



# The Implications of President Trump's Economic Policies

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TUCK SCHOOL OF BUSINESS  
AT DARTMOUTH

# Preview of Our Conversation: Three Key Questions

1. What political-economy issue is President Trump speaking to?

- Let's answer this with a bit of history, centered around productivity and its distribution.

2. What are the likely implications of the president's economic policies?

- Let's answer this with a bit of data, academic research, and story-telling.

3. What other policies might the United States pursue?

- Let's answer this by thinking about leaders who articulate compelling visions.

Note: I am an independent economist-dean Tigger.



# Question #1:

## What political-economy issue is President Trump speaking to?



# The American Dream

[The American Dream is] that dream of a land in which life should be better and richer and fuller for everyone, with opportunity for each according to ability or achievement. It is a difficult dream for the European upper classes to interpret adequately, and too many of us ourselves have grown weary and mistrustful of it. It is not a dream of motor cars and high wages merely, but a dream of social order in which each man and each woman shall be able to attain to the fullest stature of which they are innately capable, and be recognized by others for what they are, regardless of the fortuitous circumstances of birth or position. [Adams]

Source: James Truslow Adams, *Epic of America*, 1931



# This Is the Key Challenge All U.S. Leaders Are Grappling With: The Fading (Disappeared?) American Dream

Do you feel confident or not confident  
that life for our children's generation  
will be better than it has been for us? (*WSJ/NORC*)

|           |                |                    |
|-----------|----------------|--------------------|
| USA, 1990 | Confident: 50% | Not Confident: 45% |
| USA, 2000 | Confident: 49% | Not Confident: 42% |
| USA, 2009 | Confident: 31% | Not Confident: 57% |
| USA, 2023 | Confident: 21% | Not Confident: 78% |

# The Young Believe This Fading More Than We Do

Which of the following statements comes closer to your view?

**Statement A:** The United States is a country where anyone, regardless of their background, can work hard, succeed, and be comfortable financially.

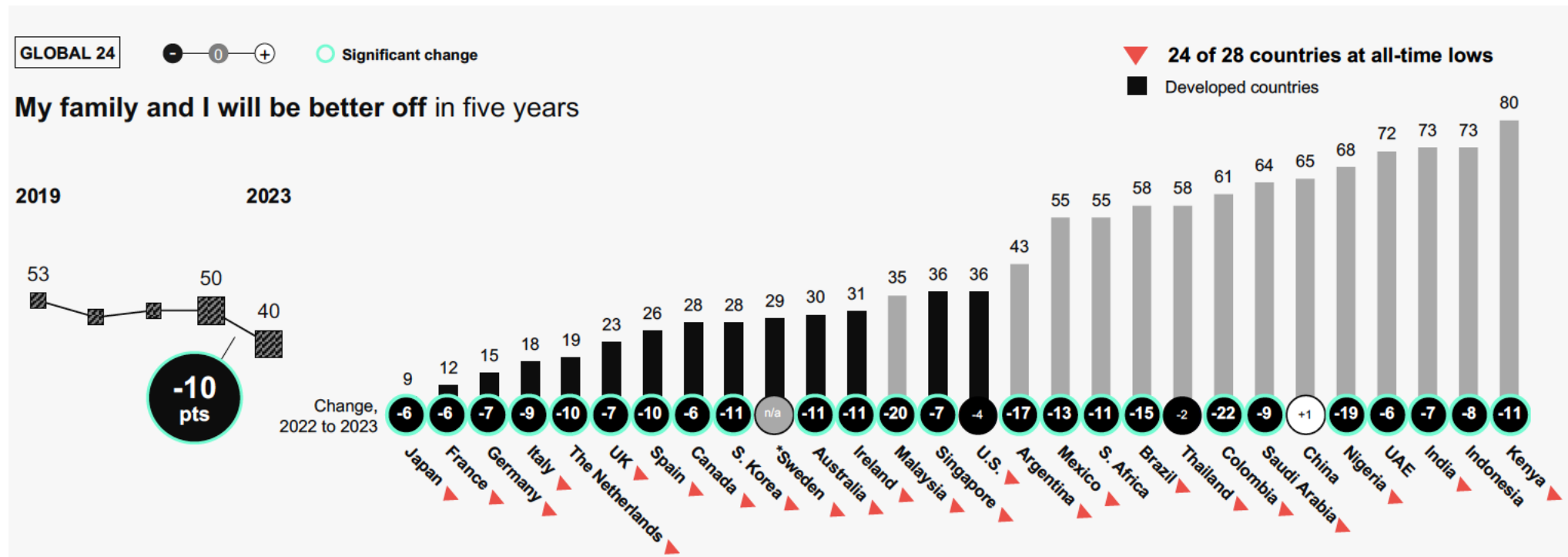
**Statement B:** The widening gap between the incomes of the wealthy and everyone else is undermining the idea that every American has the opportunity to move up to a better standard of living.

|                     |        |        |
|---------------------|--------|--------|
| Tuck LGE MBAs, 2014 | A: 50% | B: 50% |
| Tuck LGE MBAs, 2024 | A: 30% | B: 70% |

# And America's Fading Optimism Is Mirrored around the World

## Economic Optimism Collapses

Percent who say



Source: 2023 Edelman Trust Barometer Global Report



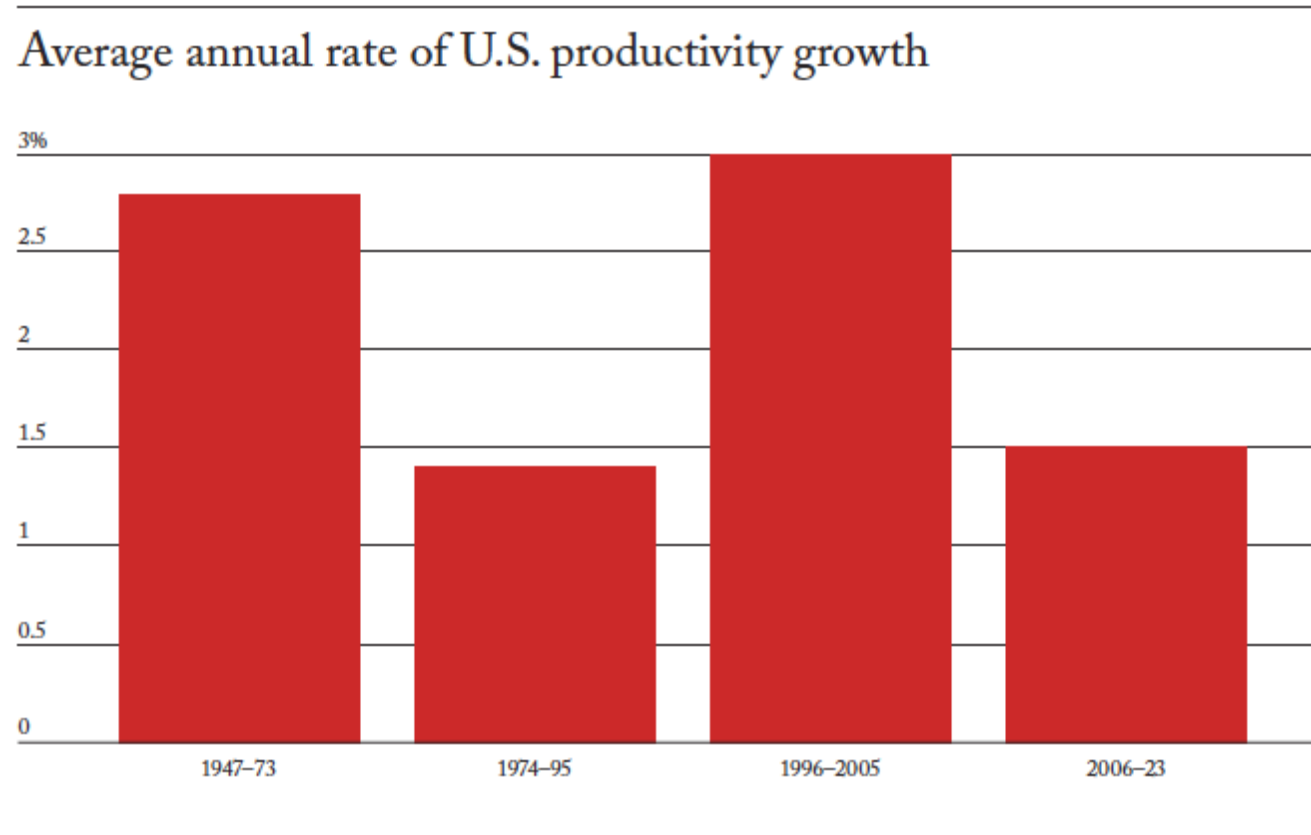
# What economic forces have contributed to the fading American Dream?





