

Trump and The Economy

Oakmont Democratic Club
Santa Rosa, CA

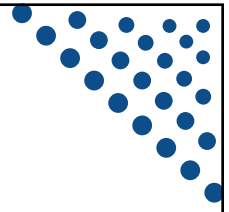
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NEED
May 2, 2025



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Outline

- Economic Indicators
- Big Picture: Uncertainty
- Trump and The Economy

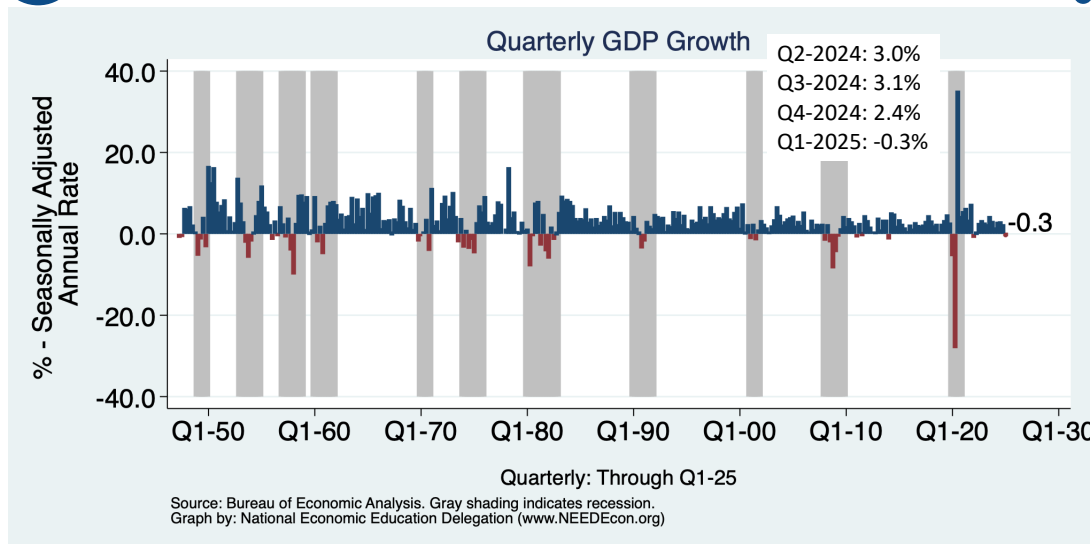


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Economic Indicators

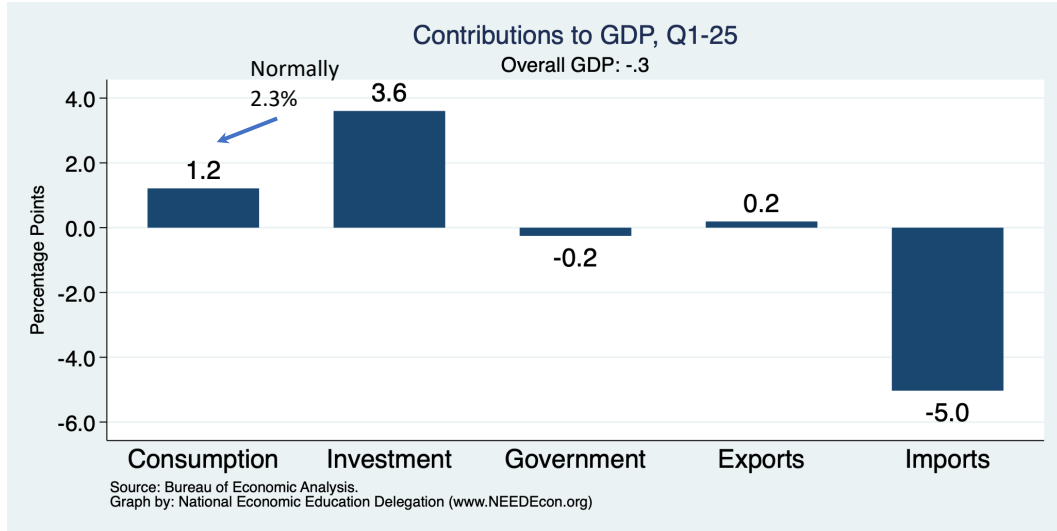
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GDP: Quarterly Growth



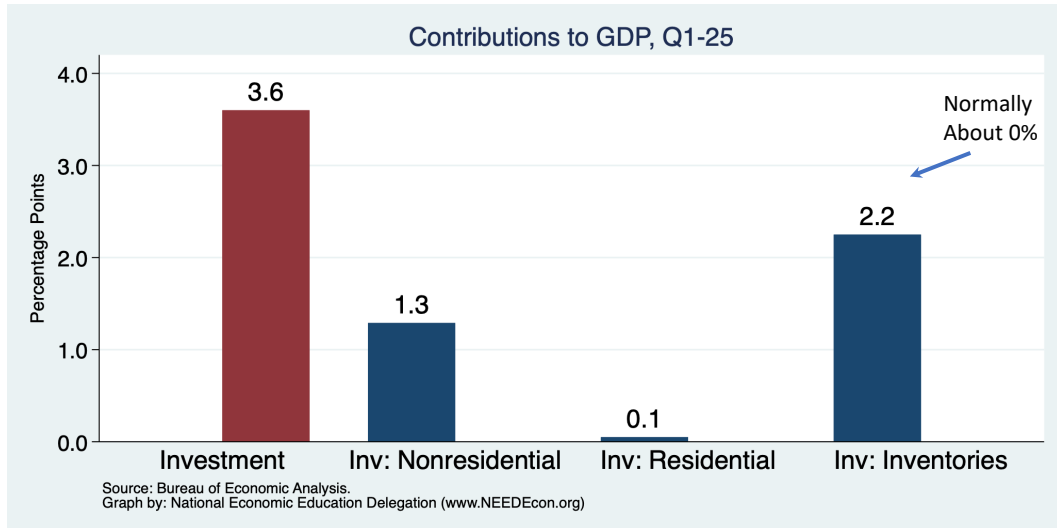
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What Happened?



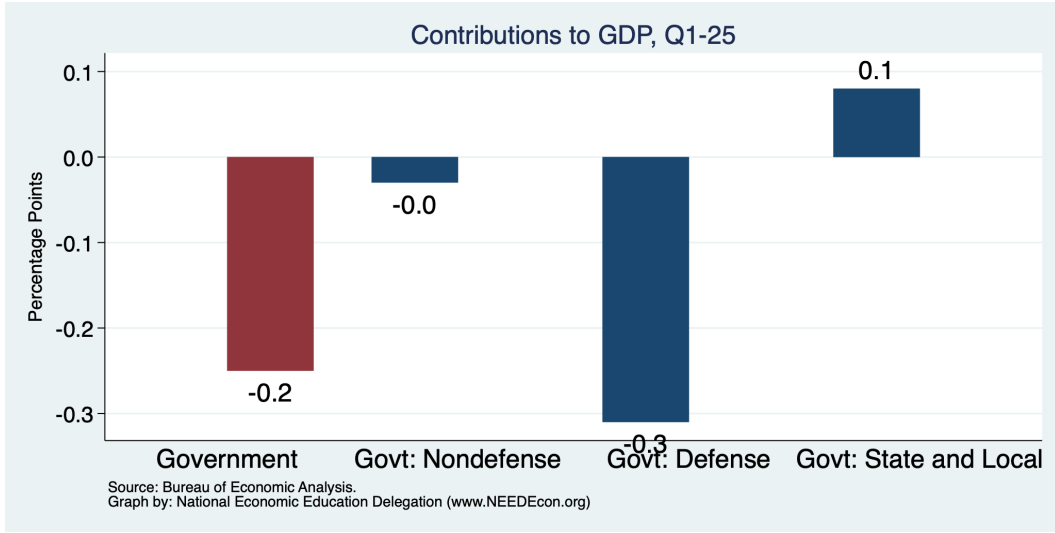
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Imports Went Into Inventories



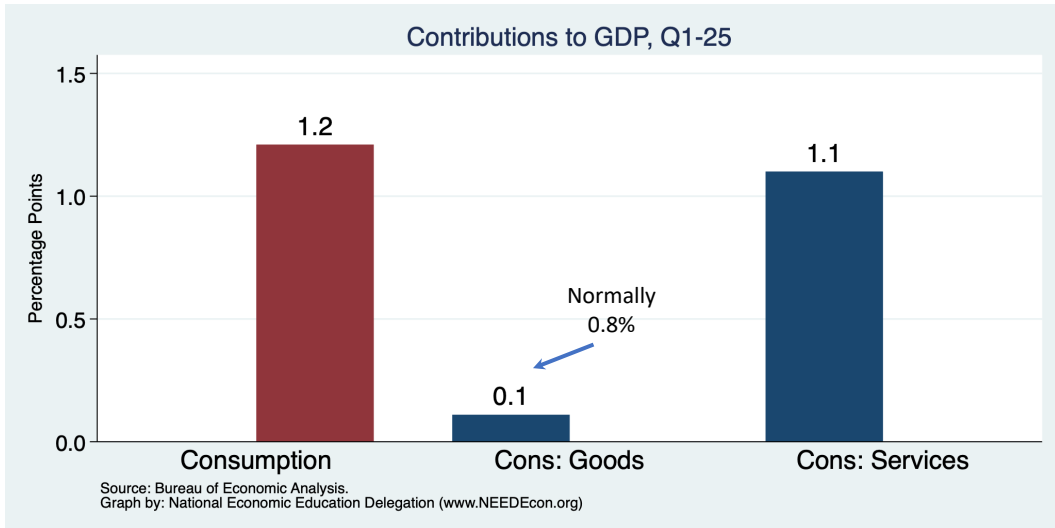
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Government Spending Didn't Help



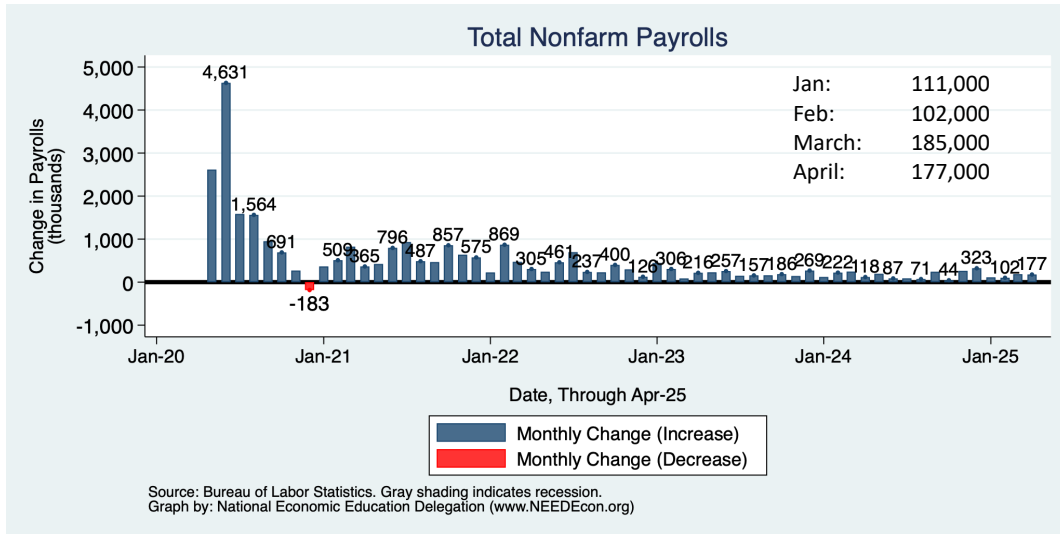
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Consumers Also Tightened



