2/01/24 / Make the economy Trump’s again?

[HALF SECOND OF SILENCE]

[BILLBOARD]

SCORING - Subtle-edged sword (BMC)

NOEL: The Federal Reserve decided to hold interest rates steady this week.

*<*[*CLIP*](https://www.c-span.org/video/?533272-1/federal-reserve-chair-powell-holds-news-conference)*> Federal Reserve Chair Jerome Powell: this is a good situation. Let’s be honest. This is a good economy.*

NOEL: Classic Jerome Powell. Couple days ago consumer sentiment - or how we feel about the economy - posted its biggest gain since 1991.

NOEL: Then, heedless and headlong into the good vibes, rushed candidate Donald Trump.

*<*[*CLIP*](https://www.youtube.com/watch?v=RIqLDZ2iZ6s)*> MSNBC: On a day where both the Dow and S&P closed at record highs, the former president wrote on social media, “This is the Trump stock market because my polls against Biden are so good that investors are predicting I will win and that will drive the market up. Everything else is terrible.*

NOEL: Trump won the presidency in 2016 in part by making promises about the economy. He delivered on some.

NOEL: He’s making promises again and they are making some people very worried and we’re going to tell you why.

On Today, Explained: The Tariff Man, making Tariff Plans for everybody.

[PREROLL]

[THEME]

NOEL: It’s Today, Explained. Heather Long is now an economics columnist for the Washington Post, but she covered Donald Trump’s economy closely.

HEATHER LONG (columnist): Yes. I arrived in D.C. about the time that President Trump did and was there as the lead U.S. economics reporter for the Post.

NOEL: So the story that Donald Trump tells about the Donald Trump economy is that during his presidency, the economy did really, really, really great.

*<CLIP> FORMER PRESIDENT DONALD TRUMP: We had the greatest economy in the history of our country. There was never a greater economy,*

NOEL: And then Covid came along and messed things up at the end. But that was not President Trump's fault. And and up until then, things had been really good. What was Donald Trump's economy really like?

HEATHER: I would call it a sugar high. In those early years, one of the big policies that he did get enacted was a huge tax cut.

*<CLIP> FMR PRESIDENT TRUMP: It's the largest tax cut in the history of our country…*

HEATHER: It was the biggest tax cut in the end of 2017 for that we've ever seen for corporations. And sure enough, 2018 we saw a pretty good surge. 3% GDP is a pretty boom-y year for a US economy that normally grows around 1.9%. So in that sense, his little narrative was correct. But the two caveats to that are they also added a lot to the debt. And the final part of that is the other part of the Trump economy was just so much insecurity. As a reporter, you would set your alarm for 5 a.m., 6 a.m., 7 a.m. in the morning,

NOEL: Oh yeah…

HEATHER: and I literally, you know, wake up and say, did we get a tweet?

*<CLIP> Markets Crashing Trump Tweet> Tapper: Markets are falling after President Trump announced on Twitter that he is ending negotiations on any sort of coronavirus relief deal'*

NOEL: What would that tweet mean for the economy? For the first time ever, we were asking this question.

HEATHER: Yes!

SCORING IN - CEZ\_CEZ\_4421\_01401\_Retinal\_Perception\_APM.1

NOEL: OK, so Donald Trump assumes the presidency early in 2017. And what did he promise he was going to do over his term?

HEATHER: He made a ton of promises. Number one that everybody remembers is is ‘America First’ language.

*<CLIP TRUMP We're going to build a wall> Trump: We're going to have strong borders...we're going to build a wall, it’s going to be built*

HEATHER: In economic terms, that meant restricting immigration, which they did do. It also meant the trade war, big tariffs against China.

*<CLIP TRUMP Trade Deficit China> Trump: we have a 500 bn trade deficit with China and we're gonna turn it around'*

HEATHER: They also did tariffs on steel and aluminum products in many countries around the world. Another interesting economic promise that's laughable looking back, is Trump on the campaign promise to eliminate the national debt in eight years? Obviously he was only in office for four, but when he took office, the national debt was around $20 trillion. And when he left, it was 28 trillion. So certainly did quite the opposite of eliminating the national debt.

SCORING - FADE OUT

NOEL: Walk me through a couple of things that happened. So Donald Trump promises a trade war with China, and then he gives us one. And how does that turn out? How does that unfold?

HEATHER: He put massive tariffs on China, amazingly that most of them are still on. We are still buying a lot of goods from China. And we were doing it during the Trump years. But there has been a shift of some business and some trade away from China. And you can see the huge explosion in trade with the United States, and Vietnam and Laos and other countries, Thailand and Southeast Asia, in terms of how it worked for regular people. There's no doubt, if you look at any economic analysis of this, that it made goods more expensive here. There's various estimates out there, but it definitely added, you know, up to a couple hundred dollars a year because a tariff is another word for a tax.

