



## What has happened to the USA?

### **Oxford Analytica Client Conference Call summary – September 12, 2017**

---

The world has never seen a US presidency the like of Donald Trump's; the insurgent candidate has become the anti-system president. Eight months into office, he still confounds and concerns allies and adversaries alike at home and abroad. But is Trump an aberration or a harbinger of presidencies to come – an outlier or a turning point, and not just in US politics, but in the very notion of America?

Unlike other nations, the United States is not bound by blood, culture, or language, but is a construct built on notions such as the rule of law, individual equality and liberty, and the belief that with enterprise and hard work any citizen can, in the words of Abraham Lincoln, improve their 'lot in life, and thereby the lot of us all'.

But does the reality match the myth anymore, and if not, why not? What will a new United States look like when technological, economic, and demographic change is rapid and disruptive? When identity and celebrity politics exacerbate institutional fragmentation and distrust? When social media is pervasive and so corrosive of truth? When economic nationalism is on the march with populism in the vanguard, and challenges from China, Russia and a host of regional powers are rising?

### **A weakening presidency, social disruption and governmental dysfunctionality**

---

One trend to note is that the power of the presidency is diminishing. This is true particularly of the incumbent, Donald Trump, who is having his greatest effect by benevolent neglect in regulation and by 'light-touch' appointees. Within the diminishment of the power of the presidency, Congress has set out very deliberately to weaken Trump's position by reducing his capacity to lift sanctions, encouraging bills to protect the powers of the special investigator on the Russia probe, Robert Mueller, and reining in the War Powers Act. The recent debt deal between Trump and the Democrats in Congress marks a remarkable shift away from Trump's party, the Republicans, while his demands to include funding for a US-Mexico border wall in any debt ceiling deal have been abandoned.

A second significant trend is the great disruption within American society; America is notably divided generationally and by race, region, religion, and party. The scale of this conflict is difficult to imagine, having grown markedly in the last eight to nine years under the Obama administration. This is not to claim that Obama's presidency is particularly at fault, although crucial turning points can be identified during that period. But we are finding with this presidency, in which the president is a symptom rather than an instigator, that there is a great disruption in terms of ideological, economic and social beliefs. Profound debates have arisen over American identity and membership, generating pockets of working lower- and middle-class White Americans who feel left behind. Although this is not something that can be controlled by a presidency, Trump has been able to mobilize this discontent in his interest.

Finally, a third trend, of government dysfunctionality, predates Trump but has intensified in the last eight months. A lot of the familiar societal landmarks have gone or are under deep duress. All democratic societies rest on a distinction between laws and norms, both of which need to be respected. However, norms are greatly under threat now, including what sorts of things can be said in public, the rules that executive office holders must abide by, and the power of the presidency to pardon people and himself. These are notable changes that are not likely to reach a conclusion in the near future.

Underlining them is a profound change in society where the elite no longer has intellectual control of knowledge and information. Trump brilliantly understands this and has exploited social media to gain a connection with 'ordinary' voters. This strategy was used during the campaign and removed his obligations to the Republican Party and the elite more generally.

Overall, we can anticipate uncertainty, a febrile political atmosphere amid ongoing important investigations, and really no return to 'normal' politics in the short term.

### **US economy and Trump's management style**

---

Several special circumstances aligned in 2016 which aided Trump's election, suggesting that his presidency is an aberration rather than a harbinger of things to come. Trump has been masterful in describing the concerns of an aggrieved middle class: poor job prospects and declining wage growth following the deep recession of 2009-10. While data from 2015-16 indicates improved economic conditions, it has taken two or three years for confidence to return.

Before the deep recession of 2008-2009, 60% of individuals self-identified as part of the middle or upper-middle class, while 36% self-identified as lower or working class. In 2015, the same survey indicated a decline in those who identified as belonging to the middle or upper-middle class to 51%. However, the most recent Gallup survey (June) suggests that these numbers have returned to pre-recession levels, with 62% now claiming to be in the middle or upper-middle class.

A separate Gallup poll indicated that nine out of ten workers are not currently concerned about their jobs being outsourced, while three in five believe that now is a good time to acquire a high-quality job compared to only one in ten during the depths of the recession. This optimism and restoration of confidence might have prevented Trump from being elected had the November 2016 presidential election taken place three months later.

Trump aims to govern as a populist with efficient management and order, such as building a wall, placing tariffs on foreign goods, deporting illegal immigrants and building infrastructure. However, classic conservatives and Republicans are more interested in tax cuts, regulatory and entitlement reform, and balanced budgets. The marriage of convenience between Republicans and Trump is not unified government, but rather coalition government. In the nine months that Trump has been in office, his administration is descending from efficient management and order in the direction of disorder.

