

Why Trump Won-And What's Next

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US real estate billionaire, Donald Trump, is president-elect. In an age when 97% of all GDP-national income gains since 2010 have accrued to the wealthiest 1%-of which Trump is one—how could American voters come to elect Trump? How could they vote for a candidate that they simultaneously were giving a 'negative rating' of 60% to 80%? That fundamental question will ever haunt this election.

What the election shows is that American voters in electing Trump wanted 'anything but the above' Obama policies of the previous eight years, policies which were just extensions of the neoliberal regime established in the 1980s in the US since Reagan. And voters didn't care about the political warts, past or present, of Trump. They just wanted something different. They wanted to 'stick their thumb in the eye' of the ruling political elites (of both parties).

The voters' message was: 'you, the political elite, have hurt and harmed us these past eight years. You have ignored us and left us behind while ensuring your wealthy friends recovered quickly and well from the 2009 crash. We have experienced great anxiety and insecurity. Now have a taste of that yourself!'

Trump's campaign gaffs, his personal character, his missteps and outrageous 'off the cuff' statements, his lack of any government experience, only enhanced the view that he was not just another elite politician. His lack of TV ad spending, absence of a so-called 'ground game' organization to turn out the vote, his having lost all three TV debates according to pundits and the press, his lack of 'field organization' and a poorly run Republican Party convention—all that was irrelevant. What his win, in spite of all that conventional political wisdom of what it takes to win an election, reflects is that the equation of politics is changing in the US as the people, the 'masses' to use jargon of prior times, are entering the political arena as a political force.

And that fact is not just revealed in Trump's election. It was evident in Britain's recent 'Brexit' referendum to leave the European Union. It will next be reflected in Italy's vote this coming December, in which political elite proposals for political reform to give them more power will also be rejected. It will reflect thereafter in the increasingly likely election of the far right 'national front' in French elections next year. And could further reflect in German elections thereafter, in which that country's long standing and presumably untouchable political leader, Angela Merkel, may also be over-turned.

Obama's Vanished Coalition

Trump's election can be traced to the shift in key groups of voters who had supported Obama in 2008 and who gave Obama his 'one more chance' to do something in 2012, and

who were deeply disappointed when he failed to do so since 2012. At the forefront of these groups was the white non-college educated working class, especially those concentrated in the great lakes industrial states in that geographic 'arc' from Pennsylvania to Wisconsin. This group not only turned from Democrats but turned to Trump—as they had in 1980 as the so-called 'Reagan Democrats'—in response to another economic crisis of the 1970s during which they were also abandoned by the Democratic Party. Clinton 2016 thus lost key swing states of Pennsylvania, Wisconsin, Ohio, Iowa, and Michigan that helped put Obama 'over the top' a second time in those states.

Another important voter group that delivered for Obama in 2012 and did not for Clinton in 2016 in similar percentages were Latinos. They voted by a margin of 44% for Obama 2012, but only 36% for Clinton. Apparently, Trump insults of Latinos were less important than Obama deportation policies in recent years. Women voters were supposed to vote overwhelmingly for Clinton, but white women aged 45 and over did not. And 75 million 'millennials, 34 and under, were driven away by Clinton and the Democratic Party's treatment of the Sanders campaign during the primaries and by offering no solution to the hopeless scenario of insecure, low pay service jobs in exchange for record student debt. In short, white non-college educated workers abandoned the Democrats, while other groups simply 'stayed home' and did not vote in the numbers they previously had in 2012. (For my 2012 analysis of why Obama was given one more chance by these groups, see articles on this blog written during that election).

Somehow over recent years the Democrats, once a party purporting to represent workers, abandoned them to free trade, to low paid insecure service jobs, and to the wholesale privatization of retirement and healthcare systems in America. What was begun under Bill Clinton, expanded under George W. Bush, was allowed to accelerate under Obama. Democrat leaders instead came to envision themselves as the 'corporate light' party, agreeing to extending and expanding George Bush tax cuts for the rich and their corporations, free money interest rates, and focusing instead on educated suburbanites as their prime voter base.

The Origins of Trump's Victory—Or, It's Still the Economy Stupid!

The root of the Trump victory lies in the history of the past eight years and the deep failure of the Democratic Party—and its now lameduck president, Barack Obama—to ensure that Main St. America recovered from the economic crisis of 2007-09 and not just the wealthiest 1% and their corporations.