NOEL: Then let's go through the promise about the border. Trump was more or less saying like, ‘I'm going to lock down the border so that immigrants don't take American jobs.’ How did that end up playing out?

HEATHER: They did restrict immigration quite a bit. So this is a really complicated one because of the juicing of the economy. After those tax cuts, we do see a pretty good hiring boom. It really starts in mid 2018 when the unemployment rate goes under 4% and ultimately hits a 50 year low. It's since gone lower than that. But this was a huge change. And you have to be fair to Trump that in that era in 2018 and 2019, you really saw benefits across the spectrum on jobs. You could potentially make the case that restricting immigration may have helped a little bit in some communities to see some hiring of native born Americans versus immigrants. Obviously, immigrants add so much to the U.S. economy, a lot of our innovations and new businesses that happen in the United States are done by immigrants or children of immigrants.

SCORING - CEZ\_CEZ\_4421\_00701\_A\_Question\_of\_Meaning\_APM

NOEL: What did the business community think of Donald Trump? Bankers and CEOs did big business like him.

HEATHER: Yes and no. And so yes, in the sense of loving those tax cuts. I remember when they were negotiating in 2017, a lot of business leaders told me that they would be really happy if we got to about 25% on the corporate rate. Ultimately, they got to 21 at the same time. It's hard to underscore how much chaos there was in the administration. And, you know, obviously waking up every day to these threats of more tariffs or to crazy stuff like the day that news broke, he might want to buy Greenland.

*<CLIP> PRES. TRUMP: it's a large real estate deal. It's hurting Denmark very badly, they carry it at a loss. Strategically for the United States it would be nice*

NOEL: Oh, I remember that!

HEATHER: I mean, that I try to remind people to just hammer at home. The ratings. The TV ratings for the Hallmark Channel soared in the Trump era because so many people just wanted a nice, happy ending.

*<CLIP> HALLMARK Happy Ending: I love you, Cassie Winslet, I hope that you love me back.' 'I've loved you since the very first book signing'*

HEATHER: And it was the same in the business community. You can remember that Trump in 2017 and 2018 had put together a lot of CEO panels, and a lot of quite a few business CEOs actually ended up resigning in protest from those councils for a number of reasons, and a lot of them it was over the very horrible racist remarks that Trump was making.

SCORING OUT

NOEL: So we cycle through 2017, 18, 19,

*<CLIP NBC Dow Record High 2017 > We are watching the Dow, which just hit 23000 for the first time.*

*<CLIP CBS Dow Record High 2018> The Dow soared 125 points to close above 25000.// Since President Trump was elected the Dow is up nearly 37 percent.*

*<CLIP CNBC Market Record Highs 2019> The Dow, the S&P, the NASDAQ, the Russel 2000 all rising today. Three of the four indexes hitting record highs.*

NOEL: and then comes 2020. The story that the Trump campaign is going to want us to believe, slash, remember, is that the economy was doing great until Covid.

*<CLIP> CNBC NEWS MONTAGE: we are here tonight because of the violent market reaction to the very real threat of the coronavirus// 'stocks coming off their worst week since the financial crisis…'*

NOEL: Was it Covid that ultimately wrecked the Trump economy?

HEATHER: So again, I would just characterize that it was a sugar high economy. So even if the pandemic hadn't come, growth was already slowing. So you have 3% growth in 2018. It's already pulling back to 2.5% in 2019.Definitely, growth was starting to slow heading into 2020. And those tariffs were really starting to bite, both in terms of raising people's costs. I can remember writing stories around the holidays of 2019 about how much more people were spending on various items, like toys or whatnot, that they were buying. And then the other thing is, people were also beginning to track and notice that as part of these trade deals, China was supposed to buy more stuff from the United States, in particular more energy and more agricultural products. And that wasn't happening. It was the early days still, but it really was already starting to look like a raw deal for a lot of parts of America that were really banking on getting that benefit from increased Chinese buying.

NOEL: Alright, so his record was mixed. He was a chaos agent in some ways, in others he delivered. And is it arguable that history proved Trump right on anything?

HEATHER: (SIGHS DEEPLY) You can hear my deep sigh. I the way that I always think about it with Trump. He often is in the right ballpark.