# One Main Force Explaining the Fading American Dream: Slow U.S. Productivity Growth 42 of the Past 52 Years

## WAXING AND WANING



Source: Slaughter and Wessel, "Productivity Is Everything," *Foreign Affairs*, March/April 2025



## A Second Main Force Explaining the Fading American Dream: Rising Inequality of (That Slower Growth in Productivity and) Incomes

- Change in U.S. mean real total money earnings, by educational group, 2000 through 2016.

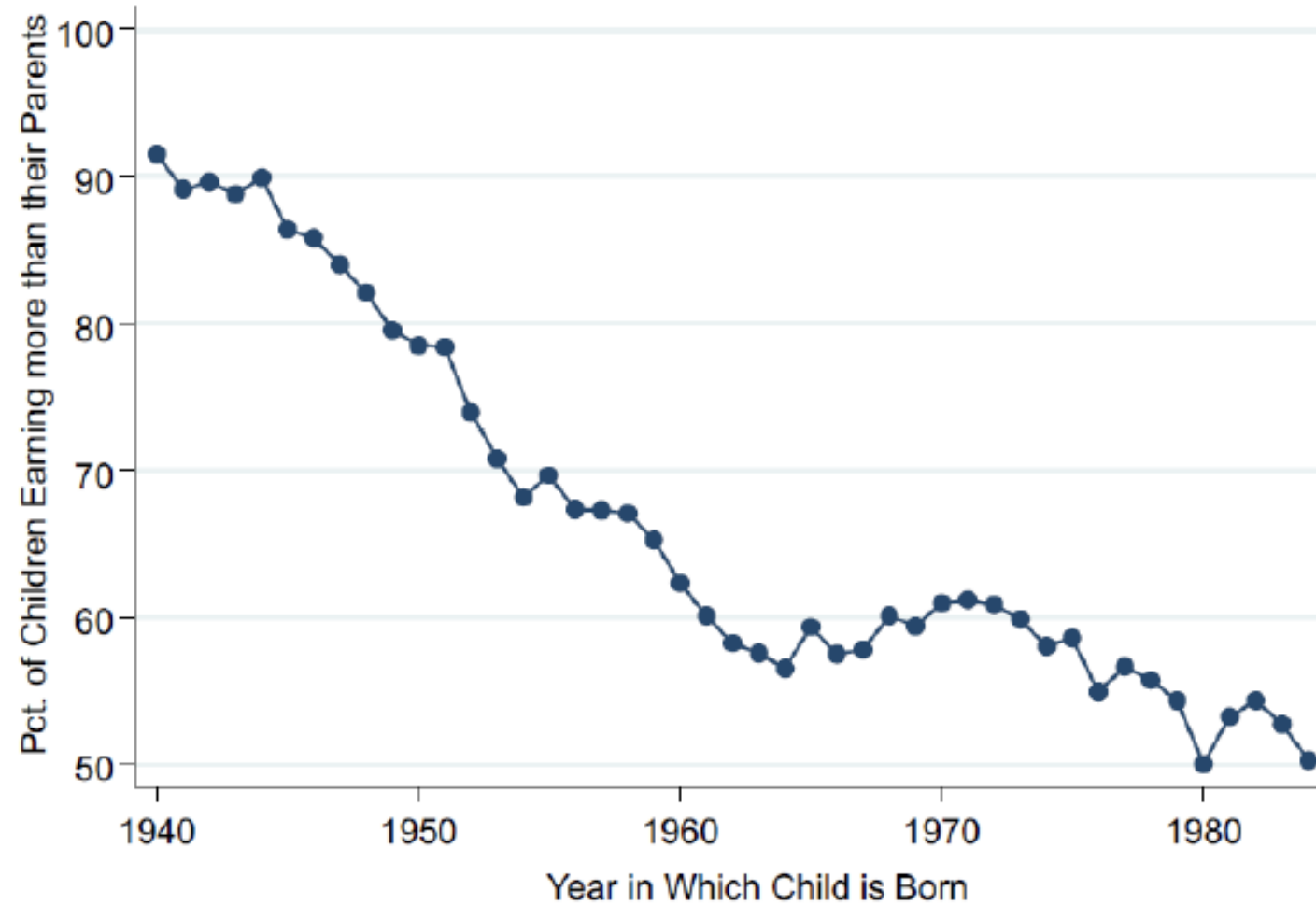
| <u>Group</u>  | <u>Employment Share</u> | <u>Earnings Change</u> |
|---------------|-------------------------|------------------------|
| HS or Less    | 37.6%                   | -0.7%                  |
| Some College  | 27.0%                   | -7.2%                  |
| College Grad. | 22.0%                   | -4.3%                  |
| Masters       | 9.9%                    | -5.5%                  |
| MD,JD,MBA     | 1.5%                    | +2.9%                  |
| PhD           | 2.0%                    | +4.3%                  |

*Source:* U.S. Bureau of Labor Statistics



# One Important Manifestation of the Fading American Dream: American Children Are Decreasingly Likely to Earn More Than Their Parents

