ARTICLE

The Erosion of American Values and Economic Stability Under President Trump

La erosión de los valores estadounidenses y la estabilidad económica bajo el presidente Trump

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Abstract

This article examines the impacts of President Donald Trump's economic, foreign, and scientific policies during his second administration, focusing on the escalation of tariffs and the weakening of alliances, and their repercussions on the U.S. and global economies. Drawing from a range of sources, including economic analyses and expert opinions, it explores how protectionist measures impact economic indicators, consumer behavior, and international relations. The findings suggest that these aggressive tariff strategies have led to increased economic uncertainty, disrupted global supply chains, and strained diplomatic ties, potentially undermining the long-term economic stability of the United States. The weakening of U.S. soft power (closing of USAID, Voice of America, the Inter-American Foundation, etc.), the withdrawal from UN agencies and agreements (Paris Agreement, WHO, UNESCO, UNRWA), and the decimation of scientific research institutions open the door to other powers, in particular China and Russia.

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Trump administration, trade policy, tariffs, protectionism, global economy, recession, international relations, American values, soft power, science, research and development.

Resumen
Este artículo examina las repercusiones de las políticas económicas, exteriores y científicas del presidente Donald Trump en su segundo gobierno, centrándose en la escalada arancelaria y el debilitamiento de las alianzas, y sus repercusiones en la economía estadounidense y mundial. A partir de diversas fuentes, como análisis económicos y opiniones de expertos, se explora cómo las medidas proteccionistas repercuten en los indicadores económicos, el comportamiento de los consumidores y las relaciones internacionales. Las conclusiones sugieren que las agresivas estrategias arancelarias han provocado un aumento de la incertidumbre económica, han perturbado las cadenas de suministro mundiales y han tensado los lazos diplomáticos, socavando potencialmente la estabilidad económica a largo plazo de Estados Unidos. El debilitamiento del poder blando estadounidense (cierre de USAID, Voz de América, Fundación Interamericana, etc.), la retirada de agencias y acuerdos de la ONU (Acuerdo de París, OMS, UNESCO, UNRWA) y el diezmamiento de las instituciones de investigación científica abren la puerta a otras potencias, en particular China y Rusia.

Palabras clave:
Administración Trump, política comercial, aranceles, proteccionismo, economía global, recesión, relaciones internacionales, valores estadounidenses, poder blando, ciencia, investigación y desarrollo.

Introduction

The implementation of protectionist trade policies under the Trump administration marked a significant shift in the United States' approach to international commerce. Since 1945, the U.S. has championed free trade principles, promoting open markets and global economic integration. However, the imposition of substantial tariffs on imports from key trading partners signaled a departure from this stance, with the declared aims of bolstering domestic industries and reducing trade deficits. Average tariff rates increased from 1.5% in 2016 (before Trump's first term) to 25% in 2025.

This policy shift has sparked debate among economists, policymakers, and international stakeholders. Proponents argue that such measures protect American jobs and industries from unfair foreign competition. Critics, however, contend that the tariffs have led to increased costs for consumers, retaliatory measures from other nations, and disruptions to global supply chains.

This article analyzes the Trump administration's economic, foreign, and scientific policies, examining their economic implications and assessing their alignment with broader U.S. strategic interests. The work is based on a review of public secondary sources and follows an essay style. The method of analysis is documentary; sources were selected based on their relevance to the political and economic analysis of current trends in the United States.

The attacks by the Trump administration on scientific and academic research, including slashing the budgets of premier scientific institutions like the NIH, CDC, NSF, NOAA, and NASA, are likely to diminish American economic, political, and military power in the long run.

I also review the efforts made by the second Trump administration to weaken American soft power by eliminating the United States Agency for International Development (USAID); weakening other development assistance efforts by the State Department, the Millennium Challenge Corporation (MCC), and the U.S. International Development Finance Corporation (DFC); closing Voice of America and other international public media; and dismantling the Inter-American Foundation, the U.S. African Development Foundation (USADF), the United States Institute for Peace, and other institutions. The weakening of U.S. soft power and scientific research will only benefit China, Russia, Iran, and other adversarial powers.

Trump is Undermining the Values that Made America Great

America's greatness was built on a foundation of ideals and values. These principles—observanceof the rule of law, the separation of powers, free trade, enlightened soft power, strict adherence to the Constitution, and ethical standards for our public servants—have been fundamental to the history of the United States. But under the leadership of Donald Trump, many of these pillars are being chipped away at the behest of personal whims, ideological postures, and a disregard for what has made the U.S. truly exceptional.

