

## Crucial Questions

By John Mauldin | January 25, 2025



From Negotiation to Action  
Dueling MAGAs  
“We Know S\*\*t Happens”  
What Is an Elite?  
I Need More Time with You

The Second Trump Era has begun. If you are confident about what it will bring (either good or bad), I would like to gently suggest you reconsider. None of us should be sure what is coming. We can only know what we *want*. For a variety of reasons, we may or may not get it, not least of which is that we want a variety of things that may not overlap with what our fellow citizens want.

For example, my personal top priority is to see Congress get the federal debt under control. That means, as an initial step, it needs to get annual deficits down to a point where debt grows no faster than GDP. That would stabilize the situation, and from there we could work on longer-term solutions.

But for me to get that wish will require some combination of spending cuts and revenue growth, and neither will happen easily. And not without potentially harmful side effects. It's a fiendishly difficult problem on a long list of other fiendishly difficult problems.

The near-term outlook depends heavily on *how* the new administration attacks that list, and this will not be entirely their choice. My friend George Friedman often makes the point that presidents aren't omnipotent. They take office with high aspirations but are always constrained by the circumstances of their time. The better ones find ways to reshape those circumstances. We will see in the coming months if Trump 2.0 can do the same.

This week's letter will be a little different. I'm going to quote three sources that address this topic, and then I'm going to add my own thoughts. Am I the only person that is uncomfortable with the word "populist" and how it is used? Who are these elites everyone seems so concerned about? Am I one of them? Are you? These things matter.

## From Negation to Action

Last year I wrote [a series of letters](#) reviewing ex-CIA analyst and Martin Gurri's extremely important book, *The Revolt of the Public*. To summarize, Gurri says information technology eliminated the "gatekeepers" who once decided what the public would see, and this has produced a crisis of confidence in all kinds of institutions and authorities. It opened the door for populist movements around the world and for an outsider candidate like Donald Trump to win the American presidency.

In a new article last week, Gurri had some thoughts about [what comes next](#). Gurri sees the potential for major changes. You should read the whole thing, but I'll give you some excerpts below.

We'll jump in as Gurri explains how the second Trump administration will differ from the first.

"So it was with the first Trump administration. We heard, loud and clear, what Trump was against: immigration, the news media, Nancy Pelosi, etc. He often spoke in crudely nihilistic terms. But what was his positive vision for the country? It was hard to say. Trump was trapped in a life-and-death struggle with his political antagonists—maybe it was unfair to expect soaring ideals from him at that juncture. But the fact remains that his energies, during his first term of office, were concentrated on negation.

"This time around, all thoughts are turned to action. Trump's ambitious program will advance on many fronts—unshackling the economy and restoring the worth of citizenship, for example—but the main strategic thrust is an effort to tame Leviathan, that is, to narrow the democratic gap between modern government and the public. Trump means to grapple with, and if possible, cauterize, the festering sources of revolt. His instrument will be the Department of Government Efficiency, or DOGE, an [advisory group](#) led by Musk that aims at "sweeping change," including the dismantling of "antidemocratic" structures in the federal behemoth. Redundant units and regulatory agencies lacking explicit congressional approval are certain to fall, with proportionate "reductions in force." The goal appears to be to enhance accountability as well as to increase efficiency and savings.

“The crucial question is whether the system can be reformed. Evidently, Trump was elected to do just that. To the extent that he can persuade his voters that change is possible—that their revolt was a legitimate gesture, armed with a militant program—Trump can begin to restore the public’s trust in the institutions and the principles that sustain them, very much including democracy.

“There’s a human dimension to reform, too. It has long been apparent that our current elite class must be replaced by people who feel at home in the twenty-first century. By recent standards, including that of his first-term cabinet, Trump’s new advisers and appointees are relatively youthful. Vance is 40, Gabbard and Kash Patel are in their 40s, while Musk, at 53, is somewhere between a perpetual child and an elder statesman. Besides enjoying the full vigor of life, members of this crowd have few memories of Vietnam, Watergate, or even Monica Lewinsky. Their eyes are fixed on the present and the future—beyond the digital culture that so distresses our decrepit elites to the next tidal waves of disruption, such as artificial intelligence and blockchain technology.

