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On Trump economics

US president-elect made lots of promises about ending wars and Making America Great Again through tariffs and improving manufacturing in the country. What details do we know?

The Return of Trump
By **Louis Jacobson and Amy Sherman Al Jazeera**
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United States President-elect Donald Trump campaigned on the simple message that he will fix what he sees as the country's problems: the border, inflation, housing prices, healthcare.

After Trump won the 2024 election, What does Trump's comeback mean for his constituents, and then East Asia? Al Jazeera asked their readers to send them their questions about his campaign promises. Most were about taxes, immigration, abortion, the Affordable Care Act, Social Security and Medicare. Analysts also expect the attitudes towards China to worsen.

We (Al Jazeera) tracked and rated 100 promises during Trump's 2024 campaign. Some hinge on situations not entirely within his control – such as his promise to end the Russia-Ukraine war within 24 hours of taking office.

During Trump's first presidency, he broke about half his campaign promises, kept about one-quarter and for the rest achieved a compromise.

We asked the Trump campaign about his 2024 promises, including his timeframe for telling the public his priorities for the beginning of his term. The campaign didn't answer our questions but did send a brief statement.

"The American people re-elected President Trump by a resounding margin giving him a mandate to implement the promises he made on the campaign trail," transition spokeswoman Karoline Leavitt said. "He will deliver."

The Economy

Reader: "Does Trump plan any tax breaks for middle-income Americans? Any child credits?"

Trump's plan to renew his 2017 tax bill would not provide new tax cuts so much as prevent a sharp tax escalation that would otherwise have hit if the law expired on schedule in 2025. Trump has not pledged to expand the child tax credit. In March 2023, he did float a “baby bonus” of cash for families with newborns but did not repeat this idea later in the campaign.

Trump promised to end taxation on tips, which would affect about 2.5 percent of workers. Trump also said he’d end taxation of Social Security benefits, overtime pay and car loan interest. All of these policies would require congressional action.

However, Trump has also pledged to enact a 10 percent to 20 percent across-the-board import tariff. If he follows through, the price increases on consumer goods “could more than offset the benefits” of Trump’s other proposed tax changes, Garrett Watson, a Tax Foundation senior policy analyst, said.

Reader: “Does Trump have any plans to reduce the cost of housing and rentals?”

The only promise of Trump’s that addresses housing is his idea to create “freedom cities” on federal land. It’s unclear whether those could be built quickly enough to have any quick, measurable effect on the US housing supply.

But experts said one Trump promise could make housing even more expensive: tighter immigration controls and mass deportations.

Deporting immigrants who are in the country illegally and restricting immigrants legally coming into the country “risks doing serious damage to the supply side of housing”, Stijn Van Nieuwerburgh, a Columbia Business School real estate and finance professor, said. “Some trades like roofing, masonry and drywall installation are highly reliant on immigrant labour. There are persistent labour shortages in plumbing and electrical work that immigrants help mitigate.”

Reader: “Trump has said he would slap Mexico with a 25 percent tariff. I live in Arizona, and a good share of our produce is from Mexico. How will this affect food and tequila prices?”

For grocery costs, experts said the effect on food prices will hinge on the scale of the tariffs Trump decides to impose and whether he allows carve-outs for certain sectors. If the tariffs are broad and deep, they could raise food prices.

“Profit margins for food are very low,” so the likelihood that producers would absorb the increased costs rather than passing them along to consumers “would not be sustainable”, Ross E Burkhart, a Boise State University political scientist and trade specialist, said.

US food producers "cannot quickly raise their production of food to offset the demand for important products", Burkhart said. With consistent demand but smaller supply, prices would rise.

Tariffs on imported agricultural inputs from tractors to fertiliser would contribute separately to higher food prices, Joseph V Balagtas, a Purdue University agricultural economist, said.

Finally, Trump's proposed mass deportations and stricter immigration limits would hamper farmers, who rely on immigrant workers. Less labour means more crop spoilage and higher prices, Burkhart said.

