

What does Trump mean for the economy?

Published: January 13, 2026, 7:44 am

Trump's election brings his incoherent and destructive economic policies, which have significant potential impacts for the UK, to the fore. We need to worry because we're going to pay the price for the USA's mistake.

<https://www.youtube.com/watch?v=UyKz9LWspIU&si=y3jMZVKMGYdJCRSG>

This is the audio version of this video:

https://www.podbean.com/player-v2/?i=kdmus-172fdc8-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is transcript:

Trump is bad news for the world's economy.

We know that markets have reacted around the world to his election as US president. We have seen share prices increase. That's happened in the USA; it's happened elsewhere.

Why is that? It's because Trump, of course, acts in the interests of the wealthy. We have seen that time and again.

We saw it during his presidency from 2016 to 2020, where all his tax cuts were aimed

at promoting the interests of wealth, and none were in the interest of promoting the cause of ordinary people in the USA. We know that his aim is to increase share prices, and that is his definition of success. Markets have, therefore, already begun to bank the gains.

They've also reacted in other ways. The value of the US dollar has gone up.

Why is that? That's because Trump has said that he is going to engage in trade wars. What are those trade wars going to do? They're going to result in tariffs being imposed onto imports into the USA.

This may well result in retaliatory action in due course from other countries. But in the short term, markets clearly think that the US will gain from this process and, therefore, have driven up the price of the dollar.

What else has happened? The price of US bonds has fallen heavily after the results of the U.S. presidential election were announced.

Why have these bond prices fallen? That's because when the price of US government bonds falls, the interest rate that is in effect paid on them goes up. Markets are saying that they expect US interest rates to rise and this is going to have a knock-on effect on the rest of the world.

But first of all, why are they going to rise? There are a number of reasons. Firstly, Trump is saying that he is going to send millions of undocumented people in the USA out of the country, deport them, remove them from its economy, and send them to whence they came, he claims, even though they're undocumented.

We have no idea whether there will be places for them to go to. His plan is to remove at least 11 million people living in the USA, although how the logistics of this might work, no one knows. But there are two very obvious consequences.

One is that the work that these undocumented people in the US economy do, much of it low-paid, much of it relatively unskilled, is either not going to be done or the price for getting it done is going to rise. The result of that will be wage inflation. There will be a shortage of labour. The price of labour in the US will go up. The result will be inflation. That's one of the consequences.

The other consequence is the result of those trade wars I've already mentioned. The reason why bond prices are going down is because trade wars will result in an increase in consumer prices for the US public.

Trump claims that the cost of these tariffs will be borne by the countries who are trying to send exports to the USA. But that's not true. That's not how tariffs work. Tariffs imposed on imports result in costs for the people of a country. That cost will be inflationary. It's as simple and straightforward as that.

If there is an inflationary boost in the USA, first of all, there will probably be an inflationary boost around the world.

But secondly, the US Fed is going to react by increasing interest rates, and if it increases interest rates, the price of bonds in the US must fall. And we've already seen that reaction.

All around then, what Trump is doing is economically insane. He is not going to be delivering for the people who have voted for him.

He offered them lower prices. He offered them economic security. He told them that they would benefit from his administration. But we know that his tax cuts will not deliver that. We know that his tariff increases will not deliver that. And we know that the removal of undocumented people from the American economy might, in the long run, increase wages, supposedly, but it will, in the short term, create economic mayhem, which may well be harmful to everyone and result in a significant fall in GDP in the USA.

Now, GDP does not prove that everything is of worth. And in fact, Biden did not deliver sufficient GDP growth for everyone during the period from 2020 to ensure that Harris won the election. That we know, but a collapse in GDP that reflects a real decline in economic activity in the USA, which is likely if he tries to deport 11 million people, is going to be deeply damaging.

And there's another dimension to that as well, which is, of course, that actually simply trying to remove 11 million people is going to be immensely costly to the US government. The claim that Trump is going to shrink the size of government whilst putting in place an enormous new programme of this scale is simply unimaginable.

So, markets are reacting in a way that is, in the short term, rational in the sense that the money men think they've made it, the money women think they've made it, and the people who are believing that there will be a change in the value of the US dollar as a consequence of trade wars have put their money on the table to speculate on that gain.

The people who also think, however, that the US government might be in trouble and will need more funding at a higher interest rate have also signalled what they think, and of those intentions, I think the third is by far the most important.

The speculators will come and go. They will try to use any moment to make money, and that is what they're doing with regard to movements in the short-term share price and the short-term value of the dollar. But the indication with regard to the interest rate is much more serious.

It has spillover consequences. Spillover consequences for the UK, for example. We may

well see a longer period of sustained high interest than we would otherwise need as a consequence of Trump's election in the USA.

It also has a consequence with regard to those trade wars because that is one of the reasons why they're high.

We are in a deeply uncertain world. And the price of that deeply uncertain world is going to be transferred onto us. Because uncertainty creates risk, and risk is, in the ethos of the Bank of England, rightly or wrongly, to be rewarded with high interest rates. And that is going to be dangerous for us all.