Fraction of Children Earning More than Their Parents, by Year of Birth



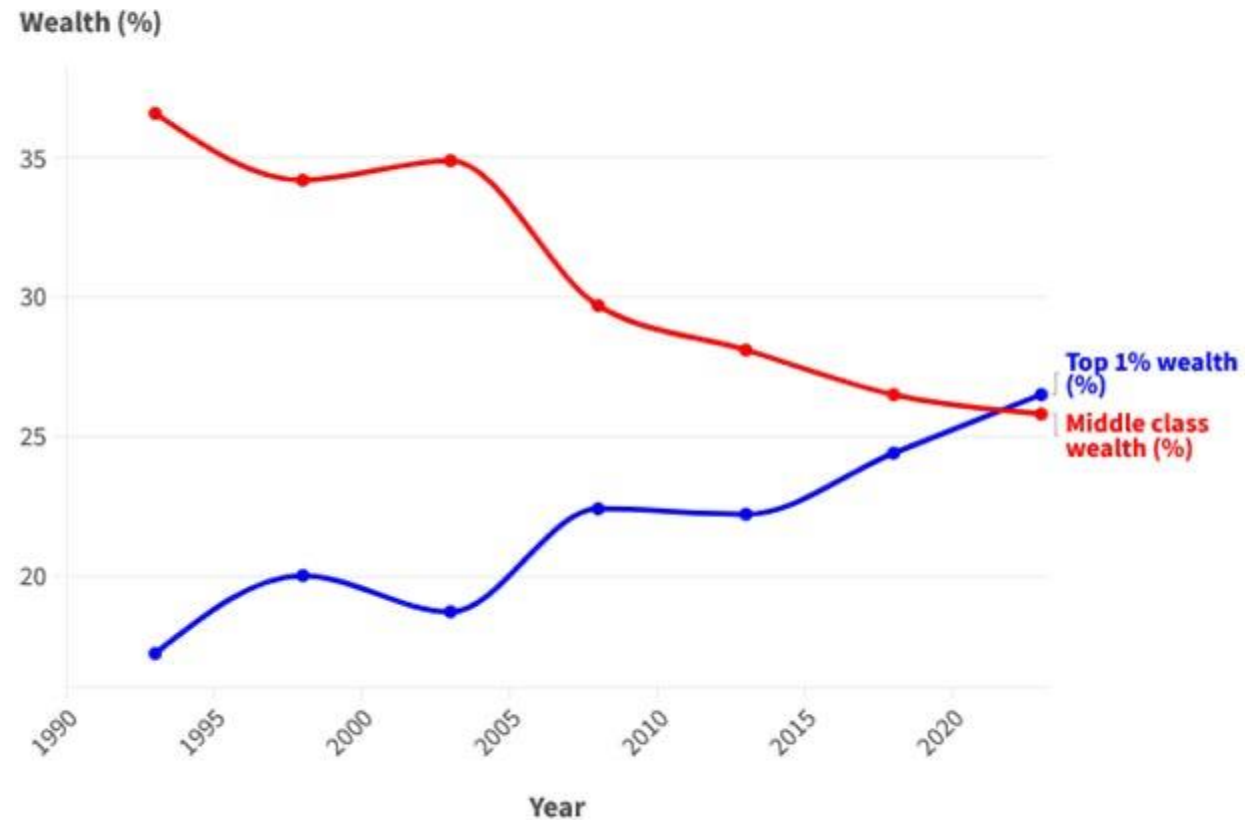
Source: Chetty, et al (2017)



# One Important Manifestation of the Fading American Dream: Rising Inequality of Wealth across Americans

## Top 1% of U.S. earners now have more wealth than the middle class

Share of all household wealth by year, Q2, 1993-2023



Source: Federal Reserve • Middle class is earners between the 20th and 80th percentile of income



# Donald Trump Aspires—at Least in Part, Regardless of Other Goals—to Rebuild the American Dream

For too many of our citizens, a different reality exists: Mothers and children trapped in poverty in our inner cities; rusted-out factories scattered like tombstones across the landscape of our Nation; an education system, flush with cash, but which leaves our young and beautiful students deprived of all knowledge; and the crime and the gangs and the drugs that have stolen too many lives and robbed our country of so much unrealized potential ...

For many decades, we've enriched foreign industry at the expense of American industry ... We've defended other nations' borders while refusing to defend our own and spent trillions and trillions of dollars overseas while America's infrastructure has fallen into disrepair and decay. We've made other countries rich while the wealth, strength, and confidence of our country has dissipated over the horizon.

One by one, the factories shuttered and left our shores, with not even a thought about the millions and millions of American workers that were left behind. The wealth of our middle class has been ripped from their homes and then redistributed all across the world.

*Source:* Inauguration Speech of President Trump, January 20, 2017



# Donald Trump Aspires—at Least in Part, Regardless of Other Goals—to Rebuild the American Dream

This American carnage stops right here and stops right now. We are one Nation, and their pain is our pain, their dreams are our dreams, and their success will be our success. We share one heart, one home, and one glorious destiny ...

And now we are looking only to the future. We, assembled here today, are issuing a new decree to be heard in every city, in every foreign capital, and in every hall of power. From this day forward, a new vision will govern our land. From this day forward, it's going to be only America first. America first.

Every decision on trade, on taxes, on immigration, on foreign affairs, will be made to benefit American workers and American families.

*Source:* Inauguration Speech of President Trump, January 20, 2017



# Donald Trump Aspires—at Least in Part, Regardless of Other Goals—to Rebuild the American Dream

From this day forward, our country will flourish and be respected again all over the world. We will be the envy of every nation, and we will not allow ourselves to be taken advantage of any longer. During every single day of the Trump administration, I will, very simply, put America first.

Our sovereignty will be reclaimed. Our safety will be restored. The scales of justice will be rebalanced. The vicious, violent, and unfair weaponization of the Justice Department and our Government will end.

And our top priority will be to create a nation that is proud, prosperous, and free. America will soon be greater, stronger, and far more exceptional than ever before.

*Source:* Inauguration Speech of President Trump, January 20, 2025



Question #2:  
What are the likely implications  
of the president's policies?





