EconoFact Chats: Unpacking Tariff Uncertainty, the Budget Bill, and a Debt Downgrade
Binyamin Appelbaum (The New York Times), Scott Horsley (NPR), Larry Edelman (Boston Globe), and Heather Long (The Washington Post)
Published on 1 June 2025

Michael Klein
I'm Michael Klein, executive editor of EconoFact, a non-partisan web-based publication of The Fletcher School at Tufts University. At EconoFact, we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at www.econofact.org

Michael Klein
The discussion with a panel of prominent economic journalists has become a regular feature of the EconoFact Chats. The last of these episodes was in mid-March two and a half months ago. Since that time, the House has passed the so-called 'big, beautiful budget bill' that has important changes for taxes and spending. Moody's has downgraded U.S. debt. Tariff policy continues to be volatile, with tariff increases that are then reversed and then increased again. Companies like Walmart have announced that the tariffs will be passed on with increased prices, while the President says companies should 'eat the tariffs.' The dollar has fallen in value, although the Treasury Secretary says it's not just that the dollar is weak, but that other currencies are strong, and there have been attacks on major universities through funding cuts and threats to not allow them to enroll foreign students. So that's a lot of news for 10 weeks. To make sense of it all, I'm happy to welcome to EconoFact Chats our panel of journalists: Binyamin Appelbaum of The New York Times, Larry Edelman of The Boston Globe, Scott Horsley of NPR, and Heather Long of The Washington Post. Heather, Larry, Scott, and Binyamin — welcome to the podcast.

All
Thank you. It's great to be here.

Michael Klein
Heather, we started off our last panel episode by my asking you about the chances of the economy going into a recession. I referenced a discussion you had just published with Catherine Rampell and Natasha Sarin. More recently, you published a video 'The U.S. is on the Verge of a Recession.' How have your views changed over the past 10 weeks about the likelihood of a recession and why?

Heather Long
Starting with the easy ones! Thanks, Michael. So I feel good that the meta title of that piece that you referenced was 'there's really only one thing, one way to avoid a recession.' And that was what we all know, President Trump pulling back on the tariff threats. And that's exactly what we've seen happen in the last few weeks, and even in the last few days with the threats of tariffs on the EU and then pulling those back. It's funny, in a weird way, to be sitting here celebrating that we're still going to have a 10% tariff on pretty much everything coming into the country, and probably some incremental other tariffs remaining, but it's certainly so much less than what we were looking at the last time we were chatting, kind of

heading into Liberation Day. What I will say, from a journalist's perspective — and I'm so glad we have Larry on our panel today — is, I think there's a high chance, maybe not of an overall recession now for the economy, but of a regional or niche recession, or whatever fancy term you want to use, and we're already starting to see it. When I talk to people in Michigan in border towns, they can tell you that nobody's coming over from Canada to the restaurants and how this is decimating the local tourism economy. Or I was just talking to some truckers that I keep in touch with, 18-hauler truckers, and in their industry, it certainly feels like a recession, with such a boom to get all those goods in in February, March, early April, and now, as we all know, the ports in LA and the West Coast are pretty much empty, or a lot lower than normal. It's funny. My trucker friend said he just ran into a bunch of Canadian truckers at his last stop, because all this stuff is being rerouted to the ports in Canada that normally probably would have come into the U.S. So, we're starting to see some of what was inevitable, of rerouting of goods. Obviously, the DC area where I'm sitting has been hit really hard by the DOGE cuts. And hardly a day goes by that I don't hear, as The Washington Post has reported, there's been more restaurant closures so far in 2025 in DC than in 2020…

Larry Edelman
Wow.

Heather Long
..with the same period, which really kind of hits it home about those implications. So I think that will become a greater part of the conversation and the story in the coming weeks, and less about are we going to be totally in a recession by the end of the summer?

Michael Klein
Larry, you had a recent *Trendlines* column. Maybe that's the one Heather is referring to, about the effects of the government's policies on New England. What did you find, and how do you think this applies, or maybe doesn't apply, to other areas of the country?

