

**Ahead of the Herd Newsletter - 2018 Issue Thirty Six**

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Telling you things everyone else doesn't already know.

## **Why do poor people vote Republican? Guns and God - Part 1**

*As a general rule, the most successful man in life is the man who has the best information*

Why do poor people vote Republican? It's a good question, especially after a year and a half of Donald Trump serving as the US President, enough time to evaluate his government's performance. When Trump campaigned in 2016, he conducted a populist campaign aimed at "draining the swamp" of Washington insiders including "crooked Hillary" Clinton, told working-class Americans he would bring back outsourced jobs, equated undocumented Mexicans with criminals, slapped a ban on Muslim immigration, and showed his disdain for political correctness - remember the Access Hollywood tape? His base - composed mostly of white, rural, poor Americans fed up with politics as usual - ate it up. They didn't care that Trump was a crass, unethical billionaire whose road to riches was filled with giant potholes. Like them, he was fallible, spoke without a politician's filter, had strong opinions, and was a rich guy who would protect them from all the wrongs in the world, particularly those that weakened America.

The truth of course was altogether different. Trump is no more an "everyman" than any other rich American who ran for US president: Ronald Reagan, George Bush I and II, Mitt Romney, John F. Kennedy, Lyndon Johnson, Bill Clinton, etc. He owes his loyalty not to the little guy in Alabama, but the big corporations on Wall

Street and the financial elites who have bankrolled his real estate empire. For a comparison of the net worth of all the US presidents, from Washington to Obama, [check out this table from 24/7 Wall Street](#). Trump's net worth was last calculated at \$2.8 billion, almost triple the next contender, President Kennedy, whose family fortune was estimated at nearly \$1 billion.

So how has Trump performed so far and in particular, has the base that elected him benefited from his policies? Or is it the 1% of Americans who have gained the most from the \$1.5 trillion tax cut Republicans passed last December? What about the tariffs? How have those affected average Americans? Let's dive into the numbers and find out.

### **Same old Republicans?**

In 2014 comedian Bill Maher presented a monologue posing the question: Why do so many Americans vote Republican? It was perplexing to Maher why voters put Republicans in Congress when there are seemingly so many more Democrats, all espousing policies deeply opposed by Republicans, including increasing the minimum wage, getting background checks on firearm ownership, wanting a path to citizenship, and equal pay for women. Maher joked that part of the reason was that Republicans cheat at elections. But the real reason, said Maher, was this:

*What Republicans have done is tapped into the **deep rich vein of cultural resentment, that runs through America's heartland like an artery clogged with hate butter**. Liberals can be obnoxious and lots of Americans say we don't want politicians nagging about what we can name our football team or how big your soda can is... but don't cut off your nose despite your face. One of the Republicans' biggest voting blocks is whites who didn't go to college. These are people who desperately need unions, need health care...*

How prescient his remarks were, when four years later, that's exactly what Trump did, in convincing enough Americans to vote for him. Despite generations of Republicans ignoring the needs of the rural poor, instead being the party of business and less government, the people who would have benefited most from policies typically espoused by Democrats - like a higher minimum wage, unions, better health care - instead went for Trump. What a rich vein it was, that he was able to tap.

So what happened? As [we discussed in a previous article](#), his success at the polls was mostly attributed to populism. Donald Trump, running on a populist/nationalist platform, convinced 61 million Americans - 53% of white women, 63% of white male college graduates, 47% of white Americans between the ages of 18 and 29, almost one of three Hispanics, and 48% of white college graduates - to vote for him.

But he also played the race card to full effect, as well as low education and age - far more white Americans voted for Trump than non-whites, even more so when a college education was factored in. 66% of whites without a college degree voted for Trump versus 29% who voted for Clinton. 72% of non-white college grads voted for Clinton vs just 22% for Trump. Older Americans were far more likely to vote for Trump. He got 52% of voters aged 45+, while Clinton dominated the younger vote, claiming 53% of the 18-44 demographic vs 39% for Trump.