The Rule of Law: A Casualty of Trump's Impunity

The rule of law is the bedrock upon which all civilized societies are built. It ensures that no one is above the law, that justice is blind, and that power is held accountable. Under Trump, however, this foundational principle has been undermined time and again. From his refusal to honor subpoenas to his open defiance of legal norms, Trump's actions have consistently highlighted a disdain for the very system that has allowed America to thrive. Whether it's his disregard for court rulings or his attacks on the judiciary, Trump's behavior sends a dangerous message: the rule of law is negotiable when it inconveniences your agenda.

A new low was set recently, when the FBI arrested Milwaukee County Circuit Judge Hannah Dugan (Inskeep & Manuel, 2025), supposedly for obstructing justice in the case of one undocumented immigrant. Judge Dugan was accused of ushering an undocumented defendant and his attorney out of the courtroom through a private door, helping him evade federal agents who sought his arrest, and was charged with obstruction and concealing an individual from arrest. The incident marked an unprecedented move by federal authorities against a sitting state judge and ignited debate over judicial independence and immigration enforcement.

Trump also initially disregarded a unanimous (9-0) Supreme Court ruling that "affirmed the lawlessness of Mr. [Kilmar] Abrego Garcia's removal to a Salvadoran prison, observing that even '[t]he United States acknowledges that Abrego Garcia was subject to a withholding order forbidding his removal to El Salvador, and that the removal to El Salvador was therefore illegal.'" (Alonso-Yoder & Valdez, 2025) The Court ordered the administration to facilitate Garcia's return, citing the disregard of due legal process and a direct violation of a binding court order.

And of course, Trump was found guilty of 34 felony charges and was indicted for dozens of other felonies before his re-election, but he evaded jail by running for President (becoming the first American President to have been convicted of felonies). Trump's conviction stemmed from falsifying business records to conceal payments, and, following his 2024 re-election victory, sentencing was suspended per Justice Department precedent.

Trump's consistent undermining of legal institutions weakens trust in the system that has held the U.S. together for over two centuries. In doing so, he erodes the principles that guarantee liberty and justice for all, favoring a cult of personality where laws become subject to the whims of a strongman.

The Separation and Balance of Powers: A Broken System

The framers of the Constitution designed a system of government that relied on the separation of powers to ensure no one branch could dominate the others. Yet, Trump's administration has repeatedly sought to erode these boundaries. From his attacks on Congress to his efforts to eliminate or defund lawfully established executive branch agencies and programs, the checks and balances envisioned by the Constitution have been placed under stress.

Trump has consistently weaponized the presidency, using it not as an instrument of public service but as a tool to secure personal and political advantage. His contempt for Congress' oversight role was demonstrated in the 2019 impeachment process, when he stonewalled congressional subpoenas and obstructed investigations. The reality of his presidency has been one in which the executive branch operates above the law and free from accountability, setting a dangerous precedent.

Trump has further undermined Congress' role in holding the "power of the purse" by approving the budget for the federal government and its agencies, yet simply refusing to comply with budgetary mandates. He has also trampled on Congress's role in passing tariff bills by unconstitutionally abusing "emergency powers."

Free Trade: A Retreat into Isolationism

Trade has always been a central aspect of America's role in the world. It is no coincidence that the U.S. became a global superpower, in part, because of its leadership in the world's economic systems, built on the principles of open markets, fair competition, and multilateral cooperation. Yet under Trump, free trade has been replaced by protectionism and isolationism, resulting in the destruction of international alliances and the undoing of decades of careful diplomacy. (This topic is further expanded below.)

Enlightened Soft Power: Abandoned for Aggressive Nationalism

Soft power—the ability to influence and lead through culture, diplomacy, and international development—has long been one of America's strongest assets. Institutions like USAID, the Inter-American Foundation, and Voice of America have allowed the U.S. to spread democracy, human rights, and American ideals around the globe. But under Trump, these tools of soft power have been underfunded and, in some cases, dismantled.

