

MACROCOSM

## The Charlottesville Hysteria

Friday, August 18, 2017

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### Disgust at a few neo-Nazi animals may drive a referendum on rebirth of “animal spirits.”

We're trying to be on vacation today and Monday (to view the solar eclipse), so we are jotting down only a few quick thoughts on the upheaval that has followed the protests in Charlottesville.

- We think it's a clinical case of [mass hysteria](#) – and one of the strangest we've ever seen. It's not about the event itself. It's about President Donald Trump's *reaction* to the event, because he is the most famous and fascinating man who has ever lived, and what we've called the Trump Infamy Ecosystem profits from exploiting that strange fact (see [“Drop the BAT and Run”](#) July 31, 2017).
- And it's not even about whether Trump is a racist. It is self-evident that he is *not*, because there is no evidence that he is (just as it is self-evident that his campaign didn't conspire with Russia to hack the election). His sin is that he has failed to express his outrage at the event in a particular way – or, more precisely, that he *has* expressed it in a way that doesn't kowtow to the identity politics lobby.
- In short, he has been [deplorable](#). Standing up against identity politics – or, rather, to give dignity to demographics that feel they have been left behind by identity politics – won the election for him. *Trump dared to grasp the third rail of modern culture last year, and he survived and prevailed. Now he's doing it again, and it has the potential to act as a kind of referendum on his election.*
- Trump is not shying away from it. And stocks, after substantially recovering from the North Korea shock without so much as a 3% correction (see [“Thoughts on North Korea, Fire And Fury Edition”](#) August 11, 2017), and moving higher during most of the Charlottesville hysteria, broke to new lows yesterday only after Trump [tweeted his support](#) for retaining “our beautiful statues and monuments.” *Now, when there are further protests, it will be easy for the Trump Infamy Ecosystem to portray them as racist and violent, and Trump will be blamed for egging them on – for no better reason than because he likes the statues, not because he likes Nazis. This may by no means be over.*
- One key way in which this is, in fact, a mass hysteria is that, according to [a poll](#) conducted by NPR/PBS/Marist (surely not a conservatively biased source), even after Charlottesville 62% of Americans support keeping Confederate statues – indeed, even a plurality of African Americans says they should stay.

#### Update to strategic view

#### US STOCKS, US

**MACRO:** There is media-led mass hysteria about the Charlottesville protests, and Trump's reactions to them. But polls show that only a bare majority thinks Trump has not reacted strongly enough to the protests, and a strong majority – including a plurality of African Americans – favors keeping Confederate statues. So far, Trump is winning by standing up for “deplorables.” But his support yesterday for the statues invites blame if there are more violent protests. The disbanding of CEO councils are of no consequence. Business – and the GOP congressional establishment – still has every incentive to enact tax cuts, whether or not Trump is a racist. If this is a referendum on the pro-growth forces that elected Trump, it is a moment of risk. We think this will be the first buyable dip of the Trump presidency.

[\[Strategy dashboard\]](#)

- For that matter, the same poll found that only a bare majority of 52% of Americans judge Trump’s reaction to Charlottesville to have been not strong enough.
- And since the onset of the frenzy, [polls show](#) Trump’s approval ratings ticking up, and his disapproval ratings ticking down.
- *All this means that the hysteria not only isn’t about the events themselves, but isn’t really even about Trump’s reactions, either – it’s about the media’s reactions to Trump’s reactions. But if there are further violent protests, this self-referential silliness could have dangerous implications for growth, and for the markets.*
- As we have said all along, separating out the cultural or even the moral issues, we think Trump’s defiance of prevailing norms of identity politics has profound pro-growth implications. Whatever else it may bring along with it, its embrace by the electorate points to a generational [“turning”](#) away from anti-business and risk-aversion trends that have choked off growth in the Not So Great Expansion following the Great Recession. If this moment becomes a referendum on Trump, then it may also be referendum on that “turning.” Our optimism that we are entering a new secular period of better growth and risk-tolerance has never come from Trump as a person, but rather from the cultural forces – the [“animal spirits.”](#) to use an almost pejorative term for them – that have welled up from the grass roots, choosing Trump as their best available representative (see [“2017: It’s Bigger than The Donald”](#) December 30, 2016).
- *The present mass hysteria is a test of that proposition – a referendum on the pro-growth forces that elected Trump.* It’s remotely possible, we suppose, that some combination of hysterical events set in motion here could knock Trump out of the White House – who knows, he might even quit in disgust or, God forbid, be assassinated. That wouldn’t be important, in and of itself – as we said after the fiasco following the firing of James Comey, the economy would do just fine with President Pence (see [“Another Trump Correction”](#) May 17, 2017).
- *The issue is whether or not the electorate has aborted its “turning” to growth and risk-tolerance. We really see no reason to think that it suddenly has.*
- *It is only these grander issues that concern us.* We think it is of little consequence that Trump had to disband his CEO councils in the face of several resignations. It’s not true, despite sensationalist headlines, that Trump has [“lost the business community.”](#) Does anyone seriously believe that these “councils” were ever anything more than lobbying boondoggles in the first place, or that now no communication between business and the administration will go on, or that CEO’s want Trump’s corporate tax cut any less because they have to shield themselves from political activists who might harass them?
- Similar logic applies to Congress. Republican senators and representatives have been furiously tweeting their anti-Nazi bona fides. And why not? It’s free insurance. It doesn’t mean they *don’t* want to get tax cuts done, just because Trump *does* want to get them done.

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## Recommended Reading

[8 Ways Comic Book Legend Jack Kirby Fought Fascism](#)  
Mark Peters  
*Paste*  
February 16, 2017

[The Google Memo: Four Scientists Respond](#)  
Lee Jussim, David P. Schmitt, Geoffrey Miller and Debra W. Soh  
*Quillette*  
August 7, 2017

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- And GOP politicians ought to look at [another poll](#) released this morning, showing that an overwhelming majority of Republicans agrees with Trump's view that both sides were responsible for the violence in Charlottesville. *[Ironically, this present seeming surge of anti-Trump sentiment may end up strengthening GOP strongholds for the 2018 mid-term elections.](#)*
- We've only had one 3%-plus correction since Trump was elected (see "[A Trump Correction at Last?](#)" March 3, 2017). As of this writing Friday morning the present correction has not matched that benchmark. Another correction could materialize at any moment for any reason or no reason. If there are more violent protests, then that would likely be a good reason.
- *[We've outlined some ways in which the present situation could lead to important negative outcomes. We don't expect those outcomes, but we do see this as a moment of risk greater than any we've seen since the election. We are strongly inclined to say that, at last, the Trump presidency will give us a nice buyable dip.](#)*

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### Bottom line

There is media-led mass hysteria about the Charlottesville protests, and Trump's reactions to them. But polls show that only a bare majority thinks Trump has not reacted strongly enough to the protests, and a strong majority – including a plurality of African Americans – favors keeping Confederate statues. So far, Trump is winning by standing up for “deplorables.” But his support yesterday for the statues invites blame if there are more violent protests. The disbanding of CEO councils are of no consequence. Business – and the GOP congressional establishment – still has every incentive to enact tax cuts, whether or not Trump is a racist. If this is a referendum on the pro-growth forces that elected Trump, it is a moment of risk. We think this will be the first buyable dip of the Trump presidency. ▶