Larry Edelman
Well, Michael, intentionally or not, Trump's research funding cuts, the tariffs, and his crackdown on immigration have the potential to hit Massachusetts especially hard, and that has to do with the nature of the economy here. Massachusetts…the economy is a highly interconnected web of colleges, hospitals, research labs and biotech companies, and we receive more National Institutes of Health grants per capita than any other state. So clearly, bad news when the NIH is cutting back on its reimbursement for indirect costs, overhead and so forth. Some schools are already freezing hiring, they're pausing graduate student admissions, and are winding down research projects, so it's already starting to have an impact and we're kind of in that mode where we're bracing. It really hasn't hit yet, but we're like in hurricane watch, and it's about to go to warning, and people are putting up the wood on the windows. The state has announced the hiring freeze across most of its operations. And the other thing that's going on here is that at the center of the Massachusetts ecosystem is Harvard, and Trump has said, Trump has laid siege to Harvard financially, and he's eliminated all the funding. He's moving to strip the school's tax exempt status, and he's blocking the admittance of international students, although just a few minutes ago, he said, well, maybe there

should be a cap of 15%. It's currently closer to 27-28% I believe, of international students. You know, Paul Krugman wrote on his sub stack over the weekend that if Trump succeeds in destroying Harvard, and he didn't define what destroying is, but he said that the state's eds and meds and biotech sector could collapse. That's a good 20% of our employment base. So there's a lot of concern here. And even more damaging, according to Mark Williams, who's a finance professor at BU, who's done a study, could be the tariffs. Tariffs, we've got 9000 companies who employ 100,000 people. Trade accounts for about 9% of GDP here, and if the higher tariffs stay in place, he sees it triggering a recession that could cost Massachusetts up to 100,000 jobs. So right now, I talked to Ivonne Howe, who just stepped down as the state's Economic Development Secretary, and she said, things are bad and they're going to get worse. And I think that's the prevailing feeling here right now.

Michael Klein
Binyamin?

Binyamin Applebaum
I think the President has a real interest in avoiding a recession in the near term. I don't know that he'll succeed in doing it, but he does have some tools at his disposal, backing off the tariffs, stimulating the economy. He clearly wants that outcome, and he may succeed in achieving it, I don't know. But I think what's important to pay attention to – and what he pays no attention to – is the long-term consequences of these policies. Because what's absolutely clear is that whether or not we dip into a recession in the short-term, the types of impacts that Larry is describing are going to have enormous negative long-term consequences for our economy. The disinvestment in research, the discombobulation of international trade, his total indifference to our foreign alliances or our role in the global economy, all of these things are significantly undermining the long-term growth of the American economy in ways that will be very difficult to repair or to reverse. And so more than the question of whether in the next year we fall into recession, it seems to me that it behooves us to focus on the question of how much damage we are doing to our long-term economic trajectory.

Michael Klein
Well, I read your piece in The New York Times Sunday magazine about that. Binyamin, I'd like to follow up on that a little bit. But before I do, Scott, you do reporting, I guess maybe three or four times a week. What have you been seeing over the last 10 weeks, and what have you been reporting on in terms of employment, inflation, and the state of the economy?

Scott Horsley
Well, if you look at the official stats, we have inflation and employment numbers up through April, and things were still looking pretty good. Inflation was cooling, we got some help there, egg prices finally started coming down, gasoline prices coming down. The job market's holding up…was holding up pretty well all through April. But when you get these numbers, it's like you're looking at a fossil from a time past, because we just know that the gyrations of tariff policy are going to throw a monkey wrench into this. You've got Walmart saying there's just no way with these tariffs that we're not going to pass some of these cost increases on to consumers. Not every retailer has been as forthright as Walmart, but I think the

story is pretty much the same for all of them. And as Heather says, even though the President has backed off the most punishing tariffs, whether it's the 145% tariffs on goods from China, or more recently the threat of a 50% tariff on goods from Europe, the tariffs that remain are still the highest we've had in this country since the Great Depression, almost a century ago. These are still costly tariffs. And even though the stock market gets really excited every time Trump backs down, I've been talking to importers, people on the ground trying to deal with this in real, physical goods, and they're not relieved. They're not celebrating. I mean, one importer told me, 'I've gone from drinking poison to just having to drink spoiled milk.' You know, 'I'm no longer worried that my company is going to go out of business, but I am looking at a year, possibly two years, with zero profits.' So these are still punishing taxes on imports that the President's got in place and that can't ultimately be good for the economy.