# “Liberation Day” Tariffs Aspire to Take U.S. Trade Policy Back Generations and Thereby Boost the U.S. Economy

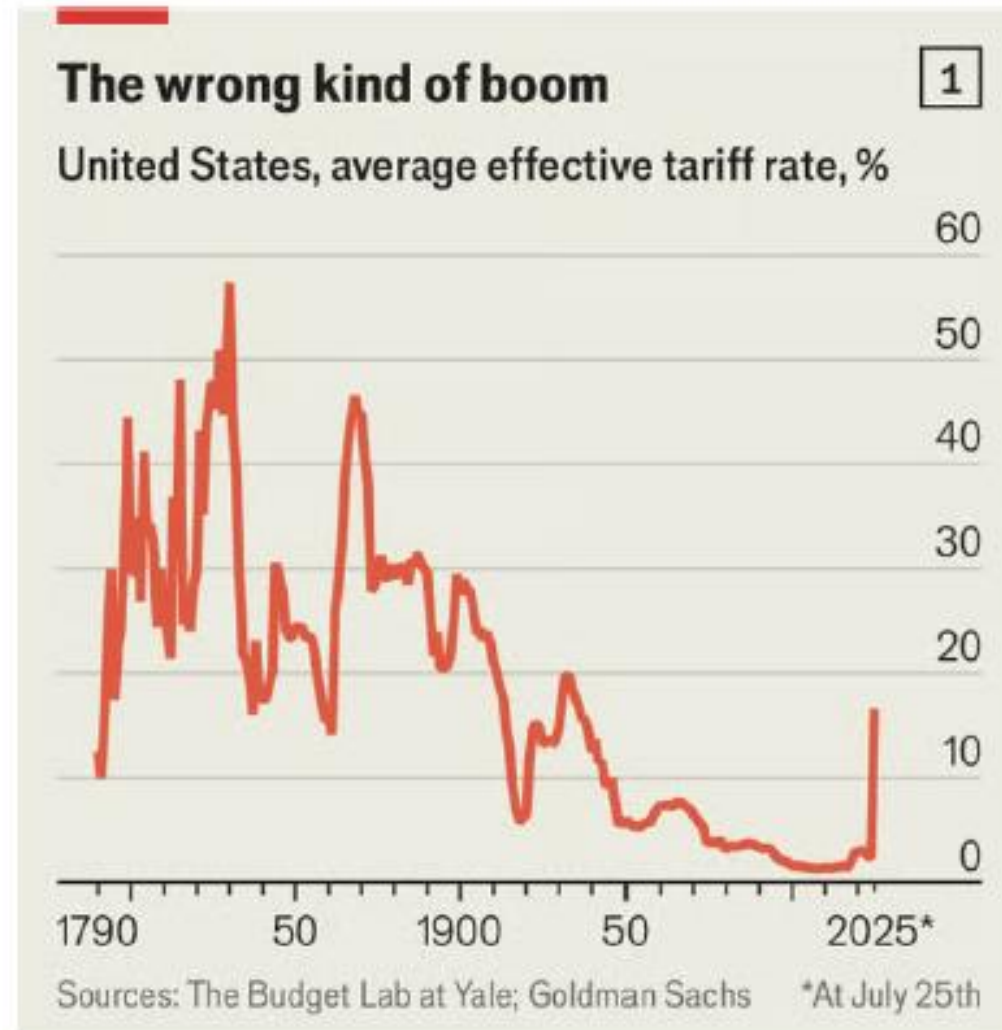


CHART: THE ECONOMIST



# But the Net Effect of Rising U.S. Trade Protection Is Likely to Lower U.S. Output, Not Raise It

**Figure 1. U.S. Real GDP Level Effects of 2025 Tariffs to Date**

U.S. tariffs enacted through April 2  
Percentage point change against baseline

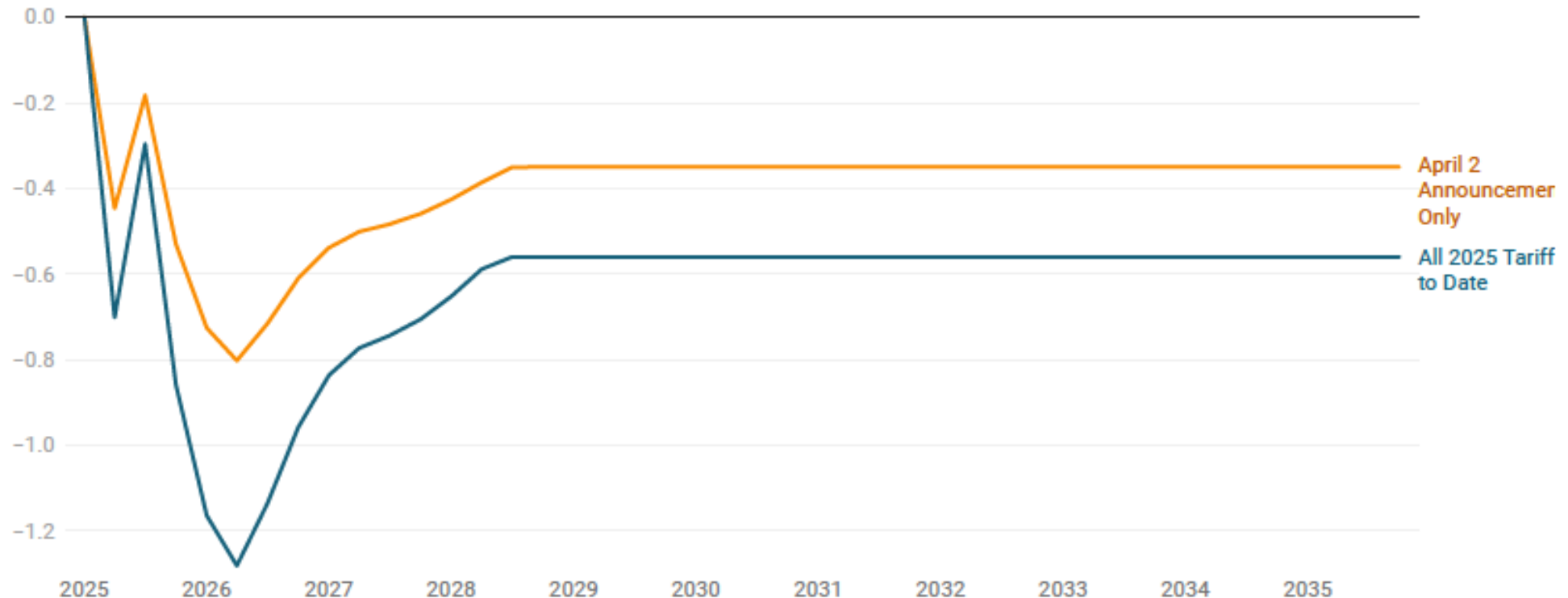


Chart: The Budget Lab • Source: S&P Global, GTAP v7, GTAP-RD, The Budget Lab analysis. • Created with [Datawrapper](#)