*Analysts say Trump's success among white voters is partly attributable to his tapping into concerns about immigration and a feeling among many voters that the U.S. should be a white, Christian country. - Newsweek*

Other concepts that Trump espoused which resonated with white Americans included the idea that Muslims and illegal immigrants were a threat ("They're bringing drugs. They're bringing crime. They're rapists") and a growing frustration

among some people of having a black president for two terms, who emboldened African-Americans through the rise of "Black Lives Matter", for example. "There is a feeling in the US that there has been an excess of liberalism," Newsweek quoted an associate professor of political science at the University of California, Irvine. "[People want to take back what was rightfully theirs](#) and for some that includes taking back the color of the presidency."

But a year or so on, there is something more interesting going on than just Trump being able to capitalize on historical racism and cultural divisions. (For historical examples, [Rolling Stone points out](#) that *In the Jim Crow South, Democrats kept poor whites complacent by legislating their superiority to black people until Nixon made a play for segregationist votes with his "Southern strategy."* Reagan and the first President Bush promised to protect upstanding Americans from criminals and welfare cheats typically depicted as black or brown.)

In fact there is evidence to suggest that the Republican Party of Eisenhower, Nixon and Reagan is changing, and that the conservative values of traditional Republicans is actually merging with "Trumpism."

The Pew Research Center last fall identified two factions within the Republican Party. The first group of "core Conservatives" espoused doctrinaire views one would expect from Republicans: financially secure, supportive of small government, lower corporate taxes and the current economic system, and also takes a positive view of US involvement in the global economy.

The second group, "Country First Conservatives", are Trump supporters. These folks are older, less educated, and hold more populist and isolationist views. States [New York Magazine](#):

*They are "highly critical of immigrants and deeply wary of U.S. global involvement," and most likely to believe "if America is too open to people from all over the world, we risk losing our identity as a nation."*

While many believe that Trump and his supporters are the outlier group that doesn't fit with traditional Republican values (Ted Cruz called Trump a "fake conservative"), polling research suggests that **"Trump's presidency has driven home the surprising reality that Trump is conservatism,"** states New York Mag.

In other words, those who oppose Trump (the "Never Trumpers" as described in an article in [The American Spectator](#)) have no momentum and no popular following right now, and Trump's conservative credentials have been cemented with the installation of arch-conservative Neil Gorsuch to the Supreme Court and the more recent appointment of Brett Kavanaugh to the bench. The Kavanaugh appointment has sparked concern among abortion rights advocates that the landmark *Roe v Wade* case legalizing abortion could be overturned, since Kavanaugh wrote a dissenting opinion last fall at the DC District Court that appeared to support government's interests in protecting the life of a fetus.

### **The rich get richer**

The effects of the Trump Administration's plan, starting in March, to levy import tariffs on billions of goods sold to the United States as a way of protecting American jobs and sectors, are starting to be felt.

This week GM announced it has cut its expected profit this year due to surging prices of steel and aluminum. On the other side are those hit by countervailing duties from US trade competitors. Trump announced on July 23 that his

government is willing to compensate US farmers up to \$12 billion to help them weather the trade war. Countervailing tariffs are having a devastating impact on staple crops like soybeans - whose top export market is China.

On top of the tariffs, we have the \$1.5 trillion in tax cuts passed by the Republican-controlled Congress last fall. If this was ever a gift to the elites Trump so professes to despise, this was it.

Cutting corporate tax rates from 35 to 21% has not put money back into the pockets of common folk because the majority don't own shares but rather has enriched management, who are using the tax cuts to buy back company shares and boost their own compensation.

According to the SEC, corporate executives have been selling their shares after buyback announcements, and profiting from the stock price surge that usually happens after a repurchase notice.

There were \$178 billion worth of buybacks in the first quarter and a record \$171.3 billion in May, according to Trim Tabs, a market data firm. Insider selling in June reached \$23.6 billion. Full-year buybacks could total \$800 billion, say Wall Street analysts, versus \$530 billion last year.

[Share buybacks are a popular tool for management to stuff cash back into the company](#), indirectly, by reducing the share float. Purchasing company stock generally inflates the share price and boosts earnings per share – a key metric on which CEO bonuses are calculated.

The Center on Budget and Policy Priorities estimates the top fifth of earners will get 70% of the Republican tax bill's benefits, with 34% going to the top 1%. It

will also mean an estimated \$17 billion in tax savings for millionaires in 2018, [Vox reported](#).