Michael Klein
That's a very evocative metaphor. I'm not sure I like it, but thanks for introducing it, Scott. Binyamin, I would like to go back to that article you recently published in the New York Times Sunday magazine. You wrote, 'America's era of economic dominance is ending and its political hegemony is unstable.' And you cited the work of the historian Fernand [Braudel], who wrote, 'cycles of history are hard to break.' He has sort of a very big view of things. What did you conclude when you were writing that article?

Binyamin Applebaum
I think it was interesting. For me, it was an exercise in stepping back and taking a longer view, not so much of what Trump is doing, but of the context in which he's doing it, which I think gets lost sometimes. We are in a period of prolonged loss, relatively speaking, of industrial supremacy. This is something that started long before Trump, and seems to me entirely unlikely to reverse itself. One thing I find really interesting about the work of Fernand Braudel is that he highlights the way in which finance follows industrial development and displaces it, so that as societies become increasingly financialized, that becomes the focus of their economy, and in some ways, underwrites and determines the decline of their economies, or at least of their relative economic power. These trends seem to me to be playing out in the American economy in ways that Trump did not cause and cannot reverse. And I think we focus a lot on his importance as a historical figure, and the significance of the various things that he's doing, but I think it's sometimes important to step back and to recognize that there are also senses in which he's just a cork bobbing on the currents of history, and the really important challenges that we face are less about the specific decisions that he makes, than about the broader contours of our nation's economic trajectory in a period in which we clearly have ceded manufacturing dominance to China in ways that are irreversible, and need to navigate the question of how we work in a world in which we are no longer dominant in the ways that we once were.

Michael Klein
Well, that is interesting to step back. If we step forward once again and think about tariffs, a policy that's been very volatile, and the uncertainty arising from them has been really important. Larry, you recently had an article entitled, 'Trump's Trade War Hits Home: The Economy Shrinks for the First Time Since 2022.' How is the trade war seen as the cause of the shrinking of the economy?

Larry Edelman

Well, that's an interesting question. That was the Q1 GDP report, which, most of us in the media put a headline on of 'tariffs hit the economy.' And noting that it was the first decline in GDP since 2022 I believe. The interesting thing here is that tariffs, in and of themselves, don't have an impact on the GDP calculation. This is something I had to learn, you know, as an English major who never got beyond 10th grade in math that tariffs don't directly impact the calculation of GDP, but they did change behavior in a way that changed GDP. And what we saw in the first quarter was that businesses were stocking up on imports a lot, to get ahead of the tariffs, and, in doing that, it seems as though many reduce the amount of domestic purchases they made. And in that regard, domestic purchases, which do count toward GDP, were reduced. So the indirect impact of the tariffs, or the anticipation of tariffs, was a decline in domestic investment that pushed growth negative. That wasn't a huge drop. And it doesn't mean we're in a recession by any means. The easy hand version of a recession is two quarters of GDP contraction. We haven't had that yet. And jobs have not disappeared in the way that would lead you to think we were in a recession. Consumer spending is holding up. Consumer confidence is way down, So we'll see. But it was really…the importance of that report was it put the impact that tariffs could have on the economy front and center. It also forced a lot of people, or prompted a lot of people, I should say, to raise their recession forecast, as we've already discussed, and you saw some very credible people putting their recession forecast of up to 50%. Some are even higher. And the third point I'd make about that report is that there were good, there were good pieces of data in there as well. There's something called Real Final Sales to Private Domestic Purchasers, which a lot of economists look at, and those were in pretty good shape. So it wasn't the kind of report that you would come away and say, 'oh, recession is, you know, going to happen 100%,' but it did raise that concern level even more.

Michael Klein

So what you're alluding to Larry is the way in which tariffs might shift consumption from buying foreign goods to buying domestic goods because of the price increase, but the anticipation of the tariffs led to people sort of stocking up on foreign goods as much as they could. But in terms of the possibility of tariffs having people switch to American made goods, Scott, you had an interesting example that suggests this might not be so easy. Can you tell us what you found about shower heads in Texas, and what that might imply for the economy?