SCORING - CEZ\_CEO\_2143\_00901\_Visiting\_Other\_Worlds\_APM

HEATHER: So things like recognizing that there needed to be more attention on Americans without college degrees, or recognizing that the United States economy, in particular sectors have become too dependent on China, which is probably a huge risk. These things were probably proven right. And that's why you see both Democrats and Republicans now embracing a lot of these beliefs.

TURN USING SCORING

HEATHER: But where he really, I think failed is ‘what's the solution?’ In terms of actually what is a solution that really delivers for those folks in different parts of America that have really been struggling not just for years, but for decades? These are challenging questions the Trump economy and the Trump agenda, it's really hard to argue that the solutions were proven right.

NOEL: Heather Long of the Washington Post. Coming up: Leading Magazine The Economist recently wrote a piece about how Donald Trump’s plans for his NEXT term are freaking out bankers and CEO’s and we’re going to ask whether they should be freaking out the rest of us.

[MIDROLL]

[BUMPER]

NOEL: Henry Tricks is a business columnist at The Economist - he writes Schumpeter which is a very good column about disruption and innovation in business and if there is ONE thing Donald Trump does well, it is disruption. Henry says this time around Donald Trump isn’t explicitly PLANNING to disrupt things…HENRY: he's, hoping to launch, economic policies that make the economy grow in a similar way that it grew during is his administration from 2016 to 2020. And to be fair to him, the economy did pretty well in his and in and under his administration.

NOEL: But, as is often the case with Trump…. The potential for disruption is lurking juuuuuuuuuuust behind his promises

HENRY: The danger, I guess, is that, his approach to economic policy actually risks exacerbating the economic problems that Americans are suffering from today. And particularly we're talking about high inflation there.

HENRY: I, we know of Donald Trump as a kind of to cut taxes and raise tariffs, kind of a guy.

NOEL mhmm

HENRY: This time his main campaign promise, if you like, is on the tariff front. He calls himself Tariff Man, and he has this plan to increase tariffs across the board in the US. From the start of his administration.

SCORING IN—MECHANICAL CIVILIZATION (APM)

*<CLIP> DONALD TRUMP: We must have fairness and reciprocity. That's the word reciprocity. They do it to us. We do it to them.*

HENRY: What Trump wants to do is effectively triple the average rate of tariffs. He also wants to retaliate against countries with particularly high tariffs on American products by raising the American tariffs to the same height. And this could have a pretty detrimental impact on trade. Trade wars are never very good for the economy. They lower economic growth and they tend to hit those on the lowest income hardest, because tariffs raise the price of consumer goods, such as the sort of stuff that you buy in the grocery store.

SCORING OUT

NOEL: Why would Donald Trump want to do something over the next four years, if indeed we elected him, that would make things more expensive for American consumers already having problems with inflation?

HENRY: It's a it's a question that many, many orthodox economists ask. I mean, Trump's trade advisers are a pretty weird and unorthodox bunch.

*<CLIP> WILBUR ROSS: “here’s a can of coca cola. Coca cola has three cents worth of aluminum in it. If that goes up 10 percent, that’s three tenths of a percent….it doesn’t mean anything!”*

*<CLIP> FORMER WHITE HOUSE TRADE ADVISER PETER NAVARRO: We've seen with 25% tariffs on the first $250 billion of these Chinese exports zero inflation. What China will do and has done is simply bear the burden of these tariffs through lower prices for their products, fewer exports and lower profits…[fade down]*

HENRY: They see a trade deficit as being a sign of economic weakness, and America has a big trade deficit.

*<CLIP> DONALD TRUMP: we are handing China more and more of our jobs, more and more victories and long term prosperity in exchange for cheap, disposable consumer goods.*

HENRY: So they think that basically, if they can raise tariffs, they can, you know, move, America from being a net importer of goods to a net exporter. It's an argument that has some adherents, but the more orthodox view is that actually the trade deficit is not a result of low tariffs. It's more a result of America's low savings rates. And at the moment, Americans are saving little because they're spending a lot. And it's that spending that's actually driving the economy pretty strongly.

*<CLIP 13NEWSNOW: That strong growth due in large part to an increase in consumer spending, which accounts for roughly two thirds of U.S. economic activity…*

HENRY: That's one of the weirdnesses, I guess. The other thing is that Trump seems to think that tariffs are a bit like taxes that generate income. So he's sort of hoping that increasing taxes on entities he doesn't like, such as kind of those those foreigners who are importing into the US, he can use the revenue from those tariffs to compensate for the lower taxes that are there from his previous administration.

NOEL: Okay. So what else in Trump's plans for a second term might affect the economy?

HENRY: I mean, I've been talking to the business community, and one of the things that I found really surprising and interesting talking to them, was their concern about the migration question that Trump has been talking about.