Trump's preference for unilateral action over diplomatic engagement has made America less trustworthy on the world stage. His withdrawal from the World Health Organization during the COVID-19 pandemic (and again in 2025), his withdrawal from UNESCO in his first administration and again in 2025, his disdain for international agreements, and his embrace of authoritarian leaders at the expense of America's democratic allies have all played a part in diminishing America's global influence. The soft power that America once wielded with grace and strength has been replaced by an aggressive, isolationist posture that alienates the very allies who once looked to the U.S. for leadership. This topic is further expanded in the next section.

The Constitution: A Plaything for Political Convenience

The Constitution of the United States is not just a written document; it is the foundation of the American Republic. It has endured for over 237 years because of its flexibility, its ability to guide the nation through crisis, and its commitment to the ideals of liberty, equality, and justice. But under Trump, the Constitution has become a tool to be manipulated or ignored when it does notsuit his agenda.

From his frequent attacks on the press to his encouragement of violence, Trump's actions have made it clear that he sees the Constitution as little more than a barrier to be overcome rather than a framework to be respected. His disregard for the First Amendment, his rhetoric aimed at stoking division and hatred, and his efforts to suppress the right to vote all demonstrate an alarming ignorance of the Constitution's true meaning.

He has even deported U.S. citizens (including minor children with cancer), and he continues to suggest there are "loopholes" that would allow him to be elected for a third term (there are no such loopholes; such a course of action would be completely unconstitutional and illegal, as it would be a clear violation of the 22nd Amendment).

Antitrust Enforcement: A Forgotten Priority

At the heart of the American economic system lies the principle of competition. The government's role in enforcing antitrust laws has been essential to keeping markets fair and preventing monopolies from stifling innovation. Yet, during Trump's tenure, antitrust enforcement has been significantly weakened. His appointments to the Federal Trade Commission (FTC) and the Department of Justice's Antitrust Division were largely perceived as advancing corporate interests rather than protecting consumers.

Trump's policies often favor big businesses over small ones and allow monopolistic practices to flourish. The failure to hold tech giants accountable—even as they have amassed unchecked power—is a glaring example of how Trump's administration has allowed the corporate elite to consolidate power and further diminish the competitive landscape that made America's economy so dynamic. His deregulation of cryptocurrencies has also drawn widespread criticism, especially as he and his family have issued "memecoins" and reportedly enriched themselves by billions of dollars.

The fact that four of the five richest men in the world contributed to and attended his inauguration, and that he named the richest person, Elon Musk, to lead his efforts to dismantle USAID, the Department of Education, the State Department, and several regulatory agencies that had been investigating him and his companies, reflects an alarming trend towards an oligarchy or plutocracy (Whitfill Roeloffs, 2025). As of this writing, Musk has left his government advisory role and apparently distanced himself from Trump.

There have been at least 14 billionaires in his cabinet or in high-ranking advisory roles: Tesla CEO Elon Musk, Entrepreneur Vivek Ramaswamy, professional wrestling mogul Linda McMahon, Wall Street executive Howard Lutnick, North Dakota Gov. Doug Burgum, money manager Scott Bessent, entrepreneur Jared Isaacman, real estate tycoon Steven Witkoff, investment banker Warren Stephens, CONAIR entrepreneur Leandro Rizzuto Jr., investor Thomas Barrack Jr., banker Frank Bisignano, investor David Sacks (now "AI and cryptocurrencies czar"), and disgraced real estate investor Charles Kushner (father of Trump's son-in-law, Jared Kushner; he was jailed, pardoned by Trump in his first administration, and named Ambassador to France in 2025) (ABC News, 2024).

A Senate Permanent Subcommittee on Investigations memo estimates that Elon Musk and his companies stand to avoid at least $2.37 billion in legal liabilities "through his efforts to gut the federal workforce and exert influence over federal agencies." As of January 20, 2025, Musk and his companies "were subject to at least 65 actual or potential actions by 11 different federal agencies"—the subcommittee estimated financial liabilities for 40 of the 65 actions by 8 federal agencies (McBrien, 2025).

Ethical Guidelines for Federal Employees: A New Low

Ethics are the bedrock of public service, and for generations, ethical guidelines for federal employees have been designed to ensure that public servants work for the good of the nation rather than personal gain. Under Trump, however, these ethical standards have been eroded almost beyond recognition, with conflicts of interest running rampant throughout his administration. Whether it was his family's business dealings, his encouragement of nepotism, or his refusal to divest from his private empire, Trump set a dangerous precedent for future administrations.

