

POLITICAL PULSE

Trump's TrendMacro Cabinet

Monday, November 25, 2024

Donald Luskin

Controversial, yes. But these are people of ideas who have engaged with you, our clients.

Donald J. Trump is acting like a man with a mandate, having won the popular vote (as we predicted: see [“Our Hot Take on the Election”](#) November 6, 2024), overcome a year of lawfare against him, and despite vast and disproportionate spending by his opponent, whom the media had anointed as inevitable. It's a fool's game to predict the specifics of what he will (or *can*) do with that mandate – although we know the general outline (see [“Trumponomics II, The Sequel”](#) July 17, 2024).

- What we do know so far is that Trump is moving unusually rapidly to fill out his cabinet and other significant executive appointments.
- Unlike in Trump's first term, when he had no Washington experience and probably didn't really even expect to win, he has not chosen brand-name Republican stalwarts or highly decorated generals – all of whom betrayed him. He has chosen loyal political allies – which is not unusual at all for presidents-elect to do – it's just that in 2016 he didn't have any.
- *And Trump has chosen men and women of ideas. By naming Robert F. Kennedy, Jr. to head the Department of Health and Human Services, Marty Makary to head the Food and Drug Administration and Vivek Ramaswamy to co-head the Department of Government Efficiency, he has selected three outstanding iconoclasts, all of whom we thought worthy to engage in TrendMacro Zoom calls with you, our clients* (please see [“TrendMacro conversation with Robert F. Kennedy, Jr.”](#) July 31, 2023; [“Video: TrendMacro conversation with Marty Makary on ‘Blind Spots’ in health and medicine”](#) October 15, 2024; and [“TrendMacro conversation with Vivek Ramaswamy”](#) May 8, 2023).
- Trump has selected Scott Bessent for Treasury Secretary. We'll have more to say about him in future reports. *But we note that top contenders for the job were two excellent men of ideas, our friends Larry Kudlow and Kevin Warsh. Larry has probably had enough of Washington; Kevin, we suspect, will be back.*
- Many of Trump's picks are from the private sector, but not always from businesses directly related to their respective agencies. One closely related is Chris Wright, CEO of Liberty Energy, who will be nominated for Secretary of Energy. He replaces Jennifer Granholm, a former Senator and career government lawyer who has literally never held a private sector job in her life. Wright is a business-builder who believes that more energy leads to more

**Update to
strategic view****US POLITICS, US
MACRO, US STOCKS:**

Trump is acting like a man with a mandate, rapidly putting together his cabinet and executive team. Unlike 2016 when he didn't have many political relationships, Trump can now choose people who will be loyal to him —as most presidents do. Many are from the private sector. Some are mainstream politicians, such as Rubio. Others are controversial men of ideas like Kennedy, Makary and Ramaswamy, all of whom have engaged with TrendMacro clients in Zoom calls. Kudlow and Warsh were up for Treasury, but Bessent was selected. DOGE, headed by Musk and Ramaswamy, is the most important Trump initiative. It is not about saving money, or making government efficient, per se. It is a vast deregulatory effort with the potential to liberate the economy from a deadweight loss, effectively a pro-growth tax cut. Our call for outperformance by small-cap stocks and banks is already in the money.

[\[Strategy dashboard\]](#)

human flourishing, and that too many laws and regulations hold both back (see [“Oil Under Trump: War and Peace, but Mostly Deregulation”](#) November 20, 2024). Granholm is a lawyer who believes in laws and regulations. She is typical, in that way, of the people Joseph R. Biden, Jr. has chosen these last four years. These are two starkly different visions of the role of government – at the Department of Energy, Wright will emphasize *energy*; Granholm has emphasized *department*.