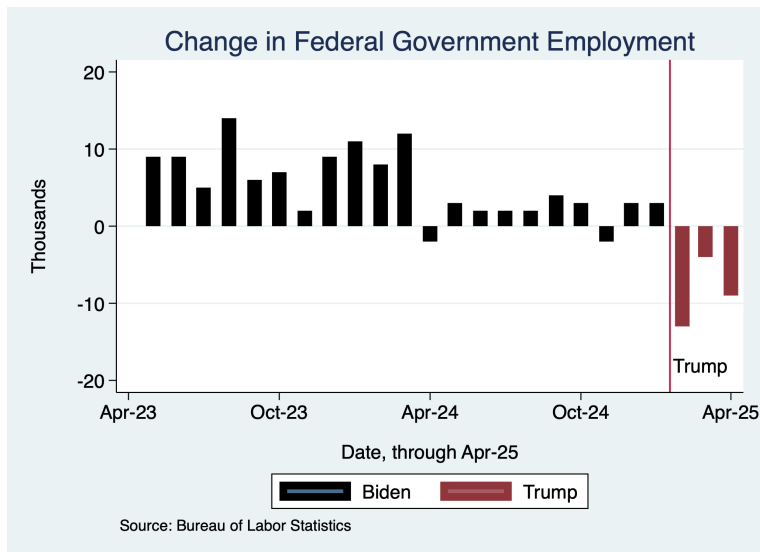
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Monthly Changes in Nonfarm Employment

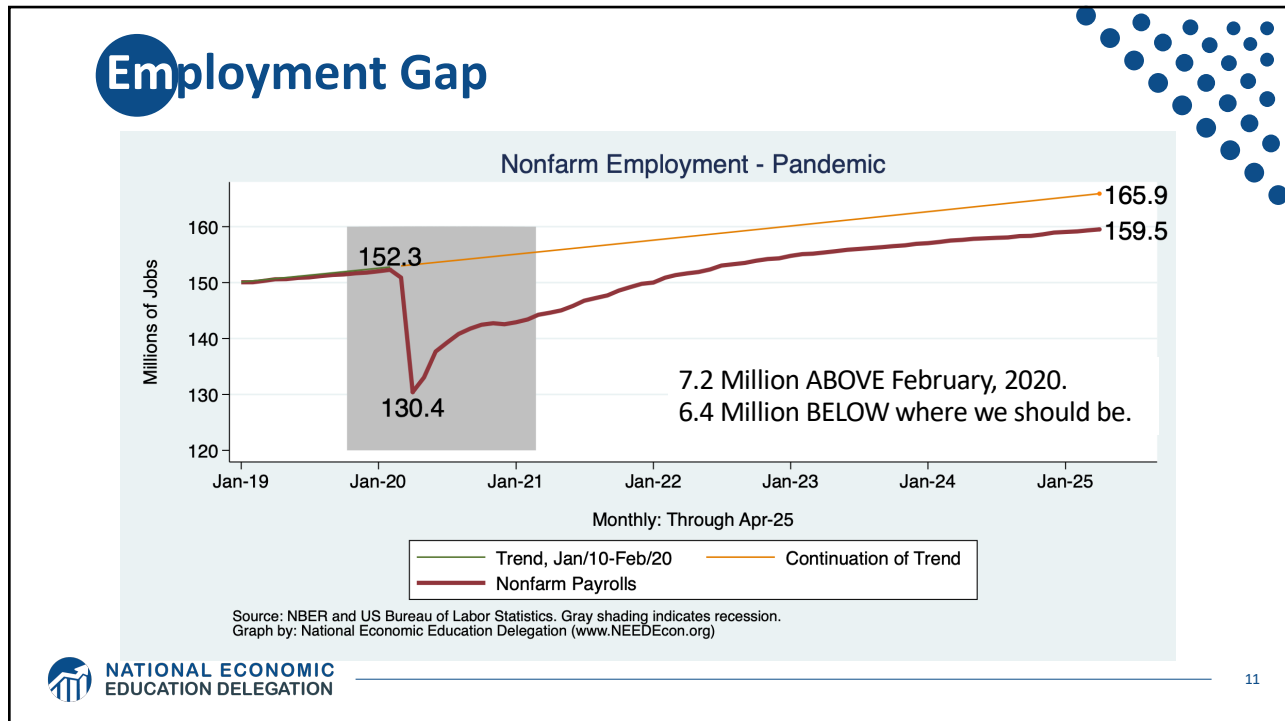


Source: Bureau of Labor Statistics. Gray shading indicates recession.
 Graph by: National Economic Education Delegation (www.NEEDecon.org)

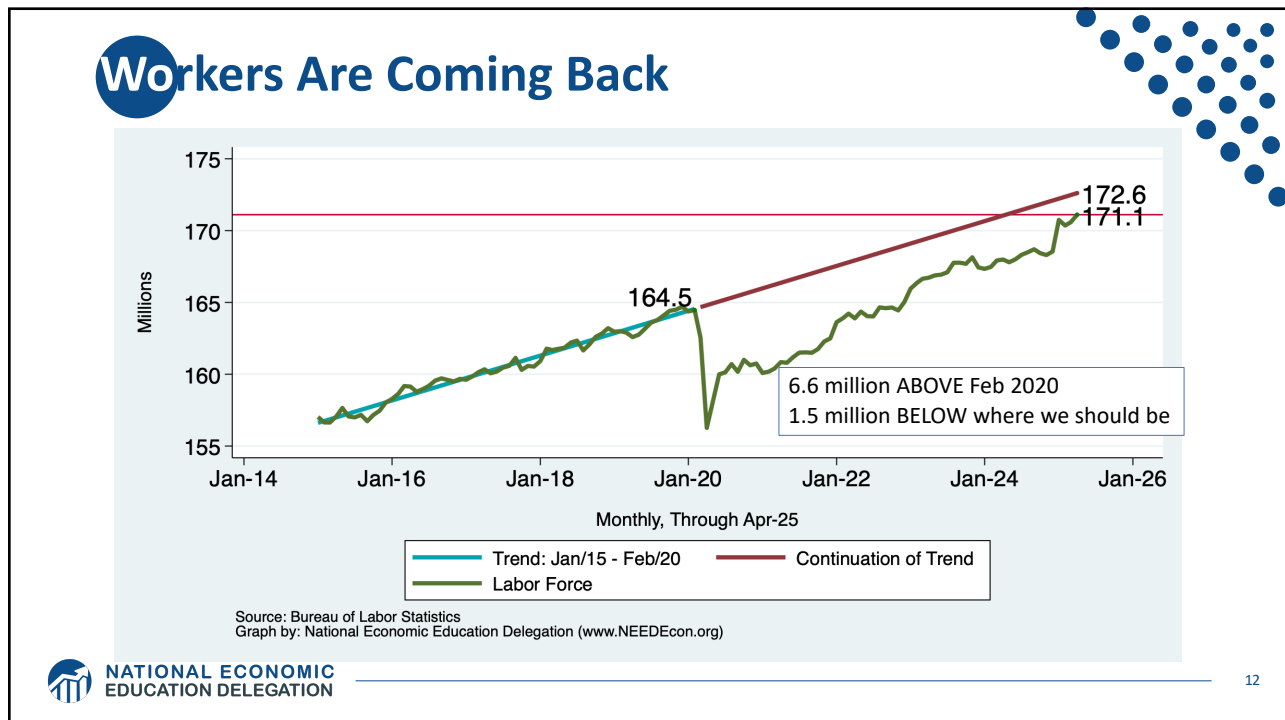
Monthly Changes in Nonfarm Employment



Source: Bureau of Labor Statistics

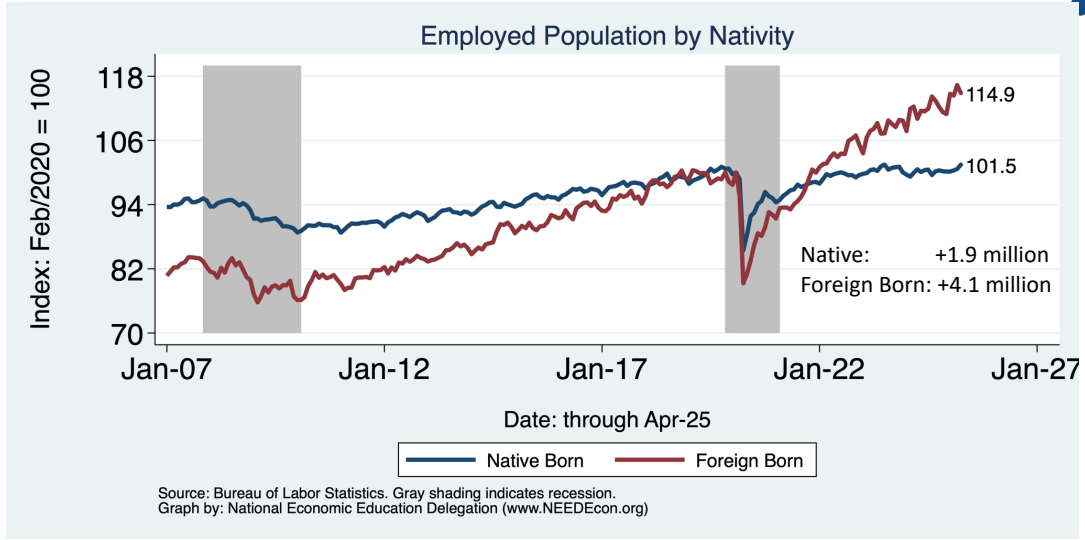


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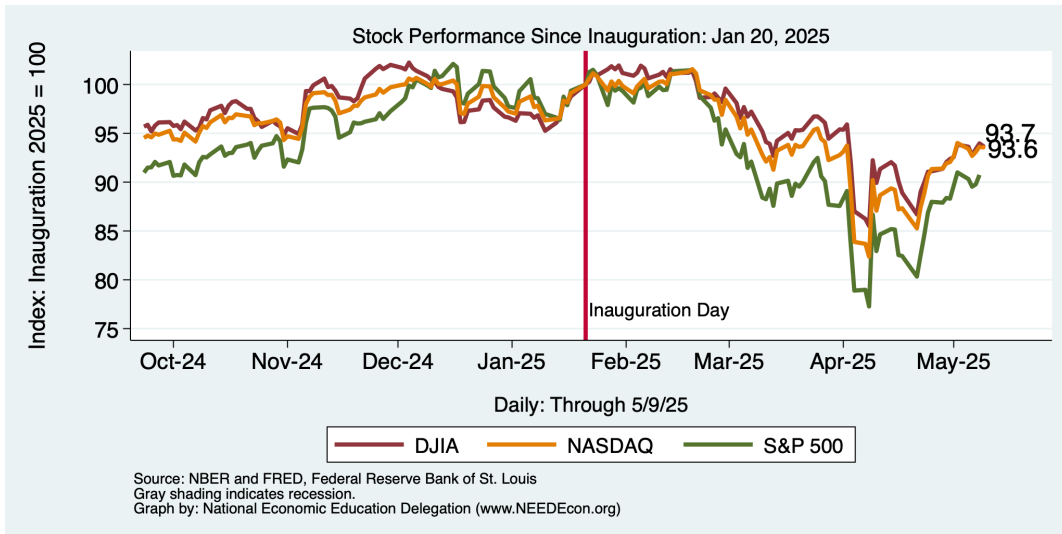
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Immigrants to the Rescue?



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And Stocks?