“Of course, the odds are stacked against them. Failure is more likely than not. But it would be the crowning irony of Trump’s improbable trajectory if the motley collection of pirates and adventurers presently around him turn out to be the next American ruling class.”

Gurri makes a great point about the relative youth of Trump’s key advisors. My friend Neil Howe (*The Fourth Turning*) has been talking for years about the iron grip older Democrats (Biden, Pelosi, Schumer, etc.) have kept on their party. Biden’s unwillingness to let go may have cost them this election. Trump is no spring chicken, either, but he’s surrounding himself with a new generation. We will now see how their approach differs. And Neil confidently predicted almost 30 years ago that a new generation would rise to power and usher in an era of comity and civil cooperation.

## Dueling MAGAs

However qualified and enthusiastic members of the new leadership may be, they will naturally have differences. This time in 2017 Trump had made 25 appointments. Now there are 2,000. And of course they have differences, as “MAGA” is composed of large, very differentiated groups. Geopolitical analyst Ian Bremmer had an interesting perspective on the key division he calls “Deep Maga” and “Dark Maga.” (I will push back later, but recognize that Ian expresses an opinion that is accepted by a large part of the country.)

“...But there is an important ideological divide inside the administration. We’ve seen some of that fight around H-1B visas, most notably between Elon Musk and a host of populist Maga influencers, which then became more direct when former Trump advisor Steve Bannon said Elon Musk was a “proponent of techno-feudalism on a global scale” and vowed he would be out before inauguration. That’s clearly not the case... but the competing worldviews are real and worth discussing.

“1) *Dark Maga*. Globalists who want less restrictive regulation, smaller government, lower corporate and personal taxes, and to use their access to capture regulatory and policymaking processes to benefit them. They support globalization and legal (mostly skilled) immigration. Their biggest dispute with Trump tends to be around tariffs and free trade. They're also deficit hawks and worry that continued fiscal expansion will undermine the dollar and US competitiveness. The Department of Government Efficiency (DOGE) is a Dark Maga project, with overarching focus on all of these challenges.

“Dark Maga is led by Elon Musk, by far the most powerful of Trump's advisors and also the one with the most personal access to the president-elect. Their ranks are rounded out by much of the Cabinet, all the major donors, and libertarians in the technology space.

“2) *Deep Maga*. The base of Trump supporters. Primarily working and middle class, not highly educated, and disaffected with political, economic, and cultural elites in the country. They aligned strongly with the "drain the swamp" call by Trump in the first administration, not to make the government smaller or spend less but rather to take the government off the hands of the "deep state" and the "uniparty," allowing it to represent average citizens. They mistrust the globalists and want the government to pay attention to them. They want more intrusive government, big spending, more support for the working and middle class, and dramatic restrictions on all immigration (illegal and otherwise).

“Given how much control Trump has over the administration—and, by extension, the country—the real question here isn't about who emerges victorious in the fight; neither side will as long as Trump wants everyone rowing together. But there's a bigger question about whether Trump decides to put his thumb on the scale in favor of one or the other.

“It's easy to say that big money is going to win. After all, in the United States (and no matter who is running the government), big money almost always wins. But it's not clear that Trump, who was supported but also derided by Bannon as an "imperfect vessel" for the revolution he wanted to bring about, is fully on board with this. And Trump is running the show to a much greater degree this time around—both domestically and internationally—which doesn't only mean he won't get constrained by disloyal Republican establishment types in his administration. It also means he can do a lot more of what he wants from a policy perspective.

“And I think we're going to see that in a number of places. Specifically, on China, where—as I wrote above—I expect relations to get considerably worse than Dark Maga supporters would like to see. On tariffs, which I think will be higher this time across the board and not constrained by markets the way they were during Trump's first term. And on migration (illegal especially but not only), where Trump is going to want to follow through on his core campaign promise and won't be as bothered by inflation if that means he's catering to his base. It will be interesting to see to what extent President Trump decides to lean into a broader anti-corporate thrust.”

I would add that these two wings each have different sub-groups with varying priorities. I'm not sure this is a problem, though. Trump seems to like having his team bicker and fight. That's just part of his management style. Somehow it works for him.

## **“We Know S\*\*t Happens”**

I'll close out with Peter Boockvar, who [wrote](#) about the market impact of Trump 2.0.

