

THE COFFEE CAN PORTFOLIO

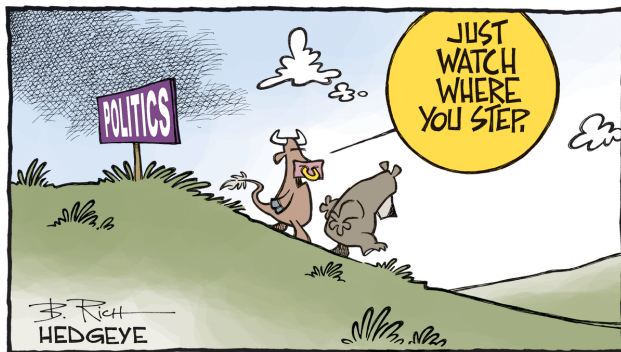
2020 ELECTION Trump the disruptor

“In our age there is no such thing as ‘keeping out of politics.’ All issues are political issues, and politics itself is a mass of lies, evasions, folly, hatred and schizophrenia.”

~ George Orwell

Politics, by its nature, is divisive and personal. In the investment business, discussing politics risks alienating clients. It’s bad for business.

But what is the fun in that? Let’s just dive right in, shall we?



Much ado about nothing?

For investors, does it make any difference who wins the election?

One common retort: “It doesn’t matter which party wins, they’re both infested with corrupt, big spending politicians.” Or, “Republicans talk about restraint, but in practice they’re no different than Democrats.”

The empirical evidence tends to support this argument.

After inflation and population growth, the federal government grew 3.8 times from 1960 to 2016, with time in the White House split evenly between the two parties. Republicans compounded inflation-adjusted spending per capita at 2.35% per year, Democrats 1.77%. The Trump administration was humming along at 2.16% growth until 2020 blew the roof off the budget, up an astounding 48%.

Going into one of the most contentious elections in American history, the financial establishment is complacent. The uncertainty of a contested vote is their biggest concern. Goldman Sachs [analysts](#) put the probability of a Biden win above 80%. Moody’s even expects the economy to perform [better](#) under a Biden administration.

Trump as disruptor

American politics over the past half century has been a gradual drift left with the Democrats leading the progressive charge and the Republicans offering progressive-lite compromise and little principled resistance, becoming acclimated to the political swamp in the process. Journalist Stan Evans witnessed the corruption of freshmen Republicans during the Reagan revolution:

Conservatives come to Washington knowing it’s a sewer. Trouble is, most of them wind up treating it like a hot tub.

Donald Trump’s improbable run in 2016 began when he roundly defeated establishment Republicans to get the nomination. Trump is the Rodney Dangerfield of

politics: a novice, an outsider, who turned country club politics into *Caddyshack*.

He then somehow managed to beat the Left's beloved Hillary Clinton in perhaps the greatest upset in U.S. presidential election history. The table was set for Democratic domination with Hillary the first female president. Donald Trump spoiled the party, which is why he is so reviled by progressives. They will never forget.

Upset 2.0?

Despite the polls predicting Joe Biden as the nation's 46th president, Donald Trump has a more than reasonable chance to pull another upset:

- **Incumbency** – Second term presidents tend to do well unless their base gets discouraged (Carter in 1980 with a lingering recession, Bush I in 1992 after breaking his “no new taxes” pledge). Trump's base is fired up and fighting for its life.
- **Third parties** – The 2016 election saw a divided GOP and establishment Republicans saying “never Trump.” The Libertarian Party got 3% of the popular vote as a result (they're normally lucky to get 0.5%). A lot of those votes will go to Trump in 2020. Four years later, time heals all wounds. The GOP is behind Trump 100% and united against a common enemy.
- **Youth vote** – 10% of the electorate turns over every four years. The young have been indoctrinated in progressivism and should vote overwhelmingly Democrat. However, Biden will be the oldest president in history if elected. He seems cognitively impaired and tired. His message doesn't exactly appeal to young people: “We're going to lock down the country to protect old folks like me.” He's tried to distance himself from radical ideas like the Green New Deal. (Will the young vote Green Party instead, building on its record 1% showing in 2016?) The Democrats are in favor of legalizing marijuana, but have downplayed the issue. Meanwhile, Trump just beat Covid in 3 days, is full of energy, and drawing huge crowds. Trump has also been bringing the boys home from the wars in the Middle East, a message that appeals to young voters.
- **Oil patch** – The Biden/Harris ticket wants to phase out fossil fuels, ringing alarm bells in key battleground states like Ohio and Pennsylvania.