- Some of Trump’s nominees seem less obviously qualified for their jobs than others. Naming Matt Gaetz as attorney general is a head-scratcher to be sure. But then again, Biden installed Jared Bernstein as chair of the White House Council of Economic Advisors, and he’s not even an economist (see [“Video: What you’re not hearing about the crisis in federal spending, debt and debt service”](#) May 6, 2024). At least Gaetz is a lawyer.
- Some of Trump’s nominees are very much in the mainstream of the type of people selected for their respective roles. As presumptive nominee for Secretary of State, Marco Rubio, the GOP senator from Florida, has spent 14 years on the Senate Foreign Relations Committee; his predecessor under Barack Obama, Hillary Clinton, spent none.
- Some of Trump’s picks are very much outside the mainstream – particularly Kennedy – and we can expect at least strong attempts to shake up the status quo. But that’s not unique to Trump. For example, Biden’s appointment of Lina Kahn as chair of the Federal Trade Commission upended decades of bipartisan consensus on the role of antitrust enforcement.

We are especially interested in Trump’s appointment of Elon Musk and Vivek Ramaswamy to head the Department of Government Efficiency.

- As our friend Scott Adams says (see [“TrendMacro conversation with Scott Adams”](#) September 6, 2023), if a leader wants to pay lip service to a big, popular idea while doing absolutely nothing about it, he appoints a blue ribbon panel of experts to study it and write a report. *But if that’s Trump’s idea, he sure shouldn’t have appointed Elon Musk to lead it – this is a man who knows how to get seemingly impossible things done, and has the clout to do it* (see [“TrendMacro conversation with Elon Musk’s biographer Walter Isaacson”](#) September 26, 2023).
- But what then is the purpose of DOGE?
- If the idea is to reduce government spending – [you hear the number \\$2 trillion all the time](#) – forget it. For 2024, total federal government discretionary spending is only \$1.8 trillion to begin with.
- If the idea is, as the name suggests, to make government more *efficient*, that’s the last thing we should want. Surely we don’t want the vast administrative state to get better at over-regulating our businesses and our lives.
- But to cater to Musk by giving him the acronym DOGE, *efficiency* must have seemed like a persuasive word. *Elimination* begins with “E” too, but it would have raised eyebrows. Yet that is truer to the

Contact TrendMacro

On the web at
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Donald Luskin
Dallas TX
214 550 2020
don@trendmacro.com

Thomas Demas
Charlotte NC
704 552 3625
tdemas@trendmacro.com

Michael Warren
Houston TX
713 893 1377
mike@trendmacro.energy

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DOGE vision, as explained last week in [a long Wall Street Journal op-ed](#) by Musk and Ramaswamy. The idea here is to rein in and dismantle the over-reaching dirigiste state.

- The idea here is deregulation, pure and simple.
- Regulation is a tax. It is a deadweight loss in the ecosystem of supply and demand (again, see [“Oil Under Trump: War and Peace, but Mostly Deregulation”](#)). It is sand in the gears of growth. Eliminating regulations is a pro-growth tax-cut that has no “revenue cost” – it’s free. Even if it were not – even if we had to pay off hundreds of thousands of bureaucrats with generous severance packages – it would be worth it just to make them stop. Yes, that would be paying blackmail. We should do it.
- That – more than the border, more than tariffs, more than anything else that may make up Trump’s mandate – should be the goal of this administration. We will be tracking these efforts very closely in the coming months to try to identify transformative investment opportunities. Our first very fruitful sallies in that direction, by emphasizing small-cap stocks and banks as the most obvious “Trump trades” (see [“Our Fearless Forecast”](#) November 5, 2024) is the start.

Bottom line

Trump is acting like a man with a mandate, rapidly putting together his cabinet and executive team. Unlike 2016 when he didn’t have many political relationships, Trump can now choose people who will be loyal to him —as most presidents do. Many are from the private sector. Some are mainstream politicians, such as Rubio. Others are controversial men of ideas like Kennedy, Makary and Ramaswamy, all of whom have engaged with TrendMacro clients in Zoom calls. Kudlow and Warsh were up for Treasury, but Bessent was selected. DOGE, headed by Musk and Ramaswamy, is the most important Trump initiative. It is not about saving money, or making government efficient, per se. It is a vast deregulatory effort with the potential to liberate the economy from a deadweight loss, effectively a pro-growth tax cut. Our call for outperformance by small-cap stocks and banks is already in the money. ▶