As for tequila, its price "will rise with a tariff and undoubtedly so will the cost of a margarita", Burkhart said.

Immigration

Reader: "Tell me more about this mass deportation plan. Who can he deport? Via what legal and logistical mechanisms?"

Trump promised "to carry out the largest domestic deportation operation in American history", but he hasn't detailed plans or explained how he will pay for it. He said he would begin by deporting criminals; that's not a new idea. Memos under President Joe Biden and former President Barack Obama called for the same.

Healthcare

Reader: "Could Trump repeal the Affordable Care Act?"

Trump broke his 2016 campaign promise to repeal the Affordable Care Act (ACA). In the past year, he has said he will not try again to repeal it, but he and Congress could change it substantially

To offset tax cuts he's expected to make, Trump would likely have to consider cutting Medicaid and the Affordable Care Act marketplace, said Cynthia Cox, an ACA expert at KFF, a health policy research group.

Trump's administration will face a decision next year on whether to back an extension of enhanced premium subsidies for the health law's insurance plans. Without the enhanced subsidies, steep premium increases are projected. And without the enhanced subsidies, the current 8 percent uninsured rate, which is near a record low, would almost certainly rise.

How Asia Is Bracing for Trump's Second Term

By **Chad de Guzman TIME**
November 8, 2024 5:30 AM EST

Donald Trump's comeback is now certain, after he decisively won re-election to the White House, but there is growing uncertainty over how his second-term administration will deal with the Asia-Pacific—a region of increasing strategic relevance and home to a number of international economic and security concerns for the U.S.

Experts tell TIME that Trump's first term, as well as his promises on the campaign trail, can offer clues about his potential approach to Asia. Shortly after his inauguration in 2017, Trump withdrew the U.S. from the Trans-Pacific Partnership, a trade deal involving many Asian states, signaling his dislike of multilateralism. As President, Trump did not regularly show up at regional summits. If he did, he attacked member-states of international groups, accusing them of abusing trade relations with Washington. Trump also questioned the fairness of mutual defense treaties that rely on American military power.

In 2018, Trump launched a trade war against China—placing tariffs on hundreds of billions of dollars worth of Chinese goods. And he's vowed to double down on tariffs in his next term. Yet he's also said that he "had a very strong relationship" with Chinese President Xi Jinping and aims to "have a good relationship with China."

Joseph Liow, dean of the College of Humanities, Arts, and Social Sciences at Nanyang Technological University (NTU) in Singapore, tells TIME that unlike in 2017, the fact that Trump already had a first shot at dealing with Asia means that come 2025 he'll be "more prepared." The people that make up his new Cabinet will also be insightful. The names of China hawks like Sen. Marco Rubio (R-Fla.), former trade representative Robert Lighthizer. Derek Grossman, senior defense analyst at California-based think tank RAND, says that more "isolationist" personnel may also hold senior posts, reflecting Trump's broader, transactional outlook on foreign policy.

But there's a limit to how much can be anticipated. Ben Bland, Asia-Pacific Programme director at London-based think-tank Chatham House, tells TIME that "in Asia, as elsewhere, Trump will be unpredictable because that is both his nature and his modus operandi." Kevin Chen, associate research fellow at NTU's S. Rajaratnam School of International Studies (RSIS), adds: "He might say one day that we would like to support our allies in the region … but the next day he might decide, 'I think we've paid too much.'"

Here are some of the ways in which Trump's second administration can be expected to engage with the region.

Economy

Trump has called himself "a Tariff Man," as trade levies are at the centerpiece of his economic platform, despite critics warning of the risk of an immense cost burden that would be placed on Americans. Trump has said he plans to impose a 60% tariff on Chinese goods and a 10-20% tariff on goods from other countries.

Asian economies that benefited from the previous trade war—after China moved manufacturing to these countries to avoid American levies—may suffer this time around, as Trump is expected to balk at U.S.-China trade flows simply being rerouted through other countries.

