



**Mr. Jeffrey Steinberg**  
**The Real Story of the Victory of Trump:**  
**From the Eyes of Grass roots Political**  
**Activists Who Had Envisaged It**  
**(Summary)**

Date: January 19, 2017

Venue: CIGS Meeting Room, Shin Marunouchi Building

**Mr. Jeffrey Steinberg, Chief Editor, Executive Intelligence Review:** There were several reasons for concern regarding the general message coming out of the media leading up to the US general election. First, the British media were reporting that the Brexit vote would be defeated by approximately 10%. However, the media proved to be incorrect in its polling, which reflects a distrust of media and a lack of honest polling. There are similarities with the US election model.

A map of the Electoral College results of the approximately 5,000 counties in the United States, clearly shows that the overwhelming majority of the country except for the West and East Coastal areas voted for Donald Trump. Historically, the United States Midwest has been strongly pro-Democrat, with the states in this region supporting Obama both in the 2008 and 2012 elections. However, there was a clear recognition from the standpoint of the average American that the US economy had not performed well during his tenure outside of the coastal areas.

The statistics released by the mainstream media during President Obama's time in office following the Financial Crisis of 2008 pointed to a real unemployment rate of under 5%. However, this unemployment rate is determined on the basis of what is defined as the labor force. The labor force is a percentage of the working age population, and may exclude up to 95 million Americans given its definition. This group is made up of individuals who have lost their jobs, or may have gone through 12-18 months of unemployment. Amongst those who were considered to be part of the labor force are a high percentage of people working minimum wage jobs. There is a growing demographic of individuals who work part time, but who would prefer to find full-time jobs if possible. Over the last six months, the percentage of working age people who are counted as part of the labor force has reached a 40 year low of 62.7%. Many people who have full time jobs have also gone from good paying positions to jobs that are paying less. Given these circumstances, Donald Trump's messaging during his campaign resonated with this particular demographic. For many of these individuals, the actual material conditions of life had declined or had remained stagnant. They would therefore be open to a demagogic appeal, that resonated with their beliefs.

On a strict one person one vote count, Hilary Clinton won the election by approximately 2 million more votes than Trump. However, these votes were focused in certain regions. For example, she received 4 million more votes than Donald Trump in the State of California. If you eliminate California from the count throughout the rest of the country, Donald Trump won by about 1.8 million votes. The situation clearly illustrates how the

situation in the United States was ripe for the kind of populist campaign strategy adopted by Donald Trump and his campaign team.

Some political analysts saw the warning signs. James Carville, an analyst and former campaign strategist for Bill Clinton, noted that the polling data was flawed as it was based on likely voters. Carville warned that many likely voters were likely not to vote, and that many unlikely voters who do not have a history of turning out on a regular basis for elections, were likely to turn out because of their frustrations. In conclusion, Carville warned that by relying on the polling data of likely voters, polls may have introduced a margin of error of 12%, which is enormously significant given how close most elections are.

The major question is whether the new administration will put itself in a position to deliver on its key promises and deal with an energized, frustrated, and angry electorate who will hold them accountable. First, this will manifest itself in the revival of good paying full-time jobs across the entire spectrum of the economy, and not limited to jobs in the coastal regions. These jobs include positions that used to be the backbone of the US economy; namely manufacturing, construction and other basic jobs that do not require a college education, but which can provide a middleclass standard of living. The Trump Administration will need to generate policies that will create approximately 300,000 jobs per month to make a dent in this skewed labor market.

The other issue that will be instrumental to the new administration's success will be bringing an end to strategic confrontations. World War II, despite being a devastating war that involved 16 million Americans taking up arms in the European and Pacific theatres, lasted four years. In comparison, the United States has been involved in Afghanistan for 16 years, which is the longest war the country has ever been involved in. There is a growing understanding amongst the populace of the correlation between the financial drains associated with these wars and a lack of investment in rebuilding the core infrastructure of the United States.

