

## REFLECTIONS ON THE TRUMP ECONOMIC INITIATIVES SO FAR

Warren R Hughes of [hugheseconomics.com](http://hugheseconomics.com) (HE) – April 2025

Financial markets are acting very nervously. The DOW and S&P 500 are off about 8% from their 52 week highs, and down 4% and 6% respectively so far in 2025. Trump pronouncements and Executive Orders are creating major uncertainties in the minds of investors world-wide. The Trump initiatives have created world conditions that could lead to major crises and markets will not settle until the dust does. Another given is that markets overshoot both up and down – things usually are never as good or bad as they first seem to be. The recent retreat of US tech stocks after the AI hype is yet further evidence of this market axiom. Of course, this time could be different, as the saying goes.

**HE** looks first at US fiscal deficits with other countries. Although not the world's biggest country by population, US GDP is estimated at 15% - 26% of the world's depending on how it is counted. And US consumption of all goods and services produced world-wide is even larger percentagewise. Almost by definition, the US will run a deficit with every other country when it comes to its everyday living expenditure. This is balanced by the sale of defence and other services by countries buying from the US. The US had a net surplus in services of almost \$300b in 2024. But US deficits or surpluses in total with individual countries are simply accounting facts and not the result of countries "taking advantage of the US." Of course, the West in general does rely on the US military shield and this is costly for the US. So some advantage is taken of the US by other countries in this respect, but not universally. And Europe with NATO has definitely taken advantage of the US shield with lower than required defence spending since Putin took over in Russia. This, however, looks likely to be rectified in the near future.

**HE** has re-thought the scenarios for the world's future in the light of Trump's initiatives so far. More pessimism seems warranted given the chaotic nature of recent pronouncements. Trump and America would have much better prospects if he had simply offered a tax holiday to the likes of Hyundai in return for very substantial US-based investments in plants. Instead trade wars now seem in prospect. If America is so great, the plants would still be producing and employing Americans long after the tax holidays expired. In place of sensible economics we are subjected to political grandstanding on an unprecedented scale from the world's leading country. And if this continues, at some point in Trump's term, the Republican party may need to reconsider the options ?

### HE PROBABILITIES ON WORLD FUTURE SCENARIOS IN LIGHT OF THE TRUMP INITIATIVES

Scenario	Pairwise Judgment	Compound Likelihood		Probabilities				More Likely Values	
		Low	High	Low	High	Mean	Percent	Mean	Percent
World Boom	Base ⇒ 1 – 1	1.00	1.00	0.111	0.091	0.101	10	Base	Base
World Slump	4 – 5	4.00	5.00	0.444	0.455	0.449	45	4.45	4.50
World Adjusts	1 – 1	4.00	5.00	0.444	0.455	0.449	45	1.00	1.00
		<b>9.00</b>	<b>11.00</b>	<b>0.999</b>	<b>1.001</b>	<b>0.999</b>	<b>100</b>		

The Compound Likelihoods for the World Adjusts scenario for Low and High are derived as  $1*4*1 = 4$  and as  $1*5*1 = 5$  respectively. Low and High probabilities are the normalized Compound Likelihoods. **HE** now considers World Slump to be equally likely with World Adjusts, with supply lines realigned but no long-term shortages, blockages etc. The likelihood of a US recession in 2025 (two successive quarters of negative growth in GDP) has increased with recent US consumer sentiment and other indicators declining.

The probabilities above reflect the fact that the Trump team have not fully taken account of how globalization and the Internet have changed the world. Countries like Japan, Germany, China, and others have developed manufacturing expertise in areas previously dominated by the US. Modern industries as in aerospace, pharmaceuticals, semiconductors, robotics etc. no longer have US companies as the sole or even major supplier. Firms such as ASML (Dutch) and TSMC (Taiwanese) are two such world leading companies.