

TRENDMACRO LIVE!

## On Kudlow for NEC Director

Wednesday, March 14, 2018

Donald Luskin

Congratulations, Larry. You get to play the “good cop” on trade.

We are delighted by [reports](#) that our old friend Larry Kudlow will replace Gary Cohn as Director of the [National Economic Council](#). He is a good man who will bring good ideas to the White House, but we want to be careful not to read either too much or too little into this.

- We said last week (see [“Getting Away With an Act of Tariffism”](#) March 9, 2018), speaking of Trump’s combination of bluster and moderation on trade:

*Hopefully he’ll continue with his unique combination of bluster on the one hand, and a seemingly chaotic [“team of rivals”](#) in the White House that moves him ultimately toward moderation. Who replaces Cohn will be a powerful signal of whether this ultimately beneficent pattern can continue.*

- Kudlow’s appointment certainly signals that this “good cop, bad cop” approach to trade can continue. Remember though, that pattern includes continuing to threaten tariffs which, if our trade counterparties call Trump’s bluff, could lead to very unfortunate consequences. [The White House is signaling](#) that this aggressive element in the pursuit of trade reform is very much in play.
- *Kudlow is staunchly in favor of free trade and opposed to tariffs.* And we know that last week, after Cohn resigned and rumors of Kudlow getting his job first surfaced, he had no particular ambition for the NEC position and was very dismissive of the possibility. *So even if he was just playing hard-to-get, we have to conclude that for it be offered to him, and more, for him to accept it, Trump was able to internalize his pro-trade views, and gave him strong assurances that the White House trade agenda will not be dangerously protectionist.*
- *But for any president, advisors are disposable.* Ask Rex Tillerson.

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### Bottom line

Our friend Kudlow will reportedly replace Cohn at NEC. He is a good man, and it shows that Trump is continuing with his “team of rivals” approach to trade. But the aggressive pursuit of reform, including threats of tariffs, will likely continue. ▶

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#### Update to strategic view

**US MACRO:** Our friend Kudlow will reportedly replace Cohn at NEC. He is a good man, and it shows that Trump is continuing with his “team of rivals” approach to trade. But the aggressive pursuit of reform, including threats of tariffs, will likely continue.

[\[Strategy dashboard\]](#)

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