As there have been notable improvements in many social and economic indicators, many of Trump's policy objectives face declining public support. For example, the vast majority of Americans are not in favour of building a US-Mexico border wall, deporting young adult unauthorized immigrants given temporary sanctuary under Obama's Deferred Action for Childhood Arrivals (DACA) program, or increasing tariffs and contributing to trade wars.

This has caused a further divide between Trump and the Republican Party. The marriage of convenience is slowly starting to break down.

### **Technology changes, strategic stagnation and peace through strength**

---

When Trump entered his presidency, there was concern that it would mark a new period of isolationism in US foreign policy given the nationalistic rhetoric of Trump's 'make America great again' and 'America first' campaign. Nonetheless, US engagement with the world has essentially been the same from the beginning of this administration as it was under previous administrations.

However, technological advances have fundamentally changed thinking about the foreign-policy implications of security, defence and intelligence both globally and within the United States. The use of drones was at the

forefront of Obama’s counterterrorism campaign, and technology is expected to play a larger role in military operations in coming years through robotics, cyber systems, and autonomous systems.

What we have seen clearly with this administration, just as much, perhaps, as with previous administrations, is that strategic and political thinking about foreign policy is unable to keep up with technological developments. The United States has the capacity and ability to become the leader in alternative ways of thinking about foreign policy, yet much of its strategic rationale seems to derive from past Cold-War mentalities.

This has held the United States back from its ability to develop new and forward thinking foreign policy perspectives. Much of its thinking — including that of the president — remains anchored in the vestiges of the 20<sup>th</sup> century — state-centric with military power and conventional threats at the core.

It is problematic that too many political leaders and practitioners within the elite are unable to let go of thinking about foreign policy through state-centric power politics. The Trump administration’s approach to foreign security and defence policy is rooted in traditional, rather Republican ways of thinking about the world and the United States relationship with it. It places considerable emphasis on projecting American military power, with an old, Reaganesque notion of pursuing ‘peace through strength’. This can be observed in assertiveness of the Trump administration during its first few months, particularly in the use of force through automatic weaponry in Afghanistan, strikes in Syria and the tit-for-tat threats with North Korea.

This is not only occurring against the United States’ adversaries, but also with its closest allies where Washington has taken a more threatening posture towards NATO funding and in the ambiguous US-Russia relationship. There is a risk that these actions and rhetoric could reach a dangerous tipping point, especially on the Korean peninsula.

Trump’s inability to engage coherently in complex matters is a concern in an increasingly fragmented and intricate world. Statements from Trump first appear via Twitter, where it is difficult to convey complexity in 140 characters. In a sense, this is the last hooray of an old generation trying to utilize new technology in a naive way, shooting from the hip, and thereby increasing the probability of misperception in the outside world. Signaling is incredibly important in international security, and Trump is doing so in ways other presidents have not done and without engaging in the full complexities of the situations he faces internationally.

## Q & A Session

---

### **Trump’s promises to manufacturing workers**

Manufacturing jobs in the United States peaked at nearly 20 million in the 1970s, and had declined to 11 million during the recession that followed the 2008 global financial crisis; 1 million manufacturing jobs have since been added back, with a gradual rise expected to continue. However, these jobs will not be in textiles, toys and assembly work, but rather in high-tech manufacturing (power equipment, turbines, high-tech goods and semiconductors) and chemical manufacturing, which has had a shot in the arm from cheap energy. Future US manufacturing will be lean, mean with high-value-added, not low-skilled jobs.

Trump’s promises to save coal mining jobs are not likely to materialize; a new coal fired power generation plant has not been built in several years in the United States. This was not a consequence of regulation or Obama-era clean-energy policies, but of the advent of cheap natural gas due to fracking. Many Trump supporters, particularly in his core electoral territories in the Appalachians and upper and industrial Midwest, will end up disappointed by his promises of restoring their traditional mining and factory jobs. Trump will face a loss of confidence when he is unable to deliver on his promises.

### **Upward mobility and inequality**

In a comparative context, upward mobility has been slowing in several countries. The intra-generation transformation that was experienced in the 40 years after 1945 cannot be replicated; this is a dilemma facing policy makers in most advanced democracies.

Nonetheless, in the United States, inequality has unquestionably dramatically risen for several reasons, including the relentless reduction of individual tax rates and increased tax allowances since the 1980's. This downward trend in taxation has provided considerable benefits for the wealthy.