“If there is one thing that anyone involved in markets gets to know, it's that markets don't always reflect the economy and the state of the economy at times separates itself from markets. How many times have we seen stocks rally on disappointing economic data on the belief it would give us a Fed rate cut? And vice versa? Also, markets are sometimes dispassionate but other times highly emotional. They don't care what you think, they don't care about your politics, they don't always do what you think they should and much more often than not, do the opposite of what most people think.

“I say all this as we digest the likely incoming policies of Trump 2.0 which, from an economic perspective, business should benefit greatly on the regulatory side in relieving its seemingly nonstop intense pressure, particularly on small business. On the tax side, a 21% corporate tax rate remaining in place (will be tough to lower further though I wish it did in order to better able US companies to compete globally and the corporate taxes are passed on to consumers anyway), along with the extension of the expiring tax legislation of the TCJA will meet up with the desire for tariffs, aka taxes, that someone has to eat. I'm stating all the obvious things to think about but want to bring this all together.

“We have had bull markets most of the time and under both Republican and Democratic presidents. We've had bear markets under both Republican and Democratic presidents too. And market behavior under either administration many times is just a victim or beneficiary of circumstance. George H. W. Bush was unlucky becoming president after a long Reagan expansion and a recession and a bear market came on his watch. Clinton was lucky to be elected just as the recession was ending and benefited too from the epic tech stock bubble that happened to crash on George W. Bush's watch who then devastatingly presided over 9/11. He then experienced an economic recovery but ended his presidency with the housing market crash that Obama was lucky enough to have caught the bottom of when his presidency began. Trump 1.0 saw a pickup in growth post Obama and the sharp corporate tax cut but ended with the disaster of COVID-19 that Biden was fortunate enough to have been president with the reopening and recovery. Inflation, though self-inflicted, was the curse of his administration but yes, sometimes being in the right place at the right time dictated market performance and vice versa.

“All throughout too, we have had a growingly active Federal Reserve that continued to flex its monetary muscles and itself became a major factor in how the economy and markets behaved, both in blowing bubbles and then figuring out how to recover from the aftermath.

“Bottom line, the US economy will hopefully be helped by business-supportive policies (tariffs are up for debate though and I still don't like them as I think the negatives outweigh the perceived positives) but we still must be thick-skinned as living in markets we know s\*\*t happens and other factors sometimes drive the bus. High valuations along with higher for longer interest rates will be the current administration's challenge when it comes to markets.”

Peter's last line is important for investors. No matter what Trump does, this year seems likely to bring a collision of record-high stock valuations with persistently higher interest rates.

The one thing I can confidently say is that we just simply don't know. I can make a case for also some things based on history, but I believe historical analogs simply don't apply to today. I feel like we are in a new territory. Ten years from now we will all say that whatever happens we thought that would be the case. But honestly, in your heart of hearts, do you really have a clue?

## What Is an Elite?

The classic definition of an elite is a group or class considered superior to others because of their intelligence, social standing, or wealth.

I grew up poor in West Texas and then the city. Dad was an alcoholic. I got lucky on my SATs, got a scholarship and now live a life that by any standards is charmed. I have some modicum of influence from my writing. Some would consider me to be an elite. I don't feel elite.

Ian Bremmer grew up in a rough part of Boston with a single mother. He was definitely not elite except that now he writes bestsellers, counsels presidents of countries and CEOs, and runs one of the most important geopolitical consulting firms in the world. Most would consider him an elite. When you are having dinner in his home you recognize his brilliance, but I don't feel “elitism.”

I can describe any of hundreds of thousands of people this way. Is Trump and MAGA pushing back on them? I don't think so. In fact, the “elites” I know who are going into the administration want to push back against what *they* consider elitism.

Let me argue that the elites that “populists” are pushing back on are not of wealth or education or position but are cultural elites that believe that a certain way of thinking is superior and want you and all our institutions to not only reflect that thinking but to actively promote it. MAGA is not against success. They celebrate it!

The “deplorables” who cling to their guns and religion are not just those with less education or economic success, but they also include some who are highly successful and by some definition would be considered elite.

Ian, I don't see it as dark MAGA. I see it as bright MAGA. They are optimists, not just from tech but from all stripes and who believe in a bright future. They believe in the quintessential idea of America. They understand our problems but believe we have been improving for the last 250 years. Yes, they want less government, but only because they believe it would help unleash the best of America, letting all Americans create their own destinies.