Scott Horsley

Yeah, there's a company based in Austin, Texas, that sells shower heads that have a little built-in filter that take out the chlorine and some of the heavy metals and so forth that some people might not want, and apparently they're selling pretty well, but they're imported. They're all made in either China or Vietnam, and so when the President threatened to slap steep tariffs on imports from those countries, the head of this company kind of went looking to see what it would cost if he had to make the same product in the United States. And one thing he found is that there was nobody in the United States that had a one stop shop that could do all of that, as the factories do in Asia. He would have to stitch together a supply chain, one fabricator to do the plastic mold injecting, and one to do the metal plating, and one to make the filter, and one to assemble the whole thing. And those factories might be in different parts of the country, so he'd have to hire trucks to haul the parts around and so forth. All in all, it was going to cost about 85% more than to ship the finished product in from Asia. So he did a little experiment on his website where he asked people would you be willing to pay 85% more for a made in the USA product? And we often hear people say, ‘oh, I would. I would gladly buy by domestic if I could, but there, it's just not available.’ What he found was pretty stark. Zero of the customers said they were willing to pay more. 100% opted for the cheaper imported item. Now, maybe if the price difference was 5% instead of 85% that would be a different story. I went to my neighborhood hardware store, just to sort of see what kind of shower heads were on display, and almost all of them were made in China. There was one that was made in Connecticut. So I called up the Connecticut company to find out how they kind of managed to stay in business in this environment. And the guy said, ‘Yeah, you know, it's funny, we sell our shower heads through Ace and Menards, and Menard stocks them explicitly, because they're made in the USA. The ACE buyer told me he doesn't think people care where they come from,’ and I frankly think he's right. But his shower heads happen to be made of brass. They're fairly low labor content. They're easy to assemble, and even at that, it's challenging, he says, because a lot of the Connecticut based machine shops that used to make parts for it have gone out of business, and some of their bigger customers have gone overseas. So what I came away with from this thinking is, if you really wanted to bring this kind of manufacturing back to the US, and I'm not sure that's something we need to do, given customers desire to pay more for it, but if you really want to do that, you'd have to recreate that whole ecosystem – machine shops and plastic mold injectors and so forth. And that's going to take patience. That's going to take an extended period of time, and thus far, this administration has shown nothing like that kind of patience. I mean, we went from having the initial Liberation Day tariffs suspended in about a week's time, to then the China tariffs suspended in a few weeks time, and then, most recently, the threatened European tariffs suspended between…from Friday to Sunday. So the staying power of this administration to actually maintain the kind of farsightedness…forget the sort of decades long investment that Binya is talking about, but just to, just to maintain credibility from a Friday to a Monday to support that kind of investment, I just don't see it happening.

Michael Klein
It's also assuming that it's going to be a lot of workers instead of a lot of automation and machines who are making it so greater manufacturing doesn't necessarily mean more jobs.

Scott Horsley
No, the only way it makes sense economically is if it's highly automated, and not a lot of not a lot of labor costs.

Michael Klein
Right. Binyamin, you wanted to say something?

Binyamin Applebaum
That, you know, we actually do know the question to, the answer to the question of, What if it's 5% instead of 85%, because we had a national experiment conducted by Walmart in the 1990s – older listeners may remember this. They made a big made in the USA push, and what they found is that any price difference was sufficient to convince people not to buy the made in the USA product. It could be 5%

it could be less than that, people would pay literally no premium for made in the USA products. All the evidence suggests that the only way for an American manufacturer to survive, except in luxury or niche markets, but for mass consumer goods, the only way to survive is to be the cheapest option, and it doesn't matter where it's made.

Michael Klein
Heather, you also had an article about tariffs. You were looking at the effects of tariffs on a Pennsylvania furniture maker, and for that company, you found that tariffs led to greater sales, but there were some twists in the story as well. What did you find in talking to people there?