- **Polls** – The polls are nearly worthless, mostly conducted by biased news agencies. Their crystal balls were cracked in 2016. In four years the media has further detached itself from reality and the “silent majority” of Republican voters are less willing to talk to pollsters.
- **Violence** – Could the inner city riots and small business shutdowns become an issue that begins to fracture the Democrat stranglehold on minority voters? Even if this is not a significant factor in 2020, it likely will in the future.

Non-voters

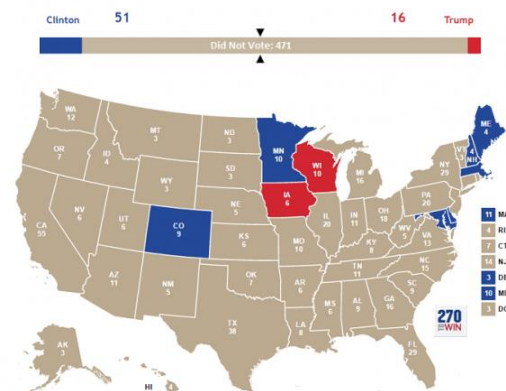
In 2016, 55.5% of the voting age population showed up at the polls, close to the 55.2% average since 1960. This time, turnout should be off the charts, as many believe this is the most important election since 1860 (when 81.2% voted).

How significant is the non-voter block? According to [Jeff Deist](#) of the Mises Institute,

Historically, the demonstrated preference of American voters has firmly been political apathy. In 2016, if Did Not Vote had been a candidate, it would have won with an impressive 471 votes. As such, to the extent that the “silent majority” exists, we can perhaps view it as “antipolitical.”

The question, then, is which candidate makes the best appeal to the “antipolitical”?

If “Did Not Vote” Had Been A Candidate In The 2016 US Presidential Election



Deist sees the potential for a populist backlash:

What if there is a large section of the country that did not vote for Trump in 2016, sees

plenty of faults with the man and his policies, but sees him and his tweets as far less dangerous than self-righteous lefties who use their social media to get random people fired?

Perhaps real populism in America is simply letting people raise a family and grill in peace?

Why the 2020 election matters

Economically, the 2020 election looks like a choice between the lesser of two economic illiterates. The Republicans promote inflationism and protectionism, the Democrats inflationism and socialism.

One key difference: Trump has the common sense of a businessman. He knows a national lockdown would devastate the economy. He rejects a federal minimum wage and eliminating the oil and gas industry. Trump also doesn't want to bail out the cities. Biden and the radical wing of his party live in a fantasy world of Santa Claus economics. Climate change, green energy, lockdowns, bailouts, universal health care, universal basic income... the laws of economics simply do not apply to them.

Regardless of who wins, however, the economic chickens *will* come home to roost.

Trump's crowning achievement during his first term may be his three Supreme Court appointments, all originalists with regards to interpreting the Constitution. They will likely serve for several decades and act as brake on big government.

The most significant aspect of the Trump movement is that it represents a reaction against a war to undermine American culture. After the 2016 election, Robert Higgs weighed in on the Trump victory:

In effect, the election was above all a referendum on political correctness. People who had tired of being called every sort of insulting name—racist, sexist, ignorant, backward, religious, in short everything that the Clinton crowd fancied it was not—rose on their hind legs and began to buck vigorously. One suspects that Trump himself must have been surprised by the magnitude and enthusiasm of the following he attracted. After all, he is not a sociologist, a political scientist, or even an experienced politician. However one might label him, though, he had stumbled onto a cultural time-bomb waiting for a detonator. Thus, he was not so much the man of the hour as he was the right tool for the task a great many people yearned to see carried out.

Four years later, Higgs' words sound quite prescient. Only the stakes have been raised.

Conclusion

Political coalitions are never etched in stone. In fact, the U.S. appears to be at an inflection point where they are splitting apart. The GOP is no longer the party of the rich. It is becoming the party of small business, the middle class and working class. The Democrats are becoming the party of the corporate elites, welfare dependents and cultural Marxists. Politically, the country seems to be realigning into two sides: the productive host vs. political parasite. Only time will tell.

This must happen soon, before the parasite destroys the host.

Rating the Supreme Court Justices

Justice	Age	Appointed By	Year Appointed	Interpretation of the Constitution
Steven Breyer	82	Clinton	1994	Living document
Clarence Thomas	72	Bush I	1992	Original intent
Samuel Alito	70	Bush II	2006	Original intent
Sonira Sotomayer	66	Obama	2009	Living document
John Roberts	65	Bush II	2005	Mixed
Elena Kagan	60	Obama	2010	Living document
Brett Kavanaugh	55	Trump	2018	Original intent
Neil Gorsuch	53	Trump	2017	Original intent
Amy Coney Barrett	48	Trump	2020	Original intent

The Coffee Can Portfolio

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