The absence of ethical accountability has created an environment where corruption has been normalized, and self-dealing has become the order of the day. Federal employees are no longer expected to serve the public with integrity, but are instead expected to further the president's personal interests. This disregard for ethics has far-reaching implications for the functioning of the federal government and its relationship with the American people.

Trump offered a "Private Dinner to Top 220 Investors in His Memecoin", which caused the price of this memecoin to surge by 60%. "As he markets digital currencies to the public, Mr.

Trump has also appointed regulators who are scaling back crypto enforcement and called for legislation that would boost the industry's prospects in the United States" (New York Times, 2025).

The End of American Soft Power

The Trump administration seems determined to weaken the United States, which is something that can only benefit adversary countries such as China and Russia. To wit, it has:

- Illegally eliminated USAID, which provided $40 billion per year in development assistance.
- Dismantled the Inter-American Foundation, the U.S. African Development Foundation, and the United States Institute of Peace, which provided small grants to civil society organizations.
- Weakened the U.S. Agency for Global Media (USAGM), which includes Voice of America, Radio Free Europe/Radio Liberty, Radio Free Asia, and Radio Martí.
- Suspended or cancelled many other development assistance projects funded by the U.S. State Department, the Millennium Challenge Corporation, the U.S. International Development Finance Corporation (DFC), and directly by the State Department.
- Withdrawn from the Paris Agreement on Climate Change.
- Withdrawn from the World Health Organization, UNRWA (aid to Palestinians), and the UN Human Rights Council (UNHRC).
- Left UNESCO again (Irish & Melander, 2025).

Joshua Kurlantzick wrote for the Council on Foreign Relations (Kurlantzick, 2025) that:

> China has also been inching closer to U.S. soft power in many parts of the world and will now seek to eclipse Washington's soft power by immediately stepping into the void. Southeast Asia is one example: China already dominates regional trade and has increasingly dominated regional diplomacy. Additionally, it has bolstered its soft power and won more significant concessions from Malaysia and Indonesia on the South China Sea dispute than in the past.

Furthermore, Trump issued an Executive Order stipulating:

> Within 180 days of the date of this order, the Secretary, in consultation with the UN Ambassador, shall conduct a review of all international intergovernmental organizations of which the United States is a member and provides any type of funding or other support, and all conventions and treaties to which the United States is a party, to determine which organizations, conventions, and treaties are contrary to the interests of the United States and whether such organizations, conventions, or treaties can be reformed.

Theoretically, this order could even affect the U.S. participation in multilateral development banks (MDBs). Currently, the U.S. is a shareholder in the following international financial institutions:

- International Monetary Fund (IMF)
- World Bank Group (including IBRD, IDA, and MIGA)
- Inter-American Development Bank Group (including IDB Invest and IDB Lab)
- Asian Development Bank (AsDB)
- African Development Bank (AfDB)
- European Bank for Reconstruction and Development (EBRD)
- North American Development Bank (NADB)

It would not make any sense—politically, economically, financially, or geo-strategically—for the U.S. to withdraw from the MDBs. With a small amount of paid-in capital, the U.S. influences the policies and lending of these institutions and ensures a competitive bidding process for procurement of goods and services (which also benefits U.S. companies).

According to Fitch Reports (2025a):

> The US has exerted considerable influence on MDBs and has used them to achieve some of its geopolitical goals. These MDBs have also provided a counterweight to China as a source of development financing. Any signal that a withdrawal from an MDB by the US has become a real possibility would likely lead us to put its rating on Rating Watch Negative (RWN) if we expect that, for this MDB, an actual withdrawal would lead to a downgrade.

Fitch Report (2025b) adds:

> The impact on capital ratios would depend on the size of the US shareholding in an MDB and the conditions of the withdrawal, for example whether the US is repaid its paid-in capital only or its (much larger) share of accumulated reserves, and the phasing of repayments. An MDB's capitalisation would also be affected by lower highly rated callable capital (as Fitch's ratings criteria consider 10% of callable capital subscribed by 'AAA' and 'AA' rated shareholders as its main capital metric).

To avoid affecting the rating of these MDBs, the U.S. shares would need to be acquired by countries with similar or higher credit ratings. For the Inter-American Development Bank (IDB), for example, this could include Austria, Canada, Denmark, Finland, Germany, the Netherlands, Norway, Sweden, and Switzerland. Perhaps China and South Korea could be given an opportunity to increase their shareholdings (currently only 0.004%, due to U.S. opposition to a larger share). Other highly rated countries could also be invited to join (e.g., Australia, Luxembourg, Singapore), or the European Union as an institution could join.

