

The Perils *of a* Trump-Musk Economy

Let me count the ways.

BY JOSEPH E. STIGLITZ

During America's presidential election, the campaign reached a fever pitch, with Donald Trump and his cronies issuing increasingly radical promises of what they would do with power. But such promises, for example regarding fiscal policy, inevitably will be broken. After all, it is mathematically impossible to cut taxes for corporations and billionaires, sustain basic programs like defense and Social Security, and lower the deficit simultaneously.

Some of the Trump campaign's more absurd promises come from Elon Musk, who claims to know how to cut \$2 trillion from the federal budget. This is quite rich coming from someone whose companies depend so much on government contracts and bailouts (without the \$465 million loan that it received from the Obama administration, Tesla might well have gone under).

Musk's claims betray a startling ignorance of both economics and politics. His proposals amount to a cut of around one-third of all government expenditures—eight times more than what the Government Accountability Office (the government's internal watchdog) estimates to constitute waste or fraud. Among other things, the United States would have to cut all “discretionary” spending, including on defense, health, education, and the Departments of Treasury and Commerce,

*Joseph E. Stiglitz, a former chief economist of the World Bank and former chair of the U.S. President's Council of Economic Advisers, is University Professor at Columbia University, a Nobel laureate in economics, and the author, most recently, of *The Road to Freedom: Economics and the Good Society* (W. W. Norton & Company, Allen Lane, 2024).*

THE INTERNATIONAL
ECONOMY

THE MAGAZINE OF INTERNATIONAL
ECONOMIC POLICY

220 I Street, N.E., Suite 200
Washington, D.C. 20002

www.international-economy.com
editor@international-economy.com

COPYRIGHT PROJECT SYNDICATE, 2024

as well as slashing Social Security, Medicare, and other well-established, overwhelmingly popular programs.

Such savage cuts imply that Trump would try to persuade Congress to make major changes to these programs. But don't hold your breath. Trump already had four years to dismantle the "administrative state" when he was president, and he didn't deliver. Now he is making populist promises that would add (not subtract) to the deficit—more than \$7.5 trillion in the coming decade.

Such wrenching cuts would have devastating effects on the U.S. economy and society. Slash-and-burn policies inevitably fail. Just as U.S. Secretary of the Treasury Andrew Mellon's belt-tightening strategy under Herbert Hoover contributed to the Great Depression, austerity policies in the United Kingdom under fourteen years of Conservative government have led to a decade and a half of stagnation.

The contrast between Trump and Kamala Harris's economic programs could not be starker. Harris's agenda would have lowered the cost of living—building on the Inflation Reduction Act's provisions to reduce the costs of drugs and energy—and made housing more affordable, whereas Trump's tariffs (a tax on imported goods) would make everything more expensive for Americans, especially middle- and lower-income households.

In virtually every area where the country is facing a challenge, Trump's policies would make matters worse. Even before the pandemic, U.S. life expectancy—already the lowest among advanced economies—was declining under Trump. By aiming to repeal the Affordable Care Act and the IRA provision that reduces prescription drug prices, Trump would make the situation even worse.

Equally, America tops the list of advanced economies in terms of inequality, and Trump's tax cuts for the rich would widen the gap further. Harris's policies, by contrast, aimed directly at improving middle-class living standards.

In addition to health and inequality crises, climate change is costing Americans dearly in lives and property damage. Yet Trump has been cozying up to fossil-fuel magnates for campaign contributions, promising to cut regulations on pollution in exchange. Not only would he leave America trailing behind many other countries in the transition to a clean-energy economy; he would also make the United States an international pariah (again).

These are among the many reasons that twenty-three American Nobel-laureate economists recently signed an open letter endorsing Harris. It is difficult to get two economists to agree on much of anything, but we concluded that, "overall, Harris's economic agenda will improve our nation's health, investment, sustainability, resilience, employment opportunities, and fairness and be vastly superior to the counterproductive economic agenda of Donald Trump." Pocketbook issues are playing an important role in this

election, and we Nobel economists concluded that, without question, "Kamala Harris would be a far better steward of our economy."

Many Americans understandably wish to forget all the chaos (and excess Covid-19 deaths) that prevailed during Trump's presidency. But we must not. With Trump openly seeking retribution against what he calls "enemies within," and with the Republican Party now nothing more than a per-

Musk's claims betray a startling ignorance of both economics and politics.

sonality cult, there is little doubt that a second presidency will be even worse than the first.

While America's economic strength rests on foundations of science and technology, Trump has repeatedly proposed massive cuts in federal research spending, which would be devastating for advances in basic science and have knock-on effects in many key economic sectors. When he was in office, even Republicans understood the recklessness of his proposals in this area and voted them down. But now the party's self-abasing servility to him is total.

In another open letter, my fellow Nobel laureate economists and I were joined by Nobel laureate scientists (more than eighty in total). Together, we point out that, "The enormous increases in living standards and life expectancies over the past two centuries are largely the result of advances in science and technology. Kamala Harris recognizes this and understands that maintaining America's leadership in these fields requires budgetary support from the federal government, independent universities, and international collaboration. Harris also recognizes the key role that immigrants have always played in the advancement of science."

Sadly, not even Musk—whose companies depend on basic science done by others—has fully considered what Trump would mean for his bottom line. Short-term greed—a fixation on tax cuts and lighter regulation—has enticed many captains of industry and finance to join the Trump team. Trump is offering crony rentier capitalism, a kind of capitalism which, even if it does well for Musk and other billionaires, won't be good for the rest of us. But Harris, at least, projected hope that through reasoning and cooperation, Americans could create a more resilient, inclusive, faster-growing economy—an economy that outperforms crony capitalism and shares the benefits of growth more equitably. ◆