*<CLIP> DONALD TRUMP: As soon as I take the oath of office, I'll terminate every open border policy of the Biden administration and begin the largest deportation operation in American history.*

HENRY: Business is clearly supportive of the idea that America should have strong borders and that there should be, you know, legal immigration, not illegal immigration. However, what really worrisome is the fact that, Trump has suggested, at least reportedly, that undocumented migrants into the US will be sort of rounded up and potentially put into camps and, and deported. And the numbers that, associated with this, a huge you know, we're talking about potentially millions of people. If this were to go ahead and the business community is worried about this, partly for humanitarian reasons, but also from an economic point of view, because there is a labor shortage.

NOEL: Hmm…

HENRY: There are far more job openings right now than there are unemployed Americans. And the concern is that if you, you know, take a take, you know, literally millions of undocumented workers, you're taking those people who are working in the sort of essential frontline jobs, the people who are picking, picking the vegetables or the people who are working in leisure and retail and that sort of thing. And it's just going to exacerbate the labor shortage.

NOEL: All right. So the the titans of the business community are telling you this. They're telling the Economist this, we aren't though seeing more broadly CEOs coming out and saying Donald Trump could be a threat to the American economy, or am I missing this?

HENRY: They're not saying it publicly. They're very worried about sticking their heads above the parapet for a variety of reasons, some of which are really good reasons. So, for example, if you if you talk to them, they'll say, look, the first thing is, is that this is very early in the presidential race. And these are two elderly men. Donald Trump has not officially clinched the nomination to be the Republican candidate. So business people don't want to, burn their bridges too early by. Criticizing him or his economic policies openly. But there are also other reasons why it's good to keep their cards close to their chest. One of them is that the culture wars have been actually particularly damaging for some businesses, and they look at what's happened with Bud Light, for example.

*<CLIP> CBS NEWS: This morning, backlash brewing against Bud Light over its product placement deal with TikTok star Dylan Mulvaney, a transgender actress.*

HENRY: And they worry that if they come out and openly criticize Donald Trump, they're kind of get the same response from the MAGA masses.

*<CLIP> FOX BUSINESS: “The ad caused parent company Anheuser BUsch to see major losses. The stock fell by more than 4 percent since March 31, the company's market value falling by more than 5 billion dollars…”*

HENRY: and the other thing is, it's really worth bearing in mind that they're not particularly supportive of the Biden administration's economic policies, either. They think that, Joe Biden has not been a pro-business president in the way that, say, Barack Obama or Bill Clinton was, you know, they they worry about his antitrust policies and, you know, some of his, industrial policies as well. And so there's not enough support, if you like, for Joe Biden to in order for them to come out swinging against Donald Trump.

NOEL: Now, for all of the worry, you also write in your piece about some business leaders, some leading bankers who are looking at the prospect of a second Trump term and saying, we think it'll be fine. And the only, the only thing I can think is that maybe they're remembering four years ago when we were all kind of panicked and then, you know, it wasn't great by any stretch of the imagination. The Trump years were chaotic and and wild and all these things. But the economy didn't collapse. And even, during the first year of Covid, it didn't collapse. Why do you think some are willing to say this is just not that big a deal, guys.

HENRY: Because they look at the strength of the economy at the moment, especially relative to other countries. And they say it's really quite remarkable how the American economy has avoided recession despite all the hiccups that it's faced, from a disputed election, Covid and, higher inflation and tighter monetary policy. So they're that they're inclined to be a little bit more complacent that, come what may, the American economy, sort of transcended politics. That's what some people say. Others worry that there is a sort of dangerous complacency here. Because what Trump is proposing in terms of higher tariffs, mass deportations, this sort of thing, yes, there's the chaos that you just alluded to, but more importantly, it risks jeopardizing the system on which American business has thrived for decades.

SCORING IN—A CAUTIOUS APPROACH (APM)

That's a system that's based on the rule of law, the respect of contracts, the fact that the US engages in geopolitics in a way that keeps kind of shipping lanes open through the Navy, that sort of thing. So there is a resilience, to the global economic structure that's been built up over decades. And they worry that it's sort of gossamer thin and could disappear overnight if Mr. Trump were to blow it up.

SCORING BUMP

NOEL: That was Henry Tricks of The Economist.Today’s episode was produced by Miles Bryan and Jesse Alejandro CAH-trill. It was edited by Amina al-Sadi and engineered by David Herman. Our fact-checkers were Laura Bullard, Melissa Hersch and Hady Mawajdeh. I’m Noel King. It’s Today, Explained.

[10 SECONDS OF SILENCE]