The International Fund for Agricultural Development (IFAD), Climate Investment Funds (CIF), Global Environment Facility (GEF), and Green Climate Fund (GCF) could also be affected by the withdrawal of U.S. contributions and pledges (during the first Trump administration, the U.S. did not provide the funding to the GCF that had previously been pledged).

A withdrawal from the IMF would have a severely negative impact on the stability of financial markets and on macroeconomic conditions in most of the world. An analysis of a potential withdrawal from the IMF and World Bank states:

> Developed countries funding the institutions, including the United States, have used them to ensure global financial stability and to encourage countries to adhere to fiscally responsible, open economic models… U.S. withdrawal would also surprise experts and investors, as the institutions give Washington that influence at a relatively low cost. Stepping back, they say, would be a gift to China and others seeking to dislodge it as the global leader. (George, 2025)

A final negative impact would fall on the IMF, World Bank, and IDB, as they are headquartered in Washington, D.C. (within blocks of the White House and the Treasury Department—no coincidence). If the United States were to leave, their international staff would require visas, and, since the institutions themselves are governed by agreements of privileges and immunities with their host nation, they would most likely have to move their headquarters outside the United States.

Although selling their buildings in Washington could yield a financial windfall (the buildings are valued at several billion dollars), there would be substantial disruption until new headquarters could be found and built. (Currently, they have small or regional offices in some borrowing member countries.)

In my novel *The Last Human* (Fierro, 2021), I envision the IDB relocating to Panama in the future (due more to the impact of climate change and terrorism on Washington than to the withdrawal of the host country). Of course, Trump is now considering invading Panama, so it is not clear if that would be the optimal solution. Perhaps it could move to what would then be the largest shareholders, Argentina or Brazil, and strengthen regional offices (as I also predict in my novel).

Regarding hard power, Trump has fired highly qualified career officers in charge of various branches of the Armed Forces and replaced them with less experienced officers who have demonstrated political allegiance to Trump. He has appointed a Fox News host as Secretary of Defense, weakened all of the U.S. strategic alliances (NATO, Japan, South Korea, Taiwan, Australia), and repeated Russian talking points about these alliances and partners.

Trump has also threatened to invade or occupy friends, neighbors, and allies (Canada, Mexico, Panama, Denmark/Greenland), as well as to perform an ethnic cleansing of the Gaza strip. All of these moves seek to weaken the United States, which would only strengthen China and Russia.

Attacks on Scientific and Academic Research[2]

In the months since Donald Trump was sworn in for a second term, the attack on America's scientific and academic institutions has been neither quiet nor subtle. It has been open and systematic.

In his first term, Trump made no secret of his disdain for expertise. Climate scientists were muzzled, pandemic officials sidelined, and university researchers vilified. But what we are seeing now is not a mere repeat—it is a more disciplined and determined effort to dismantle the very foundations of American scientific and medical advancement.

Take, for example, the ongoing decimation of the National Institutes of Health (NIH) and the Centers for Disease Control and Prevention (CDC). In March, the administration proposed a 38%budget cut to the NIH and a 44% cut to the CDC. Trump also proposed a 55% cut in the budget of the National Science Foundation, the virtual elimination of federal spending on climate and ecological research, a 24% cut to the National Oceanic and Atmospheric Administration (NOAA) and its National Weather Service, and a 53% cut in NASA's research budget.

Tens of thousands of staff members have been fired or taken early retirement at all of these institutions. According to a survey published in Nature, 75% of scientists were considering leaving the U.S. for countries that are less hostile to science (Witze, 2025).

There are significant efforts by the European Union, the UK, Canada, and China to attract these scientists. An article published in El País highlights that:

> The European Union has launched a €500 million ($584 million) initiative to attract foreign talent—especially from the U.S.—in an effort to turn the American scientific chaos into an opportunity to strengthen European science... The Make Our Planet Great Again (MOPGA) program… was created by French President Emmanuel Macron in 2018 to attract U.S. scientists to the country.. (Mediavilla, 2025)

Behind the anti-science rhetoric lies a deeper agenda: to weaken public trust in independent research and to concentrate knowledge within politically compliant echo chambers. The

2 This section is based on Fierro (2025).

CDC has become a hollowed-out shell, its experts replaced or silenced by ideologues with little regard for epidemiological reality; the vaccine advisory committee was replaced by anti-vaccine conspiracy theorists (Stobbe, 2025).