Business Insider summarizes [a few more ways the rich will get richer](#) under the new tax plan. These include eliminating the estate tax, gutting the alternative minimum tax (AMT) affecting those who make over \$500K a year, and keeping a loophole that allows hedge fund managers to pay a lower profits tax. The latter is a broken campaign promise by Trump.

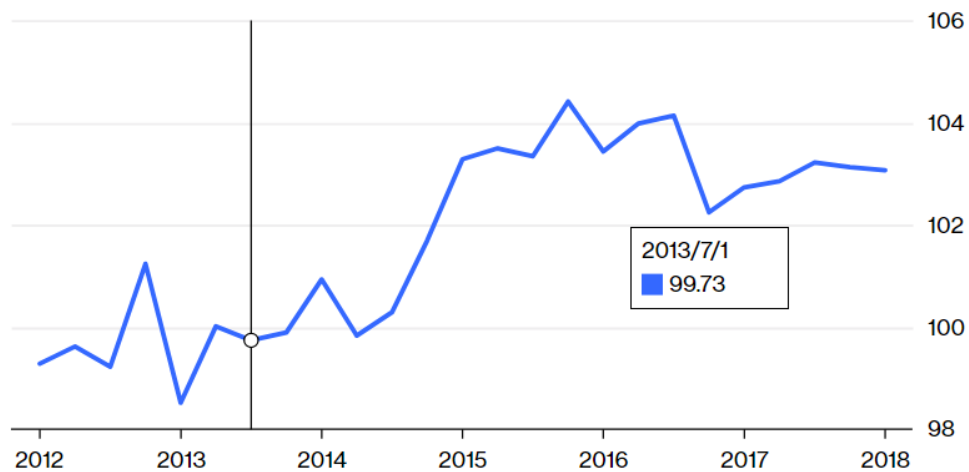
Trump has recently proposed passing an executive order (ie. without going through Congress) that would index capital gains to inflation. That means an investor would only pay tax on the portion of gains that exceeded inflation. But indexing capital gains without raising the tax rate at the same time would be “extremely regressive” according to Len Burman, a Syracuse University economist [quoted by Bloomberg](#). That’s because most capital gains are paid by the richest Americans.

### **And the poor get poorer**

More alarming is a chart showing a [9.3% drop in real wages](#) during the second quarter of this year (inflation adjusted), compared to a 12.6% rise since 2006.

## Not Very Convincing

Real average hourly compensation\*

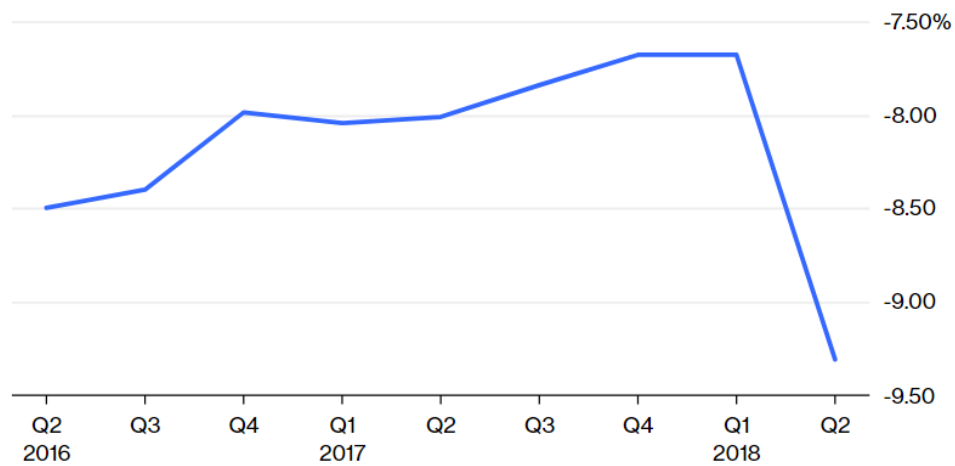


Source: Federal Reserve Bank of St. Louis

\* Index 2009 = 100

## That's Not Very Pretty

Changes in real wages since 2006



Source: Payscale.com

## Hurting small towns

By allowing corporations and individuals to keep more of their cash through lower taxes, some of America's most vulnerable areas are feeling the pinch. The Center for American Progress headlines ["10 ways President Trump's agenda will harm his supporters in rural and small-town America."](#) They include:



- Tax breaks taking precedent over infrastructure improvements.
- No more clean energy jobs, due to promised cuts to wind power subsidies.
- Reducing the quality of rural schools, especially through a nation-wide voucher initiative.
- Over \$6 billion in budget cuts to affordable housing.
- More hungry children and seniors in rural areas due to cuts to the Supplemental Nutrition Assistance Program.