# And the Net Effect of Rising U.S. Trade Protection Is Likely to Widen Income Inequality, Not Narrow It

**Figure 4. Short-Run Distributional Impact of 2025 Tariffs**

Percentage points of disposable income by household income decile

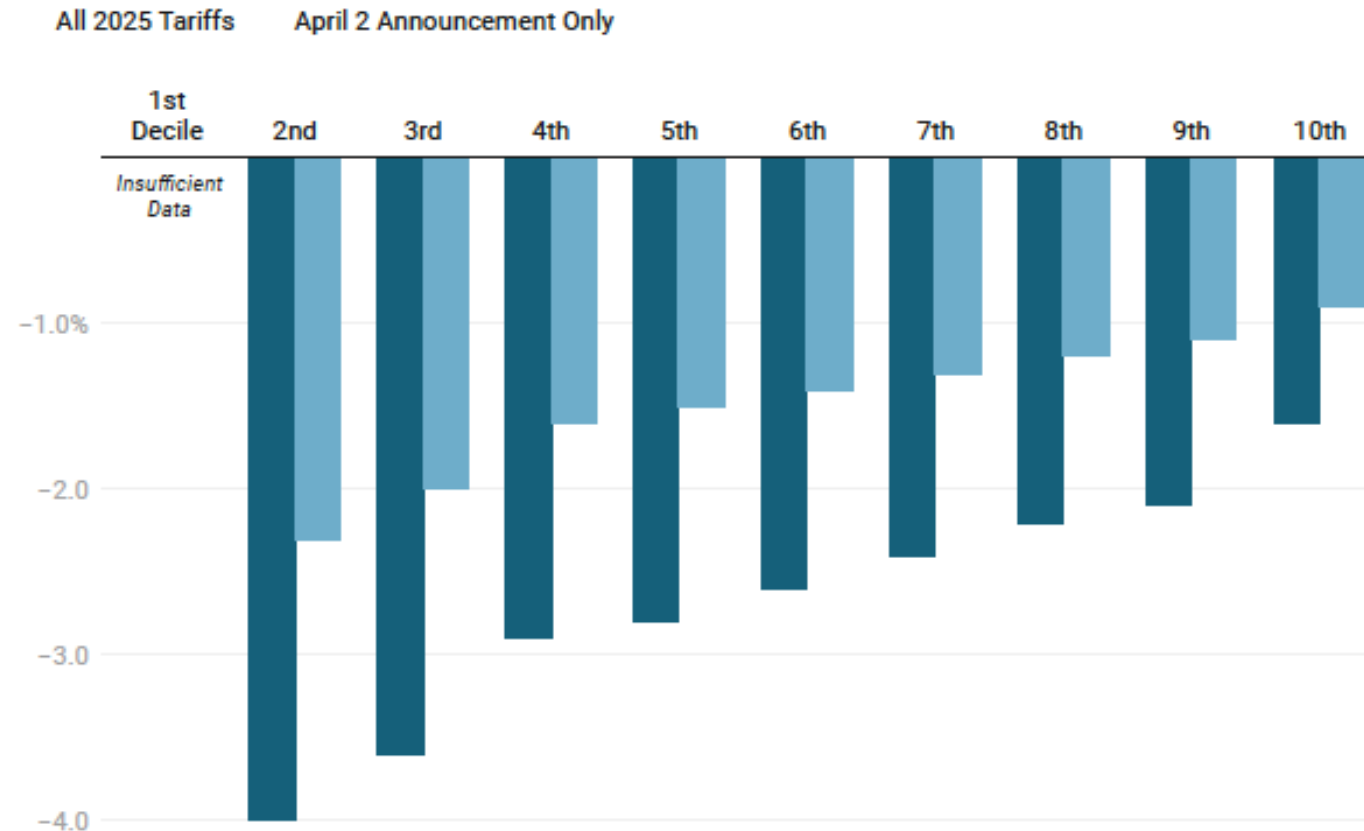
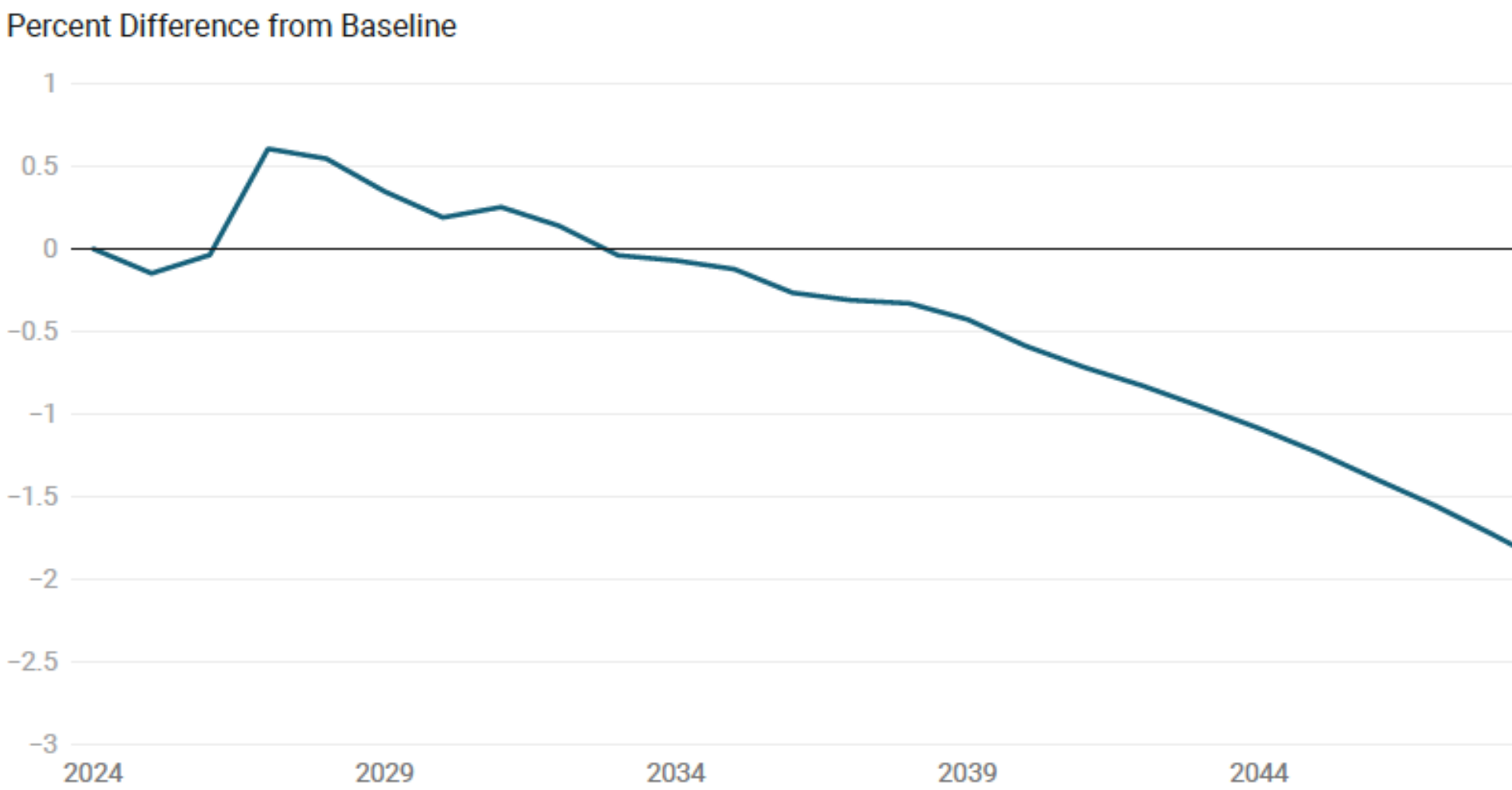


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datawrapper](#)



# The Net Effect of the One Big Beautiful Bill Act Is Likely to Raise and then Lower U.S. Output (Relative to No Act)

**Figure 2. Change in Real GDP from OBBBA**



# And the Net Effect of the One Big Beautiful Bill Act Is Likely to Widen Income Inequality, Not Narrow It (Relative to No Act)

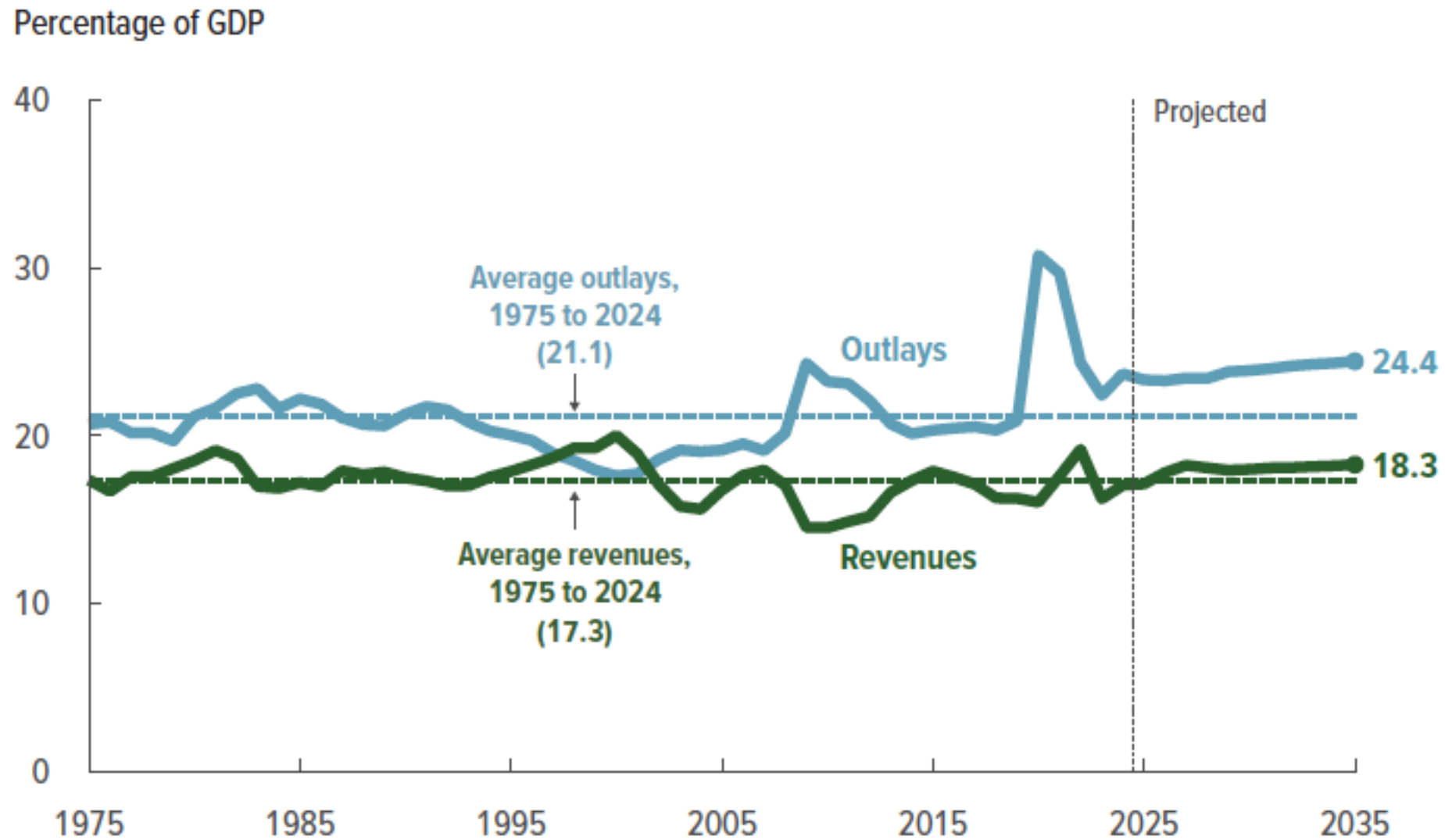
**Table 1. Estimated Net Effects of Major Spending and Tax Provisions of the House-Passed Reconciliation Bill, 2026-2034**

