

Funding the Future

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Yesterday, the news was that Trump's tariffs had been ruled to be illegal.

This morning, the news is that another court has permitted the White House to keep going with its tariff plans, until, that is, they reach the Supreme Court.

No one knows how the Supreme Court will decide on this issue; the outcome is uncertain.

These are the headlines in an FT email this morning:

US appeals court gives temporary reprieve to Donald Trump's tariffs

Decision comes less than 24 hours after trade court ruled president's global levies to be illegal

Foreign tax provision in Trump budget bill spooks Wall Street

Legislation would erode the appeal of US financial assets, banks and investors say

Donald Trump tells Jay Powell the Federal Reserve is making a 'mistake' by not cutting US interest rates

Central bank chair meets president at the White House to discuss economic expectations

The stories relate to one thing. That is profound uncertainty.

Other headlines in the same email relate to another American sentiment, which is weariness with what Trump is doing:

Donald Trump orders US chip software suppliers to stop selling to China

Move by Washington is latest effort to stymie geopolitical rival's technological advance

Inflation-weary Americans queue for toilet paper and cheap Bordeaux

Consumers endure long lines and sparse help as warehouse club stores heap pressure on traditional retailers

Trump is not Making America Great Again. He is trashing the place.

That's not just because his policies make no sense, although many of them reveal a profound incoherence at the core of what he appears to be trying to do.

Nor is it just because many will disagree with what passes for policy.

What is grinding people down are two things. One is the uncertainty. That arises because it is not at all apparent that Trump knows what he wants. It is as clear that he does not know how to get it. The departure of Musk makes that obvious. And then there is the fact that whether what Trump does is uncertain as to its legality. There have been at least 180 court orders against his actions so far, and the scale of the actions appears to be growing.

No one expects a President to act like this.

No one wants a President to act like this.

No one imagines America can be made great like this.

Chaos is not an answer to anything, and so far, that is almost all Trump has delivered.

And then there is the other concern, which is that none of this will turn out for the best. Uncertainty whilst achieving better things might be tolerable for many, although no one should underestimate people's desire for routine, and what is familiar, which is one of the main reasons why inflation is so unpopular. What is intolerable is uncertainty when it appears very likely that everything will turn out for the worst.

People in the US now know that there will be inflation.

Large parts of the country - those on middle and low incomes - know that Trump's budget plans will do nothing for them.

At the same time, they know that access to medical cover - an American obsession given its absurd private healthcare system that is designed to deny access to many without state intervention - either will not be available to them anymore, or might not be if anything goes wrong in their precarious lives.

Put those together, and hope goes out of the window.

That will be happening in the USA.

Of course, a recession is likely. It would appear almost unavoidable. In such situations, people try to save: it is the only rational reaction to the threats to their well-being that they face. It may, at a macro level, add to the gloom, but at a micro level, it makes sense. Keynes called this the paradox of thrift. The fact that most people in the States will have no choice but to face this out only makes that reaction more likely.

Three groups have a choice about what to do, though.

One group are wealthy individuals, most especially if they are linked to what Trump

thinks of as the intellectual elite, who he thinks threaten him and all he is seeking to do as he tries to take the US back to somewhere in the late nineteenth century. Many of these people could leave.

The US faces a brain drain as these people quit, as I think they will. Why live in a hostile environment when you have the chance to go? There may only be a few taking this option right now. I rather strongly suspect that a great many might be considering it. The wise leave early.

The second 'group' that will leave is foreign capital. The non-US resident owners of funds currently saved in that country can smell the coffee from afar: they are getting their money out. There is a reason why the value of the US dollar is falling. Capital flight is a normal reaction to economic chaos, and if anything, the States has yet to see just how strong this trend might be. The owners of 'hot money' hate the idea of losing what they have. They hate chaos as a result. At some point, they will decide to go, for precisely that reason. Hedge funds might make money from chaos. The ultra-wealthy want stability more than anything else. Trump is not delivering it. Instead, he and [his new desire to use tax as a weapon of economic warfare](#) against those who are not US resident will encourage this exodus.

And then, thirdly, there are US companies. I have not seen this being discussed elsewhere as yet, but something that globalisation created was the option for companies to move the jurisdictions in which they are located. The US is the location that hosts the biggest and most powerful companies in the world. A few of them support what Trump is doing. Many more will hate it.

Put bluntly, tariffs are not good for business.

Nor are the tax measures Trump is proposing, which will create ring fences within the international tax environment, good for multinational companies.

And the uncertainties in the States, and even the dollar, might make companies want to quit for calmer countries, and even currencies, where supply chain relationships might be a very great deal less fractious.

Remember that for many of these companies, the US is only a small part of their total market compared to the greater whole of the rest of the world. Isolationism, Trump style, does not pay for them.

Will US companies quit? Not yet, is my answer. But if things get worse, and the rule of law becomes more uncertain, with the risk of a US recession growing, and the dollar losing its sheen? Then, I think the temptation to go might be very strong indeed.

Who will go? Bizarrely, big tech might be at the forefront, with pharmaceuticals next in line. These might be US-based, but they are a long way from being US companies. They really are global. Trump is making the US a hostile environment for them, just as he is

for everyone else. And they might go.

I cannot be alone in remembering the Sun headline that once asked the last person to quit the UK to turn off the lights. The same might happen with US corporations. Might the last to leave turn off the US influence on the global economy? It's a prospect that Trump is creating.