A [2015 study by WalletHub](#) found that red-state economies are much more dependent on federal government funding than blue states, and get better income tax returns. In Floyd county, Kentucky, 40% of the income comes from the government. Cuts to government programs in states that voted for Trump, then, are vulnerable to a backlash.

## **Obamacare vs Trumpcare**

One of the most talked-about issues during the campaign was Obamacare, more formally known as the Affordable Care Act. Passed in 2009, the act has been repeatedly assailed by Republicans, principally for three reasons. First, it is anathema to a redistributive philosophy, because Americans that can afford to pay higher insurance premiums are charged more so that the government can afford subsidies for lower-income Americans. Second, they argue that the higher insurance premiums required by Obamacare will cause the system to collapse. Third, Obamacare is deemed to be a form of "socialized medicine" where the government provides universal health care for all its citizens regardless of their ability to pay.

Ironically though, a large group that voted for Trump is also among the biggest

beneficiaries of Obamacare, which begs the question: Why would they vote against it? By contrast the American Health Care Act, aka "Trumpcare", offers tax credits based on income and age, to be used to purchase health insurance.

[According to NBC](#), however, Trump's plan would hurt older, rural people the most:

*The House plan to repeal and replace the Affordable Care Act would hit one group of voters especially hard: older, rural voters who were crucial to President Donald Trump's victory in 2016.*

*The House plan would offer tax credits based on income and age, but the net effect would be a drop in federal subsidies for people who are older, who have a lower income and who live in high-premium areas, according to an analysis from the Kaiser Family Foundation. When you put those elements together, Trump's voters appear to take the biggest hits.*

For example in Northumberland, Pennsylvania, where Trump won 69% of the vote, a 60-year-old would pay \$7150 more for health insurance under Trumpcare. The same person living in Las Vegas, a Democrat stronghold, would pay only \$380 more. Of course, Trumpcare is currently a mute point, since the Republican-controlled Senate [rejected a bill to repeal Obamacare](#) last summer.

## **Gutting the EPA**

One of the biggest complaints Republicans had against Obama was the perceived over-stretch of the Environmental Protection Agency. Originally mandated to deal with air and water pollution, critics claimed the EPA was getting into matters beyond its original intentions ie. addressing [climate change](#), a topic which many Republicans disagree with. Obama's Clean Power Plan imposed strict limits on

greenhouse gas emissions from coal-fired power plants.

Trump's pick for the head of the EPA was Scott Pruitt, a critic of environmental regulation and a climate change skeptic.

Within weeks of taking power, Trump [signed an executive order that would un-do the Clean Power Plan](#), while ordering the EPA to review and rewrite it.

The executive order included reviews of:

- the federal moratorium on coal leasing.
- a measure that requires federal agencies to consider climate change
- putting a dollar figure on carbon pollution.

The order also proposed slashing funding for enforcing regulations, fighting water pollution, and cleaning up contaminated sites. It suggested a 31% budget cut to the enforcement division, which fines companies for polluting. The proposal would axe 3,200 EPA employees, 19% of its workforce.

Last August the changed [EPA scrapped an Obama-era measure that limited water pollution from coal power plants](#) by increasing wastewater treatment. The 2015 rule if implemented would have cost utilities \$480 million in new treatment equipment, but would have also reduced pollution by about 1.4 billion pounds a year. In December 2017 the EPA said it wouldn't force hardrock mining companies to show they can afford to clean up mining-related pollution. The financial responsibility proposal issues by the Obama Administration would have required companies to show they had the financial means to clean up sites after mining by issuing bonds or buying insurance, [MINING.com reported](#).

How does rolling back environmental regulations affect Trump supporters? Well,

most mines and power plants are located in remote areas, or at least outside city boundaries, so any pollution or contamination from mining activities or coal-fired power plants is likely to be borne more by rural residents than urban dwellers. That fallout could affect people's health, including contaminated drinking water, air pollution, dust, tailings dam ruptures, etc.