Average Annual Change in After-Tax-And-Transfer Income

| AGI Group                    | AGI Cutoff, 2025 | Average Change in After-Tax-And-Transfer Income (2025 Dollars) | Average Percent Change in After-Tax-And-Transfer Income |
|------------------------------|------------------|--|---|
| <b>By Quintile</b>           |                  |  |   |
| Quintile 1                   | \$0              | -\$600   | -2.5%   |
| Quintile 2                   | \$13,350         | -\$65  | -0.2%   |
| Quintile 3                   | \$36,475         | \$720  | 1.4%  |
| Quintile 4                   | \$64,955         | \$1,730  | 2.0%  |
| Quintile 5                   | \$120,390        | \$6,495  | 2.4%  |
| <b>Top Quintile Breakout</b> |                  |  |   |
| Top 10%                      | \$184,600        | \$10,000   | 2.6%  |
| Top 5%                       | \$264,455        | \$15,595   | 2.7%  |
| Top 1%                       | \$649,005        | \$30,175   | 2.0%  |



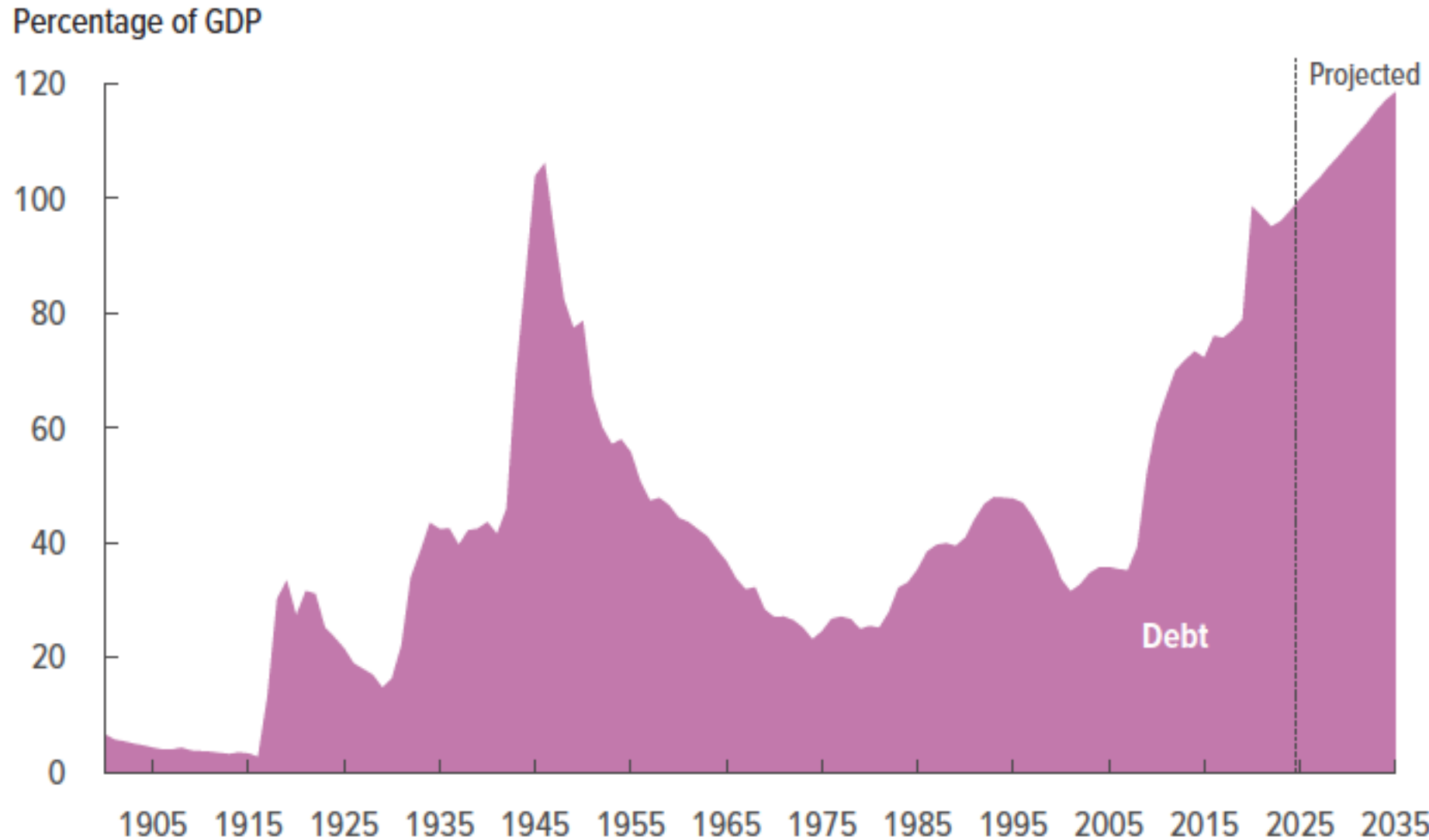
# Here Is the Bracing U.S. Fiscal Context We Collectively Have Created



Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035*

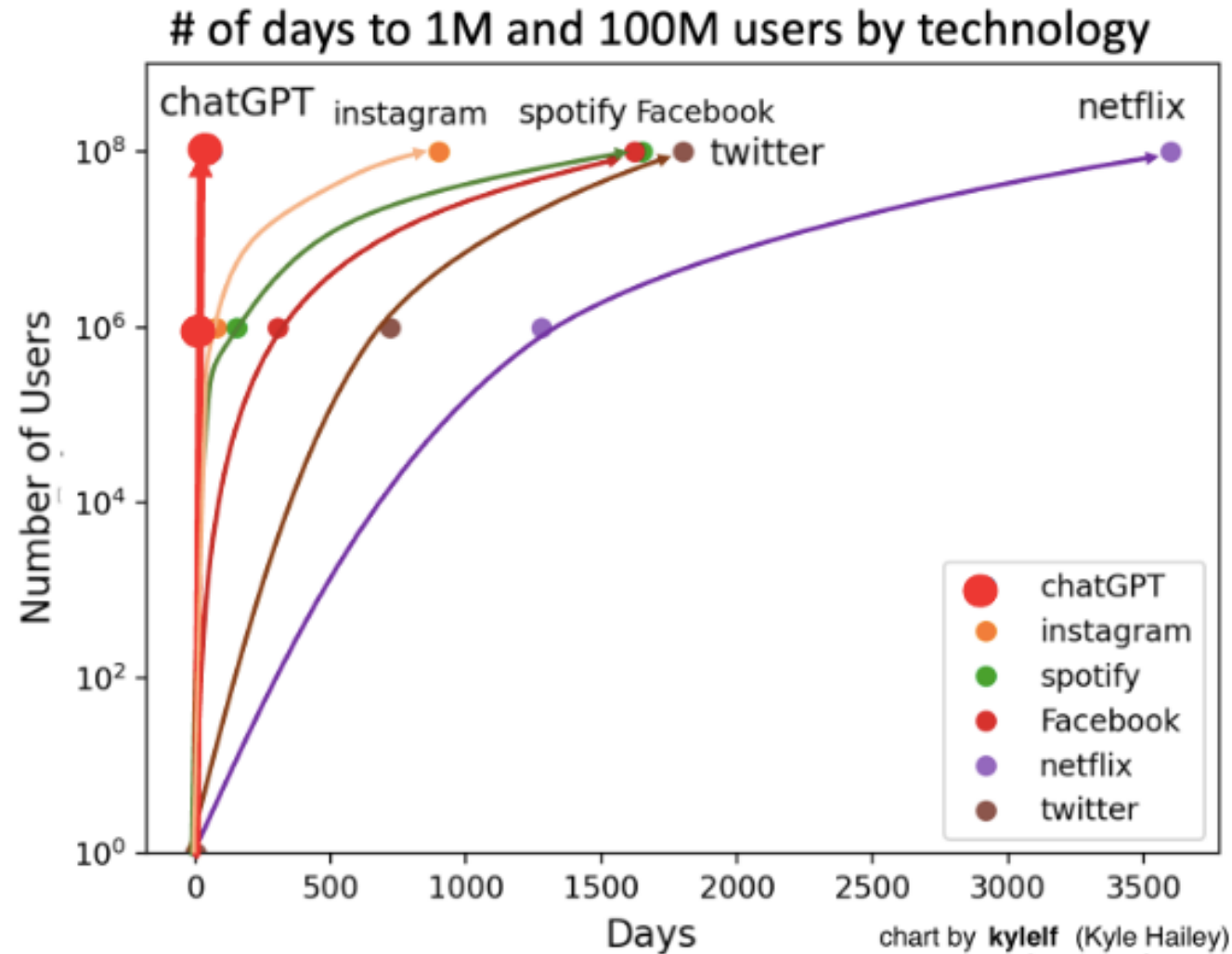


# Is This the Fiscal Future We Really Want to Bequeath?



Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035*

# P.S. The Big Unknown That Is Largely Independent of All This: Is Artificial Intelligence Heralding a Productivity Boom?



Source: Medium





Question #2 expanded:  
What are the likely implications  
of the president's policies  
*combined with all else?*



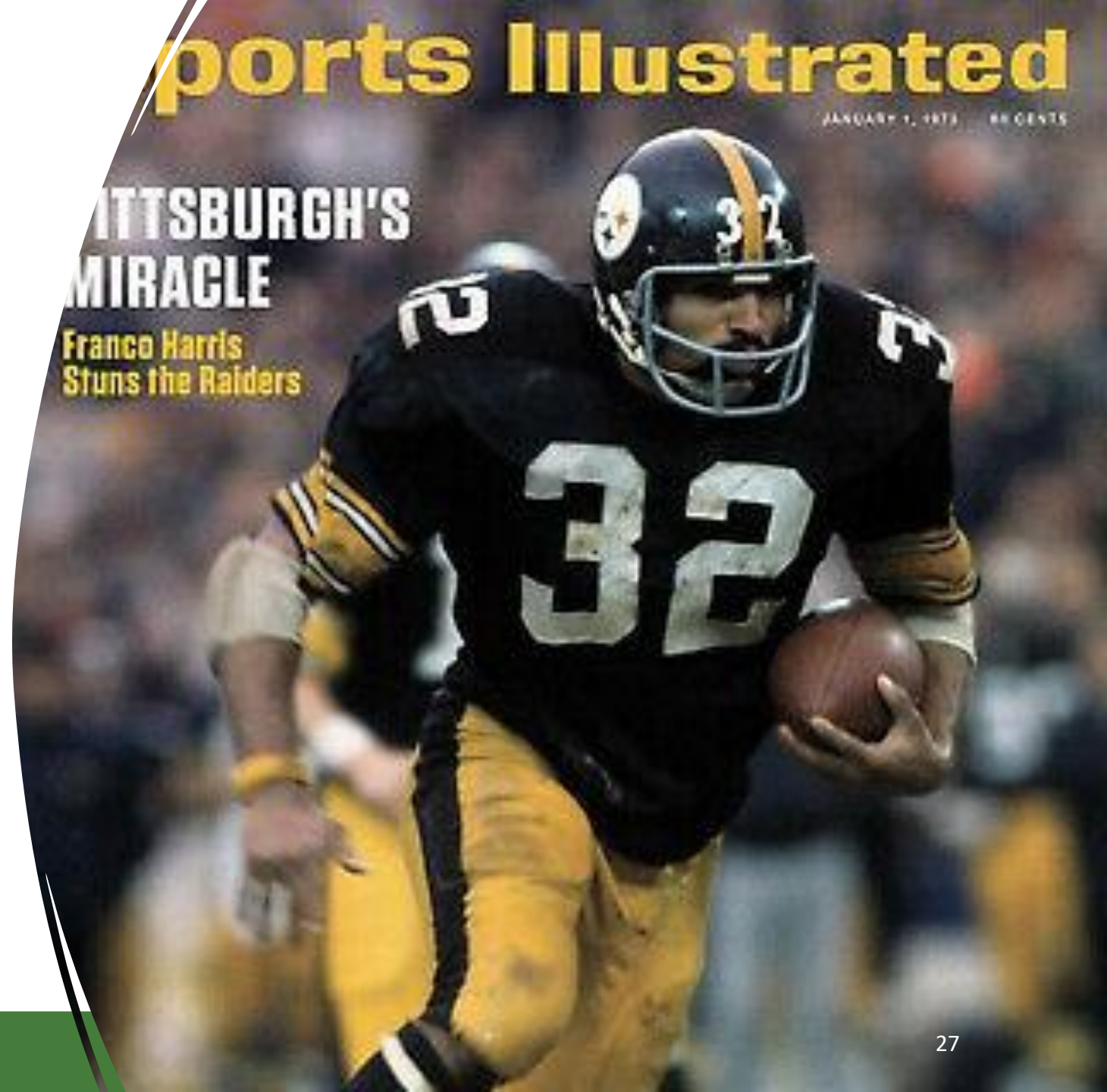
# A Clear Initial Implication: Historic Policy *Uncertainty* Facing Almost Everyone

The outcome of this supposedly strategic uncertainty, however, is predictable. Unless Washington changes course fast, the United States will suffer many of the same consequences that the United Kingdom did in the aftermath of Brexit. By voting to leave the European Union in June of 2016, after nearly half a century of membership, the United Kingdom opted to upend its trade, immigration, and investment arrangements with the rest of the bloc. Brexit ended up being a protracted process, not a single event, as changes to British economic policies took years to negotiate and implement. Policy uncertainty facing the country's businesses surged and remained high for years. That Beginning in 2016, years of stagnant investment slowed the country's growth in labor productivity and real incomes. If Washington continues to embrace "strategic uncertainty," the United States, too, will likely face years of stagnating investment, sluggish growth in its economic output, and flat or even falling standards of living.