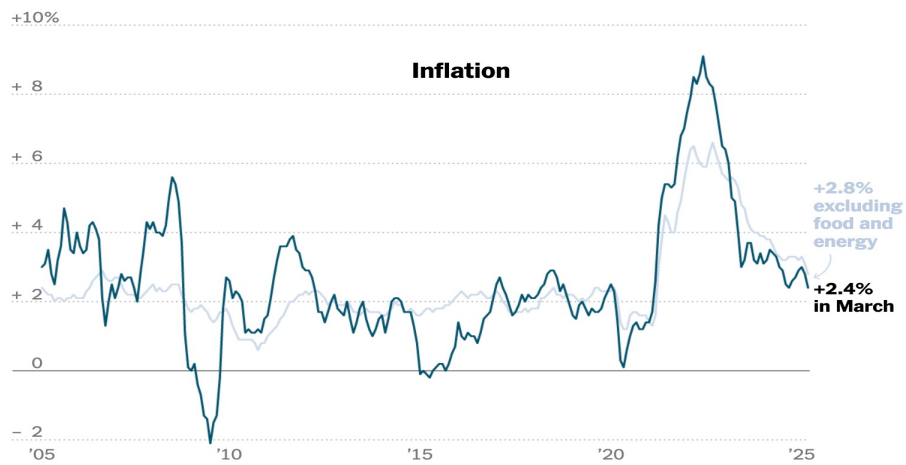


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Inflation

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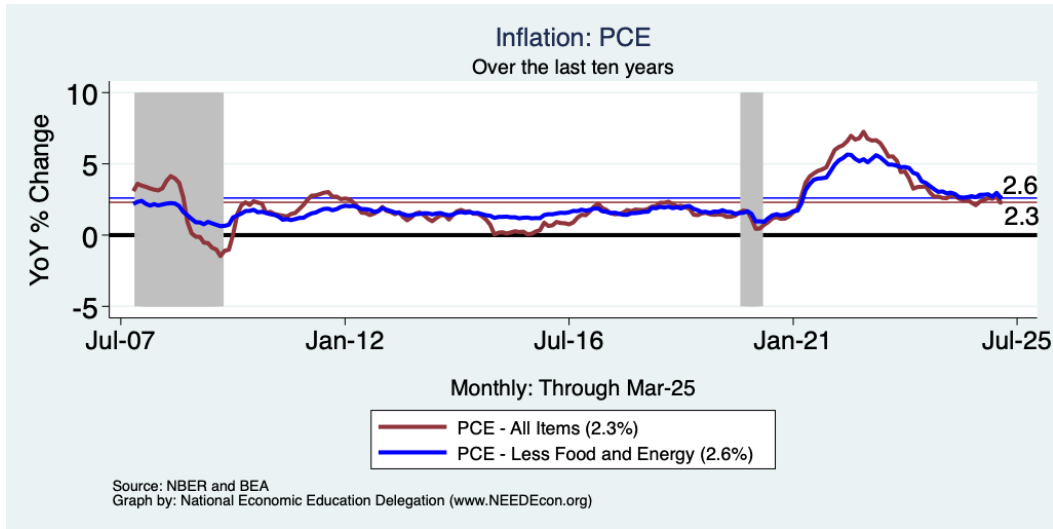
Inflation: Latest Figures



Year-over-year change in the Consumer Price Index. - Source: Bureau of Labor Statistics - By The New York Times

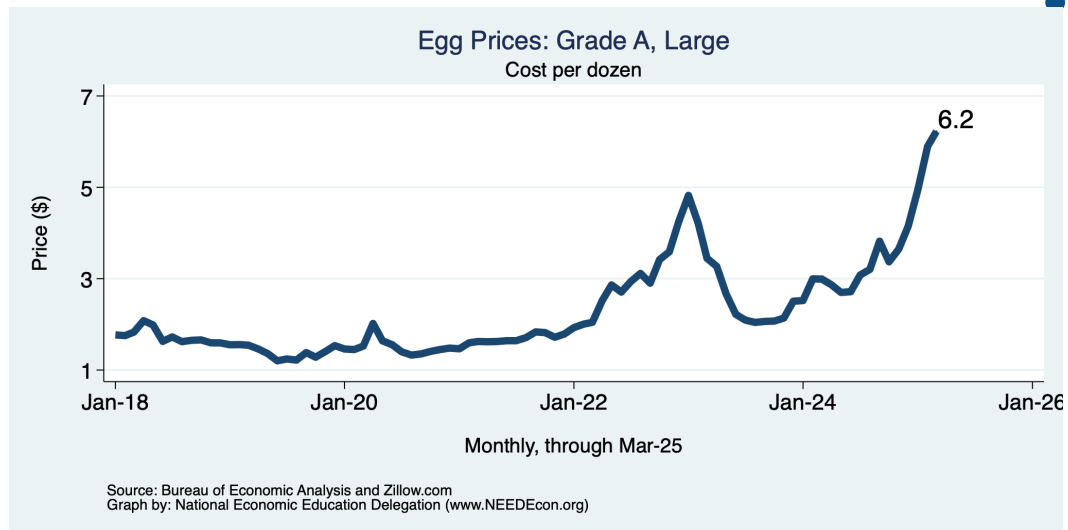
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Fed's Preferred Measure: PCE



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Price of Eggs?

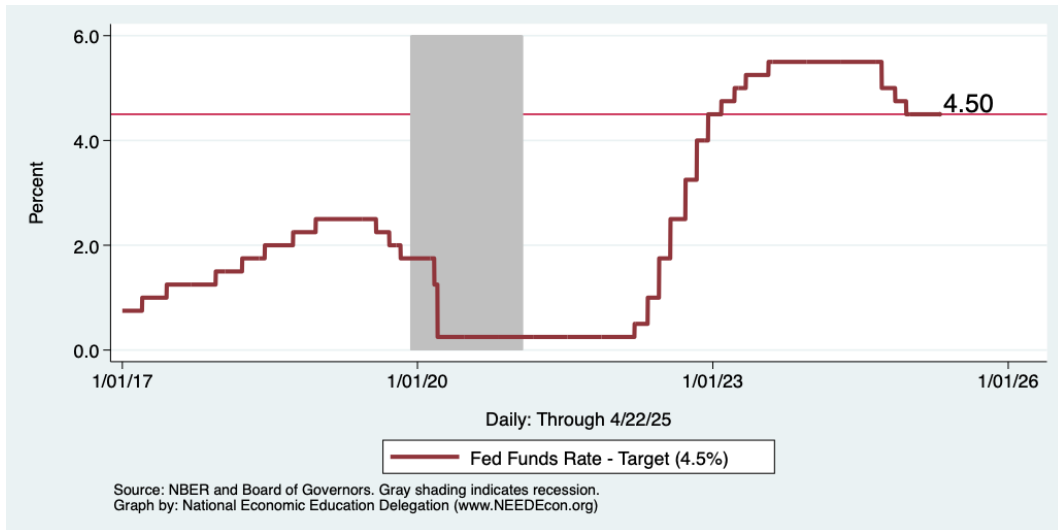


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The Fed: Conservative

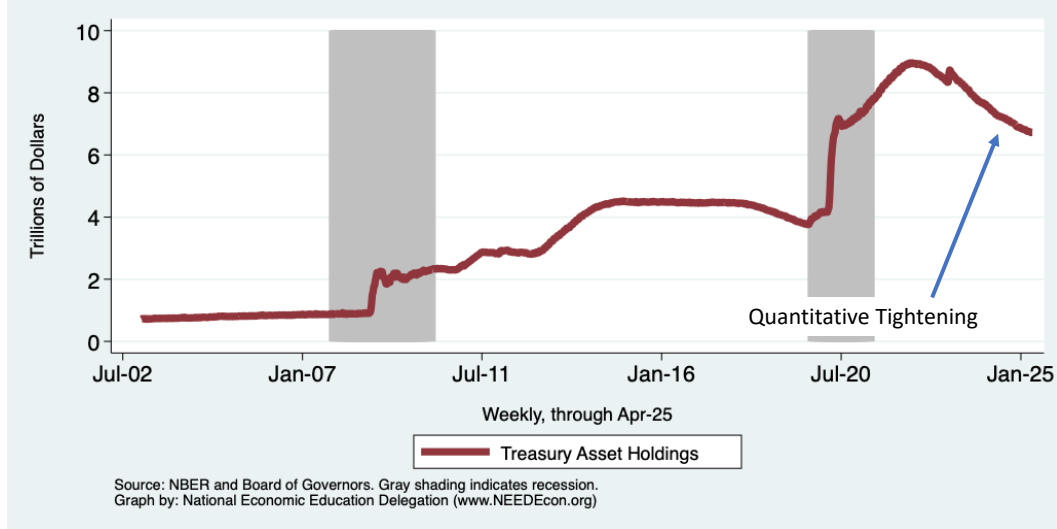
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Federal Funds Rate



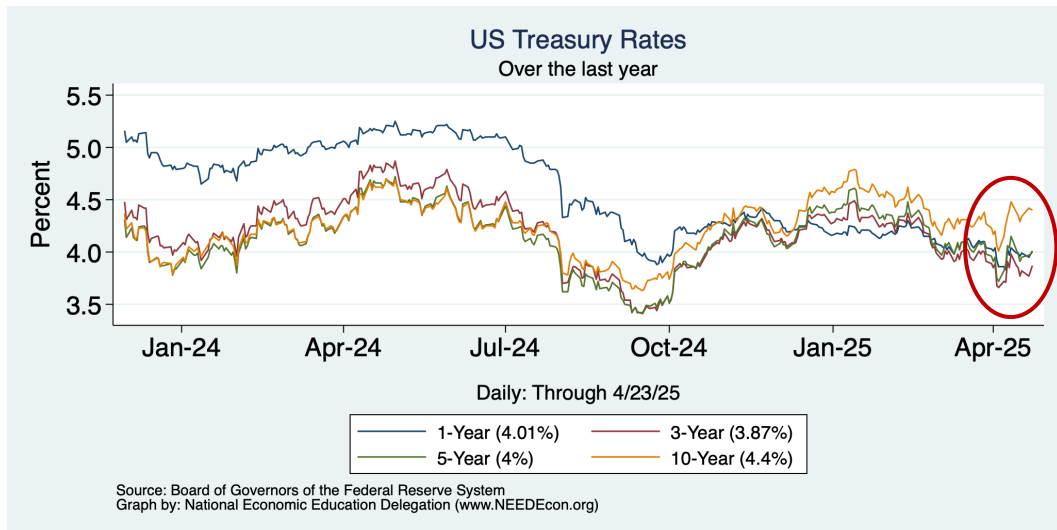
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Fed: Reducing its Asset Holdings



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Treasuries



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What will the Fed Do?

- Likely sit tight at 4.5 for a while.
- Next FOMC meeting is June 17-18.



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Takeaways

- **Is a recession on the horizon?**
 - Maybe.
 - Many indicators are in the black.
 - 2024 2nd half GDP growth was pretty good – 2.8% YoY.
 - 2025 Q1 < 0 is almost meaningless.
- **The problem?**
 - Uncertainties abound!



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Uncertainties

- **Federal Government Policies**
 - How far will they go with immigration?
 - How many federal employees will be laid off?
 - How high will tariffs remain?
 - Will Fed Chair Powell be replaced prematurely?



