

Economists think Trump harmed the world economy, but not that of their country



On November 8th 2016, I was in Mexico City having dinner with a group of people. Suddenly, the person sitting across from me started receiving an unconscionable number of emails, messages, and calls on two devices simultaneously. As the polls from the American presidential election became public, this person had to leave the dinner to field the incoming flow of alarmed inquiries from international investors, who had just committed a substantial sum of money to a project under this person's management. If I recall correctly, the Mexican peso had lost about 20 per cent of its value against the US dollar *during that dinner* – hence the investors' nervousness. That was, as far as I can tell, the world's first economic impact of Donald Trump's presidency. What about the impact after one year in office?

Since before taking office on January 20th 2017, President Trump has been sending shock waves through policy circles, and his administration has been rather eventful. The President's every statement (and tweet) is routinely scrutinised and the world has had much to say about him, his style, and his political positions.

Among the most contentious of President Trump's political positions is his economic strategy – sometimes called Trumponomics. Trumponomics pursues growth through a combination of personal and corporate tax reduction and fiscal stimulus, particularly on infrastructure and defense. The other major pillar is the renegotiation of international trade deals to protect American companies and jobs.

The German economic research group *CESifo* included a special section of its latest quarterly World Economic Survey ([WES](#)) on how the Trump administration is doing, in terms of key economic policy outcomes, both domestic and international. The WES assesses global economic trends by polling over 1,000 economic experts in 120 countries (including the author of this piece) on the current economic issues and outlook for their own countries. This is what they said. (*All the data mentioned below are taken from the WESQ4/2017 report.*)

Trumponomics at one

Table 1 indicates the percentage of American and international economic experts who assessed that the Trump presidency has had a positive, negative or negligible effect on eight key economic policy domains in the U.S..

Most experts concur that Trump's performance with respect to environmental protection and social justice is negative. The withdrawal of the U.S. from the Paris Climate Agreement surely had an impact on this observation. On the other hand, the plans of a tax reform that would allegedly [help 'normal Americans'](#) were still being discussed at the time when the WES data were collected. So, it probably played only a minor role on the responses.

Many experts were also critical of Trump's performance on health care – probably due to the high profile campaign to repeal Obamacare that has often dominated the political debate in the first year. More than half of the American experts also believe that the Trump presidency has been unable to strike trade deals that are beneficial to the U.S., perhaps [due to the decision](#) to leave the Trans-Pacific Partnership within few days of taking office. International experts were much less negative in this respect.

Table 1. Assessments of the influence of the Trump administration on domestic policy outcomes

	U.S. experts			World experts		
	Positive	Ineffective	Negative	Positive	Ineffective	Negative
Social justice	7.1	25.0	67.0	2.3	39.2	58.4
Health care system	3.7	48.1	48.1	1.9	48.1	49.9
Employment	8.0	84.0	8.0	7.6	80.5	11.7
Favourable business climate	37.0	51.8	11.1	7.8	64.1	27.9
Beneficial trade deals for the U.S.	0.0	46.1	53.8	3.6	60.9	35.4
Environmental protection	3.4	34.4	62.0	1.2	30.5	68.1
Minimising red tape	28.0	68.0	4.0	3.8	81.2	14.8
Prevention of illegal immigration	11.1	70.3	18.5	9.6	64.3	25.9

Source: ifo World Economic Survey (WES) IV/2017

On the positive side, according to most American experts, the first year of Trumponomics has reduced bureaucracy and improved the business climate as a whole. This attitude probably explains the [record performance](#) of the stock market. International experts, however, failed to highlight the same gains and consider the Trump Administration inconsequential in both respects.

After one year in office, the domestic economic policy the Trump Administration is judged negatively by economic experts. Interestingly, however, American experts are less negative than international ones.

Trump and the world economy

With an economy worth \$18 billion, equivalent to [24.3 per cent](#) of the world GDP, the U.S. is by far the largest economy in the world. As such, its policies are bound to have major repercussions on other countries too.

The WES also investigated the influence of the Trump administration on three key areas of international policy (table 2). While there are some differences in the exact percentages of American and international respondents, the overall results are very consistent. The balancing of international trade is perceived to have been not much affected by most, while many also say it was affected negatively. A large majority of American experts (and somewhat fewer international ones) also state that the Trump Administration has negatively influenced both peace and security and cooperation in multilateral forums and international organizations. So, in terms of international economic policy American experts are more critical than international ones.

The winners and losers of Trumponomics

Finally, the experts were asked about the impact on their own country (figure 1). Negative impact was pointed out by the majority of the respondents in traditionally rival countries, like Iran, Russia, and Saudi Arabia, but also in traditional allies, like Canada and Mexico, which are U.S. neighbours and co-members of the North American Free Trade Agreement. Indeed, the NAFTA is being [renegotiated](#) under less than ideal auspices.

When asked directly about their opinion of the overall impact of the Trump Administration, 73.7 per cent of the experts said that it was negative for the world economy. Interestingly, however, only 42.3 per cent said that it had a negative effect on their own country.