Meanwhile, federal funding for basic and applied research—the kind that fuels innovation in clean energy, biomedicine, and artificial intelligence—has been slashed across the board. Programs at the National Science Foundation (NSF) and Department of Energy's Office of Science have been defunded or redirected toward projects favored by corporate allies of the administration. The Environmental Protection Agency (EPA) has indicated it is planning to close its scientific research arm, which provides expertise for environmental policies and regulations (Stein, 2025).

Research universities, especially those in blue states, have been targeted for what Trump's surrogates call "ideological cleansing," leading to a chilling effect on academic freedom not seen in this country since the McCarthy era. The pretexts have been absurd: support for "Diversity, Equity, and Inclusion," and supposed antisemitic practices. In the case of Harvard, the administration demanded control over Harvard's hiring and curriculum. The university has refused, and has faced a series of attempted punitive actions, including eliminating research grants (which did not fund professors or teachers, but rather scientific and medical research), and now even cancelling foreign student visas (Harvard has sued to halt these unacceptable reprisals).

Max Boot (2025) writes:

> Trump says he wants to eliminate all of Harvard's federal contracts and give the money to trade schools. This is populism gone crazy. Valuable as trade schools are, they will not be making breakthroughs in fighting Alzheimer's disease, cancer, strokes, sickle cell anemia or other diseases that are being researched at Harvard.

What makes this assault even more perilous is the infrastructure of obedience being built around it. The restructured Department of Education has launched audits of university curricula, penalizing institutions that promote supposedly "divisive" topics like climate change, systemic racism, or reproductive health. Meanwhile, Trump's new appointees to the National Science Board are not scientists at all, but pundits and political operatives tasked with ensuring that research aligns with Trump's values.

Trump's "Big, Beautiful Bill" (actually, a terrible bill that takes health care and food from the poor to give tax cuts for billionaires and corporations) slashed subsidies for electric vehicles and renewable energy, including research in these fields; this will consolidate China's dominance in these industries of the future.

An open letter signed by thousands of scientists says there are obvious parallels between what Trump is trying to do and the corruption of science by past totalitarian regimes:

> History illustrates, in no uncertain terms, the danger of state-dictated 'scientific truths.' The anti-scientific interpretations of genetics by Lysenko in the Soviet Union resulted in famine that killed millions. State-sponsored programs in Nazi Germany based on the 'science' of eugenics led to the genocide of millions of Jews, people with disabilities, and people identifying as LGBTQ+ who were deemed to have 'life unworthy of life.'

Some may argue that institutions are resilient, that American science has weathered storms before. But resilience is not immunity. With each defunded lab, each threatened professor, and each deleted dataset, the long-term damage compounds. Innovation cannot be decreed into existence by executive order. It requires trust, openness, and sustained support—none of which this administration has shown interest in providing.

The Trump administration is also attacking the arrival of foreign students and scholars, going so far as to cancel and revoke student visas. What is at stake is not just the future of American science, but the soul of the republic itself. In undermining the engines of discovery, Trump's second term is not only dimming the lights of reason—it is extinguishing them.

Will Trump's Trade War Lead to a Recession?

On April 2, on a day that President Donald Trump called "Liberation Day," he announced that he would increase tariffs on imports from almost every country in the world (the only exceptions being Russia, Cuba, North Korea, and Belarus—supposedly because these countries are under sanctions, even though Russia exports $3.5 billion to the United States). Not even two islands inhabited solely by penguins were spared, which led to the proliferation of penguin "memes".

Trump announced particularly high tariffs on his major trading partners: 34% for China, 20% for the European Union, and 46% for Vietnam, on top of the 25% previously imposed on Canada and Mexico.

To calculate the so-called "reciprocal tariffs," the U.S. government did not present the tariffs that other countries impose on imports of U.S. goods (which are in general very low), but instead used a peculiar formula.

Analyst James Surowiecki was the first to note that they estimated it using a crude formula: trade deficit/imports of goods from the United States. The authorities later confirmed this formula but included two additional coefficients: Epsilon (price elasticity of import demand) and Phi (elasticity of import prices with respect to tariffs). However, the Office of the United States Trade Representative (USTR) set these coefficients at 4 and 1/4, so they effectively canceled each other out, and the simple formula remained.

