

How Trumponomics 2.0 would damage the global economy

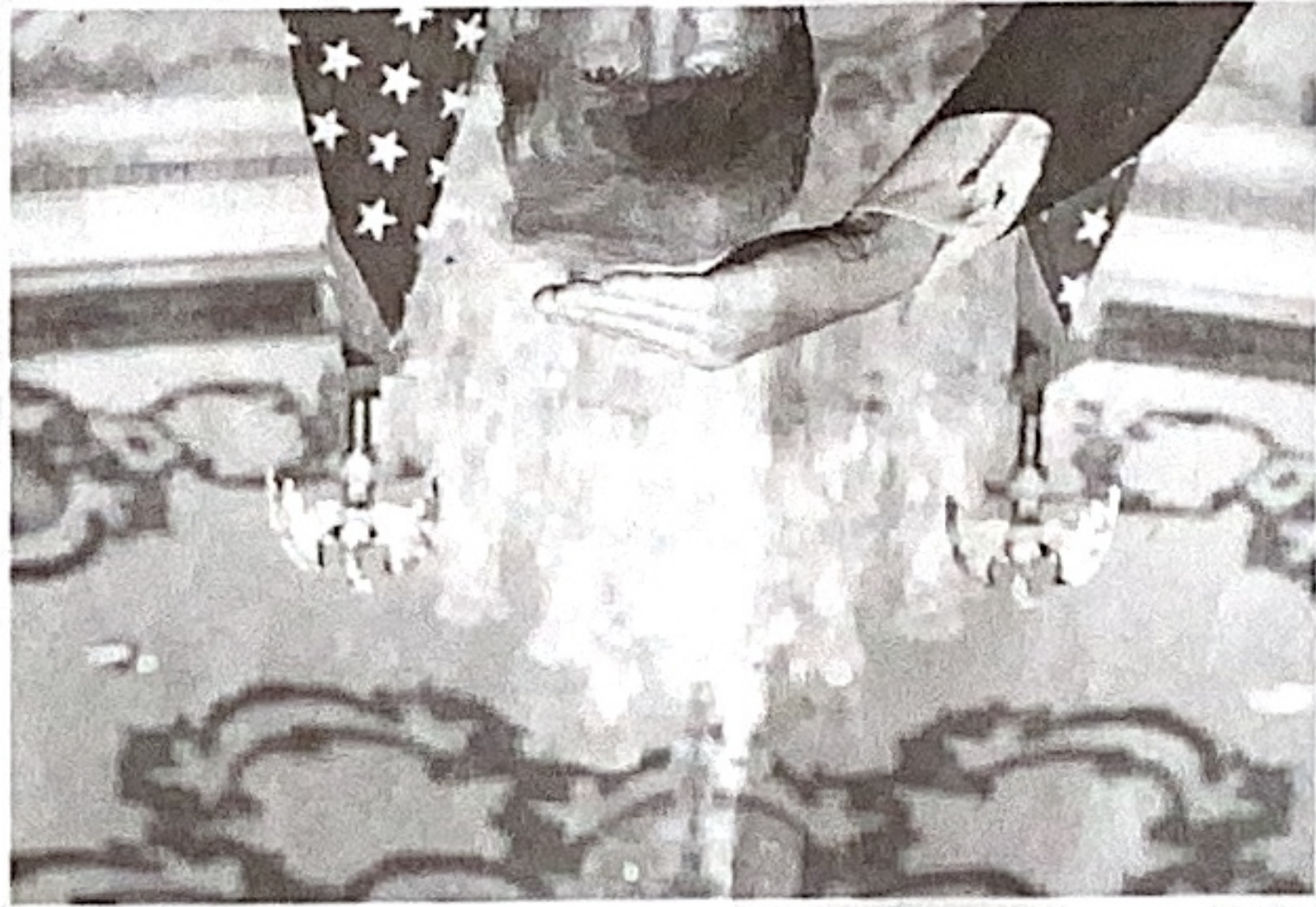
While Trump's economic policy had serious flaws in his first term, the prospect of what he could do in a second term is frightening.

Steven Rattner
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Much to fear about another Donald Trump presidency: The existential threat to U.S. democracy. The potential for abandonment of traditional allies in Europe and elsewhere. The cozying up to dictators like Vladimir Putin. And the danger he poses to a strong economy. America's economy? Yes, while Trumponomics 1.0 had major flaws (like the deficit-expanding tax cut giveaways to business and the rich), Trumponomics 2.0 is downright scary. Although Mr. Trump has yet to issue a formal plan, the unalterable conclusion based on what has dribbled out from his campaign speeches, video monologues and his current set of advisers is that he will follow a course that veers even farther from the traditional Republican lane of a global approach to economic policy and into the populist, isolationist lane. A second Trump term would most likely represent a continuation of Mr. Trump's unsophisticated instincts and what will appeal to his base. On tariffs, immigration and regulation, Mr. Trump would continue the troubling trendlines of his first term in office. The United States would sink farther into misguided protectionism with new trade wars. Business and the wealthy would be enriched by lower taxes and increasingly freed from oversight. Legal immigration would be reduced. And America would continue to pour carbon dioxide into the atmosphere while intentionally sandbagging the booming clean energy sector. It's a prospect that concerns even some in the business community who generally liked Mr. Trump's first-term economic program while expressing distaste for the former president's personal qualities. Now, executives are in the situation of liking his economic plans less (particularly the international elements) and abhorring the individual — while also being turned off by what they perceive

