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The effects of tariffs and tax cuts will be mild, but an immigration crackdown is cause for real concern.

A Critical Look at Trump's Economic Plans

By Alan S. Blinder

The second presidency of Donald Trump is off to a wild start. Amid the freeing of violent criminals, attacks on DEI and affirmative action, and the violation of the Constitution, you might have lost sight of his economic policies. But I'm an economist, so I'll stick with those.

Specifically, what are his prospects for getting what he wants on tariffs, income taxes and immigration? And if he succeeds, what are the likely effects on growth and inflation? The dangers are far less dramatic than in the noneconomic arena, but they are nonetheless real.

Mr. Trump has already come out swinging on tariffs. He will get his way because Congress decades ago ceded much of its constitutional authority over tariffs to the president under the International Emergency Economic Powers Act of 1977. A big mistake, I believe, but it's the law. All a president must do is declare a national economic emergency and he can raise tariffs as much as he wants.

And hey, doesn't economic growth near 3%, unemployment at 4% and inflation under 3% sound like an economic emergency to you? Or maybe he can create one by starting a trade war. So tariffs will soon be higher. The hit to growth and boost to inflation will depend on how high and how fast the tariffs rise.

For his income-tax cuts, Mr. Trump needs Congress. But he will likely get most of what he wants—which is an extension of the provisions of the 2017 tax cut law that are scheduled to expire at the end of this year, and perhaps a few added bells and whistles. These provisions mostly apply to individuals, not corporations, and tax cutting is in the Republican DNA. Ronald Reagan did it, George W. Bush did it, and Mr. Trump did it in his first term. Each of them, by the way, promised a supplyside miracle that never materialized. Look for a repeat in Trump II.

That said, income-tax cuts should spur slightly faster growth, perhaps roughly offsetting the drag from higher tariffs. We'll have to await the magnitudes of each to judge. But the president's choice for Treasury secretary, Scott Bessent, has already declared that failure to extend the 2017 tax cuts would trigger an "economic calamity."

A calamity? Has he looked at the magnitudes? There will be a tax cut. What's at issue is its size. Republicans want the whole 2017 package extended. Democrats want to limit the 2025 income tax cuts to taxpayers earning less than \$400,000 a year. The difference in fiscal 2027 is estimated to be \$187 billion of government revenue. If that sounds like a lot, think about it in the context of an economy whose gross domestic product will likely be above \$30 trillion by then. Mr. Bessent must have a hypersensitive calamity meter.

Regardless, the politics look easy with Republicans holding slender majorities in both houses of Congress. Importantly, tax changes fit squarely within the reconciliation process, making them immune to the Senate fili--buster. So Mr. Trump's political prospects for success look excellent. The "cost" is a larger budget deficit, which the politics of 2025 will ignore.

Moving beyond taxes, a sharp attack on immigration is near the top of Mr. Trump's wish list and has already begun. But after the initial round of raids, the political, legal and logistical hazards look harder to navigate.

Reducing illegal immigration has bipartisan support and began happening late in the Biden administration. While largely a human-rights issue, immigration is also an economic one. That's because legal and illegal immigrants have boosted our economic growth by expanding the U.S. labor force, especially in agriculture, construction and hospitality. If the immigrant workforce shrinks notably, economic growth will slow and inflation will rise.

But the details matter greatly. Just about everyone supports deporting criminals. But you don't get close to 11.5 million people by stopping there. I hope we won't see the U.S. government separating children from their families again. I also hope we don't set up detention camps, which could easily scoop up legal immigrants or even Spanish-speaking citizens. But these may not be Mr. Trump's hopes.

His designated immigration czar, Tom Homan, will be armed with a passel of executive orders—some of which may be draconian, if not unlawful. But Mr. Homan has said he will need a lot more staff and resources to do the job.

Estimates of likely deportations can be no more than wild guesses at this point. It will surely take time. So this part of Trumponomics looks like a steady drip-drip that's antigrowth and pro-inflation for as long as it lasts.

My best guess is that the effects of the president's proposed economic policies would be slightly negative on growth, modestly inflationary and truly worrisome on immigration. All bad, but nothing comparable to overriding the Constitution or trying to colonize Canada, Panama and Greenland.

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