Stephen Nagy, visiting fellow at the Japan Institute for International Affairs, tells TIME that he believes there will be pressure on Asian countries "to recalibrate or selectively diversify from China" lest they face tariffs too. "This likely means that it's going to be more and more difficult for South Korea and Japan, Taiwan, Southeast Asian countries, Australia, etc., in doing business with China, because they'll also be subject to tariffs."

Such a tariff-heavy foreign policy could significantly impact Asia's trade-dependent economies. Southeast Asian states on average have a trade intensity—measured in trade-to-GDP ratio—that is double the global average, according to the Asia-based, trade-focused philanthropic group Hinrich Foundation. Al Jazeera and the *Economist* reported that global consultancy Oxford Economics found that Trump's tariffs would make "non-China Asia" a net loser, with American imports from the region expected to fall by 3% and exports to the region expected to fall by 8%.

Multilateral trade partnerships in the region also face risks. Last year, Trump said he would junk the Indo-Pacific Economic Framework between the U.S. and 13 other countries, many of which are in Asia, if he wins the election. Trump "believes the U.S. is better able to leverage its strength and size by working on bilateral ties," says RSIS research fellow Adrian Ang, adding that Trump doesn't want to be "tied down" by multilateral agreements.

While the possibility of U.S. removal from multilaterals can leave Asian economies exposed, Ang clarifies that, just like Trump, governments around the world are "more prepared" and "more resilient" against a "more protectionist" Washington. For example, after the U.S. withdrew from the TPP, Japan took leadership, and the Comprehensive Trade Agreement for the Trans-Pacific Partnership deal was launched in late 2018. The CPTPP aspires to be the "gold standard" for free trade agreements, and other significant economies like China and Indonesia have since applied.

Diplomacy

In his first term, Trump engaged with authoritarian leaders like North Korea Supreme Leader Kim Jong Un and Russian President Vladimir Putin.

Experts tell TIME that Trump is willing to engage with Kim again, given that he's spoken of his relationship with the North Korean leader throughout his campaign, claiming it was their personal ties that stopped Pyongyang, which has been steadily nuclearizing, from launching missiles. "I get along with him," Trump has said. "I think he misses me."

Putin has also expressed interest in reviving Moscow's relationship with Washington, which has languished because of U.S. support for Ukraine. Trump has suggested he would curtail that support as President.

When it comes to more traditional allies, experts think Trump, based on his transactional nature, will expect those in Asia to prove their worth. "They [the administration] will try and squeeze as much money as they can out of those allies," says RSIS's Chen, who adds that with Trump as the "final arbiter" of U.S. foreign policy as President, even countries that have established mutual defense treaties with the U.S. will have to convince him that they're deserving of not being forsaken. Last month, Trump said he'd have South Korea—whom he calls a "money machine"—pay $10 billion annually to host U.S. troops in the country.

Since the election, Japan and South Korea's leaders have expressed a desire to work more closely with Trump, but they've also already been showing that they are willing to pull their weight. Japan has pledged to hike its defense spending, and in 2022 it approved $8.6 billion to cover the cost of hosting more than 54,000 U.S. troops, who are mostly stationed in Okinawa east of Taiwan. Just before the election, Seoul and Washington inked a new five-year cost-sharing deal for the presence of more than 28,000 U.S. troops in South Korea. As part of the deal, South Korea will increase its contribution to 1.52 trillion won (over $1 billion) in 2026, an 8.3% rise from 2025's planned spending.

Trump is also expected to veer away from "values-based" alliances, experts say. In his first term, Trump signed bipartisan bills against human rights violations towards Hong Kong's democracy protesters and Uyghurs in Xinjiang. However, Grossman warns that Trump may be "more circumspect," as he reportedly was at times during his first term, about non-economic measures that could harm his relationship with Xi and challenge any potential trade deals.

Regional security

"I'm not going to start a war, I'm going to stop wars," Trump said during his election victory speech. But experts aren't so sure.

During his first term, his administration came up with the Indo-Pacific strategy, which seeks to ensure that the region is “free and open” to all, amid China’s increasing influence and assertiveness and which has continued under President Joe Biden. Grossman, like other experts have previously told TIME, says he does not see any sign that Trump will abandon this strategy in his second term.

