make that 15 or 20 years ago, I would have been very surprised.

Clinton: He had to turn [his tax returns] over to state authorities when he was trying to get a casino license, and they showed he didn't pay any federal income tax.

Trump: That makes me smart.

The U.S. became a net debtor nation for the first time about 35 years ago, and I applaud Trump for calling attention to our trade deficit. Here's what he said:

Trump: We have a trade deficit with all of the countries that we do business with, of almost \$800 billion a year.

But the chronic trade deficit is a complex topic, not material for a snappy one-liner. Trump sees the trade deficit as a sign that other countries are beating us. It's more complicated than that.

The U.S. dollar is the world's reserve currency. Decades ago we struck a bargain with the rest of the free world: We'll buy your products if you'll take our dollars. In purchasing power, this gives us a so-called "exorbitant privilege." It also promotes capitalism, democracy and, in combination with our military power, stability abroad. So Trump should take a history lesson or two before making provocative statements like the following.

Trump: the 28 countries of NATO, many of them aren't paying their fair share. Number two—and that bothers me, because we should be asking—we're defending them, and they should at least be paying us what they're supposed to be paying by treaty and contract.

Trump: we pay approximately 73% of the cost of NATO. It's a lot of money to protect other

people.

On the equally complex subject of the national debt, a president needs to understand that U.S. sovereign debt isn't like personal debt. Trump said outside the debate that he'd consider resolving the debt by buying back U.S. Treasuries from our creditors (of whom I am one). But this shows that he doesn't understand sovereign debt. Last Monday night he said:

Trump: When we have \$20 trillion in debt, and our country's a mess, you know, it's one thing to have \$20 trillion in debt and our roads are good and our bridges are good and everything's in great shape, our airports. Our airports are like from a third world country.

Trump: We owe \$20 trillion, and we're a mess. We haven't even started. And we've spent \$6 trillion in the Middle East, according to a report that I just saw. Whether it's \$6 or \$5, but it looks like it's \$6, \$6 trillion in the Middle East, we could have rebuilt our country twice.

Trump: We're a debtor nation. We're a serious debtor nation. And we have a country that needs new roads, new tunnels, new bridges, new airports, new schools, new hospitals.

Trump: Our country is losing so much in terms of energy, in terms of paying off our debt. You can't do what you're looking to do with \$20 trillion in debt.

Trump: Look, we owe \$20 trillion. We cannot do it any longer, Lester.

But our \$20 trillion in debt doesn't mean that the U.S. is broke. (The U.S. "can't run out of money," it's been said, "any more than a scoreboard can run out of points.") Owners of U.S. Treasuries regard them, obviously, as assets—as "cash equivalents." They are fully liquid, selling at par or even above par, if you factor inflation in. Banks and sovereign countries hold them as reserves, in lieu of gold. A "deal" to buy back the debt would be appropriate only if it were illiquid and the price were depressed. Neither is true today, and shows no sign of being true tomorrow.

Trump's willingness to raise sensitive topics like the national debt, the trade deficit, Fed policy, interest rates, profit repatriation and the cost of NATO is refreshing and welcome. In doing so, he addresses legitimate middle-class anxieties. These topics are too often missing from policy debates. That audacity helps explain his popularity. But audacity isn't enough. It's irresponsible for a prospective president to stoke anxieties, to inflate them like toy balloons and leave them hanging in the air, without demonstrating a grasp of the underlying problems, or offering specific solutions to them.

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