

FALLOUT FROM THE TRUMP INITIATIVES

HUGHES ECONOMICS (HE) – 29 July 2025

The typical variations in the economies of countries amplified by the vagaries of world trade hiccups from time to time, drive the eventual macroeconomic outcomes for all countries. The Trump initiatives fall into this category of casual factors. Then there are the more fundamental forces such as demographics and aging populations together with related factors such as falling fertility rates, climate change etc. that cannot be easily reversed (if at all) and which may be the prime, immediately determining factors for resulting ups and downs in current world growth and prosperity. Climate change, for example, must be addressed by all countries acting in unison and not just a few countries acting independently. But independent actions by countries, such as moves towards “green” options, could affect growth etc. in the country concerned irrespective of what other countries do.

HE sees 3 possible scenarios arising out of the Trump initiatives. In likelihood order these are:

- **MAGA** : Trump objectives achieved and US 1960s hegemony restored.
- **WA** : World adjusts but not in the way Trump envisions.
- **WD** : World disorder with higher inflation, unemployment rising and other problems.

The world could adjust as in **WA** above especially if inspired leadership and/or innovation occurs. This could arise out of the EU or even China. For example, innovations in the crypto world could affect the necessity of a role for reserve currencies and international trade generally.

The probabilities in the following table have been calculated using the methodology outlined in the **HE** paper ***Probability Assessment*** (doi address: <https://doi.org/10.17265/2328-2185/2022.05.006>).

PROBABILITIES FOR SCENARIOS OVER THE NEXT 6 MONTHS RESULTING FROM TRUMP INITIATIVES									
Scenarios		Pairwise Values		Probabilities				More likely Values	
Events	Ratios	Low	High	Low End	High End	Average	%	Average	%
MAGA	Base $\Rightarrow$ 1	1.00	1.00	0.111	0.091	0.101	10	Base	Base
WA	WA/MAGA	4.00	5.00	0.444	0.454	0.449	45	4.45	4.50
WD	WD/WA	1.00	1.00	0.444	0.454	0.449	45	1.00	1.00
				0.999	0.999	0.999	100		

HE has made **WA** extremely “more likely” than **MAGA** at 4 – 5 times more likely and equally likely with **WD**. The rationale here is that the world has changed drastically since the 1960s and **HE** sees no return to the sort of hegemony the US enjoyed in the past as envisioned under **MAGA**. Using a higher range for **WA/MAGA** would reduce the probability of **MAGA** below the 10% above.

The above distribution can be defined as the “ballpark” distribution. On reflection, the decision-maker (DM) may re-assess **MAGA** as only a 5% chance at best, leaving 95% to be re-allocated over **WA** and **WD**. Suppose on further reflection, the DM feels that world DMs will exhibit better judgment in the future than they have previously and assesses **WD** at 45% with **WA** at 50%. **HE** hopes **WD** can be avoided but just how the world does adjust remains an open question.

The Trump initiatives mean the world goes from the previous “equilibrium/optimal-cost” state to a “higher-cost” (but more resilient) state in the future. As a result, some countries will experience higher inflation. Central Banks in such countries should accept this result and not try to curb any resulting inflation with traditional deflationary measures. Under Trump the world has moved to a higher cost of everything, even though the US may have increased manufacturing employment over what otherwise would have been the case. Other countries with lower manufacturing costs (as in China but not the US) will eventually gain in the future.