Source: Haskel and Slaughter, "America's Brexit Phase," *Foreign Affairs*, June 10 2025



Tigger Headline 7/30/28  
Productivity is surging,  
trade wars have ended,  
inflation is quiescent,  
and bipartisan comity is  
all around D.C.: How  
America pulled off its  
Immaculate Restoration.





Piglet Headline 7/30/28

NBER declares double-dip recession amidst inflation stuck at 5% because of U.S. trade skirmishes continuing and a stuck Washington.



Eeyore Headline 7/30/28

In wake of ban on GAI from  
Protect American Workers  
Act and new 50% baseline  
U.S. tariff, inflation hits 10%  
and S&P500 tumbles to  
3,000: “What Happened,”  
Senate Hearing Demands  
of Fed Chair Dimon.



Question #3:  
What other policies might  
the United States pursue?



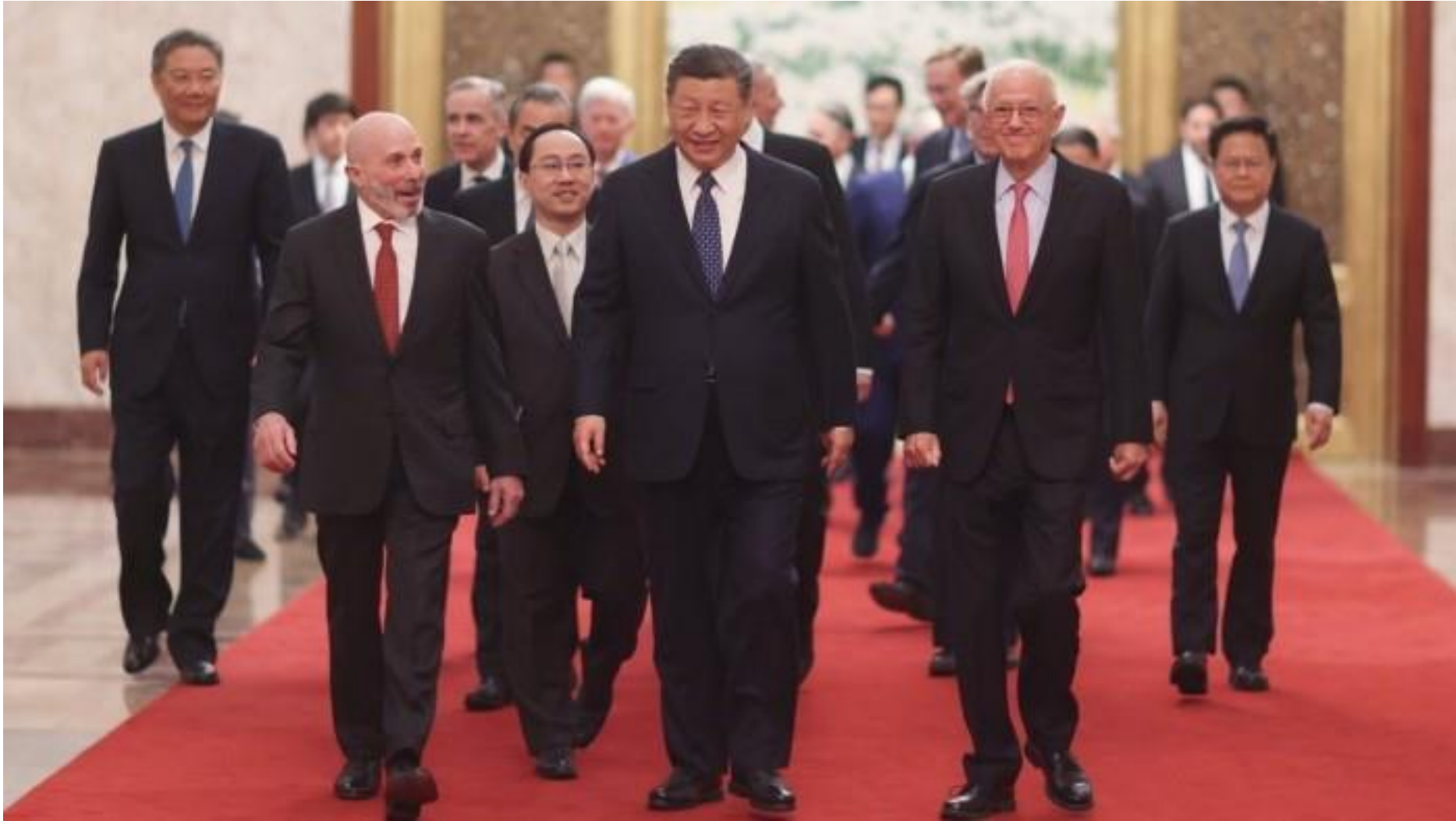


# Who Will Voice the Most Catalyzing Leadership Vision at This Time?

## Who Hit the Podium in This Competition in the 20<sup>th</sup> Century?



# President Xi Has Articulated a Clear Vision for the 21<sup>st</sup> Century. Will His Leadership Story Manage to Deliver the “Chinese Dream”?





# Who Will Voice the Most Catalyzing Leadership Vision for America? Here are Some Democrats Vying To Do So



# Who Will Voice the Most Catalyzing Leadership Vision for America? Here are Some Republicans Vying To Do So





# Here Is How I Believe We Can Best Rebuild the American Dream: By Rebuilding the Country's Ladder of Opportunity

There is good reason to find a way to counter the backlash: it threatens to reverse a trend toward global openness and integration that, even with its drawbacks, has delivered real gains in the United States and around the world while bringing global inequality—as opposed to inequality within countries—to its lowest level in centuries. But because the problem goes beyond income inequality, the usual policy solutions are inadequate. It is not enough simply to redistribute income to financially compensate the losers from globalization. Addressing the backlash requires giving all Americans the tools they need to carve out the sense of security and purpose they have lost amid change.

That can happen only if the United States completely transforms the way it invests in and builds human capital. No longer can those efforts be limited mostly to the early years of a person's life, with minimal public expenditures. The country needs to rethink the role of government in developing human capital and invest substantially in doing so. The goal must be to erect a lifelong ladder of opportunity that goes from early childhood education to employment-based training throughout an individual's working life—saving globalization in a way that appeals to people from across the political spectrum.

Source: Scheve and Slaughter, “How to Save Globalization: Rebuilding America's Ladder of Opportunity,”  
*Foreign Affairs*, November/December 2018



Thanks very much.  
I look forward to your questions.