While these issues were not necessarily self-consciously developed amongst this portion of the populace, it was driving them towards drastic change. These concerns were largely ignored by the Clinton campaign and the Democratic Party. This changing mood was also reflected in the Brexit vote in Britain and in other growing and new political movements developing in many other parts of Europe as well. This understanding of the factors motivating the American population was the key to Trump's victory.

Another factor to Trump's victory was the shift in perception of Hilary Clinton from 2008 to 2016. In 2008, Hilary Clinton was conscious of the mood and the state of economic affairs in Middle America, and even received more votes from Democratic voters than Obama did. However, President Obama had the backing of a Democratic Party that did not want another Clinton presidency, which led to his nomination and eventual ascendency to the US Presidency. Another factor that in hindsight may have been an unwise decision was accepting the offer to be Secretary of State. As a result she became associated with the policies of the Obama Administration and in particular the backlash around the murder of the US Ambassador and others in Benghazi, Libya. This event, while not on the grand scale of the 9/11 attacks, was nonetheless a significant incident, and the subsequent attempted cover up was one of several major factors that contributed to the view among many Americans that she had changed for the worse. She was not trustworthy in a way that many Democratic voters had thought much more positively of her back 8 years earlier.

Trump gave a critical speech on October 26th in Charlotte, Carolina where he spoke about returning to bank separation. The Glass Steagall Act was passed in 1933, and broke up the big banks of that era into completely separate commercial banks and investment banks, so that there was no cross-feeding of funds. Now, there have been bills by both Democrats and Republicans in the last several years in both the House and in the Senate to reinstate Glass Steagall. Both Democratic and Republican party platforms for the first time in 2016 included a call for reinstating Glass Steagall. In that speech in Charlotte, Trump said he would reinstate Glass Steagall as one of the first acts as President. He also said that because Hillary Clinton had concentrated a lot of her foreign policy on demonizing Russia and President Putin, that if you voted for Hillary Clinton, you would be sending US and the world on a course towards war between the United States and Russia. This resonated with the war-weariness that many people were feeling, and was part of the unusual, unique, almost revolutionary mood change in the United States.

When there is a new party coming into the White House, there are an enormous number of jobs that have to be filled. While the nominees for the top positions are well known or have been confirmed, very few of the deputy posts have been filled, which will have an even stronger effect on how these departments are run day to day. If Hillary Clinton had won the presidency, it would have been a very predictable kind of situation, while with Trump, that is not the case. Insofar, there have not been any prominent individuals from a Washington DC policy think-tank who has been given any cabinet appointment. Almost everybody Trump has tapped for positions within his administration are from

the business community including Rex Tillerson, Steve Bannon, Steven Mnuchin, Gary Cohn, Anthony Scaramucci, and Jay Clayton amongst others.

Trump has also turned to a group of very accomplished and senior military officers to fill out his National Security Team. He has appointed two Four-Star Generals, General Mattis as Secretary of Defense, and General Kelly as the Director of Homeland Security, and the third Marine Four-Star General on this National Security Team is General Joseph Dunford who was named Chairman of the Joint Chiefs of Staff a year ago by President Obama. These three generals form a very tight knit group.

One of the big campaign issues that Trump campaigned on was the idea of building a wall along the entire Mexican border. However, when General Kelly met Donald Trump, he told him that the wall across the whole Mexican border was not a good idea. Kelly, who was the Head of the Southern Command, was in charge of all US armed forces operations south of the US border covering all of Latin America, Central America, the Caribbean, and Mexico. He made a compelling case that there was a better alternative policy for Trump, and afterwards Trump hired him as the Director of Homeland Security. Therefore, there may be a difference between Trump campaigning on certain “hot button” issues to get the attention of the American people, versus how he is going to govern.