The South China Sea, however, despite being an emerging conflict area in the region, will likely not be high on Trump’s list of priorities, says NTU’s Liow. But the U.S. may maintain a certain level of commitment as it’s “viewed in the larger context of the competitive relationship with China, which is not going to let up.”

And on Taiwan, the self-governing island which China has long claimed and the U.S. has unofficially supported, RSIS’s Chen tells TIME that Trump may choose to avoid U.S. involvement in potential conflict by striking a deal with Beijing. In October, Trump told the *Wall Street Journal*, “I would say: If you go into Taiwan, I’m sorry to do this, I’m going to tax you”—referring to tariffs—“at 150% to 200%.” When he was asked if he’d use military force, Trump said: “I wouldn’t have to, because [Xi] respects me and he knows I’m f— crazy.”

“Beijing might actually be able to take Taiwan without too much U.S. interference and if that's the case I fear a greater kind of destabilization across the region,” Chen says, noting that allies in the region would be fearful that the U.S. is unilaterally dropping protections for other countries in Asia. And while Trump has promised to stop wars in the Middle East and Ukraine, Nagy, the Japan-based scholar, says he’s unlikely to try to do the same for the ongoing civil war in Myanmar. “I suspect he’ll say, ‘It's not my problem. It’s the regional countries’ issue, and they need to deal with it,” says Nagy. “If they’re not willing to commit to dealing with Myanmar, then why should the United States put its resources into putting Myanmar back together?’”

Nagy also says navigating northeast Asia’s security threat will be different this time. “The equation has changed,” he says. On top of nuclearization, Trump is faced with a North Korea that has been increasingly tied with Russia. Pyongyang has supplied millions of munitions and deployed North Korean soldiers to Russia to aid in its fight against Ukraine.

Ultimately, experts suggest, if Trump’s anti-war stance means that he’ll negotiate with and make concessions to threatening players in the region like North Korea and China, then traditional allies in the region will resort to beefing up their firepower. “I feel that if countries cannot trust the U.S. nuclear umbrella then they might need to explore their own nuclear deterrent,” Chen says. It won’t feel safer. “It will be a tremendous mess.”

What Trump's 2024 election win means for Asian companies

By Reuters

November 7, 20244:13 PM GMT+

TSMC logo is seen at TSMC Museum of Innovation in Hsinchu, Taiwan, May 29, 2024. REUTERS/Ann Wang

Nov 7 (Reuters) - Donald Trump has been elected U.S. president, capping a remarkable comeback four years after he was voted out of the White House.

Here is what companies in Asia have invested in the United States, what Trump has said about them and what potential U.S. business policy changes would mean for Asian companies.

SEMICONDUCTORS

Asian chipmakers, led by Taiwan's TSMC and South Korea's Samsung Electronics, have announced plans to invest at least $117 billion in the U.S. in total, encouraged by the current U.S. administration's key initiative aimed at lowering its reliance on Asia for high-end chips.

In return, they have received or been pledged grants and financial support amounting to at least $18.85 billion, according to Reuters' calculation.

It's unclear if Trump would roll back the scheme, which he called "bad." He made comments on the campaign trail that Chinese-claimed Taiwan should pay to be protected and also accused the island of stealing business from American semiconductor companies.

Taiwan's GlobalWafers (6488.TWO), said on Thursday it expects the subsidy programme to continue in a Trump administration.

ELECTRIC VEHICLES

Trump has floated the idea of a 10% or more tariff on all goods imported into the U.S., a move he says would eliminate the trade deficit.

He has also threatened a 200% tariff on some imported cars, and is particularly determined to keep cars from Mexico from coming into the country. The tariff would hit multiple Asian automakers including Honda Motor Nissan Motor and Kia Corp (000270.KS)

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Honda chief operating officer Shinji Aoyama warned on Wednesday that tariffs on vehicles imported from Mexico would have a huge impact as the company sends 80% of its production there to the U.S. market.