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Bigger Picture



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Since Inauguration: Policies = Anti-Growth

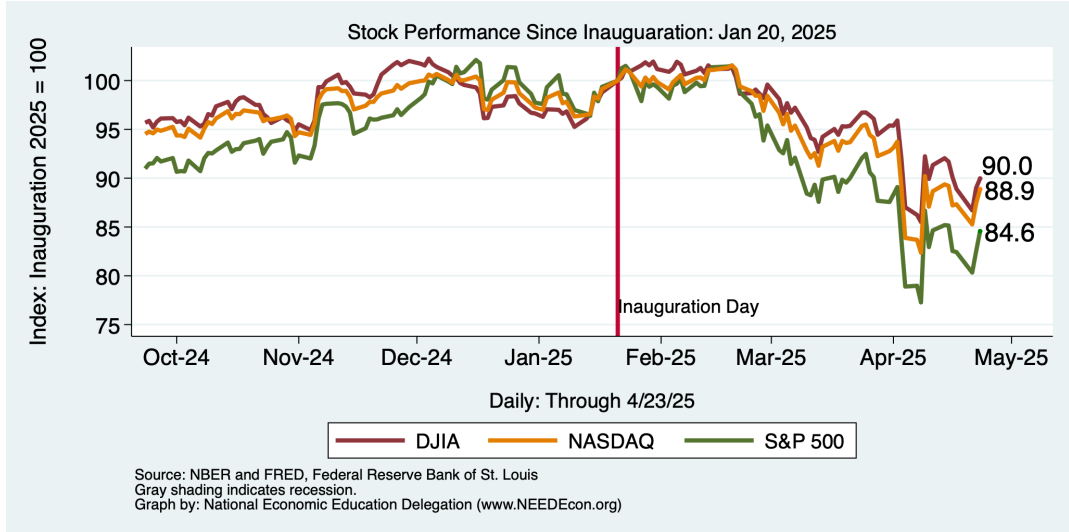
- Tariffs
- Deportations
- Cuts to spending and employment
- Threats to Fed Chair Powell



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And Stock Markets Agree



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Tariffs



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What Is a Tariff?

- **A tariff is a tax on imports.**
- **Much like, say, the 8% sales tax in California.**
 - Whatever price the seller charges, the buyer pays an extra 8% that goes to the government.
 - But it also means that domestic sellers can simply raise their prices by 8%.
 - A cost to consumers, with no government revenue benefit.
- **A 10% tariff on all imports (such as Trump has imposed) would mean that:**
 - Whatever the foreign exporter charges for a product,
 - US buyers will pay an extra 10% to the US government.
- **Might the seller charge a lower price because of the tariff?**
 - Perhaps, but when Trump used tariffs in 2018 on steel and China, they did NOT.



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Trump I Tariffs & Trade War

• Overview of Trump I Tariffs

- Trump placed tariffs of 25% on steel and 10% on aluminum.
- Trump place multiple tariffs on China exports, covering at least $\frac{3}{4}$ of their exports to US.
- Imports from China fell while imports from other countries rose.
- US trade deficit did not shrink.
- Data show no fall in foreign export prices, so tariffs were paid by US buyers.
 - o Domestic prices DID increase.
- Jobs? Eight lost for every job created.



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Wait...Job Losses?

• Job losses come from two sources:

- Tariffs raise the price of imported intermediate goods
 - o E.g., steel and aluminum.
- Tariffs hit the exchange rate.
 - o Fewer imports means lower supply of dollars.
 - o Exchange rate appreciates.
 - o Exported products are more expensive in foreign markets.



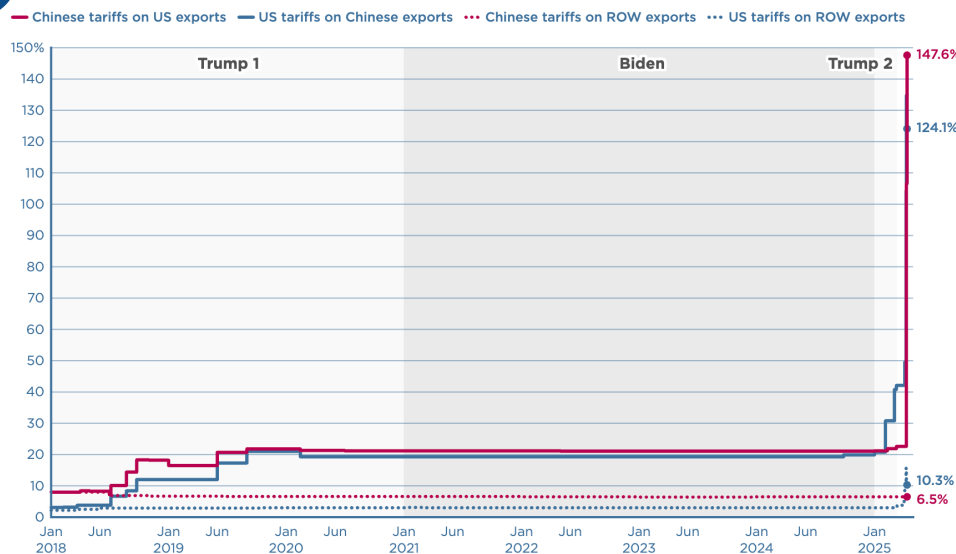
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Trump II Tariffs

- “To me the most beautiful word in the dictionary is ‘tariff’”
- During campaign he said he will
 - Place a tariff of 10% or 20% on all imports from all countries.
 - Place even higher tariffs (60%) on imports from China.
 - Raise our tariffs on countries to match what they charge on our exports.
 - o “Reciprocal Trade Act”
 - o (And lower those where they charge less?)
 - Raise tariffs on countries that don’t use the US dollar for international transactions.
 - Place tariffs on Mexico, violating his own USMCA trade agreement
 - o 25% on everything if they don’t stop US immigration
 - o 100% on cars to get production in US

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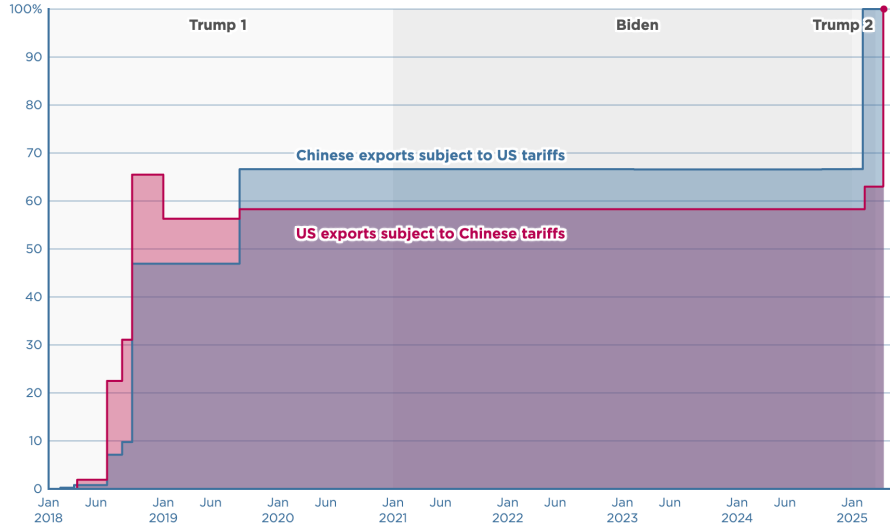
Where Are Tariffs Today?



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What Share of Goods Are Covered?

b. Percent of US-China trade subject to trade war tariffs



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Effects of Tariffs in General

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Economic Effects of A Tariff

- **A tariff is a tax on imports. It causes:**
 - A rise in the price of the imported good in the importing country.
 - A fall in the price of the imported good in the exporting country.
 - The quantity imported to fall.
 - Revenue for the tariff-levying government.
- **Almost always: the rise at home is much larger than the fall abroad**
 - We learned this from Trump's tariffs in 2018.
 - Trump's tariffs caused US prices to rise, with hardly any perceptible fall in prices abroad.
 - Sometimes prices rise on goods not subject to a tariff.
 - Clothes dryers.



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Economic Effects of A Tariff

- **Economists' cost-benefit analysis quantifies these and shows that the costs exceed the benefits.**
- **A tariff on one good can harm other industries.**
- **A tariff on one country just causes displacement to another country.**
- **Tariffs are NOT an effective tool to reduce the trade deficit.**
- **Tariffs are NOT a good way to raise government revenue.**
- **Retaliation from other countries makes tariffs even worse.**
- **Corruption: tariffs can be selectively reduced.**



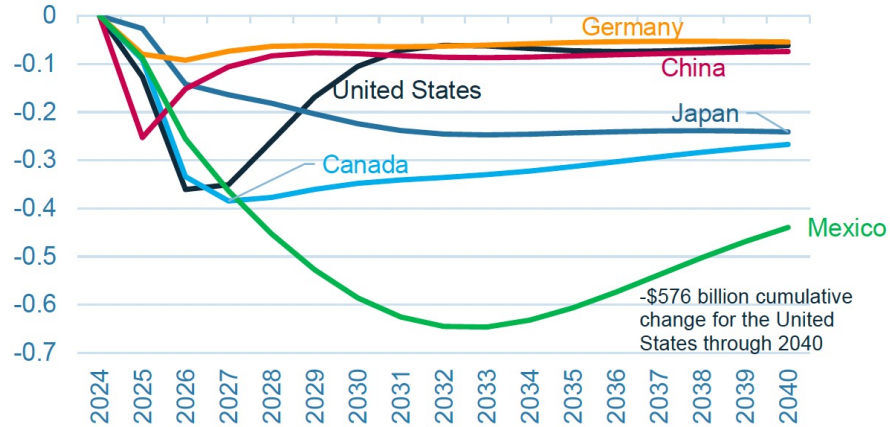
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Effects of Trump II Tariffs

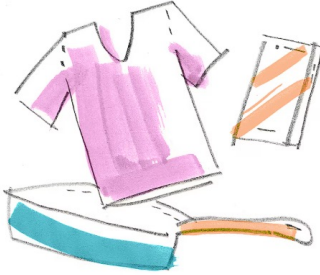
Effects of 10% Tariff on All US Imports


Real GDP

Percent deviation from baseline for each year



Here are the products that could be affected by Trump's proposed tariffs.



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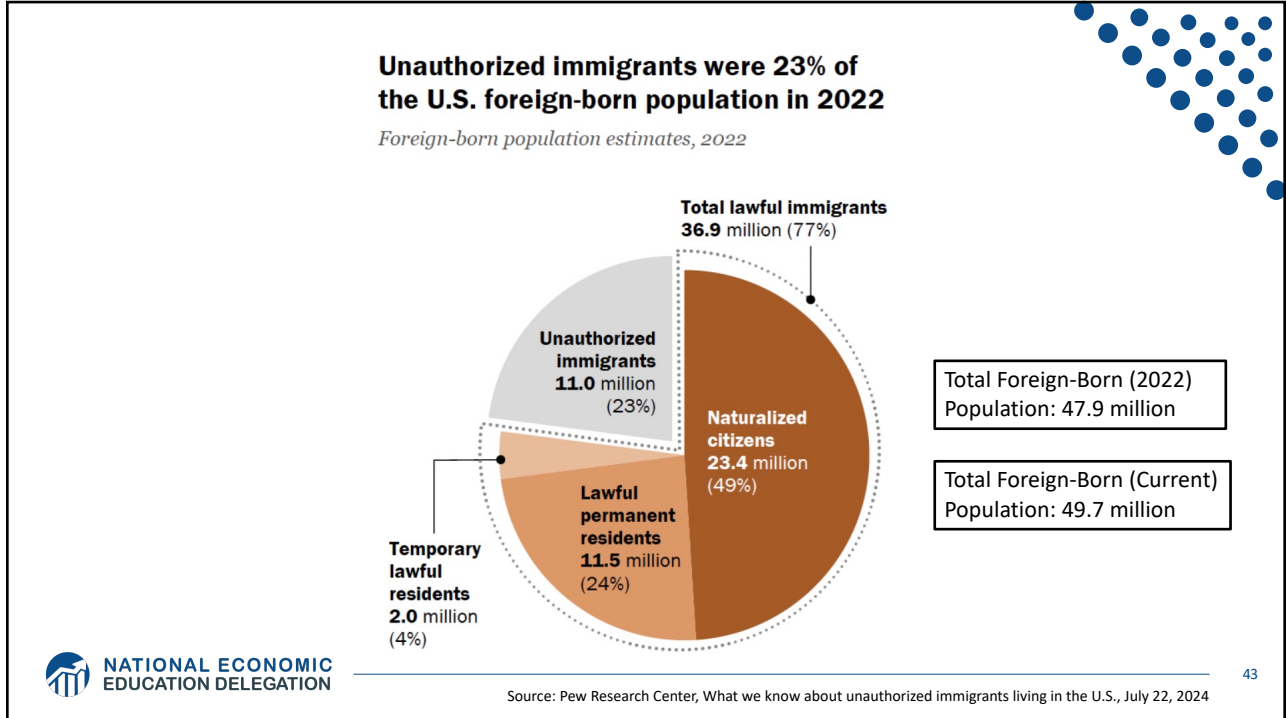
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Immigration

