

The indelible rise of Adolf D. Trump

By John Komlos.* The [media](#) is [inundated](#) with pundits [analyzing](#) the unexpected rise of [demagoguery](#). I would like to add my own: the establishment's utter loss of credibility. It has been fooling most of the people for more than a generation and Abraham Lincoln's warning, "you cannot fool all of the people all of the time" has now come back to haunt them with a vengeance.**

It took Everyman on Main Street some time to figure out that they've been had and finally revolt: thirty five years to be more precise. There has been no shortage of big promises since "[Its Morning again in America](#)" but in the end they all left the middle class staring [into thin wallets](#) while their manipulators were living high on the hog. The [failed big ideas began](#) with Reaganomics. While the stimulating effect of its tax cuts was supposed to "trickle down" to the masses, the flow had the viscosity of molasses and stuck with the rich and the ultra-rich. The taxes of the rich were cut sharply: [by about half](#). Consider a millionaire who was paying \$700,000 in taxes in 1970s and whose taxes were cut to \$350,000. What was she going to do with the \$350,000 windfall? Sure, some spent it on conspicuous consumption but many decided to fund think tanks and hire economists to support their ideology. Others used the windfall to [buy politicians](#) in order to change the laws and thereby further their cause. So the tax cuts became a vicious circle that led from the windfall to political power and the ability to influence the public's worldview and thereby gain further profits and additional power.

Then came Bush Sr. and initiated the North Atlantic Free Trade Association (NAFTA), eventually signed into law by Bill Clinton. He promised that it will "[promote more growth, more equality...](#) and create 200,000 jobs in this country by 1995 alone." Of course, he failed to mention how many [hundreds of thousands](#) of jobs will be destroyed but few noticed such nuances at the time. His economic team was headed by Bob Rubin CEO of investment mega-bank Goldman Sachs. (Goldman Sachs is well represented in DC. It also sent Hank Paulson to help out the Bush Jr. administration.) No one ever said that NAFTA would be good for everyone. Together with globalization including the opening up of China, the trade policies devastated the U.S. manufacturing sector and the middle class with it. And the treaty has a long reach: just last month air conditioning manufacturer [Carrier announced](#) that it will move 1,500 jobs to Mexico to its employees' bitter disappointment.

Deregulation of the financial sector was yet another big idea that was supposed to be good for Americans. And again it was, but only for the elite. Begun in earnest by Reagan, the process was continued by Clinton who declared the FDR-era laws "antiquated" and abolished the Glass-Steagall act that kept commercial banks from speculating on Wall Street with other people's money and backed by the taxpayers. The new law was supposed to be a "[major achievement that will benefit American consumers](#), communities, and businesses of all sizes". Note the conspicuous absence of American workers from the list of beneficiaries. At the signing ceremony Clinton said with amazing shortsightedness that we're "modernizing the financial services industry, [tearing down these antiquated walls](#)." And so we were inching toward the Meltdown of 2008 which wrought havoc among so many members of the middle class.

Bush Jr.'s policies were in a similar spirit. He continued deregulation, lowered taxes to the benefit of the 1%, and closed his eyes to the brewing crisis. When the Meltdown came the establishment lavished favors and billions on the big banks and its CEOs without any strings attached. Nothing left for Main Street. It had to fend for itself. They lost jobs, they were evicted, or had to take low-paying jobs and work two jobs in the gig economy. No one took pity on them.

Then came Barack Obama who made big promises of change but essentially continued many of the policies of his predecessor. He hired Tim Geithner, for instance, a Bush Jr. appointee and a crony of Goldman Sachs CEO Bob Rubin, and who now earns an estimated \$5 million salary on Wall Street. Obama provided generous

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backstop to Wall Street which by the time the tsunami subsided amounted to trillions of dollars which were supposed get the economy going again. But yet again the middle class was [betrayed](#). To be sure, Jamie Dimon, CEO of JP Morgan Chase continued to collect his compensation of some [\\$17 million](#) for 2009 at tax payers' largesse but the benefits failed to trickle down. Never in the history of Mankind has so few benefited so much at the expense of so many: not even at the time the pharaohs built the pyramids.

The graph below shows vividly this development. Each bar on the left represents the post-tax (inflation adjusted) income of 1/5th of the 120 million households of this country including transfers such as food stamps and unemployment checks. So each bar represents 24 million households (roughly 64 million people). The graph shows clearly that the top fifth experienced the greatest and only meaningful increase in income during this time span. A tiny bit did trickle down to the 4th fifth (i.e., those whose income was situated above 72 million families but lower than the 96th million). This is the upper-middle class but an income growth of 0.5% per annum is not really noticeable. It amounted to a gain of some \$300 per annum: hardly enough to feel a great increase in satisfaction.

The poorest 20% of the population (the first bar) did continue to receive their food stamps so they were not allowed to starve because that could have led to a dangerous destabilization of the society but with an average annual income of \$18,000 they had nothing but discontent. That is the cost of sending a child to a state university. They could only afford to send their child to the University if they spent nothing on anything else.

Obviously the two middle-class groups between the 21st and 60th percentage of the population fared the worse: their income growth is hard to distinguish from zero. In fact, the middle middle class (41-60%; the third bar) gained but \$32 per annum in the 32 years under consideration.

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While the hollowing-out of the middle class is evident on the left side of the graph, its right side breaks down the top 20% into four groups. This makes it clear that the top 1% was the primary beneficiary of economic growth. To be sure some of the growth did trickle down but only to the rest of the three groups of the top 20%. That's where the trickling became molasses. The upper-middle class did receive some morsels but that was all.

However, the [anger](#) that fuels [Adolf D. Trump's](#) candidacy runs even deeper than this graph indicates. The reason is that as far as the anger is concerned, it is relative income that matters and the utter unfair bailouts of 2008 that rescued the 1%. It is one thing not to be able to afford an iphone if no one else has an iphone but an entirely different feeling if the super-rich flaunt not only their latest model but their \$3,000 handbags, private jets, yachts, and the other accoutrements of conspicuous consumption. Then envy turns into desperation especially if you're anxious about your job security, behind on credit card payments, still have a lot to pay off on your student loans, behind on the electric bill, just had to pay \$35 overdraft fee, all while working part time or in the gig economy. Hence, I think that the graph below is a more accurate reflection of the welfare of the five income groups. Psychologists have shown that how we feel about our life--our life satisfaction--is reference dependent: relative deprivation matters a lot as we compare our welfare to that of others. The graph below assumes that people use the fifth 20% group as reference and compare their own income to that of the top group.

This graph is the real clue to [Trump's](#) success: the growth rate of welfare is negative for all groups except the superrich. It is as simple as that. The rest of the society was left behind for more than a generation.

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In sum, we have had a long string of BIG promises from Reagan to Obama. Tax cuts, trickle-down economics, deregulation, globalization, and NAFTA which all conferred tremendous financial benefits on only one group: the ultra-rich, and led to the “hollowing out” of the middle class. So wealth and its concomitant, political power, became as concentrated as it was during the era of the Robber Barons at the turn of the 20th century.

Now you know why so many have turned on the establishment to support [Adolf D. Trump](#). The establishment was good at making big promises but in the end left few crumbs on the table for the middle class. The establishment is now surprised. They do not understand because they were out of touch with the [heartthrob](#) of the nation. This is a generalizable rule: elites are endangered by excessive greed. And being out of touch to the last minute is not uncommon at all. Louis XVI proclaimed prior to his execution that he “[always acted from my love of the people](#).” And [Mitt Romney](#) deludes himself to think that the American people will still listen to him. Unbelievable!

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