

Generation Snowflake clobbered, again

"Paul Krugman Says Markets Will 'Never' Recover From Trump; Dow Hits Record High"

– Headline from [The Daily Caller](#).

"Experts who can guide us about economic matters are called 'economists'. But how do they work ?

"Economists talk to each other about 'assumptions' and agree a 'consensus'. This is called 'groupthink'. This helps Economists to do their important work.

"Economists turn their 'groupthink' into numbers. They use computer spreadsheets to produce 'forecasts' and 'predictions'. They are a bit like horoscopes.

"Some people think that economists should make the economy actually work better, but that is unfair because they are thinkers, not doers."

- From 'A guide to 'the experts' for the under-tens' by Andy Shaw, in 'Spectator Life', Issue 20.

"Presidential legacies:

Kennedy: put a man on the moon

Obama: put a man in the girls' loo"

- Tweet from @SkipLicker.

2016: the gift that just keeps on giving.

The mainstream financial media called it wrong, of course. But what does a well-respected and highly credible economics commentator make of it all ? Before we go there, let's see what the FT's Martin Wolf thought. 'Donald Trump embodies how great republics meet their end' he wrote in a reflective and soberly considered manner back on March 1st; "It would be a global disaster if Mr Trump were to become president".

Not quite a disaster so far – other than for Generation Snowflake Cry-Bully Millennials who still hadn't recovered from the shock of Brexit and who minced along at full speed right into this one. Or for confused Marxists opining ridiculously in our national media on behalf of a readership that we doubt exists.

The US stock market, after early jitters – it had been wrong, too – swiftly recovered its poise.

But bonds..

The [Committee for a Responsible Federal Budget](#), having analysed both candidates' spending plans, reckoned that a Clinton presidency would increase the national debt by \$200 billion a decade over current law levels, whereas a Trump presidency would increase it by \$5.3 trillion. In other words, US debt to GDP would rise to over 86% under Clinton, and 105% under Trump.

To that extent the sell-off in bonds is entirely warranted. Yields had already started to back up during the summer, but the election of Donald Trump – it's still difficult to articulate the phrase without smiling – may well have finally killed off the long bond market bull. Robin Wigglesworth for the FT points out that 10 year and longer US Treasury bonds on Wednesday last week suffered their worst sell-off since at least 1991 – a period that includes the infamous bond market crash of 1994 when a Fed rate hike (remember them ?) took the market by surprise.

In other respects, we'll have to wait until the US more conclusively experiences 'Soft Trump' or 'Hard Trump' before assessing the prospects for specific equity market sectors or for the dollar. But it's plausible to anticipate not so much "global disaster" as a potentially huge US reflationary stimulus from lower taxes and higher infrastructure and defence spending. Good for stocks, bad for bonds would seem to be a crude but fair summation. Our strong preference for real assets over paper ones remains absolutely unchanged.

The status of global trade is clearly something of a wild card. But is a Trump victory any more dangerous for Europe than, say, the continued existence of the EU ? We favour Asia, more especially Japan and Vietnam, in any case, not least on the back of compelling valuations (as opposed to secular stagnation in the euro zone).

It is both too easy and too early to resort to platitudes, like the lazy conflation of Trump with Brexit. Having completely overturned the political orthodoxy, a Trump presidency has all sorts of implications both for the economy and the financial markets. Obamacare seems likely to be a casualty. Domestic energy production seems set for a boost – which is unlikely to help the oil price. The Hydra of financial regulation looks set to lose a head or two.

For believers in free markets, small government and the primacy of the entrepreneur over the State, there may yet be much to celebrate about President Trump. But not for millennials, obviously. Their perpetual tin ear turned to reality and what can only be described as hysterical grief, in every sense of the word, is reason enough for the rest of us to be quietly encouraged about the future. Educators – in economics and history in particular – have a lot to answer for, having perverted the mindset of a generation. As the US economist Thomas Sowell once said,

“Socialism in general has a record of failure so blatant that only an intellectual could ignore or evade it.”

Say what you like about Donald Trump, but he isn't a socialist.

Tim Price is co-manager of the VT Price Value Portfolio and the author of 'Investing through the looking glass: a rational guide to irrational financial markets' – the ideal Christmas gift.