He said if such measures became permanent, Honda would have to consider shifting production to the U.S. or another tariff-free country in the long run.

EV BATTERIES

South Korean battery makers and Japan's Panasonic (6752.T) , which have multiple EV battery factories operating in the United States, are now bracing for a potential roll back of President Joe Biden's signature clean energy policy and looser emissions regulations.

Trump told Reuters in August that he may eliminate a $7,500 tax credit for EV purchases.

Since 2023, LG Energy Solution (373220.KS), and SK On have received 2.6 billion won ($1.9 million) in U.S. federal credits for making battery cells in the United States, according to Reuters' calculation based on their stock exchange filings.

Without those manufacturing credits, they would have posted losses, the companies said.

However, U.S. restrictions on Chinese batteries may remain in place or toughen under a second Trump administration, a policy that would benefit rival South Korean producers.

CHINA

Chinese businesses are waiting to see if Trump makes good on a threat to impose tariffs of 60% or more on imports from China, which could kickstart a fresh trade war reminiscent of the one he waged during his 2017-2021 presidency.

The trade war hit sectors across the board, from manufacturers of vacuum cleaners to machinery, with tariffs imposed on more than $200 billion of goods. The Biden administration has kept most of the tariffs in place.

Several Chinese companies were also hit with export controls by the Trump administration citing national security, such as Huawei Technologies which was barred from purchasing high-end chips, crippling its smartphone business.

Other Chinese tech firms targeted include ByteDance and Tencent , whose respective TikTok and WeChat social media apps came under threat of being banned from operating in the U.S.

Some Chinese exporters are making plans to accelerate relocation or open factories outside China to cope with Trump's return.

But some Chinese tech executives are betting that Trump's combative approach could work in their favour, as U.S. efforts to slow China's technological progress might fail to gain international support.

Nazak Nikakhtar, a Commerce Department official under Trump who knows his current advisers, said she expects a Trump administration to be much more aggressive about export control policies towards China.

The impact of Trump's proposals will vary significantly depending on which combination of policies are pursued and how exactly each policy is structured. Some of Trump's tax proposals are well-designed and would be efficient ways to promote long-run economic growth, such as permanent expensing for machinery, equipment, and research and development (R&D).

On the other hand, some of his tax proposals are poorly designed and would worsen the structure of the tax code while only creating a muted impact on long-run economic growth, such as the exemptions for tips and Social Security income.

Worse yet, Trump's reliance on import tariffs to offset the cost of tax cuts comes with major downsides. Tariffs are a particularly distortive way to raise revenue, especially as they invite foreign retaliation. We estimate Trump's proposed tariffs and partial retaliation from all trading partners would together offset more than two-thirds of the long-run economic benefit of his proposed tax cuts.

A New Trade War Would Undermine the Growth of Tax Reform

Change in Long-Run GDP from Trump's Tax and Tariff Policies

As with any economic model, ours does not capture all the possible effects of the proposed tax and tariff policies, such as changes in compliance costs, the geopolitical implications of further trade wars, the impact of different tax burdens on different sectors and types of investments, or how uncertainty affects economic decision-making.

Our estimates illustrate that Trump's proposed tariffs threaten to offset much of the economic benefits of his proposed tax policy changes, and of those proposed tax policy changes, many move in the opposite direction of simple, pro-growth, and fiscally responsible tax reform.

We exclude from our formal modeling an idea floated by vice presidential candidate Sen. JD Vance (R-OH) to increase the child tax credit to $5,000—as the campaign has not confirmed support of the proposal—as well as Trump's recent proposal to end double taxation of Americans abroad, though we include the potential cost of both policies in our range of potential budgetary estimates below. We also exclude the proposal to create a tax credit for family caregivers, as the campaign has not specified a design.

Economic Effects of Trump's Tax Proposals

Using the Tax Foundation's General Equilibrium Model, we estimate Trump's tax proposals would increase long-run GDP by 0.8 percent, the capital stock by 1.7 percent, wages by 0.8 percent, and employment by 597,000 full-time equivalent jobs.