There are four problems with this formula (apart from the fact that it is not true that they are "reciprocal tariffs" at all; for instance, the European Union has an average tariff of 3.5%, not 20%):

- According to one of the authors of the academic study cited for the Phi coefficient, Alberto Cavallo, the true value is closer to 1 (0.945) and not 0.25, so the estimated value should have been one fourth the one given (Berkowitz, 2025).
- There are a dozen countries with which the United States has a trade surplus (including Australia, Brazil, Belgium, Chile, Colombia, the Netherlands, Spain, and the United Kingdom), so applying the formula should have given a negative value, or at worst zero. But Trump imposed 10%, or 20% in the case of EU member states.
- Only the balance of trade in goods (products) is used for the calculation; the balance of trade in services should also have been included. For example, in the case of the EU, the trade deficit in goods was $158 billion in 2023; but the trade balance in services was a surplus for the U.S. of $104 billion. Taking the total trade balance into account, the deficit would be only $54 billion, about a third as large.
- The calculation includes raw materials the United States needs to import. For example, in Canada's case, the trade deficit was $45 billion; but excluding the export of oil, gas, and electricity, the U.S. would have a trade surplus with Canada of $45 billion.

The reaction of the U.S. stock market was immediate. The S&P 500 Index fell 19% through April 8 (from the peak reached in February); a drop of more than 20% is already considered a "crash" or collapse. The Nasdaq index, more focused on the high-tech sector, had an even sharper drop, of 24.4% by April 8 (compared to its peak under Biden), entering "bear market" territory.

Subsequently, on April 9, following Trump's announcement on his social network that he would lower tariffs to 10% for 90 days for all countries except China, Canada, and Mexico (as well as for specific sectors such as automotive, steel, and aluminum), the market partially recovered. Trump has continued to announce tariff increases on China, which reached 145%; China has responded by increasing its tariffs to 125%. Later on, they were "temporarily" reduced for "90 days" to 30% and 10%, respectively, although this artificial deadline passed with no resolution.

Paul Krugman estimated that the average effective U.S. tariff, which was 1.5% in 2016 (before the first Trump administration), would have risen to about 20%, even considering the likely diversion of part of China's imports to third countries. This is the highest level since the Smoot-Hawley Act of 1930. Other analysts estimate a weighted average of 27%, whereas the IMF estimated 25.9%.

Other signs of growing economic and financial stress include: the increase in the Economic Policy Uncertainty Index; the rise in the VIX stock market volatility index; and the jump in Treasury bond yields (to 4.5%), which could indicate an even riskier phenomenon—the abandonment of Treasury bonds as a "safe haven" amid economic uncertainty and their possible replacement by German Bunds. The constant increases and (temporary) decreases of tariffs add uncertainty and diminish credibility in the basic economic policies of the United States.

Trade Wars Have Brought Great Depressions

On the previous three occasions when the United States unleashed a global trade war, a Great Depression quickly followed. In 1828, Congress passed the so-called "Tariff of Abominations," which eventually led to the Great Depression of 1837, lasting until the mid-1840s. As the tariff sought to protect the industries of the North but negatively affected the exports of the South, it was also one of the causes that later led to the Civil War.

In 1890, the McKinley Tariff Act—which Trump admires so much—was passed, increasing the average tariffs on all imports from 38% to 49.5%. This was one of the reasons that led to the "Panic of 1893" or Great Depression, which lasted until 1897. One of the reasons given for this tariff increase was to pressure Canada to join the United States. The opposite happened: Canada retaliated, eliminated internal trade barriers between its provinces, and increased its trade with Great Britain and the Caribbean (its total exports tripled).

In 1930, Congress passed the Smoot-Hawley Tariff Act. In this case, the Great Depression had already begun in 1929, but the ensuing trade war made the depression much worse, lasting until the onset of World War II in 1939. The Act was a major factor in reducing U.S. imports and exports by 67% during the depression.

It should be noted that, as a consequence of the tariff laws of 1890 and 1930, the incumbent Republican presidents (Harrison and Hoover) lost their next election by a wide margin, and in fact, the Democrats won the presidency and both houses of Congress. After 1930, the Republicans would not return to the White House until 1953.