I would not consider myself MAGA in a true sense. I am not trying to go back. I believe in the future and want to go forward. But I also don't want to be told what to think that defies my own common sense.

Woke culture lays all the problems of the world at the feet of white privilege, racism, and creates divisions and class strife. It wants me to reject one religion and join another, whether it is climate change or class struggle or letting boys compete in girls' (my granddaughters'!) athletics and use their dressing rooms.

And it celebrates anti-Semitism, something I thought we had intellectually banned from this country.

What Musk and Bari Weiss and Matt Taibbi and millions of others believe is that free speech and free thought are paramount. They don't want the government censoring their speech on social media, something that wasn't even possible 20 years ago. There are so many things from a technological standpoint that are simply changing the character of our American experiment so rapidly that it is critical we maintain the standards that are essential to our experiment in free markets and free thought. If there is one thing uniting an incredibly disparate movement, in ways and groups that I would've never dreamed possible even a decade ago, it is the paramount belief in free speech. It is cultural elitism that is being pushed back on—that arrogant sense of superiority.

Gurri gets to the core of it, but there is more. It is not just that social media and the internet have allowed us all new sources of information, they are also allowing potential new sources of thought control. Listen to Marc Andreessen's stories about how close we came to government using artificial intelligence to control our social media. Read the Twitter Files.

Bannon in one sense is right. Trump is an imperfect vessel. But there is no perfect vessel for a movement that is this disparate, this disjointed, with so many parts and people and cultures. That's just not possible. I don't believe I am the only person who can both support Trump and at the same time be uncomfortable with some of his decisions. If you agree with me 80% of the time, you are not my enemy. And I will use my free speech to make both points in this letter.

Listen, I get that America is not perfect. I have two black sons and two Asian daughters. Nine grandchildren and only one is pure Caucasian. I understand that there are unpleasant undertones to American culture more than you could possibly imagine. But I also know that there has been remarkable progress in my 75 years of life. And I believe more progress will be possible in the next 75.

Like Gurri, I don't know if Trump and the thousands of appointees that are descending upon Washington can really tame Leviathan. But they are by God going to try, and I will do everything I can to help them. Do I have any idea what it will look like? No. But I do have a dream or two.

And that's why I will do everything I can to help Americans live longer, to try to explain what is happening in the economics and finance world, and to make my part of the American experiment better than how I found it.

Will the pendulum swing again? Of course. It's in the back and forth of the pendulum that we find the true path forward. That's how we end up in Neil Howe's period of civic pride and cooperation in the 2030s. And we have no idea what it will look like. But I hope to be there with you, having gone through the crisis and announcing the next manifestation of a new and better and improved American experiment.

## I Need More Time with You

I am back from two 14-hour travel days from Puerto Rico to California and back, but two days with David Bahnsen and his team were worth it. Better yet, it wasn't just his team. Almost a dozen of my readers were there. I learned so much from talking to them. In fact, part of this letter came from a long conversation with one reader about the concept of elites, other conversations, and a few minutes with David trying to synthesize them. And 14 hours on planes and airports writing in my head. I hope you enjoyed it.

All this made me realize that I need more time with you, in both the generic and specific sense. My style of learning requires conversation and input and back and forth. I've had much less of that since COVID. As much as I don't want to get on an airplane, I have to do it. I'm going to make a point of being with readers and friends and having those conversations.

Did you know there is an entirely new type of chip being shipped in beta form, that will turn Moore's law on its head and potentially give us a relatively inexpensive form of quantum computing? I learned that speaking for three hours with an Alpha Society member on Wednesday. I am doing a deep dive because it sounds so utterly fascinating. It is completely out of left field, but that's how technology improves. That's what we should expect. Maybe it falls on its face or won't scale. But what if?

I heard firsthand stories of the tragic LA fires. Lost in the translation: There may be \$10 billion in irreplaceable art that burned. How do you even think about the scope of work needed to rebuild?

I don't learn these things sitting in my man cave in Puerto Rico.

And with that, I will hit the send button. Have a great week. And if you like this letter, send it to your friends and tell them to subscribe. Free is a good price.

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