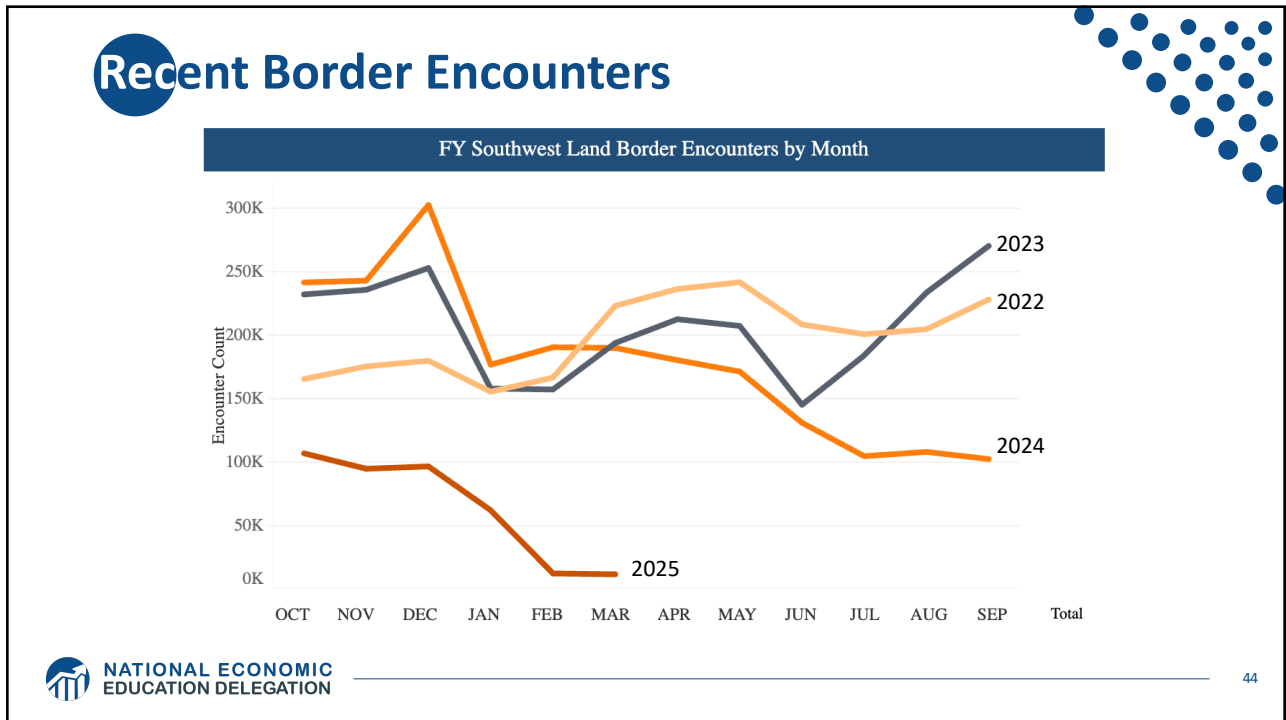
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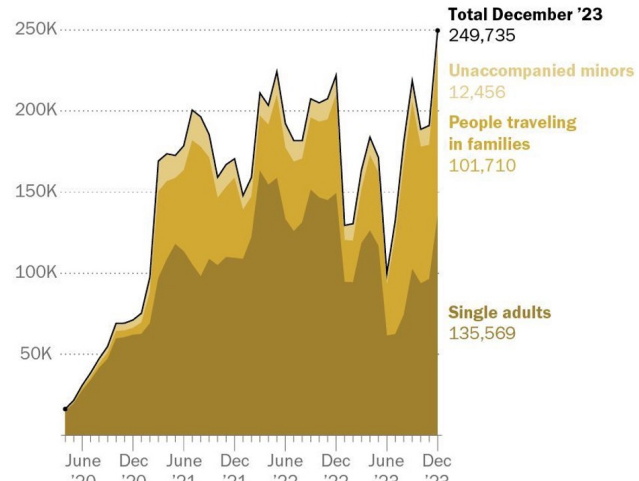
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Growing #s of People Traveling in Families

Monthly migrant encounters by U.S. Border Patrol at U.S.-Mexico border involving ...



Source: Pew Research Center, US Customs and Border Protection

The Northern Triangle – Also VE & Others



Only Currently Permissible Refugees: S. Africa



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Why Do We Care? Economic Implications

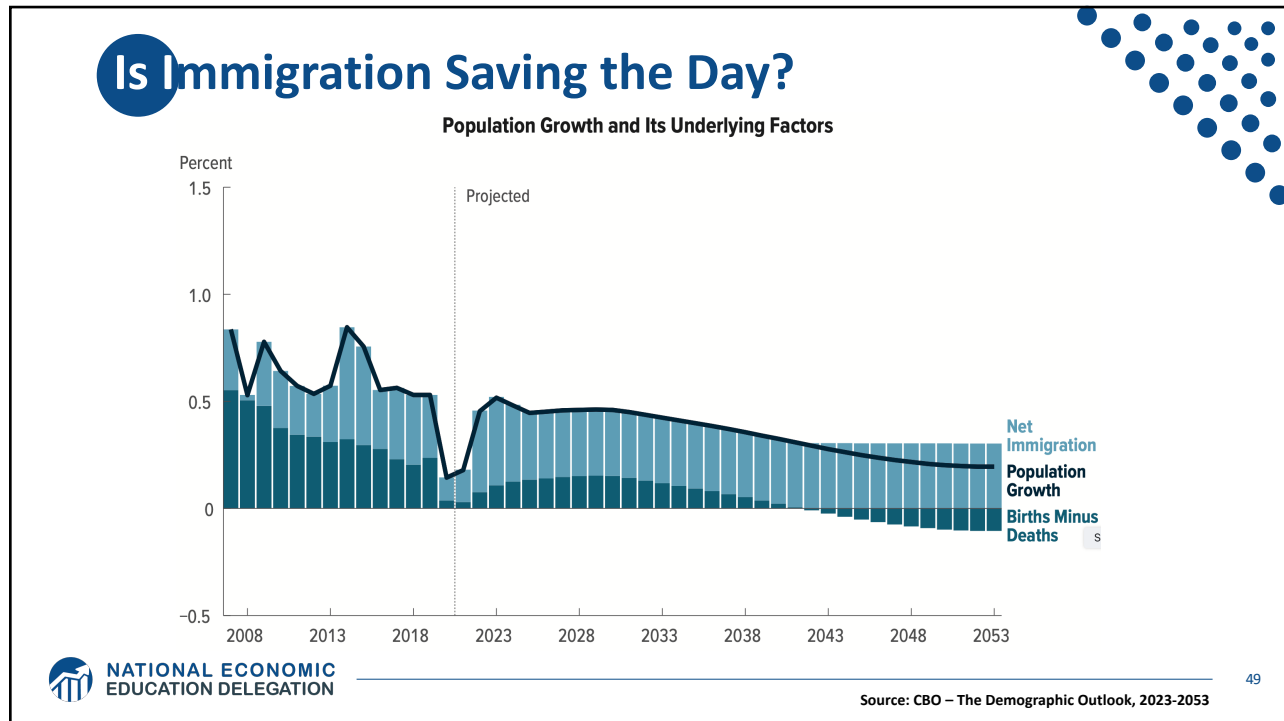
- Conventional Wisdom Issues:
 - Labor markets: Wages and Jobs
 - Government Revenue and Spending
 - Crime
- Other issues (that don't get talked about much):
 - Gross Domestic Product (GDP)
 - Innovation and Entrepreneurship



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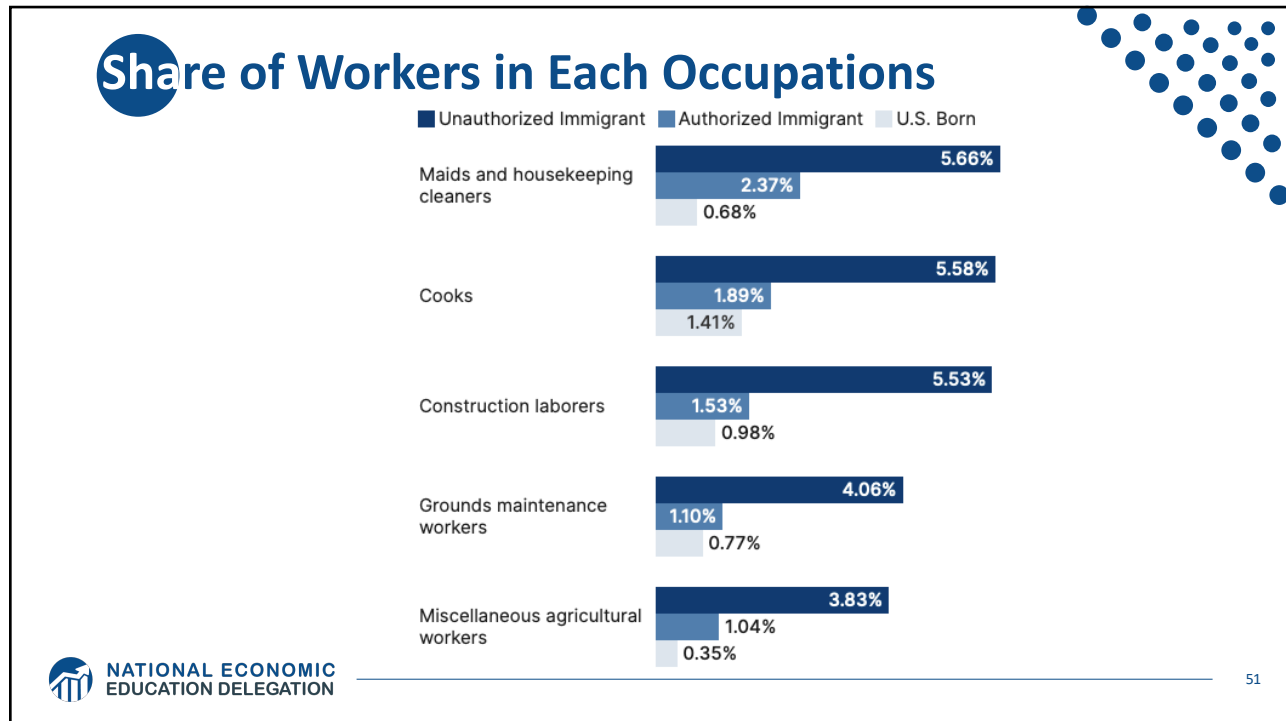
Jobs: Conventional Wisdom...Upended

- **What is the conventional wisdom?**
 - Low-skilled immigrants come in and take jobs from low-skilled native-born individuals.
 - o 1-1 tradeoff.
- **What does new research show?**
 - Low-skilled immigrants contribute positively to the economy.
 - o Every 100 low-skilled immigrants: create 9 jobs for low-skilled native-born.
 - o They create opportunities for low-skilled native-born workers.
 - Low-skilled immigrants take jobs that native-born don't want.