to be the anti-business men of the Biden administration. At the top of my worry list for a second Trump term: an even more aggressively protectionist approach to trade than he pursued during his four years in office. Mr. Trump has never understood that, on balance, trade can elevate the standard of living and add jobs. In his first term, Mr. Trump imposed tariffs on items ranging from steel to washing machines that, according to economic studies, raised consumer prices and ultimately cost American jobs, in part because other countries retaliated with their own tariffs. And the inflation that's worrying voters now could get a lot worse, given that Mr. Trump wants to double down with 10 percent across-the-board levies on imports (and still bigger tariffs on countries that retaliate), up from an average 2 percent at present. That move alone could raise the overall price level by an estimated two to three percentage points. Then there's an even more forceful assault on trade with China. No one can legitimately deny that China pursues aggressively protectionist policies. But Mr. Trump's remedy could well hurt us as much as — if not more than — the Chinese. In addition to ending China's "most favored nation" status, which would raise tariffs on many Chinese goods to as much as 40 percent, he would impose outright bans on some products, including electronics, steel and pharmaceuticals. Sourcing those items elsewhere in the world in high volumes could be difficult — if not impossible — and the substitutions would certainly add to consumer costs. On another isolationist front, immigration remains one of Mr. Trump's

signature issues (even though he recently pushed fellow Republicans to abandon bipartisan legislation to address the problem). America certainly needs to get control of the borders. That said, slashing the number of new legal arrivals — the language on the Trump website suggests by well more than half — and restricting work permits for all undocumented immigrants would hurt us economically. With unemployment at 3.7 percent, America has too few workers, not too many. And with the fertility rate low and baby boomers retiring, that worker shortage will only grow. To simply maintain America's population growth rate of the past two decades, it would need to elevate its intake of legal immigrants to about four million a year, up from roughly one million at present. Less quantifiably, immigrants have contributed mightily to America's economic success, from filling entry-level jobs to pioneering some of its most important innovations to leading large corporations. Whoever wins the election will quickly face major tax decisions, as many provisions of Mr. Trump's Tax Cuts and Jobs Act are set to expire at the end of next year. The act conferred most of its tax relief on business and wealthy



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Americans. And contrary to Trump administration promises, it never came close to paying for itself through increased economic activity. With the U.S. budget deficit stubbornly high (nearing \$2 trillion annually) does the nation really want to spend \$3.4 trillion to extend its giveaways for a decade? Another Trump presidency would almost surely bring an assault on a signature Biden administration accomplishment, the Inflation Reduction Act. That (inapily named) law has unleashed a flood of new energy projects that will give a substantial push to reducing U.S. fossil fuel emissions. Mr. Trump would go in the opposite direction, vowing to repeal many clean energy provisions and proclaiming at rallies that he would encourage energy companies to "drill, baby, drill." More generally, Mr. Trump wants to reshape the entire administrative state in his image, raising the potential for unfortunate consequences, from business running amok to unprosecuted corruption. He has vowed to slash federal regulations, promising (as he did in his first term) to remove two rules for every new rule imposed. Furthermore, he wants to strip key agencies like the federal trade and communications commissions of their independence in order to centralize — and weaponize — their power in the White House. He also plans to subject all civil servants to a political test and vows to cull the ranks of those he sees as "rogue bureaucrats." This overt politicization of critical government functions could allow Mr. Trump to pursue his whims. In 2017, he reportedly wanted to block AT&T's takeover of Time Warner because of his dislike of CNN. He also repeatedly told his chief of staff, John Kelly, that he wanted his self-perceived enemies to be

investigated by the Internal Revenue Service. As for monetary policy, expect a war on the Federal Reserve. While Mr. Trump appointed the current chair, Jerome Powell, he quickly turned on him, calling him an "enemy" for acknowledging the deleterious effects of the president's trade war during a speech. Mr. Trump has also routinely railed against the raising of interests rates by the Fed that helped bring down America's post-Covid inflation. Mr. Powell's term expires in 2026, which would give Mr. Trump the chance to appoint a more submissive Fed chair to give a substantial push to reducing U.S. fossil fuel emissions. Mr. Trump would go in the opposite direction, vowing to repeal many clean energy provisions and proclaiming at rallies that he would encourage energy companies to "drill, baby, drill." More generally, Mr. Trump wants to reshape the entire administrative state in his image, raising the potential for unfortunate consequences, from business running amok to unprosecuted corruption. He has vowed to slash federal regulations, promising (as he did in his first term) to remove two rules for every new rule imposed. Furthermore, he wants to strip key agencies like the federal trade and communications commissions of their independence in order to centralize — and weaponize — their power in the White House. He also plans to subject all civil servants to a political test and vows to cull the ranks of those he sees as "rogue bureaucrats." This overt politicization of critical government functions could allow Mr. Trump to pursue his whims. In 2017, he reportedly wanted to block AT&T's takeover of Time Warner because of his dislike of CNN. He also repeatedly told his chief of staff, John Kelly, that he wanted his self-perceived enemies to be

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STEVEN RATTNER served as counselor to the Treasury secretary in the Obama administration.