

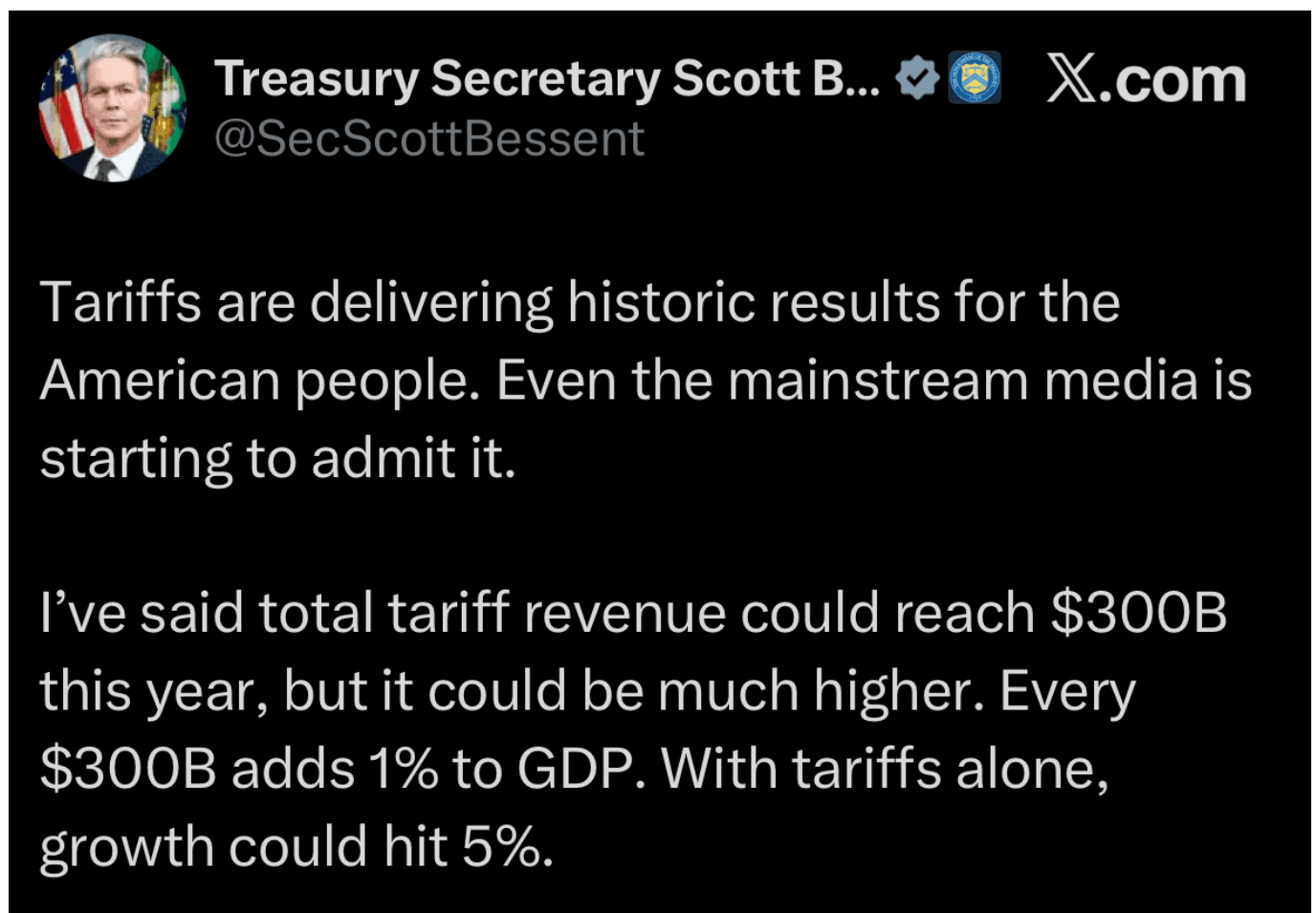


The Daily Dish

Gibberish on Growth

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As is Trump Administration best practice, Treasury Secretary Scott Bessent eschewed press releases, press briefings, or other mainstream media outlets and instead took to X to inform the American people:



In ordinary language, the claim is that raising taxes on American firms and households by \$300 billion will raise growth in gross domestic product (GDP) by a percentage point. And

this would bring growth to 5 percent.

Eakinomics doesn't get it.

Now, one possibility is that his isn't ordinary language. Instead, it is a Trump Administration "familect" that includes shorthand and shared experiences that makes it understood by those officials. Right. Or, it could be that this is simply fuzzy thinking obscured by even fuzzier language. In that light, two observations are relevant.

First, \$300 billion is roughly 10 percent of imports, and imports are roughly 10 percent of GDP. So, in the [accounting identity](#):

GDP equals Consumption + Investment + Government Spending + Exports - Imports.

Lowering imports by 10 percent would appear to raise GDP by 1 percent. Problem #1: There is no reason why tariff revenue of 10 percent of imports means that imports fall by 10 percent. (Bigger) Problem #2: If you import a t-shirt for \$15, imports rise by \$15. But that is also \$15 of consumption, so the two cancel out. That makes sense because the t-shirt was not produced in the United States and should not be counted as part of GDP. The larger lesson is that imports are imported for a reason - to be part of household consumption, or business production, or business investment. Simply looking at imports in isolation is never the right answer.

The second piece of fuzzy thinking is the claim that the United States is going to see 5-percent GDP growth. The growth of GDP is determined by the growth of employment and the growth of GDP per worker, or productivity. Currently, employment growth is a hair above 0.5 percent annually. It is extremely unlikely that productivity growth will reach 4.5 percent.

The Treasury Department is full of high-quality analysts who know both these points inside and out. It has communications specialists who can frame an issue and fact check a statement. There is simply no excuse for this gibberish to appear anywhere in the public domain.