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Trump has his new world tariff order, but jobs and growth don't look so good.

The Trump Economy Stumbles

REVIEW & OUTLOOK

President Trump has now imposed his new tariff regime on the world, and the triumphalism is palpable in MAGA land. But maybe hold the euphoria, as this week's reports on jobs and the economy suggest the new golden age may take a while to appear.

Friday's labor report arrived with a particular jolt, with a mere 73,000 net new jobs in July. Even more bearish were the downward revisions of 258,000 jobs in May and June. Job gains over the last three months are barely more than 100,000.

The details in the report provide little solace. The jobless rate ticked up only to 4.25% from 4.1%, but that was in part because the labor force continued to shrink. The labor participation rate fell again to 62.2% and is now down half a percentage point in a year.

Employers aren't laying off workers, but they have all but stopped new hiring. Notably, most of the new jobs are in healthcare and social assistance, which rely heavily on government spending. This continues the Biden-era trend that Trumponomics was supposed to change. Not so far.

The much-advertised rebirth of U.S. manufacturing also hasn't arrived. The economy shed 11,000 manufacturing jobs in July, following a loss of 26,000 in May and June. The ISM Manufacturing Index fell again in July to 48, the fifth straight month below 50.

One labor market problem may be the crackdown on migrant workers. The foreign-born workforce has fallen by about a million since Mr. Trump took office. The National Foundation for American Policy, a nonpartisan think tank, says immigrants accounted for over half of the labor force increase in each of the last three decades. Fewer workers means fewer new jobs as employers conclude they can't fill them.

How much of this jobs and growth slowdown owes to Mr. Trump's tariffs? It's hard to say for sure. But it has occurred in the wake of Mr. Trump's April 2 tariff shock, his rapid backtrack from the highest rates, and then his willy-nilly threats and deal-making with the world. The policy uncertainty has surely affected business hiring and investment. How can you hire or invest if you don't know what your cost of goods will be, or from which supplier you will be able to buy at a competitive price?

On that score, Mr. Trump's latest tariff blast this week hasn't put an end to the uncertainty. Much of the world will now pay 15%, if Mr. Trump sticks to his deals. But some of the biggest U.S. trading partners—Mexico, Canada, China and India—remain in tariff limbo. Brazil will pay 50%, though it has a trade surplus with the U.S. And what did Switzerland ever do to Mr. Trump to deserve 39%? Charge too much for a watch? Mr. Trump and his supporters are hailing the trade deals as the dawn of a new world trading order that will be better for American workers. And it's true that the rest of the world has declined to retaliate, China excepted. The U.S. market is so large that these countries seem willing to absorb the 15% tariff hit rather than risk even higher tariffs from Mr. Trump if they did retaliate.

But what matters will be the economic results over time. The U.S. economy is resilient, and perhaps it can absorb a new average tariff rate from 15%-20%, up from 2.4% when he took office in January. There will also be a clamor for wide exceptions.

But the tariff tax increase in dollar terms at Mr. Trump's current rates will be close to \$360 billion a year. That's among the largest tax increases in recent history. Republicans have spent decades building credibility as the antitax party, but

now they're going along with Mr. Trump's tariffs on the fiction that only foreigners will pay them. Let's see how well that plays when prices on tariffed goods increase.

Mr. Trump seems to understand that the jobs report signals trouble because on Friday he ordered the firing of the head of the Bureau of Labor Statistics. He claims the numbers are being politically manipulated, but he offered no proof. BLS has its problems, but the timing suggests he's shooting the messenger. There are bound to be monthly revisions when tariff and deportation policies are so volatile.

Mr. Trump's other scapegoat is the Federal Reserve, which he says has been too late to cut interest rates. Maybe that will prove to be true, but the Fed also has to navigate Mr. Trump's tariff uncertainty and the large fact that inflation is still above its 2% target. Every public opinion poll says voters remain unhappy about the price increases they're paying.

A saving grace, we hope, is that the new tax law and deregulation will reduce business costs and lift investment. But Mr. Trump can help by stopping his trade war. If he won't roll back his tariffs, at least he can declare that he's content with where they are and has no plans for more.

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