In addition, the industrial landscape of the United States is changing, with a shift to financialization in the economy, that has benefited specific sectors while simultaneously restricting others. De-industrialisation has been underway for several decades but seems to have reached a peak of intensity only in recent years. There is no question, also, that globalization has exerted downward pressures on prices and wages in the United States, with research implying that certain sectors where the Chinese have developed skills have negatively impacted US employment. The federal government has also contributed to inequality by withdrawing from providing welfare and social compensation over the past 30 years.

Finally, the effects of the great recession that followed the global financial crisis of 2008 have taken a long time to work through.

### **Overarching worldview of Trump administration**

The Trump administration does not appear to have a grand strategy. However, academics and analysts tend to seek a grand strategy that will enable a cohesive understanding of how any country is trying to advance its priorities and objectives in foreign affairs. Yet, because the world is now so fragmented and complex, it is difficult to see what this could be.

Even during the Cold War there were complexities that the Cold War mentality made more complacent and difficult than if the idiosyncrasies of local situations had really been looked at. This means that in some ways it can be an advantage not to have a grand strategy, but on the other hand you still need to be able to understand what the complexities are, be willing to engage with those complexities, as well as be able to locate solutions to these complexities that are calibrated clearly to the problems in the individual policy areas or regions being addressed.

This is where the current administration is failing. This has been exacerbated by the lack of appointments to expert positions, particularly in the State Department. There is a lack of understanding in the White House that you need to have a fully staffed bureaucracy to provide the local level of expertise necessary to deal with the complex world.

### **Opportunities for low-skilled workers**

There is educational discrepancy. Americans with university degrees are doing significantly better than those without. However, the most critical moments of despair appear to be past. There has been more progress in the past year in the bottom 80% of income distribution than in the top 20%; this indicates a gradual rebalancing of incomes, even if the top 1% and particularly the top 1% of the 1%, has become hugely wealthier.

There are some sectors, such as construction, which have created steady jobs for low-skilled workers. Almost 30,000 construction jobs that can provide a middle-class wage are generated each month. However, there is no magic solution to give low-skilled workers a high quality of living. This challenge will continue.

Possible policy initiatives to address the educational discrepancy could be more funding for training, subsidized or free education and wages for socially important activities, and an increase in the minimum wage. Some of these measures are likely to be implemented over the next ten years. The rest of the industrial world will face similar challenges; the United States is just running into them first.

### **Role of labour unions**

There is potential for a revival of the union movement in the United States in the next ten years; it will be one of the biggest social changes of the period. Around 8% of US households are unionized, compared to a prior 30%. Recent Gallup polling suggests a growing support for unions and the compression of the labour force and unemployment rates, causing businesses to experience labour scarcity, could propel the unionization movement. However, many states have strict anti-union right-to-work laws which could hold this back.

Several of Trump's appointments to the Department of Labour and National Labour Relations Board are private employers who have fought against unions in their companies. Although the unemployment rate has declined significantly, the number of people who left the labour market and have disappeared from the workforce is substantial. Increased debt and bankruptcy rates suggest a crisis in the ease and fluidity of labour mobility, long held as a structural strength of the United States economy.

### **America as a 'melting pot'**

America as a 'melting pot' has always been a myth, but an important one. Many Americans believe in the idea that 'from many comes one'. This has been a powerful philosophy during several great historical periods. It is strained during periodic economic and political crises, when the need arises to find scapegoats.

Trump's statements have challenged the 'melting pot' concept, evidenced by his inability to hone in on anti-Semitism after the Charlottesville 'Unite the Right' protest. This not only shocked a significant portion of the public, but also put a strain on the Jewish members of his administration and family.

Although small, the minority engaged in widening the divisions between White and minority populations in America is still larger than would be expected for a modern Western society. It is remarkable that there has been no firm condemnation at the federal level from Trump or his senior White House team.

### **Foreign policy**

There has been more continuity than discontinuity between the Trump administration's foreign policy and those of its predecessors.

One of the driving forces behind US foreign policy in the last half of the 20<sup>th</sup> century and into the 21<sup>st</sup> century was a rhetorical interest in the United States representing something fundamentally greater than itself, and standing for values taken to be universal; that its relationships with its allies are important and suggest an obligation to pursue multilateral relations.

