

Making America Great Again: Implications for the U.S. and Global Economy

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Sir Austin Chamberlin, English statesman, scholar and brother of Prime Minister Neville Chamberlin is credited with introducing the phrase “May you live in interesting times” in the 1930s. While long thought to be an ancient Chinese curse, it is difficult to imagine a more appropriate economic and political environment than today where it applies. After eight years of relative economic somnolence under the Obama Administration, the economic revitalization that accompanied the political revolution that ushered Donald Trump into the Presidency appears to be gaining steam. A new optimism in the business community, prompted by an unprecedented roll back of regulations that stifled economic activity followed by a massive tax cut intended to restore America’s competitiveness and put money back into consumer’s pockets, has resulted in accelerated growth in output and improved employment environment. The outlook for the U.S. economy is more positive now than at any time in recent years. The growth spurt is not restricted to the U.S. Most of the other major world economies also are experiencing a wave of growth and the IMF is predicting world growth of 3.9 percent this year up from 3.2 percent only two years ago. The outlook is not all a bed of roses however. Significant challenges and threats remain. On the economic front, first and foremost is the realization that the business cycle is alive and well. Accelerated real growth is likely to increase demand for commodities and other materials and tight labor markets will push up labor costs. The result of this is likely to be a resurgence of inflation, which has been dormant for the better part of the last decade. Concerns about overheating and inflation are expected to lead to higher interest rates. In many respects, this realization is a root cause of the recent correction in equity markets. On the political front threats range from the possibility that the President may be indicted for obstruction of justice or some other “crime” uncovered by Special Counsel Mueller, to continued unrest in the Middle East, nuclear or other war with North Korea, implications of Brexit for Europe, and threats from potential trade wars. As “they” say, better tighten your seat belts because it’s going to be a bumpy ride!