We estimate the proposals would increase the 10-year budget deficit by $3 trillion conventionally and $2.5 trillion dynamically. The debt-to-GDP ratio would increase from its long-run projected level of 201.2 percent to 223.1 percent on a conventional basis and 217 percent on a dynamic basis. Increased deficits and a higher debt load would require higher interest payments on the debt that would reduce American incomes as measured by GNP by almost 0.8 percent; the higher interest payments drive a wedge between the long-run effect on output of 0.8 percent and the long-run effect on GNP of -0.1 percent.

Table 1. Economic Effects of Trump's Tax Proposals

GDP	0.8%
GNP	-0.1%
Capital Stock	1.7%
Wages	0.8%
Full-Time Equivalent Employment	597,000
Baseline Debt-to-GDP Ratio, 2065	201.2%
Conventional Debt-to-GDP Ratio, 2065	223.1%
Dynamic Debt-to-GDP Ratio, 2065	217.0%

Source: Tax Foundation General Equilibrium Model, October 2024.

Permanence for the individual, estate, and business tax provisions of the TCJA would increase long-run economic output by a combined 1.1 percent when modeled with the cap on SALT deductions limited to $10,000. However, if Trump's proposal to "get SALT back" means discontinuing the $10,000 SALT cap, removing the cap from TCJA permanence would boost GPD by an additional 0.7 percent, as the SALT cap creates a burden on labor income as well as housing investment.

Exempting tips, Social Security, and overtime pay from the income tax together boost long-run output by 0.4 percent, most of which comes from exempting overtime pay. Creating an itemized deduction for auto loan interest would lead to a slight additional boost in output.

We modeled Trump's proposed 15 percent corporate tax rate for domestic manufacturing as a restoration of the prior DPAD set at 28.5 percent to reach an effective corporate tax rate of 15 percent. By lowering the effective corporate tax rate for a subset of corporations, it would increase long-run economic output by 0.2 percent.

Trump has also proposed eliminating the green energy tax credits put in place by the IRA. Because the IRA tax credits are temporary expansions, we do not find a long-run economic impact from eliminating them.

We estimate the proposal to impose a universal 20 percent tariff on all imports plus additionally raise the tariff on imports from China to 60 percent (the current Section 301 tariffs result in a weighted-average tariff rate on imports from China of about 10 percent), would shrink long-run economic output by about 1.3 percent. To illustrate the potential harms from foreign retaliation, we estimate the impact of a 10 percent tariff on all goods exports plus additional in-kind retaliation on US goods exports to China. We estimate retaliation would reduce US GDP by an additional 0.4 percent in the long run while raising no additional revenue for the US government.

Revenue Effects of Trump's Tax Proposals

On a conventional basis, we estimate Trump's proposed tax changes would reduce federal tax revenue by $3 trillion from 2025 through 2034. The revenue loss falls to $2.5 trillion on a dynamic basis.

Permanence for the individual provisions of the TCJA would reduce revenue by $3.4 trillion if the SALT cap is made permanent, but extending the individual provisions without a cap on SALT would add another $1 trillion to the 10-year estimate, resulting in a combined $4.4 trillion reduction in revenue. Permanence for the estate tax changes would reduce revenue by $205 billion while permanently reversing the phaseout of bonus depreciation, the amortization of R&D expenses, and the tightening of the business net interest deduction (restoring the deduction to 30 percent of EBITDA rather than EBIT) would reduce revenue by another $643 billion. Altogether, permanence for the individual, estate, and business tax provisions without a cap on SALT would reduce revenue by $5.3 billion. Retroactive restoration of the business tax provisions could add billions more that we do not account for here.

The five additional major tax cuts proposed by Trump—exempting tips, Social Security, and overtime pay from income tax; creating an itemized deduction for auto loan interest; and lowering the corporate tax rate to 15 percent for domestic production—add another $2.5 trillion to the 10-year revenue reduction.