However, no matter how pro-multilateral each administration may appear, there is always a version of 'America first' rooted in US foreign policy. The Obama administration appeared very multilateral, but US priorities were the main driving force behind its foreign policy. While it preferred to go along with allies, there was an understanding that the United States would be willing to go it alone, if the priority was strong enough.

The Trump administration has been more willing to explicitly state this and assert that allies can either follow along the United States' interests, or they will be left behind. This more honest approach has generated nervousness in foreign capitals, particularly in Europe, where the fallout of a possible withdrawal of US support for NATO would have critical consequence to its ability to operate effectively.

However, the Trump administration recognizes that there are limits to American power, and that cooperation with other states will be needed in various regions. In the case of North Korea, there is an acknowledgement that the United States will need to co-operate with China and Russia.

However, approaches to foreign policy that ignore the complexities of global politics are still a concern. For example, the administration is focused on defeating Islamic State as a monolithic group, but has not engaged with smaller subnational groups in Syria that could help achieve this goal.

The lack of interest in engagement with the complexities of situations, prevalent in the president and many of his advisors and exacerbated by a rejection of expert advice, creates great difficulties in policy making. It is early in this administration for those difficulties to be there, and they are only likely to get worse.

### **Economic nationalism risks**

President Clinton formed the National Economic Council because he saw the important role that economics played in foreign policy. This has historically been a part of American's strength, alongside trade relations,

enabling capital flows, participating in international rule setting, exercising soft power, and conducting groundbreaking research and technology. Economic nationalism and threats to break trade links with foreign countries work against America's economic and technologic leadership.

Even if Trump is not re-elected in 2020, a significant portion of respect towards American technology leadership has been lost. Other countries such as China will be quick to step in. In this way, nationalism will cost the United States.

### **Role of religion**

In 2016, we witnessed the culmination of the organization of the religious-right in America, specifically evangelicals who were a cornerstone of Trump's election. They have been amply rewarded with a Supreme Court appointee who shares their belief that abortion is unconstitutional and will likely attempt to reverse the court ruling on this in the future.

One measure on the table is to allow churches to contribute to political campaigns without forfeiting their charitable status. This would be a dramatic change, and although it should probably be considered unconstitutional, there is no certainty the Supreme Court would rule it to be so.

Religion in America is extremely important, specifically in identity building for many African-Americans, Muslim-Americans, and significant Protestant and Catholic sects. The separation of church and state is being tested and is a fragile target; secularists in the United States will be vexed by these developments in a multi-faith United States.

### **Historical precedence to understand the Trump administration**

This is an administration that will try to assert itself strongly, in perhaps the same way as the Reagan administration did during its first term. However, there is not likely to be a second term of conciliation as there was with President Ronald Reagan; the Trump administration has placed less of an emphasis on the 'peace' end of the 'peace and strength' approach.

Even going back 200 years, there is still a difficulty in finding a leader like Trump. In the last 100 years, US policy has been one of engagement with the international community. International trade agreements and receiving immigrants are a part of America's history and character, neither of which are aligned with Trump's interests.

Historically, presidential approval ratings in the low 30s precede a loss in policy steerage. Trump has been flirting with ratings in the high 30s, suggesting potential policy stagnation in the next three years if his approval ratings drop any lower.

Trump is an exceptionally unqualified incumbent of the White House by historical measures, and it is difficult to identify a precedence that is entirely befitting. However, there is precedence on different levels, such as Andrew Jackson, who was similarly disruptive, and Teddy Roosevelt, who tried to work without the support of either party.

The United States has rarely had presidents who has not held elected public office; Dwight D Eisenhower was the previous one more than half a century ago. This certainly makes Trump's presidency distinct in modern times.

### **Syria, Middle East and Saudi Arabia**

Trump's Middle East policy will focus on the battle against Islamic State in Iraq and Syria – and, to a lesser extent, al-Qaida, especially in Yemen. It will be largely military-led, without a wider strategic framework. Iraq will be a more important focus than Syria, where the US will find it increasingly difficult to implement a sustained policy, and will tend to leave the political field to Russia, abandoning rebel proxies and perhaps even the Kurds. In Iraq, the emphasis will be on maintaining stability, by helping Prime Minister Haider al-Abadi manage relations with Kurdish and Sunni communities. This policy could increasingly bring US interests into conflict with Iran's Islamic Revolution Guard Corps. US policy towards Tehran will be more confrontational, not least because of a closer alignment with Saudi Arabia and the United Arab Emirates. However, a large-scale military clash is vanishingly

unlikely. Riyadh will remain the favoured ally, in both political and economic terms, but this will not necessarily translate into concrete policy changes.