

FT Swamp Notes **Trump tariffs**

Are we too pessimistic about America?

There may be worries about tariffs and the rule of law but one cannot discount US resilience



America's can-do attitude has always made it the most dynamic country in the world © AFP/Getty Images

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Recently I've begun to think perhaps I'm [too much of a gloom and doomer](#) about the US economy and its place in the world. I was struck recently by a couple of pieces, [one by Joel Kotkin](#) on UnHerd, arguing that we shouldn't conflate American government with American people, or America, the place. The former may be wildly dysfunctional now, but it hasn't stopped the dynamism of US businesses, entrepreneurial zeal in America (still much higher than in Europe), or the fact that the checks and balances of the US system (which are admittedly being tested right now) remain the best alternative to Chinese authoritarianism.

I would agree with this (unless Europe gets its act together, launches eurobonds, and really integrates and becomes a political entity capable of anchoring the global economy and defending liberal democracy). I was struck at an investor conference I attended last week at how, despite the political turmoil in the US, American business is just getting on with things: reassessing risk, rejiggering supply chains, and realising that Donald Trump is temporary (barring a true constitutional crisis in which he refuses to leave after his second term).

Of course, there were huge worries about tariff uncertainties and the rule of law and the general economic and political uncertainty created by the US president. But there was also the can-do attitude that has always made the US the most dynamic country in the world, a place where you can still strive, fail, fall, dust yourself off, get up and try again tomorrow with the belief that things will get better. The conference I attended was in Florida by the way, and people didn't seem nearly as pessimistic there as they are in New York. I am planning to devote more time this summer to getting out and talking to Main Street businesses and real people in red state America about how they see the current moment.

I was also struck by Andy Haldane's piece in the FT last week entitled "[The rise of the panicans](#)", which posits that we've all become too hysterically negative about the state of the world, and the US in particular. Haldane, who I would put right up there as one of the smartest economists in the world, rightly points out that many of us in the media and in financial circles have become "24/7 catastrophisers". It's a point that came home to me this past Friday, with the new US employment numbers coming in [much stronger than expected](#). Now, we know jobs are a backward-looking indicator. And we also know that the real effects of tariffs, including inflation and supply shortages, won't really hit for a few weeks (the last pre-tariff ships [are sailing into port right now](#)). Finally, China is looking more open to trade talks, which [buoyed markets late last week](#).

I'm lucky to have my colleague Ed Luce back in the seat as my respondent today (don't get too excited, this is a one-off!). So, Ed, my question to you is this: do you think predictions of a dismal summer in which inflation spikes and the economy falls into recession may turn out to be flat-out wrong? I know you, like me, have been down on Trump for a long time, but are we giving him too little credit here? Could we see him pull a positive rabbit out of the hat over the next few months? Or is this entire column just a desperate effort on my part to say something contrarian?

Recommended reading

Despite my questions above, it's worth reading Andrew Marantz' piece in The New Yorker about whether the US is [slipping towards autocracy](#). Marantz interviews people in Hungary and elsewhere who are closer to the question and compares their responses to what's happening in America.

Also on the cautionary side of things, our colleague Gillian Tett explores the [coming corporate liquidity crunch](#). Caveat: it really does depend on how tariffs play out.

If you are in Washington next week, make sure to go to the FTWeekend Festival! I'll

be there (along with Ed and many others), talking about trade, the rise of the Catholic right, where Democrats go from here, and much else. In preparation, [check out our insider tips](#) for what to do and where to go in the Beltway.

In the meantime, I'm looking forward to the Metropolitan Museum's new fashion exhibition on the history of the Black male dandy. See the FT's review of it, [here](#).

Edward Luce responds

Rana, I don't remotely think it's a desperate effort at contrarianism on your part. I also admired Andy Haldane's characteristically thoughtful piece. What I drew from it was the positive role of panicked markets and indeed gloom-filled commentators in persuading Trump to pause his declaration of economic war on the world. In that sense, panicans are playing a constructive role. As Haldane put it: "The irresistible force of self-importance helped cause the US tariff spike, but the immovable object of self-preservation will be its undoing." Clearly the markets are betting that Trump's climbdown is real and will endure.

I'm a lot more sceptical than market sentiment. My problem is not necessarily with the theory of rebalancing but with the person in charge of it. Put simply, Trump is a chaos agent. He believes that lightning strikes and unpredictability increases his negotiating leverage. That core part of Trump's psychology is never likely to change. Which means that even if market optimism proves correct, and he retreats with a bunch of face-saving kabuki trade "deals", nobody will trust him to stick to them. In the short term America's trading partners will throw Trump a couple of symbolic bones — an LNG purchase deal here, restored orders for Boeing there, and lots of improbable US investment numbers from Japan and the Gulf. But in the medium term they will look for other deals and other markets.

I have no idea whether the US will have a dire summer because that involves peering into Trump's mind. But recession can easily be avoided if he climbs down.

Your feedback

We'd love to hear from you. You can email the team on swampnotes@ft.com, contact Ed on edward.luce@ft.com and Rana on rana.foroohar@ft.com, and follow them on X at [@RanaForoohar](#) and [@EdwardGLuce](#). We may feature an excerpt of your response in the next newsletter

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