

# WSJ Print Edition

*The fiscal effects of the coming tax cut and the continuing threats to Fed independence augur ill.*

## A Year In, Trump's Economy Is Worse Than the Numbers

By Alan S. Blinder

We have just passed the first anniversary of Trump 2.0. The world has certainly changed. Who imagined a year ago that President Trump would remove the president of Venezuela, menace Greenland or occupy Minneapolis with a hostile force?

The economic news seems tame by comparison. Insisting that he inherited a mess from Joe Biden, the president claims that it's now the greatest economy America has ever seen. In his words, "We have quickly gone from the worst numbers on record to the best."

There are two problems with that claim: Neither part is true.

Fourth-quarter gross domestic product data aren't in yet. But based on the first three quarters, it looks as if 2025 will come in around 2.5% growth. Not bad, but nowhere close to the best on record. And pretty much the same as in 2024.

What about inflation? The consumer- price index for the 12 months ending December 2025 was 2.7%— compared with 2.9% over the 12 months ending in December 2024. Progress? I guess so, though little more than a rounding error. And healthcare costs are poised to soar for millions of Americans in 2026. Not exactly the achievement of "almost no inflation" the president boasts about. Has he visited a grocery store?

When we turn to unemployment, the Biden economy enjoys a modest edge. The unemployment rate rose from 4.1% in December 2024 to 4.4% in December 2025, despite a sharp falloff in labor supply.

A much bigger difference emerges in job creation: Only 584,000 net new jobs were created over the 12 months of 2025 versus approximately two million during 2024. Meanwhile, complaints about the difficulty of finding jobs seem to be everywhere these days, unlike a year ago.

Put it all together, and what do you have? The terrific economy we had a year ago is now only a bit worse than it was then, despite body blows from tariffs, immigration raids, threats to the Federal Reserve and more. According to a recent Wall Street Journal poll, "About half of voters say the economy has gotten worse in the past year, compared with 35% who see improvement." That seems about right.

Whether Mr. Trump's policies helped or hindered is debatable, I suppose. The president's supporters point to the benefits (and ignore the costs) of deregulation, extol the promise of lower taxes in 2026, which may be stimulating spending already, and applaud the administration's decidedly pro-business rhetoric.

Opponents of the president's policies wonder if it's really "pro-business" to threaten companies that don't toe the administration's line, take ownership positions in companies (also known as socialism), and repeatedly flout the rule of law— perhaps America's biggest comparative advantage.

Speaking of the law, we knew Mr. Trump favored high tariffs. But aren't tariffs taxes? Yes. And doesn't the Constitution give taxing authority to Congress, not to the White House? Yes.

Then there was the partisan battle over the federal budget, which led to a government shutdown in October and November. One can fault the Biden administration for leaving a budget deficit that's too large

given the strength of the economy: 6.4% of GDP in fiscal 2024. The Trump administration did slightly better, at 5.9% in 2025. But most of that reduction was tariff revenue. Meanwhile, a massive new tax cut starts this year.

I have left the most important economic policy—monetary policy—for last. But why is it even on the Biden vs. Trump score card? Isn't monetary policy controlled by the Fed, not the White House? The answer is yes, but there's the rub.

Mr. Biden's "monetary policy" was excellent: He left the Fed alone, even resisting the temptation to blame it for the inflation surge in 2022. Mr. Biden's political prospects crumbled, but he nonetheless respected the central bank's independence.

Not Mr. Trump, who has been browbeating Fed Chairman Jerome Powell all year long, hurling insults like a 12-year-old.

Apparently convinced that he lacked the legal authority to fire Mr. Powell, Mr. Trump turned his ire on Fed Gov. Lisa Cook in August, announcing that he was firing her for alleged violations on her home mortgage paperwork. It was a transparently flimsy excuse, and Ms. Cook promptly sued on the grounds that the firing was illegal. The Supreme Court heard the case Wednesday, and the justices sounded doubtful about the administration's case during oral argument.

Most recently, Mr. Trump's Justice Department launched a criminal investigation of Mr. Powell. Yes, criminal. For what crime isn't clear and may not matter. The idea is to intimidate the Fed chief, not to jail him. As Mr. Powell sternly observed, "The threat of criminal charges is a consequence of the Federal Reserve setting interest rates based on our best assessment of what will serve the public, rather than following the preferences of the president."

When you include the threat to the independence of the Fed, I think we can safely grade the economy as substantially worse off in January 2026 than it was in January 2025. Happy Anniversary!

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