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Implications for Major Federal Programs

- **Documented immigrants are less likely to use Social Security and Medicare.**
- **Unauthorized immigrants are ineligible.**
 - They will pay into the system but cannot receive benefits.
- **Medicaid: not available to legal residents for the first five years.**
- **Provide a source of revenue for an aging population.**
 - For Social Security and Medicare

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Mass Deportations

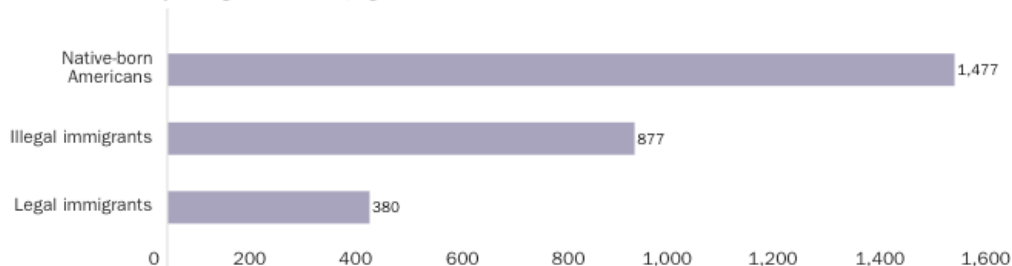
- **Immigrants work different jobs than do native-born workers.**
- **Immigrants contribute to the local economy.**
 - GDP losses of up to \$1.7 trillion annually.
- **Immigrants keep prices low: in particular, food!**
- **Deportations impact tax revenues.**
 - \$1,300 more in on average than out, annually.
 - Unauthorized immigrants: \$22.6 billion in social security and \$5.7 billion in Medicare payments.
- **Deportations are expensive (\$13,000 each).**
 - Total cost \$315 billion.
- **They rob people of their dignity.**



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Incarceration by Immigration Status, 2018

Incarceration rates by immigration status, ages 18–54



Source: Authors' analysis of the American Community Survey data.

Note: Rates are per 100,000 residents in each subpopulation.



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Other Policies with Economic Effect

- **Cutting off federal grants and federal spending**
- **Universities – short and long run**
- **Lower LFPR or working hours for moms**
- **Deregulation – perhaps positive.**



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Summary

- **Inflation: close to Fed's 2% target, but a little stubborn.**
 - This is likely to change.
- **Current immigration and trade policies will exacerbate inflation.**
- **Immigration: deportations tax the economy and are expensive.**
 - Many, many ag workers are unauthorized immigrants.
- **Tariffs: are a tax.**
 - Taxes raise prices. Period. Full Stop.
 - Taxes often cost jobs. Tariffs likely will.



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Biggest Problem: Uncertainty

- **Nobody knows how to plan into uncertainty.**
 - Business investment is particularly at risk.
- **Hardly anybody increases spending into uncertainty.**
- **Other countries will look elsewhere if the U.S. is volatile.**
 - Tourists already are.
- **Outlook: is not good.**
 - Inflation is inevitable.
 - Job losses are inevitable.



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Are We Headed for A Recession?

- **Uncertain.**
- **Our current path has many forecasters indicating that a recession is more likely than not.**
 - IMF has cut it's U.S. growth forecast to 1.7%, down from 2.8% in 2024.
- **We may well already be in a recession (but probably not).**
- **A slowdown in economic growth is inevitable.**
- **A bout of stagflation is possible.**



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Thank you!

Any Questions?

www.NEEDEcon.org

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www.NEEDEcon.org/LocalGraphs

For every state and county in the United States.

Detailed graphs on employment, housing, moves, and other statistics.

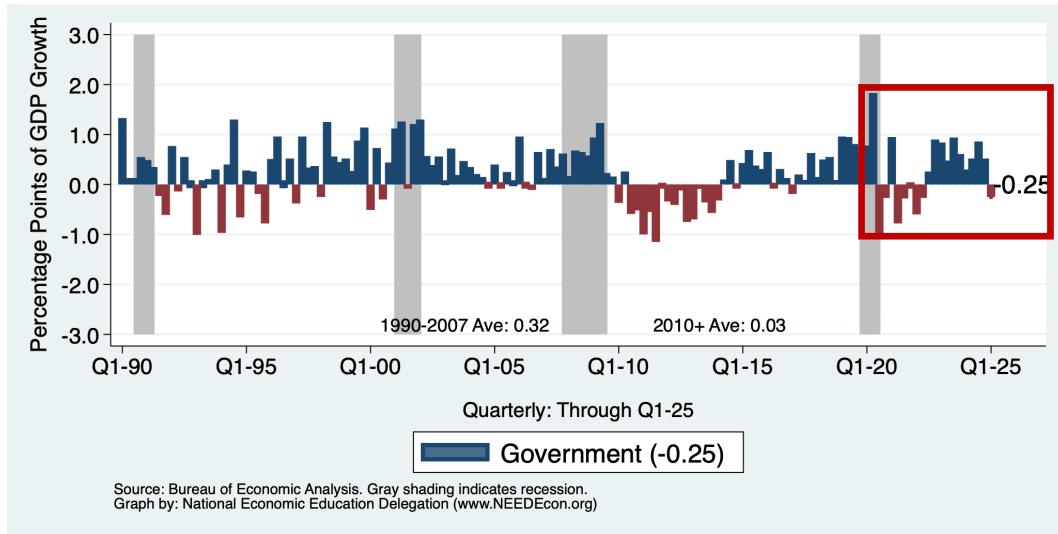


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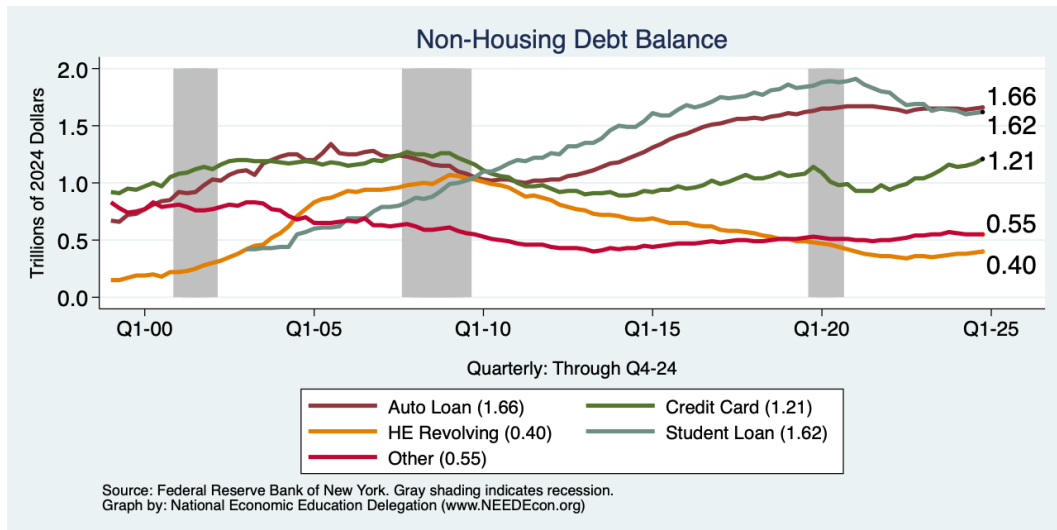
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Contributions to GDP: Government

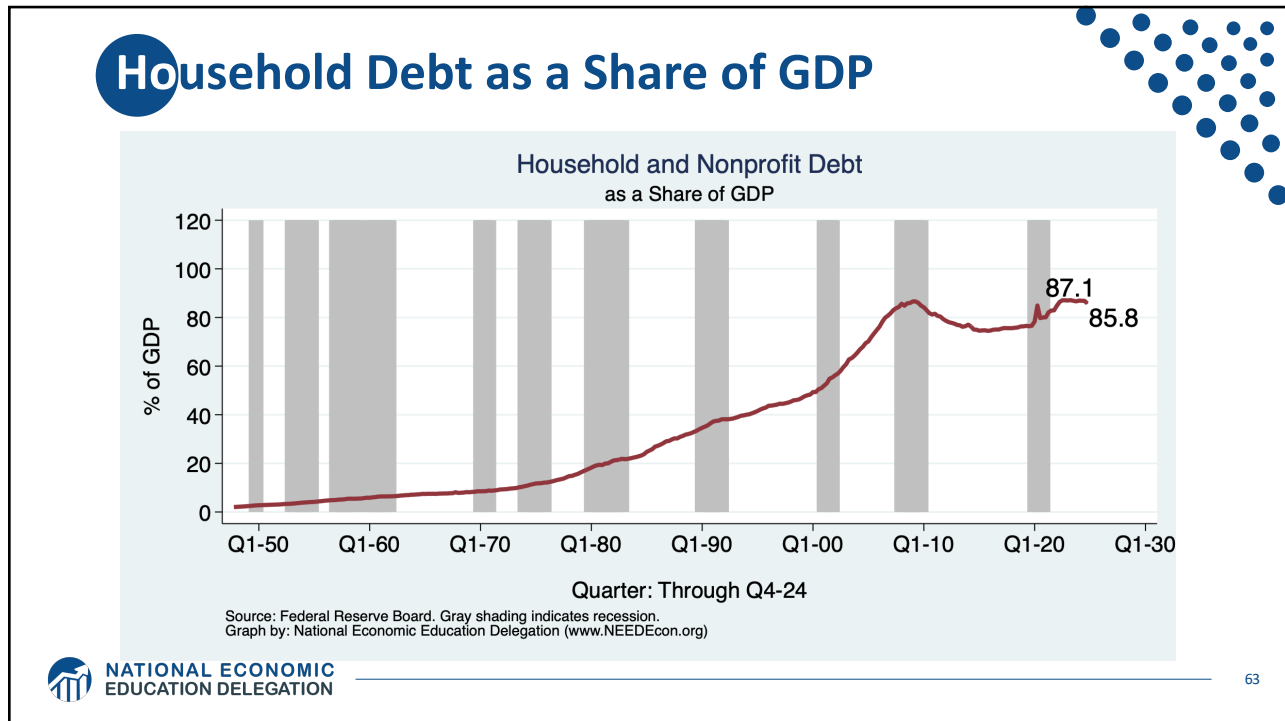


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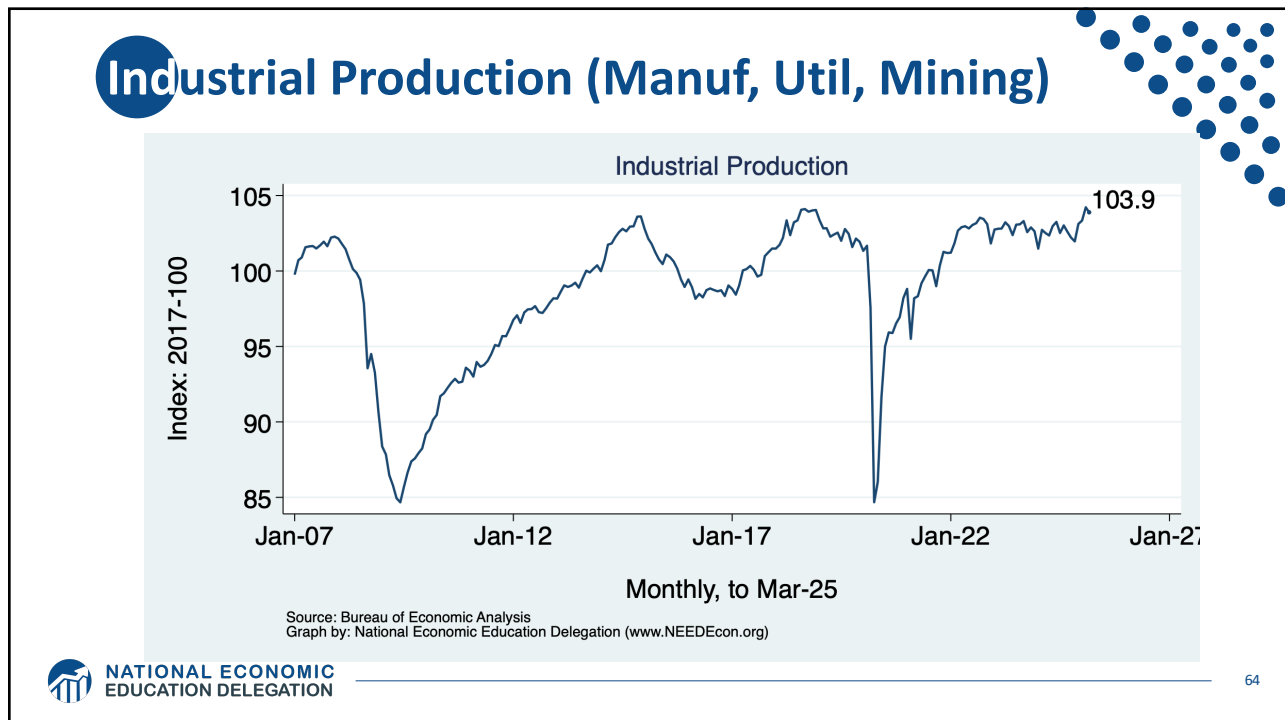
Household Debt: Non-mortgage Sources