Hillary Clinton was not defeated so much by Trump, but by the failed performance of the Obama administration the past eight years, and her obvious inability to separate herself clearly from policies associated with the past eight years and to offer an alternative more radically different—as Trump clearly did.

We hear today from pundits and talking heads, who just yesterday were declaring that Hillary Clinton was a 'shoe-in', that the election has been a reaction of the 'have nots'—i.e. those left behind. That's true. The Trump victory is clearly another expression of the global wave of working class and non-elite reaction against the political elite, their parties, and the so-called neoliberal policy 'Establishment'. But 'left behind' what?

The data show clearly that US corporate profits more than doubled after 2009. The US Dow stock market tripled in value. Bond market prices accelerated to record levels. And returns

from derivatives and other forms of financial speculation, conveniently kept opaque from public scrutiny, no doubt surged to record levels as well.

The record US corporate profits alone were generously distributed to stock and bond shareholders—the 5% and especially 1% of wealthiest US households: since 2010 more than \$5 trillion has been distributed in stock dividend payouts and stock buybacks alone in the US and in the past two years at a rate of more than \$1 trillion a year. And to ensure that the corporations and wealthiest 1% got to keep most of that distributed income, corporate and investor taxes under Obama since 2009 were cut by more than \$6 trillion—extending the Bush tax cuts and then some. And all that’s not counting other forms of capital incomes earned by the wealthiest 1%.

Augmenting this historic massive profits gains and income redistribution favoring the 1% and corporate America, US businesses have had access to trillions of dollars more in virtually free money, made possible by the US central bank’s policies of quantitative easing and zero bound interest rates. In each of the last three years corporations ‘borrowed’ \$2 trillion a year by issuing corporate bonds. They then hoarded the cash instead of investing and creating jobs. The zero rates also accelerated real estate property prices benefitting the wealthiest. Since 2009, commercial real estate property has boomed in price, as has high end residential housing.

And what did the ‘have nots’ get since 2009? Stagnant wage gains. Low paid service jobs—often part time, temp, contract, and ‘gig’—in exchange for the higher paid jobs they lost. And tens of millions of young millennials with little hope of anything better for decades to come. The near zero rates for eight years engineered by the Federal Reserve, in turn meant 50 million retirees—grandpa and grandma— earned no interest income whatsoever for the past eight years and still don’t. Meanwhile, more pensions collapsed and medical costs rose. The ‘have nots’ got to deal instead with 13 million home foreclosures and trillions of dollars of home values ‘under water’ as they say, where the home value is less than the mortgage. And millions of homeowners still struggle with that. Mortgage companies and banks were quickly ‘bailed out’ by the Obama administration by 2010, but millions of small homeowners were ‘left behind’ and still are.

During the last eight years no bankers went to jail for their actions after 2009 and have steadily chipped away at any remnants of financial regulation. Big tech companies continued to hoard trillions of dollars of their cash overseas in subsidiaries to avoid paying taxes, while bringing hundreds of thousands of skilled tech workers every year into the US (legal immigration) on H1-B and L-1 visas to take prime jobs that should have gone to US workers. Big Pharmaceutical companies continued to price gouge, causing thousands to die as a consequence of unaffordable prescription drugs. Millions of college students accrued more than a trillion dollars in debt. Latino minorities were deported in record numbers, breaking up thousands of families; police militarization and violence repressed African-Americans in the inner cities; unchecked fracking poisoned water supplies and air; and the country’s infrastructure continued to rot from the inside out at an accelerating rate.

After previous administrations failed to privatize health care in the US, Obama succeeded with the Affordable Care Act—aka ‘Obamacare’. At a cost of nearly \$1 trillion a year, covering less than 15 million of the former 50 million uninsured, Obamacare redistributed income to provide subsidies to those covered. In exchange the subsidized who bought Obamacare policies got super-high deductible, low coverage, health insurance. Health insurance companies in turn got tens of millions new customers guaranteed and paid for by

taxpayers, and then continued to game the system for more profits. Obamacare became less a health care system reform act than a health insurance company subsidy act. It was the logical consequence of Obama's withdrawal of the 'public option' and Democrats' refusal to even allow debate on extending Medicare for all. It will be repealed very shortly.

