

Our View: Trumpression

Philip Verleger
May 20, 2025

In 1948, Chuck Jones and Michael Maltese created the Warner Bros. Roadrunner and Wile E. Coyote cartoon characters. In many episodes, Wile E. pursues the Roadrunner off a cliff, runs out into open space, and then looks down, which plummets him disastrously to the canyon floor. The US economy is the financial version of Wile E. Coyote chasing the Roadrunner (economic growth), heedless of the fact that changes to political institutions, the rule of law's breakdown, the cancelation of federal programs, disastrous trade policies, and massive federal employee layoffs have taken the United States well beyond the precipice. Eventually, investors will look down, and markets will crash, along with the economy.

With its policies, the Trump administration could demolish the US economy's long-term prospects, perhaps even turning the country into, for lack of a more politically correct term, a "third world" nation in which GDP and oil consumption are drastically reduced.

In a recent *Foreign Affairs* article, Steven Levitsky and Lucan Way warned that "the country's vaunted constitutional checks are failing," asserting that democracy will break down in the United States over the next four years.¹ Numerous researchers, analysts, and commentators share this view.

This descent from democracy to authoritarianism will occur in a country that has already lost many of the trappings of an advanced nation, a country with outdated manufacturing capacity, a once-advanced and now much-degraded transportation system, and vanishing government support for much of its citizenry. The conditions for the United States' failure are all in place.

One critical casualty of the Trump administration looks to be research and innovation. In an open letter, nearly two thousand National Academy of Sciences members lambasted the administration for its "wholesale assault on U.S. science," an attack that could diminish American competitiveness with other nations who, the scientists predicted, "will be healthier, and their economies will surpass us in business, defense, intelligence gathering, and monitoring our planet's health."² President Trump's effort to boost manufacturing, combined with his vendetta against science and universities and suppression of criticism and free speech, will reverse economic progress in a country that is already backward in several ways.

First, the US transport infrastructure is in a deplorable state. Flying has become more unreliable and even dangerous because the antiquated FAA flight control system keeps breaking down. Unlike developed nations such as China and France, the US has no high-speed passenger rail service, and its interstate road system is crumbling. The American Society of Civil Engineers estimates it will take more than \$2.6 trillion to upgrade US highways and bridges.³ That money will likely not be forthcoming since President Trump and the Department of Government Efficiency have frozen much of the construction funding provided in the Infrastructure Investment and Jobs Act signed by President Biden.⁴

Second, our educational system is subpar. Consequently, US schools cannot provide the knowledgeable, skilled workers needed for the future. Among other measures, assuring we have these workers would require substantial adult education funding, which the Trump administration has slashed.

Third, the United States is in no shape to provide the health services needed to compete in the twenty-first century. The Peter G. Peterson Foundation noted that the US spends more on healthcare than most developed nations but achieves poorer outcomes, concluding that this “undermines our economy and threatens our long-term fiscal and economic well-being.”⁵

The US Economy’s Slow Collapse

The US transformation from a democratic to an authoritarian state could dramatically impact its economic growth. The Trump policies echo those of nations that destroyed themselves, actions eloquently described by Acemoglu and Robinson in *Why Nations Fail*.⁶ Acemoglu and Robinson offered Zimbabwe as a prime example of what might be in store for the United States:

Though the national statistics in Zimbabwe are very unreliable, the best estimate is that by 2008, Zimbabwe’s per capita income was about half of what it was when the country gained its independence in 1980.⁷

Of the factors impacting GDP, investment is the most critical because it drives economic growth. Unfortunately, the administration’s policies are bringing capital spending to a grinding halt. For example, the builders of AI data centers warn that President Trump’s “antagonistic approach” toward renewable energy could make it “impossible to satisfy the data growth that’s happening.” Meanwhile, construction of battery plants and other ESG-oriented projects is stopping.

Another critical source of investment is federal assistance following significant natural and human-caused disasters, which helps communities and businesses recover. The Trump administration is chopping this aid.

The administration’s chaotic governance has also discouraged foreign investors and the critical domestic business, industry, and residential construction sectors from developing new projects here.

Another contributor to the coming “Trumpression” (Trump depression) is the massive reductions in government spending, which will increase unemployment. The Atlanta Federal Reserve estimates that 1.2 million jobs will be lost in the federal sector alone. As tax revenues fall, another million or two workers will be dismissed from state and local employment.

The job losses and other consequences of President Trump’s actions will reduce consumer spending, which accounted for two-thirds of GDP in 2024. As an example of what might happen, data from the US Bureau of Economic Analysis show that consumption declined by eighteen percent from 1929 to 1933, the time of the Great Depression.

High government debt will worsen the consumption and economic activity decline, especially if Congress passes the tax cuts and extensions “ordered” by President Trump. The federal debt has been hovering around one hundred twenty percent of US GDP, up from around one hundred percent

when Trump took office in 2017. With a severe recession or depression, this percentage could rise significantly within three or four years, especially with the passage of Trump's "Big Beautiful Bill."

The situation could become particularly difficult if interest rates increase, accompanied by a deteriorating economy, as might be the case if the turmoil in the Trump administration boosts foreign lenders' reluctance to hold US government debt. Such increases occurred more than forty years ago when long-term rates on US Treasury securities jumped from nine to fifteen percent between 1979 and 1981.

Higher interest rates would cause investment to fall sharply. Housing construction would probably come to a near halt. Consumption would decrease further. The national infrastructure deterioration would worsen.

If everything goes this far south, as seems likely today, we expect the US real GDP would decline by three percent from the fourth quarter of 2024 to the fourth quarter of 2025 and a further three percent in 2026 and 2027. Constant dollar GDP in 2030 will likely be twelve percent below the 2024 level, meaning the Trump downturn will match the drop measured in the Great Depression.

Global oil use could fall by as much as five million barrels per day by 2030 under the worst-case scenario.

¹ Steven Levitsky and Lucan A. Way, "The Path to American Authoritarianism," *Foreign Affairs*, March/April 2025 [<https://tinyurl.com/mr48uubm>].

² "To the American People," Public Statement on Supporting Science for the Benefit of All Citizens, March 25, 2025 [<https://tinyurl.com/459h53vz>].

³ James McBride, Noah Berman, and Anshu Siripurapu, "The State of U.S. Infrastructure," Council on Foreign Relations, September 20, 2023 [<https://tinyurl.com/3p9sfvs6>].

⁴ Niraj Chokshi, "U.S. Infrastructure Improves, but Cuts May Imperil Progress, Report Says," *The New York Times*, March 25, 2025 [<https://tinyurl.com/ynsfb3bn>].

⁵ "How Does the U.S. Healthcare System Compare to Other Countries?" Peter G. Peterson Foundation, August 16, 2024 [<https://tinyurl.com/4f8tb32w>].

⁶ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (New York: Crown Business, 2012) [<https://tinyurl.com/4dbuana9>].

⁷ Acemoglu and Robinson, p. 369.