That leads to the question of how the relationship between the US and Russia will play out. Demonizing Russia and having a policy of confrontation is not a positive approach, as is NATO’s physical deployment of thousands of NATO troops up against the Russian border in the Baltic States, Poland, and the Black Sea states. Trump is saying that alternatively we can begin a process of normalization.

How will Trump deal with China? This is difficult to predict, as there are ideologically conflicted people appointed to key cabinet positions. There are adamant anti-China hawks. Individuals such as Peter Navarro, a Professor at the University of California at Irvine, is famous for popularizing videos and books with titles like, “Death by China” and “Crouching Tiger.” According to Navarro’s ideological litany, almost all the problems of the world are related to the fact that China as a currency manipulator is dumping products. At the same time, Trump has appointed Governor Terry Branstad of Iowa to be the US Ambassador to China. Branstad was Governor back in the 1980s when a young midlevel Chinese government official named Xi Jinping went to Iowa and spent some time there learning about American agricultural methods. Since then, he has repeatedly come back and visited with Branstad. Trump has appointed someone

with a personal track record of friendship with President Xi Jinping who also happens to be a strong advocate of expanding US-Chinese trade.

In the 1980s, the United States had a similar chip on its shoulder about another Asian country that was carrying out manipulative trade practices and dumping of goods, which was Japan. There was a ferocious campaign at the beginning of the Reagan administration against Japan for dumping cheap microchips on the US market, and for manipulating the value of the yen amongst other things. Those issues were resolved when Japan began significant investments inside the US economy. There is therefore a lesson to be learned from that experience that could very well apply to China right now. There has already been a very clear shift in statements coming out of Trump in the last several weeks, which offers a sharp contrast to his comments during his campaign regarding China. In other words, issues that resonated very popularly during the campaign may be thought through in a different way.

Nobody can predict how Trump is going to deal with the Glass Steagall issue with six prominent Goldman Sachs bankers sitting around the table when they're talking about monetary policy. Therefore, it is important to take a patient view that this new administration could go in any one of several different ways depending on which of the advisors prove to be the dominant voices on policy.

There is an enormous debate throughout the Presidential election on the issue of infrastructure. The American Society of Civil Engineers, which is one of the leading organizations representing people involved in the infrastructure business, produces a US infrastructure report card every three or four years. Different core components of basic infrastructure, water management systems, power grids, IT infrastructure, and transportation amongst others are measured. For the last three successive reports, the United States has been given either a D or a D minus grade. Furthermore, the last estimate is that the United States must invest \$3.6 trillion over the next four years just to maintain the existing levels of infrastructure maintenance. This is disregarding expansion, but only includes work such as repairing dams and bridges, cleaning up potholes, and dealing with the fact that many cities in the United States have old and eroding water systems. There are dozens of other cities that are on the edge of those kinds of problems throughout the United States.

While there is a very big challenge, there is also a great opportunity, because there is discussion. Trump noted during the campaign that the United States would need to invest a trillion dollars in infrastructure. Recently, a Chinese official who has been

involved in state investments and infrastructure gave a speech in which he noted that a more accurate estimate for what the United States has to spend over the next decade is about \$8 trillion in infrastructure. Since the US doesn't have the capacity to do that alone, China may assist in this whole process. The American people cannot afford to finance a trillion dollars in infrastructure by paying extra tolls on pay roads. These are issues that are going to be debated in the first months of the administration not just in the executive branch, but in Congress as well.

In terms of Japan's relationship with Donald Trump, Prime Minister Abe has done a very effective job of positioning himself to develop a close relationship with the new administration. There have been emissaries from the Prime Minister who have been coming back and forth to Washington on almost a weekly basis for the better part of the last 6-9 months. Recent meetings between Trump and Abe were worked on for months, and lines of communication at a high level were very effectively established. We do not know how this will affect TPP, or whether this will guarantee that US-Japan relations will be improved on in a stellar way.

In conclusion, the objective for Trump was to first win the election, which succeeded. Governing will be another challenge altogether, and it is too early to say whether this transition will be successful or not.