

No one is going to shift economic production into the U...

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No US corporation possessed of the slightest degree of economic insight is going to react to Donald Trump's demand that they invest in new productive capacity in the USA, which is his stated aim for the economic warfare that he has declared both on the USA and on the world through the imposition of tariffs.

The reasons should, I hope, be obvious, but maybe they need noting.

Firstly, it takes years to create new productive capacity. In many cases, five-year time scales might be optimistic. A rational investor might hope that Donald Trump is not President by then, and that his whole approach to economic policy might have been long forgotten by that time.

Secondly, a rational investor could easily presume that Trump will have forgotten this whole episode within five months, and not five years. Trump's ability to sustain any policy is, at present, open to question. In particular, when it is apparent that tariffs are being imposed as negotiating weapons, and not serious economic tools, the likelihood that they will be sustained is minimal, meaning that no rational person should act for the long term by taking them into consideration.

Thirdly, creating new productive capacity in the USA makes no sense when it is highly likely that if this tariff policy is sustained, then retaliatory tariffs against that country will be imposed by most other countries in the world. I did, for example, watch a video in the last day or so that discussed the impact of tariffs on the market for digital cameras in the USA. None of the major camera manufacturers has made a single camera or lens in that country for more than 20 years. Nor would it be rational for them to do so now. The US might provide 20% of the world market in cameras, but that would mean that 80% of the world market would be beyond the reach of a US based production facility if tariff barriers are maintained, and no rational company would do that when camera production makes no sense unless worldwide markets can be reached.

Fourth, the US is and will remain an incredibly expensive country in which to make

products. Even tariffs at the levels now noted cannot overcome that fact.

Trump's tariff logic, if there is one, does in that case make no sense at all from an economic perspective. We do, as a result, either have to admit that there is no such economic logic, and that these tariffs are merely tools for the pursuit of a form of political economic warfare, or that he is just stupid.

The latter should never be ruled out.