Heather Long
Yeah, I just add to what Scott and Binya said by…workers understand this. I think that sometimes in the East Coast media, we can have a bit of a looking down upon people without college degrees, or writing about them as if they just don't understand. But they do, you know. And as I walked around asking these workers who, even though their company was seeing an uptick in sales, how they think the tariffs were going, not a single person on this factory floor, from age 16 up to 60 something, thought it was going well. They think that they agreed with the executives that there's too much uncertainty, and the number one concern was prices. They understood that prices would go up as a result of this. They were really nervous about that. These are people who are earning 13 to $16 an hour, so this is very real for them, when you're starting to see even a 10% increase in prices. So I think that's what's really striking is that, not only is it not justified economically, but it's really not popular, and the Washington Post has also done some broader polling of manufacturing workers across the country, and it's really striking to see that none of this, polls over over 50% even with the workers – blue collar manufacturing workers – that are supposedly, possibly benefiting from what's going on here.

Michael Klein
Well, I know it polls at about 0% among professional economists.

Scott Horsley
Except for those that work at the White House.

Michael Klein
Yeah. Well, yes, I'm not going to comment any further on that, Scott, but I would like to shift gears a little bit now, because another big issue is the budget bill that was recently passed by the House and is going to the Senate. Moody's has downgraded US debt, and the ballooning deficits that would result from this bill could be part of the reason for that. There was a recent op-ed in the New York Times by Peter Orszag, who was the director of the Office of Management and Budget, and also the Congressional Budget Office in the first Obama administration. And the subtitle of the article is, 'It's Time to Worry about the National Debt.' Is it? Larry,

Larry Edelman
You guys remember the movie Marathon Man? There's a famous scene in there where Laurence Olivier, who's playing an ex-Nazi dentist, is torturing Dustin Hoffman for some information. He's looking for some gold, I believe, that his brother had stashed away, and he kept asking, is it safe? Is it safe? Is it safe? You know, depending on the pressure that he was putting on Dustin Hoffman's gum nerves, he would say, yeah, it's very safe, or no, it's not safe at all. And in the end, the decision about the US debt is it's going to be up to the bond market. Do investors think that the US is good on paying back its debt, and how much in premium, in extra yield, do investors, will investors want, if the debt is, you know, $36 trillion and climbing, and we're spending, you know, more we're paying the debt than anything else. So far, the bond market seems to be going back and forth. It's kind of like this debate is playing out in real time on my Bloomberg terminal in terms of looking at the prices and the yields of these Treasury securities. The reason that the big, beautiful bill is so important is it's going to add as much as three and a half trillion dollars to the debt over 10 years, and that got people sitting up and taking notice. Here's a Republican administration that comes in, and they're throwing fiscal responsibility out the window. Let's not even talk about the cruelty of the cuts they're making to social benefits like Medicaid and food stamps, but here we are running up the debt in order to give people tax breaks. So I think the one thing that's keeping things in check right now is the fact that this bill is going to change when it gets over to the Senate. There will be a bill, they will cut taxes, probably will increase the deficit. But investors are really waiting to get the signals from the Senate about how much, if any, they bring down in terms of the impact on the debt.

Michael Klein
Scott?

Scott Horsley
Yeah, I guess I would just disagree with the idea that they are throwing fiscal responsibility out the window, which suggests that fiscal responsibility had been in the room with us before this.

Larry Edelman
Fair enough.

Scott Horsley
If anything, fiscal responsibility has been hanging by its fingernails for some time now. I mean the 2017 tax cuts, which this is an extension of, set us on the path towards trillion dollar deficits, even at a time of full employment. We obviously ran up big debts during the pandemic, which you might say, okay, that was not an irresponsible thing to do during a once in a century pandemic, but we continued to run multi trillion dollar deficits year after year, even when the economy has been robust. So the fiscal responsibility ship has sailed. This is not, I don't think this is a uniquely bad piece of policy, it's just a continuation of bad policies. But if you add it all up, we are in a situation now where the interest payments on the federal debt are the second largest item in the federal budget, after Social Security. I mean, we're spending more on interest payments than on defense or Medicare or Medicaid or everything else that we want to do, and if the…not only the size of that mortgage, but the interest rate we have to pay for it goes up, it just crowds out every other thing that we would like the federal government to be able to spend money on even in

good times. But certainly if we ever find ourselves confronted with another crisis where we need to spend money on something. So it's not just the…it's not a uniquely bad piece of legislation, but it's just another in a long series of straws that have this camel buckling at the knees.

