

by **Reuvin Borchardt**

# FISCAL TRUMPOLINE



**TAD DEHAVEN, economic policy analyst at the Cato Institute, discusses what Trump's economic policies will look like during his second term.**

**DeHaven previously served as a research analyst with the Mercatus Center at George Mason University. From 2008 to 2013, he was a budget policy analyst with Cato Institute and co-editor of Cato's Downsizing the Federal Government website. He's a former deputy director of the Indiana Office of Management and Budget and worked as a policy advisor in the U.S. Senate.**

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**Let's start with taxes, since that's one of the only sure things in life. What do you think our tax policy might look like under Trump — assuming he can get his agenda through Congress, which will be comprised of a Republican Senate and a House whose makeup is still undecided, though it seems the Democrats may have the edge?**

A lot of the Trump tax cuts that were passed in 2017 will expire next year, so that's going to be a hot topic. And the outcome will depend on who has control of Congress. One interesting wrinkle that will be added to the discussion is his sort of “tax break of the day” that he came up with late in the campaign, whether it's no taxes on Social Security benefits, tips, overtime, etc.

It's hard to keep track of all his proposals because there was a new one every day, but that points to a fundamental lack of seriousness on his part about tax reform. And so, how much of this is truly serious, something that his administration will fight for, that the people he brings in will fight for, remains to be seen.

Everybody likes a tax cut, but if you continue to spend well beyond that, you will increase deficits and the debt. We have structural issues there, namely that Medicare and Social Security are the biggest drivers of our long-term debt issues, yet Trump said he won't touch them.

I haven't seen any serious talk about spending cuts from Trump. We've heard about him creating a government efficiency commission and having Elon Musk take that over. Again, it's hard for me to take that idea seriously, as I think Trump should know there's a difference between running a business and running the government, as much as he'd like that not to be the case. You come into office, and even if you get this agency created by Congress, and even if you get Elon Musk approved to run it, you still have to deal with Congress. You still have to deal with the bureaucracy, etc. So until I see any details, I can't take this as more than campaign talk right now.

**Trump and congressional Republicans didn't show much concern about limiting spending during his first term. It seems Republicans are very concerned about spending, and threaten government shutdowns over debt ceilings, only**

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**when they're in the minority or don't have the White House.**

Definitely. To me, it's an indisputable fact. And I would go back to the George W. Bush years, when the Republicans had unified control and spending went through the roof.

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**They probably would be talking about it right now if Harris had won.**

Absolutely.

**The Trump tax cuts in 2017 limited the State and Local Tax (SALT) deduction. High-tax blue states have been pushing to restore the deduction; Trump himself is talking now about restoring it. What do you think of this?**

From Trump's perspective, once again, it's not a position based on any sort of principle. It's a position based on what he thought was best for the electoral prospects of Republicans running in New York, and for his own benefit.

I generally don't support exemptions from the tax code. I believe in low rates, and a broad base. And certainly, my position is that the SALT deduction should be eliminated.

**One of the policy issues closest to Trump's heart is tariffs. He enacted some in his first term. What do you see happening with that in his second term?**

This is a person who has said that “tariff” is “the most beautiful word in the dictionary.”

When asked how he would lower food prices, he responded with tariffs, which is like calling black “white.” It's absolutely nonsensical; it would raise prices. It raised prices during his last term.

His take on tariffs is utterly bizarre, detached from reality and dangerous.

The president, unfortunately, has a lot of unilateral power to enact



tariffs, and he used that power the last time around. Now there is a little bit of talk about trying to rein this in, and Senator Rand Paul from Kentucky recently released a pretty simple bill that tries to return tariff power to Congress, where it constitutionally belongs. But, let's face it, Donald Trump is not the type of person who really cares about the separation of powers, and so I think in economic terms, moving forward, a Trump presidency would be most dangerous on tariff grounds, and you can even extend that into foreign policy.

I live in Pennsylvania, and we have the issue with Japan's Nippon Steel looking to buy U.S. Steel. That would be great for Pennsylvania, great for America, great for workers. And Japan is an ally. We constantly hear that we need to restrict trade with China, but Japan is an ally and that would be an opportunity to bolster ties with our ally, but that could be killed on silly protectionist grounds to appease unions. We expected that from the Democrats, but now that the Republicans are determined to get that vote, many of them have decided that's more important. Tariffs are arguably the biggest concern for the economy moving forward with the Trump administration.

**During Trump's first term, we had a solid economy until COVID hit. Free-market supporters like you**



**who oppose his tariffs and high spending typically say that he had a good economy despite these measures because they were offset by other policies you approve of, like tax cuts and deregulation.**

Let me say this: I have a long-standing dislike for attributing economic success and failure to presidents. The economy is extremely dynamic. We live in a globalized economy. And there are lag effects between when a policy takes place and when its effect is felt. And then there's monetary policy, which is the responsibility of the Federal Reserve.

The U.S. economy is looking good right now and has been in the past, but I credit that more to the U.S.'s relative institutional strength, relative freer markets, relative stronger rule of law, relative superiority on regulation, and great geographic advantage.

So I would not just say that our economy has been successful despite *Trump's* bad policies; but that our economy has been successful despite government policy in general, regardless of who's in office.