

## U.S. Economy Would Be ‘Diminished’ Under Trump’s Economic Plan

Written by Democratic Party of Wisconsin, Brandon Weathersby  
Tuesday, 21 June 2016 14:17 -

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***New Economic Analysis Says Donald Trump's senseless policies could cause a loss of 3.5 million jobs, disproportionately affecting a state like Wisconsin that has lagged behind the national average in job growth for five years under Gov. Scott Walker.***

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MADISON - A recent report highlighted that if we followed Donald Trump's senseless policies we could see a loss of 3.5 million jobs, disproportionately affecting the working and middle class. In a state like Wisconsin that has suffered and lagged behind the national average in job growth for five years under Scott Walker and Republican leadership, we cannot afford the dangerous policies of Donald Trump.

See excerpts from the piece below:

### [U.S. Economy Would Be ‘Diminished’ Under Trump’s Economic Plan, New Analysis Says](#)

Wall Street Journal - Nick Timiroaos  
June 20, 2016

A new analysis concludes **Donald Trump’s** economic proposals, taken at face value, could produce a prolonged recession and heavy job losses that would fall hardest on low- and middle-income workers.

The **Moody’s Analytics [report](#)**, which a person close to the Trump campaign strongly disputed, is the first that attempts to quantify the cumulative economic benefits and costs of Mr. Trump’s proposals on taxes, trade, immigration and spending. It determines that full adoption of those policies would sharply reduce economic output during his first term and reduce employment by 3.5 million jobs.

Under almost any scenario, the report says, “the U.S. economy will be more isolated and diminished.”

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[...]

Mr. Trump, for his part, has said voters don’t care about his lack of policy specifics. He has mocked the Clinton campaign for its policy zeal while sticking to broad generalities in speeches and interviews.

[...]

The Moody’s analysis says Mr. Trump’s spending and tax-cut commitments, which include increases in veterans’ and border security funding but no changes in entitlement programs, would require massive spending cuts elsewhere in the federal budget to avoid \$1 trillion deficits.

“There is a gulf between what he says he wants on taxes and spending and what it will take to make the budget arithmetic work,” said Mr. Zandi.

[...]

Mr. Trump’s tax plan would lower tax rates across the board and limit some deductions. The **Tax Policy Center**, a project of the **Urban Institute** and **Brookings Institution**, said the plan would cut federal revenues by \$9.5 trillion, while the **Tax Foundation**, a think tank that favors lower taxes, said the plan would cost \$10 trillion over a decade, even after assuming higher economic growth.

The report singles out trade and immigration policies as the most detrimental to the economy in the short run because they could sharply boost labor and goods prices at a time when there’s less slack in the labor market. “It is a massive supply shock to the economy that’s very

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pernicious, and the Fed doesn’t know how to respond to that,” said Mr. Zandi.

Moody’s concludes that those price pressures would force the central bank to raise interest rates at a faster-than-desired pace, contributing to a recession in 2018 that could produce a 25% drop in the S&P 500.

The adviser close to the Trump campaign said any analysis oversold the costs of Mr. Trump’s trade and immigration policies by failing to account for how substandard enforcement of trade rules and border controls have depressed wages for U.S. workers.

On trade, Mr. Trump has said he would use the threat of a 45% tariff on goods from China and 35% on non-oil imports from Mexico as a negotiating tool in seeking better trade and currency terms. Moody’s calculates that tariffs on imports from Mexico and China could increase goods import prices by 15%, raising overall consumer prices by 3%—all before factoring in the costs of retaliation against U.S. exporters.

The Moody’s economists warn that those tariffs would raise uncertainty for businesses, reducing American exports while corroding growth. While higher tariffs would quickly lead importers to move production to other countries, this would take time and also raise costs for businesses.

Separate projections made earlier this year by **Peter Petri** of **Brandeis University** found that Mr. Trump’s proposed tariffs would widen the U.S. trade deficit for goods by around \$275 billion, or an 37% increase above last year’s level.

On immigration, Moody’s estimates that a crackdown on illegal immigration through forced deportations would reduce slack in the labor force but also leave more positions unfilled, particularly in industries such as agriculture where native-born workers have been reluctant to seek work even at modestly higher wages. Labor shortages in those industries could prompt job losses in upstream and downstream industries and also boost inflation as labor costs run higher, the report said.

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[Read the full piece here](#) .