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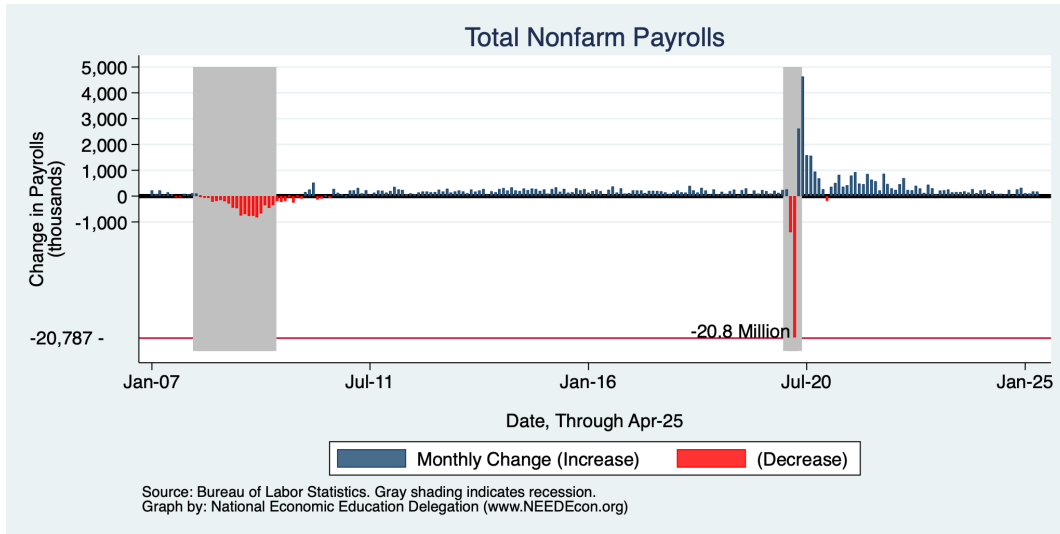


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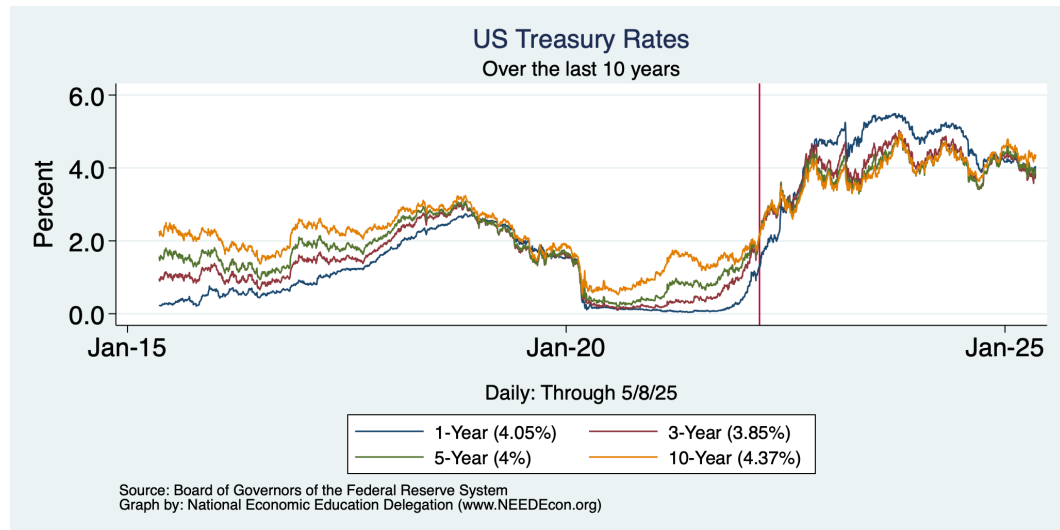
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Monthly Changes in Nonfarm Employment



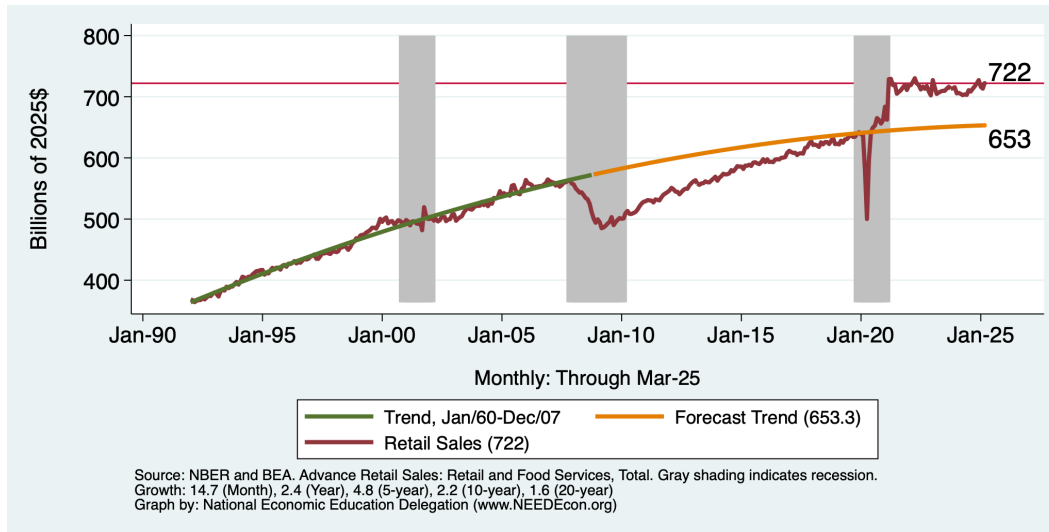
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Treasuries



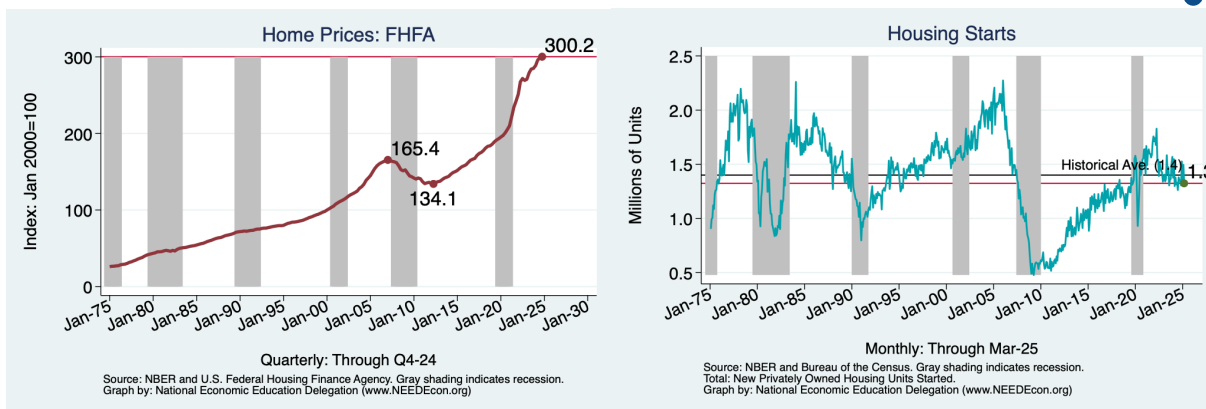
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But SUPER High to Begin With!



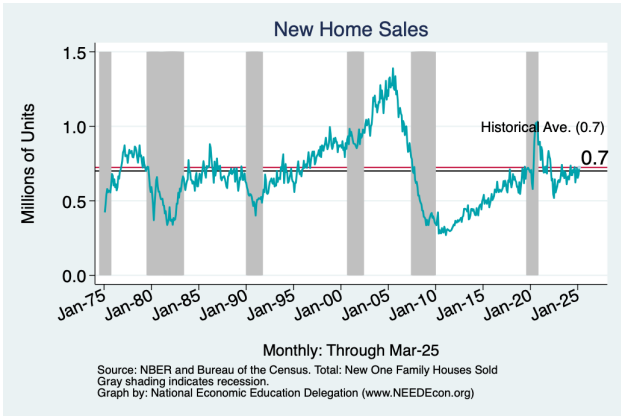
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Home Prices and Housing Starts



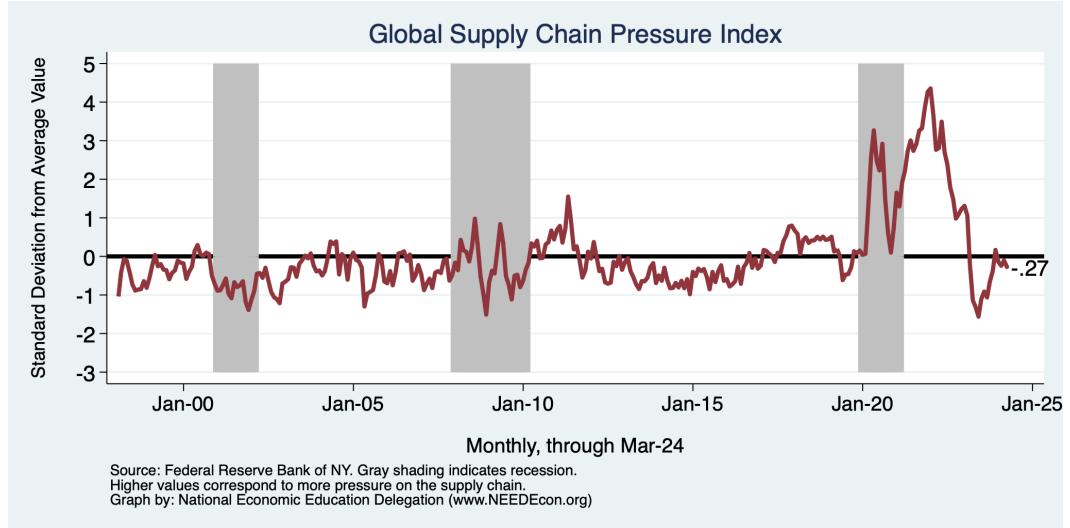
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Home Sales are Not Horrible