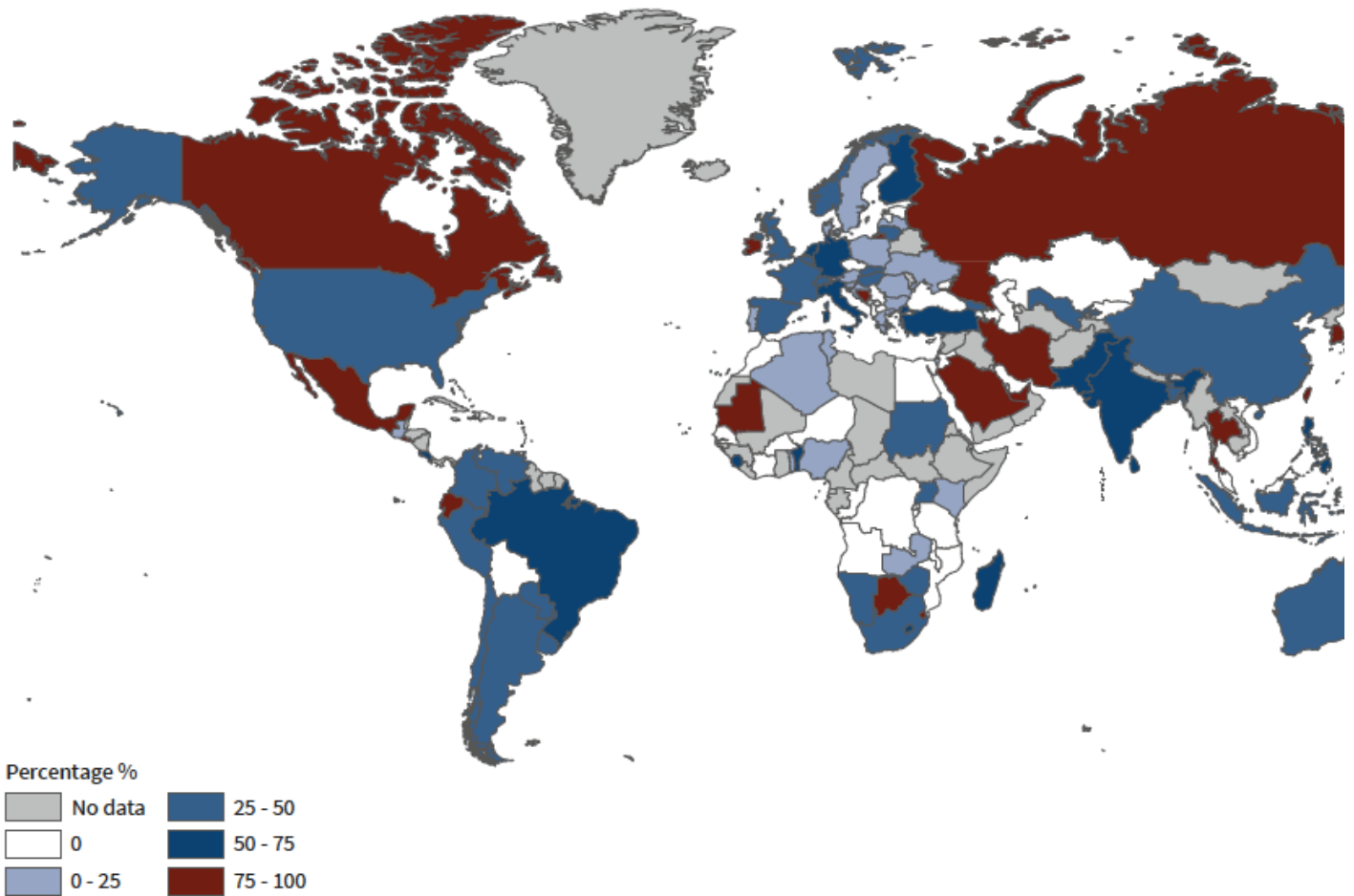
Table 2. Assessments of the influence of the Trump administration on international policy outcomes

	U.S. experts			World experts		
	Positive	Ineffective	Negative	Positive	Ineffective	Negative
Balancing international trade	4.1	54.1	41.6	2.6	63.6	33.7
International cooperation in multilateral organisations	0.0	18.5	81.4	1.8	38.8	59.2
Peace and security	0.0	29.6	70.4	2.3	37.0	60.7

Source: *ifo World Economic Survey (WES) IV/2017*

During his first year in office, President Trump has often been portrayed as a divisive figure. Surely, this image will have affected the experts' assessment of the economic performance of his Administration. No doubt, such assessment is overall negative. However, those who would seem closer to its consequences (i.e., international experts for international policy and Americans for domestic policy) are somewhat less critical.

Figure 1. Percentage of experts stating that the Trump administration had a negative impact on their country



Source: *ifo World Economic Survey (WES) IV/2017*



Notes:

- This blog post is based on Boumans, Dorine, Tobias Schuler and Christoph Zeiner, “ifo World Economic Survey November 2017”, *ifo World Economic Survey* 16 (4), 2017, 01–24 | [Details](#) | [PDF Download](#)
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