Trumponomics, or the need for precision and careful examination of data

By Christos Cabolis

On May 23rd, the IMD World Competitiveness Center launched the 30th edition of the IMD World Competitiveness Yearbook! The 2018 rankings found the USA back in the top position for the first time since 2015.

The return of the US to the first position, was accompanied with a usual question we receive in similar circumstances: Are newly elected governments the reason for competitiveness ranking improvements? The answer, in all cases, is “partially.” Let me explain.
The final ranking reflects the study of 258 criteria. These represent both hard data that are collected from international and national sources as well as soft data, that is, the responses we receive from our Executive Opinion Survey. The former is weighted twice as much as the latter.

The USA has always been in the top of the competitiveness ranking. Since 1997, US ranked first 16 times out of 22, and never below 4th. Thus, being in the top place is neither unfamiliar nor infrequent. Its strengths focus on two factors: economic performance and infrastructure. And in the current edition, these two factors were indeed the ones that were the highest ranked in the profile of the country.

Let me take this opportunity and use a clear example on how sometimes a trivial look of data may minimize the complexity of an issue and point towards inconsistent conclusions.

Some of the important dimensions of President Trump’s policies when he took office in January of 2017 were a decline of the dependency on imports and therefore, an improvement in the current account deficit, a decline in the unemployment rate and the resulting increase in GDP. Figure 1 includes the one year change for these four criteria. A casual observation sees a significant change from the year before, rendering the policy undertakings, let’s call them “Trumponomics”, a success.

Figure 1

![Graphs showing changes in GDP, imports, unemployment rate, and current account deficit](#)

However, is this the correct conclusion?

I am afraid not. Let’s pay more attention to the details of the graphs. The vertical axis of the GDP graph uses a scale that does not begin from zero. This implies that one can choose the relevant range and make a change look big or small, depending on the intentions of the presenter. The graph related to the imports of good & services includes two inconsistencies. First, the range of years in the horizontal axis depicts the change between 2015 and 2016, that is, before president Trump took office. Second, it provides only one side of the story since it does not provide any indication on exports.
One may suggest that this is given by the graph on the current account. Here, however, we have the same issue we examined in the first graph: the range in the vertical axis in chosen in such a way to imply a significant change while in fact this may not be the case.

Finally, the unemployment rate graph, in addition to using a general range in the vertical axis, it does not provide and time consideration for this ‘long run’ criterion.

Going through these graphs, I wanted to point out that reading figures and analyzing data is an undertaking that requires precision, careful examination, and a questioning and critical eye. The criteria I presented are the outcome of long-term strategies, decisions and investments that involve previous administrations and non-political civil servants. In the end, an improvement in a long-term criterion is the outcome of a strategy that a country follows in a consistent manner. For example the current decline of unemployment and the increase in output can, in part, be attributed to the American Recovery and Reinvestment Act of 2009.

Furthermore, it is instructive to place data in perspective. The simplest approach to do so is to take a longer period of time under consideration. Figure 2 provides this context by examining the above criteria over a period of 8 years. The immediate conclusion from the four graphs is that Trumponomics followed the existing trend.

Then, is the answer to the question posed that President Trump did not contribute at all in the USA improvement in the ranking? Again, the answer is negative. Trumponomics’ additional policies include the decrease in taxes and deregulation from the environmental and climate change guidelines, to net neutrality, to banking rules, to targeted tariffs. These changes have been received by managers in a very positive manner. The IMD Executive Opinion Survey solicits responses to 120 questions from mid- and upper-level managers. The survey responses we received reflect this increased positive perception about the future which is clearly attributed to President Trump’s policies. Surprisingly, the
same executives provide a low rank on the government efficiency and high risk of political instability, criteria that need some reflection upon.

In sum, the data ranks the USA in the top position of the competitiveness ranking. The outcome reveals performance in both hard data that reflect the work of the current as well as previous administrations and soft data that also reflect the work of the current administration. In the next few years we will observe whether the expectations of the executives in the US will be reflected in the hard data as well.