Will Trump's Tariffs Lead to a Recession?

Several investment banks and think tanks consider a recession likely, especially given retaliationfrom trading partners. Economists at JPMorgan say the chances of a U.S. recession are now 60%. Already in the first quarter of 2025, there was a contraction of 0.5%, which occurred even before the tariffs were announced. The tariffs will also cause inflation to rise, leading to stagflation (which last occurred in the 1970s under Ford and Carter). In the 1970s, stagflation was mainly caused by the Arab oil embargo and a quadrupling of oil prices, not by a self-inflicted decision.

The IMF reduced its GDP growth forecast for 2025 for the United States by 0.9% between January and April 2025. Analysts from The Economist, The Wall Street Journal, and the International Monetary Fund previously said the economy under Joe Biden was very robust and the "envy of the world."

Steven Rattner (2025)cites estimates from The Budget Lab on how much Americans will pay for Trump's tariffs. The average household will pay between $3,000 and $3,500, and the poorest Americans will lose 4% of their income. DriveTech Partners (2025) estimates that

> Price levels from all 2025 tariffs are expected to rise by 2.3% in the short run, translating to an average consumer loss of $3,800 per household. The pain isn't distributed equally, however. Households at the bottom of the income distribution face annual losses of $1,700, representing a much larger percentage of their disposable income.

Estimates of the initial inflationary impact range from 2% to 4% (which would be on top of the current 3%), but these figures could be higher based on retaliatory actions by other countries, which in turn could lead to even higher U.S. tariffs.

Trump's tariffs are not strategic, since they do not focus on certain sectors or a period of time—they apply across all areas. This compounds the distortions that will be generated and ensures that Americans will pay higher prices for these goods without any possible benefit to American producers.

Impact on developing countries

Many developing countries (especially the Least Developed Countries, or LDCs) have enjoyed low-tariff access to the U.S. market. Other countries, such as those in Central America, as well as Colombia and Peru, have signed Free Trade Agreements (FTAs) with the United States.

In most cases, these countries will now face higher tariffs when exporting to the U.S. The only exceptions could be countries (such as Argentina, Brazil, and Ecuador) that currently do not have an FTA, but to which the new 10% tariff will be applied. In the case of Ecuador, for example, this will put it on equal footing with its neighboring countries, Colombia and Peru, which do have an FTA with the United States.

The tariffs will not apply to oil and gas, but it appears that they will be imposed on tropical products that the United States does not and cannot produce (except in very limited quantities in California, Hawaii, and Puerto Rico), such as bananas, cocoa, coffee, avocados, or pineapples.

An important trend is likely to resemble what happened in Canada after 1890: other countries will seek free trade agreements with each other and integrate more closely. In the case of Ecuador, for example, it already has FTAs with the European Union, EFTA, MERCOSUR, ALADI (Latin America), China, the United Kingdom, South Korea, the Andean countries, Chile, and four Central American countries, and is finalizing negotiations with Canada.

Conclusions

What has made America great is not only the size of its economy or the strength of its military, but the values that underlie these institutions. It is the rule of law, the separation of powers, free trade, and a commitment to ethical governance that have made America a "shining city upon a hill," as President Reagan said (in a speech citing Pilgrim John Winthrop). Under Trump, these ideals havebeen attacked for short-term political gain and personal enrichment, as well as to evade justice and regulations.

Trump's tariffs and trade wars have not only hurt American consumers by driving up prices, but have also damaged the global trading system. His disregard for international agreements like the World Trade Organization, the Paris Agreement on Climate Change, and his withdrawal from the Trans-Pacific Partnership (TPP) have isolated America from its allies. The long-term effects of these policies are starting to be felt as the world looks to new regional and global powers to step into the leadership vacuum Trump has created.

Beyond the intellectual and academic needs of promoting science, applied research and development is the fuel that enables productivity growth, and in the long run, even political and military power. Weakening these areas will only benefit our rivals.

The United States will not only become more isolated economically, but also politically, as its political and military alliances are also under attack by Trump. The destruction of American soft power will accelerate this process. All of this weakens the United States and strengthens rival powers, such as China, Russia, and Iran.

As we look toward the future, we must ask ourselves: can we rebuild the institutions that have been broken? Can we restore the principles that made America an example of democracy and justice? The path ahead is unclear, but one thing is certain: the fight to preserve the soul of the nation is just beginning.

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