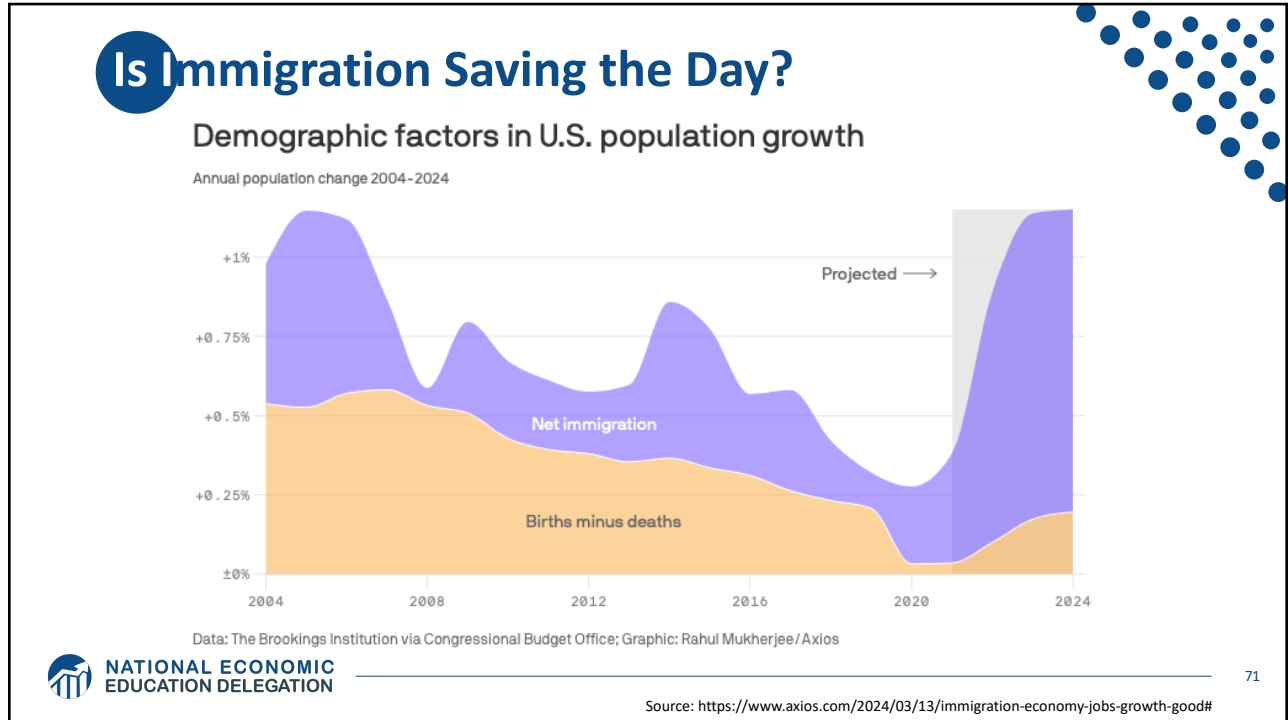


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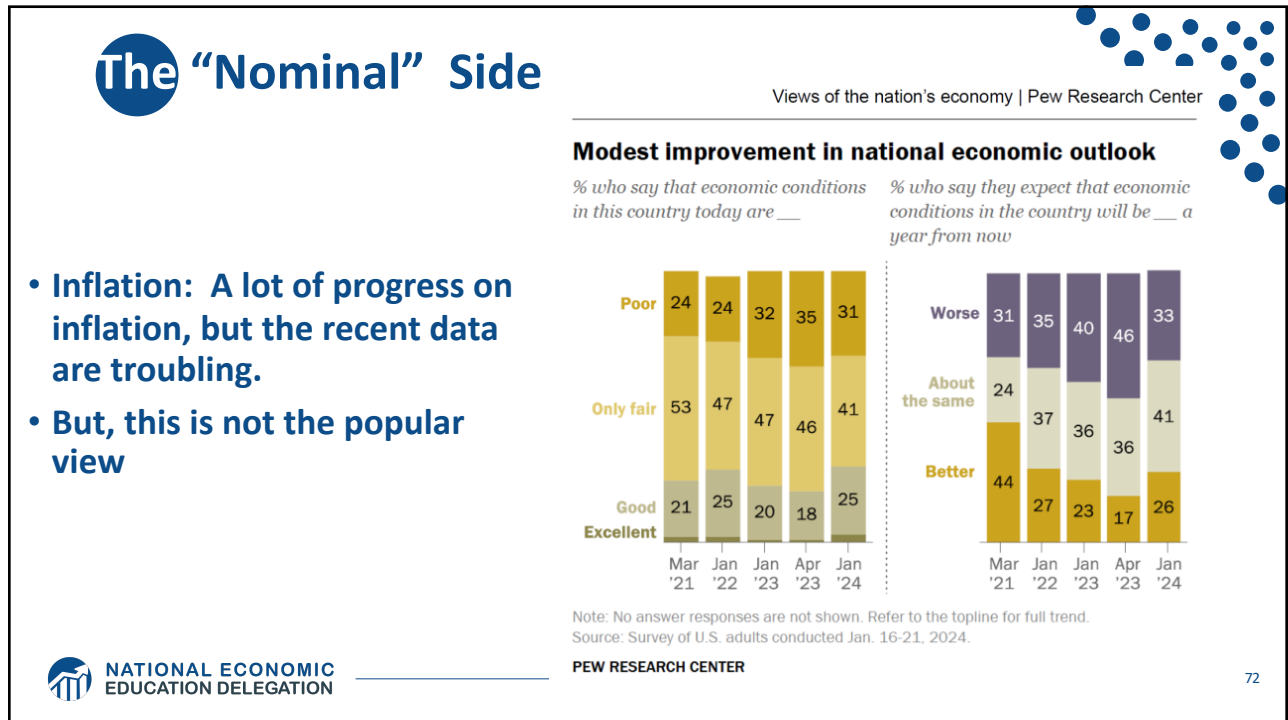
Supply Chains



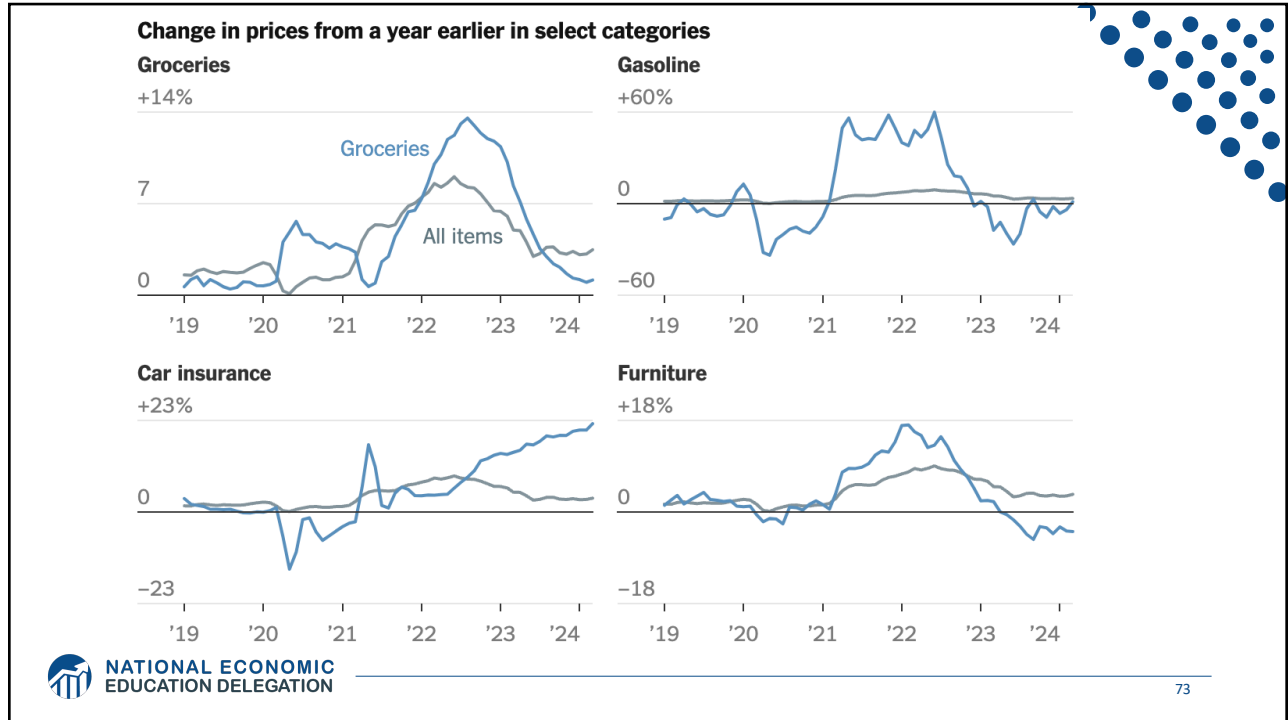
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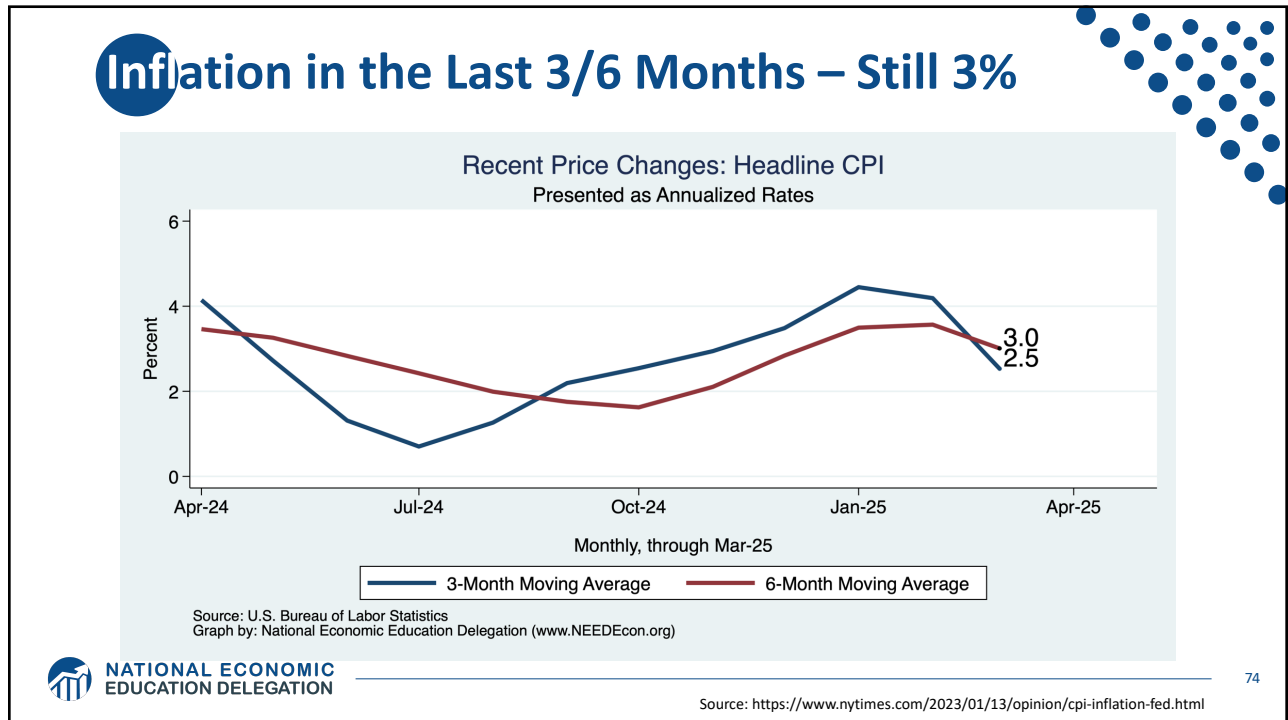
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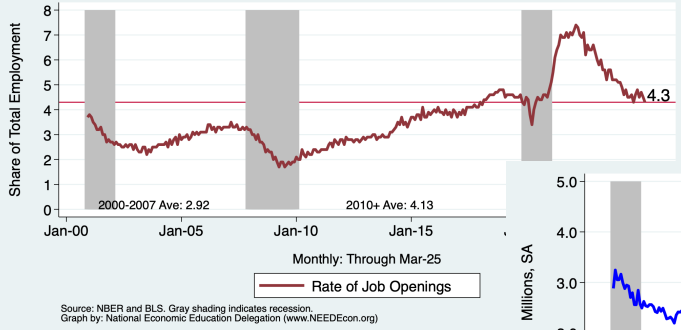
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Labor Market is Cooling

Job Openings - Falling



Quits – Falling (Rising?)