To offset part of the nearly $7.8 trillion of tax reductions, Trump has proposed repealing the IRA green energy credits, which we estimate would raise about $921 billion over 10 years, and imposing steep new tariffs, which we estimate would raise about $3.8 trillion over 10 years.

In 2034, we estimate the bottom 40 percent of households would see tax increases, on average, with after tax income falling by 0.6 percent for the bottom quintile and by 0.4 percent for taxpayers in the 20th to 40th percentile. Middle income taxpayers would see very slight tax cuts on average, with after-tax income increasing by 0.3 percent in 2034. The top two quintiles would see the largest increases in after-tax income, ranging from 1.4 percent for taxpayers in the 60th to 80th percentile to 3.1 percent for the top quintile. Increases for the top 1 percent are even larger, reaching 4.1 percent in 2034. In the long run, accounting for economic growth, all income groups would see an increase in after-tax income, although higher income earners would see a larger increase.

Tariffs

To model the economic effects of tariffs, we treat them as an excise tax applied to US imports. As an excise tax, tariffs create a wedge between the price a consumer pays and the price a producer receives. In Tax Foundation's modeling, we hold the price level constant, passing tariffs back to the factors of production. In other words, tariffs reduce the amount of revenue businesses have to compensate their workers and shareholders, resulting in a reduction in real incomes.

To model the revenue effects of US-imposed tariffs, we first shrink the tax base using an elasticity of import demand of -0.997. From there, we multiply the import tax base by the inclusive tariff rate (the rate divided by one plus the rate) to estimate initial tariff revenue. To estimate how total tax revenue changes, we apply a compliance rate of 85 percent, based on the average tax gap, and income and payroll tax offsets of approximately 27 percent. If imports are more responsive than we have estimated, tariff revenues would be lower. On a dynamic basis, revenue falls further as tariffs and foreign retaliation result in a reduction in real incomes and output.

15 Percent Rate for Domestic Production

We modeled Trump's proposal for a 15 percent rate on domestic production as a restoration of the DPAD that was in effect from 2004 to 2017. To reach an effective tax rate of 15 percent, we set the deduction value at 28.5 percent ((21% * (1 -.285) = 15%)).

Tips

To estimate the revenue effect of exempting tips from income tax, we projected a baseline of tip income by taking tips as a share of total wage income based on 2018 data, assumed a 10 percent increase in tips, and applied the marginal tax rate on wages faced by taxpayers making between $30,000 and $40,000 under TCJA policy.

Auto Loan Interest Deductions

We use data from the Survey of Consumer Finances (SCF) to estimate auto loans held by households at different income levels and derive the interest payments on auto loans by income level. We use Tax Foundation model data to estimate itemized deductions of these interest payments and conventional revenue effects and distributional impacts over the budget window. We grow the revenue over the budget window by changes in projected aggregate auto loan amounts and CBO's forecast of future interest rates. We model the macroeconomic effect of this proposal as a reduction in the marginal tax rate on wage income.

Overtime Pay

We relied on the Consumer Population Survey (CPS) data to formulate a baseline estimate of overtime pay of 2.65 percent of salary and wage income overall, while the shares vary by quintile. We modeled overtime pay as a fixed portion of income by quintile, facing the marginal rate on wage income for each quintile under TCJA policy.

(It would seem to me that there are no obvious pros and cons of Trump's ideas on the US economy. A lot of the changes would be microscopic adjustments to existing policy. As such, given that its major competitor China is moving upscale into high tech production, the Trump economy would not be able to penalize China or Asian companies so blatantly that we can make definitive conclusions on winners and losers. We will also have to see how China responds. For example, China's military has demonstrated that it can move up the technological ladder to take on the US with sixth generation fighters and new weapons. The products of such innovation were demonstrated in their airshow held last week in Zhuhai. It was quite astonishing. I expect to read how the Chinese will meet the American challenge led by Trump as the new president, and they will just take it all in their stride.

Let the contest begin.)

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Un-Influencer in a World full of Hubris