

The Complexities and Contradictions of Trump's MAGA Economic Policies

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This article focuses on analyzing the complexities—and even contradictions—of Trump's economic policies. On one hand, these policies aim to reduce the ballooning U.S. government debt and avert a potential fiscal collapse. On the other hand, they seek to reverse the longstanding trade deficit arising from the principles of comparative advantage under free trade. Given the intricate role of the U.S. dollar as the world's reserve currency, addressing both challenges simultaneously proves exceptionally difficult. More troubling is the inherent contradiction between a strong and weak dollar: a strong dollar may help manage debt, while a weak dollar is generally needed to improve trade deficits.

This article qualitatively analyzes the effects of Trump's key economic policies—such as imposing tariffs and reducing the fiscal deficit—through the lens of economic and international finance theory.

Tariffs and Investment Incentives

To begin with, by raising import tariffs, Trump intended to pressure foreign companies that had previously served the U.S. market from abroad to instead invest directly in the United States, thereby boosting domestic employment. Although TSMC committed on March 3, 2025, to an additional NT\$100 billion investment in the U.S., and Hyundai Motor Company also announced new U.S. investments, the increased tariffs have raised the cost of establishing operations in the U.S., contributing to a resurgence of inflation and a decline in consumer confidence.

In response, some U.S. companies have expressed intentions to shift operations to other countries due to significantly higher costs caused by tariffs. Well-known industry analyst Lu Xingzhi (Lu Xing-Chi) has argued that only when tariffs reach 40–50% will foreign firms truly feel the pain and rapidly accelerate domestic manufacturing in the U.S. If his assessment is accurate, it would suggest that tariff hikes are unlikely to yield significant short-term improvements in U.S. employment.

Consumer Confidence and Short-Term Impacts

According to the Conference Board, U.S. consumer confidence plummeted by 7 percentage points in February 2025—marking the largest monthly drop in three and a half years. The report noted that survey respondents expressed increased concern about inflation, and a growing number raised issues related to trade and tariffs.

The above represents the short-term impact of increased tariffs. In the long term, such measures may shrink the U.S.'s international trade space and potentially accelerate China's expansion of global trade influence. For example, the China-Japan-Korea Economic and Trade Ministers' Meeting resumed in March 2025, with the three sides agreeing to push forward negotiations on a comprehensive and high-standard trilateral Free Trade Agreement (FTA).

Administrative Reforms and the Dollar's Global Status

Upon taking office, Trump immediately partnered with Elon Musk to downsize the U.S. Department of Government Efficiency (DOGE) through sweeping layoffs. However, experts from the American Enterprise Institute (AEI) and the Official Monetary and Financial Institutions Forum (OMFIF) have warned that growing political and fiscal imbalances in the U.S. could threaten the international status of the U.S. dollar. They argue that the dollar's strength is largely underpinned by the U.S.'s dominant position in the global economy; should that foundation erode, the alarm bells of de-dollarization will begin to ring.

Contradictions in Trump's Economic Policies

Several contradictions are embedded in Trump's policy approach: 1. His tax cuts risk exacerbating the fiscal deficit; 2. While imposing high tariffs on trade rivals, the U.S. Dollar Index has steadily declined. A weaker dollar may attract foreign investment and benefit exports, but it also fuels inflation and undermines financial market performance—particularly the issuance of U.S. Treasury bonds. A sharp depreciation may trigger a wave of bond sell-offs, further intensifying the debt crisis.

Conclusion: No Free Lunch

Economics teaches us that “there's no such thing as a free lunch.” While many of Trump's policies appear to be in the interest of America, they come at a substantial cost. Whether Trump's economic revolution can truly “Make America Great Again” remains to be tested by history.

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