



The Math Behind Trump's Economic Plans

Ideas aiming to ease affordability fears, budget demands would see headwinds

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In the State of the Union address, President Trump threw out a string of economic ideas. Among them: new retirement accounts for Americans without access to 401(k)s; replacing income taxes with tariff revenue; balancing the budget by eliminating fraud; and lowering the cost of housing for buyers while preserving high home values for happy homeowners.

His proposals and promises come as American voters are increasingly frustrated with the economy. About 56% of Americans disapprove of his handling of it, compared with about 40% who approve, according to an average of polls collected by the nonpartisan Cook Political Report.

A look at the math behind some of Trump's notions:

Housing relief

Trump faces a dilemma in housing policy: how to lower home prices while preserving equity for Americans whose homes are a large part of their wealth. "We're going to do both," he said Tuesday.

The median home price in the U.S. is \$405,000, compared with \$327,000 in 2019. For most households, that requires a six-figure income to break into the market. But bringing down prices is a tough sell to people who already own.

Home equity represents a median 45% of U.S. homeowners' net worth, the Pew Research Center found.

Trump might be able to have it both ways. If mortgage rates keep falling, more buyers could afford homes, while generating enough demand so that sellers don't have to lower prices. The average rate for a 30-year fixed mortgage was 5.98% this week, the lowest since September 2022 and a slight decline from last week, Freddie Mac said Thursday.

Zillow says the median-income household can afford a home that is \$30,000 more expensive than a year ago, because of the mortgage-rate declines and income growth of the past year. That puts homebuying power at its highest level in almost four years.

Still, the U.S. is short four million homes, by some estimates. Trump has expressed an aversion to building too many homes for fear of bringing down property values. Economists don't share that concern. More supply, they say, would slow the rate of home-price appreciation. But it would be nearly impossible to build quickly enough for home values to plummet.

"This can be a win-win scenario," said David Dworkin, chief executive at the National Housing Conference. "It's not a zero-sum game."

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The president has also focused on banning institutional investors from buying singlefamily homes, saying big investors make it harder for Americans to purchase homes.

These investors own a tiny portion of the overall housing stock: less than 3%. But that translates to hundreds of thousands of homes, concentrated in cities such as Atlanta and Charlotte, N.C. Forbidding these investors from renting out homes might expand the supply of for-sale properties by 1-2%, economist Joseph Gyourko estimated in a recent Brookings analysis. But it would push rents up by shrinking the rental pool.

Tariffs replace taxes

Despite the Supreme Court decision invalidating his emergency tariffs, Trump reiterated his belief in tariffs as a powerful economic tool, saying they could "substantially replace" federal income tax.

"This is not within the realm of possibility," said Kimberly Clausing, a tax-policy professor at University of California, Los Angeles, and a former Treasury official in the Biden administration.

Tariffs were a primary source of federal revenue before the introduction of income taxes in 1913. Today, individual income taxes make up about half of federal revenue, dwarfing tariff payments.

The U.S. collects more than \$2.5 trillion a year in individual income taxes, while total tariff collections this fiscal year, before the Supreme Court decision, were on track to reach \$420 billion, the Congressional Budget Office said.

Treasury Secretary Scott Bessent has said he expects his department to take in about the same amount of tariff revenue in 2026 as before, due to new tariffs Trump has imposed since the court ruling, though other estimates say revenues might drop.

Eliminating fraud

Trump suggested the U.S. could balance the budget by eliminating fraud. If "we're able to find enough of that fraud, we will actually have a balanced budget overnight. It'll go very quickly," Trump said.

The government loses \$230 billion to \$520 billion annually to fraud, the Government Accountability Office said.

Meanwhile, the federal deficit—the gap between revenue and spending—is roughly \$1.8 trillion a year. "The bottom line is the numbers don't come close to adding up," said Kent Smetters, an economics and public-policy professor at the University of Pennsylvania's Wharton School.

Fighting fraud effectively also costs money, he added. "If you could just flip the switch, of course just flip the switch. The problem is it costs you money to combat that," Smetters said.

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