Not least, the Obama administration championed an acceleration of free trade deals that promised to send even more jobs offshore, after having pledged to oppose free trade when he was first elected. Bilateral trade deals were signed by him, TPP and TTIP (Europe) pushed, and the worst effects of NAFTA and CAFTA were ignored. Obama not only became the greatest deporter of immigrants in US history, as H1-B legal immigration was expanded by several hundreds of thousands.

In foreign policy, the US continued its constant wars in the middle east that were never won or ended, as Obama promised. Hillary herself was the prime instigator of the Libyan fiasco, a proponent of more direct military intervention in Syria, and probably supported the coup in Ukraine behind the scenes. All that did not win her votes, especially among millennials. American voters have become sick and tired of the incessant war policies of the administration.

By not fundamentally breaking from this destructive economic and political legacy—the legacy of Obama and neoliberalism itself since 1980—Clinton all but ensured her fate and abandoned the field to Trump on the real issues. Trump didn't even have to offer specifics of what he'd do different; just the impression that he somehow would reverse the policies quickly and in some way.

What's Next: The Immediate Consequences of Trump's Election

- Contrary to predictions of financial collapse, the Trump victory has already meant a big gain in stock markets, as corporations and investors prepare for what they believe will be further big tax cuts quickly. After more than \$10 trillion in business-investor tax cuts since George W. Bush in 2003 to the present, trillions more are coming, and fast.
- The fate of the TPP is also now questionable—unless of course some way is arranged to push it through Congress rapidly in a lame duck session before Trump is sworn in as president in January, and providing he turns a blind eye to that (which is likely).
- The US Supreme Court will now become even more conservative and for decades to come, as Trump delivers on appointing 'two, three' Antonin Scalia-like nominees to the court. It is unlikely Democrats in the Senate can successfully oppose that until 2018.
- Racist elements at the grass roots will be greatly heartened by the Trump victory. As will militarized police forces. More clashes with immigrant and minority citizens on these issues will almost certainly grow in the period ahead.
- Obamacare will be repealed in toto in early 2017. Tens of millions will be left back where they were in 2008. Health care premiums and drug prices will surge still further.
- Dodd-Frank financial reform will also disappear, as weak as it was. Bankers will escalate their policies of financial speculation creating more financial instability. Consumer financial protections will be rolled back.
- Environmental policies will be rolled back. The EPA will be gutted and reduced to a token function in the government. Recent global climate deal in Paris will now unravel.
- Infrastructure spending by government will be on the table, passed by a Republican Congress in exchange for further massive corporate tax cuts. Infrastructure spending will be insufficient and will not significantly boost US growth and jobs.
- An immigration bill will pass, but will prove harsh and harmful for immigrants from

Latin America. H1-B and L-1 visas will expand, bringing more skilled foreign workers to the US to take high paying US jobs.

- In foreign policy areas, NATO policies of the US will shift. Europe will reconsider Russian sanctions. The recent Iran deal will get a 'new look'. A US-Russia deal on Syria will be explored. More Asian countries, like the Philippines, will consider closer ties to China as US influence wanes in Asia.

Of course, all the above shifts and changes are based on the assumption that Trump's campaign positions and promises will actually translate into domestic and foreign policy changes. That may not happen. It may have been all campaign rhetoric. Time will tell. Watch whether the US political and economic elites in the immediate weeks again can successfully maneuver Trump into appointing their kind to the key policy implementation roles in a Trump administration—as they did with Obama and other neoliberal presidents before. My guess is that they will, for the real power in US politics lies with the elites behind the political parties and their formal political institutions.

Trump made his billions by simply providing his name to properties and assets that he himself doesn't not even own. We may soon see a political form of this celebrity economic strategy.

US Neoliberal policy may not change fundamentally in a Trump regime; just its appearance. Neoliberalism formed under Reagan-Clinton-Bush imploded in 2007-09. Obama has not been able to fundamentally restore it in its original form. A new form of Neoliberalism will now be attempted—a form even more harsh than before.

US voters may come to realize that their 'rebellion against the political elite' cannot be achieved through either wings of the single party of that elite—whether Republicans or Democrats. The rebellion will have to move outside the neoliberal political party structure. That may be the next major political lesson to be learned.

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