

## WSJ Print Edition

*An inchoate Trump may yet point to a U.S. strategy to deal with China.*



## BUSINESS WORLD

## Making Sense of the Trade War

As readers will have figured out without my help, Donald Trump can yet save himself by rapidly negotiating away the swingeing and arbitrary "reciprocal" tariffs he imposed on more than 100 countries and quasi-independent territories.

That is, if once-friendly countries don't now identify Trump-led America as an enemy that should be fought rather than negotiated with. And if cascading harms to business don't tank the economy anyway, helped perhaps by unsuspected credits risks exacerbated by repeated bouts of market confusion and volatility.

By Tuesday, hallelujah, disputes with most countries seemed more likely to be papered over, leaving only an epic showdown with China, whose \$500 billion in annual exports to the U.S. are threatened now with a tariff load approaching 104%.

Interestingly, the perception that the emphasis was switching to China seemed to underlie Tuesday's tentative stock market recovery, albeit later unraveled by countervailing concerns about Trump competence.

The numbers never particularly justified hysteria. Tariffs land only on the wholesale value of imports, often half or a quarter of the retail price after U.S. distribution costs and markups are tacked on.

Treasury Secretary Scott Bessent predicts an effective tax increase of about 1% of U.S. consumption, with offsetting benefits in the form of increased federal revenue plus opportunities for certain domestic manufacturers to charge higher prices to U.S. consumers.

It's what might happen next that worries the market. If you wonder why I spent three years attacking Joe Biden for all but assuring Mr. Trump's return to the White House, this is why. Mr. Trump is finally taking the global economy on the wild ride he's been threatening since 2016 by exploiting the trade powers Congress (unwisely and likely unconstitutionally) delegated to the executive.

It falls now to Congress plus the courts to call a halt if a coherent Trump plan doesn't emerge fairly soon from the chaos. Unfortunately, on Tuesday the chaos worsened, with Elon Musk calling Mr. Trump's trade adviser a "moron" and White House leaks painting Commerce Secretary Howard Lutnick as an emotional loose cannon.

On the GOP side, House Speaker Mike Johnson emerged as a stopgap but has shown himself a dexterous operator. In John Thune, the GOP picked a Senate leader who steers clear of Trumpian excess.

On the Democratic side, Reps. Ro Khanna and Seth Moulton are sane and publicspirited. California Gov. Gavin Newsom is paddling toward the center. Polls show voters surprisingly more pro-trade than in past years. Lawyers and even Republican senators argue persuasively the Trump tariffs aren't legal.

If Mr. Trump can't make sense of his initiative quickly, this is the posse that's coming for him.

He can start by jettisoning a MAGA conceit that the 1950s-to-1970s are coming back, when certain workers supposedly could afford a second home and college for the kids on a factory wage.



Yes, in a few industries like autos, steel and coal—where centralized labor blackmail had yet to be squashed by energetic Asians and Europeans recovering from World War II. Forget it if you worked in a textile mill. Now, with the whole planet gobbling up education, don't expect American greatness to come from rewarding workers for not acquiring skills.

So what's the real problem? Economists don't agree on what exactly puts the im in today's imbalances, either too much Chinese or too little U.S. saving (don't ask). But both sides have been piling up unservicable IOUs to keep the wheel turning and producing, among other results, U.S. trade deficits that are not politically or economically sustainable. Whatever Mr. Trump had in mind when he started, his trade-war gambit now will either aid the necessary adjustment or (just as likely) cause gratuitous damage by failing to aid it.

No, it won't be 1929 all over again. Virtually impossible in our social media age would be months and months of passivity and thumbsucking by the political class in the face of a collapsing economy. But an eternal challenge remains political bloody-mindedness, say, of the kind that had Roosevelt spurning a Hooverite bank-confidence plan until FDR could get elected and take credit for it himself.

In his 25-hour floor speech last week, Democratic Sen. Cory Booker usefully cited his own party's contribution to today's mess. It will take more patriotism than we've seen lately if Trump-plus-traditional Washington need to work together to resolve a deepening crisis. On MSNBC, a falling stock market was news. Tuesday's abortive recovery wasn't. Instead, it was back to the "shocking" Trump firings of prosecutors and intelligence officials who targeted him as a candidate.

Kyle Bass, a private-equity manager, frets Beijing may yet use the turmoil to attack Taiwan. Those who pooh-pooh the stock market as a concern only of the rich apparently think they aren't going to feel the cold as long as they don't own a thermometer.

Remember, it can still get worse.

*By Holman W. Jenkins, Jr.*

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