Add this to the poor deal Trump supporters would get from Trumpcare, and it's clear that taking an axe to the EPA carries more risk to those who voted for Trump than those who didn't. A lot of Trump's support comes from coal country, and while US coal production and employment are up slightly, the rollback of Obama-era regulations on power plant emissions and coal mining on federal lands have yet to produce any tangible results that could benefit the industry, [argues USA Today](#).

## **Conclusion**

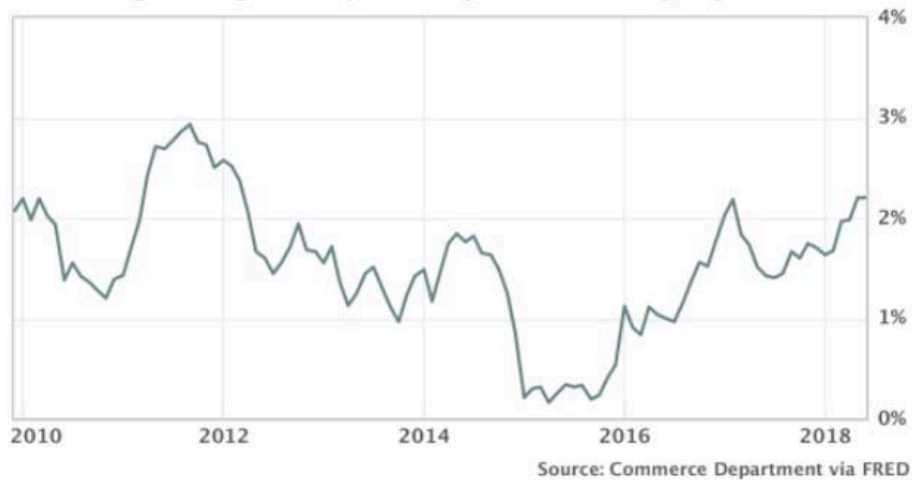
Nineteen months into the Trump Administration, our evaluation shows that Trump's government has shown its true colors. Although Trump campaigned on a platform to make the life of the average working American better, in fact things have gotten worse. Wages are sharply down, and tax cuts benefiting corporations and the wealthy (recall we said the top 20% of earners get 70% of the tax cuts' benefits) will not trickle down to help workers. That's because any extra cash to corporations is mostly going into share buybacks that boost management compensation, rather than increasing shareholder dividends or putting more money into growing the company (say through more hires).

Trump made a big deal of redressing the trade imbalance, by starting a trade war, but how is that working out so far for the average American? GM is losing money, farmers are having to get bailed out, and prices are increasing. Inflation is once again rearing its ugly head. The Federal Reserve increased rates in June and

another rate hike is likely in December. This is partly due to higher economic growth but also to cool rising prices - in June the inflation rate stood at 2.2%, sharply higher than two years ago.

## Personal consumption expenditures price index

Percentage change from previous year, seasonally adjusted



In red states where citizens need, and receive, more federal funding than blue states, Trump's policies are crafted to hurt them. Cuts to housing, schools and health care have a greater proportional impact on lower-income people. If you live near a mine, oil field or power plant, you'd better be extra careful. Cuts to the EPA put you more at risk, and if you haven't got proper health insurance and your health is affected by some environmental contamination incident, watch out.

So why DO poor, white people vote Republican? A 2015 [op-ed in The Huffington Post](#) presents a good theory. Written by a law professor at Hofstra University in New York, the opinion piece states that it has more to do with culture and religion than economics:

*The Republican platform is against abortion and gay marriage and for gun rights, important issues for lower middle class whites. Various studies also show that*

*Americans who attend church frequently are significantly more likely to be Republican and less likely to be Democratic. Only 25% of white Protestants who attend church once a week vote Democratic. And 61% of the religiously unaffiliated vote Democratic. These statistics suggest that ideology trumps self-interest.*

Indeed.

If that is true, then for the average white lower middle class Republican, emotional arguments and social issues carry more weight than bread-and-butter policies that might put more money in the bank and food on the table. For many it's guns and God over groceries. This goes back to the populist appeal of Trump. His supporters would rather blame minorities, immigrants, America's trading partners, the media, or anyone else that their strongman leader disagrees with, than take a hard look at what is actually benefiting them.

Why do poor people vote Republican? We'll let you decide.

Richard (Rick) Mills

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