Michael Klein
Heather?

Heather Long
Yeah, I'll just add two things. Number one, the timing of this Moody's announcement was so striking. I mean, obviously what they did was not…in the downgrade wasn't so shocking. You know, they were just joining S&P and oh gosh…

Scott Horsley
Fitch.

Heather Long
Fitch, thank you…in the content of what they were doing, but to send that on a Friday just before the House Republicans voted on this bill, could not have been clear. And to even have an entire section of their write up that was devoted to how they were analyzing what was going on, and the big let's call it beautiful, ugly slash ugly bill. I also think, though, that having…I know Scott and Larry others have traveled the country, like having just gotten back from a more rural part of America, it's almost…the conversation around what's the Federal Reserve going to do around all this, what's the bond market going to do, feels totally divorced from the reality on the ground of most of America, and most of what's considered Trump's America, MAGA America, where they are absolutely terrified about prices rising and they are about to get their food banks cut even further. It's already starting to happen. The one nice rural hospital I drove by on the way to this factory that's 10 miles away will be in jeopardy if this bill goes through. I mean, we could continue to go down the list, but it's just striking to me why the, you know, even Steve Bannon, of all people, is out there warning, don't do these policies. They're really going to hurt the MAGA base. And it's just hard to comprehend why this bill is being fast tracked, both on the debt level, and what it does to the long term positioning of the United States as Binya was outlining, as well as what it does to the actual MAGA base.

Michael Klein
Binyamin?

Binyamin Applebaum
Yeah. Just to add on quickly to what's been said so far, one reason to be concerned about the direction here is that we have relied increasingly on foreign investors to provide the money we need to operate our government, and there is good reason to worry about their continued willingness to absorb all of this debt that has been sort of the predicate for US fiscal policy for the last half century, and we are really sorely testing their willingness to do that, both because China is constructing an alternative financial system which countries can begin to use, are beginning to use, and therefore may not need the dollar as much as

they have to this point, and because we keep pissing off our allies, and that will eventually have consequences. And so if you're wondering like, ‘hey, we've been doing it all along, why can't we keep on doing it?’ One plausible answer isn't just that we're increasing the amount of borrowing, but that we borrow from people who we are actively trying to anger – and that's probably not a great way to run a business.

Michael Klein
Yeah. What's very striking, especially to me as an international macro economist, is the way that we have an increase in Treasury yields and a weakening of the dollar, usually they go in the opposite direction, and a memo that Charles Collyns and I will be publishing soon shows that typically, when uncertainty spikes, even US uncertainty and policy, the dollar strengthens, but there are two episodes where it weakens, at the beginning of Trump's first term, and at the beginning of Trump's second term, so we did some original research for that. So a number of you have alluded to the fact that this has dire consequences for the deficit, but if we look at the spending cuts, it also has dire consequences for people at the lower end of, or even middle income people. What do you think is going to happen with that? Will these actually go through? Will we see the kinds of consequences that Heather referred to of, you know, regional hospitals and rural areas closing and people finding it's much harder to get Medicaid or SNAP – that is food stamp benefits – unless they are entered in work. And the evidence we have, and a podcast that I did with Diane Schanzenbach is that this doesn't really help employment, but it does force people off the rolls. So I'd like to hear your opinions about not just the tax cuts, but the spending cuts as well, the implications of that.

Binyamin Applebaum
I mean, I'll jump in. You know, the core of the Republican proposal to save money on healthcare is to impose something called a work requirement on many Medicaid recipients. And just in plain English, this is not a proposal to reduce the cost of health care, it's a proposal to reduce the number of people who get health insurance from the government. They are kicking people out of the Medicaid program, and the evidence that we have from the one place that this has ever been tried, which is in Arkansas a few years ago, is that most of the people who lose health insurance as a result of work environment, excuse me, work requirements, are people who either are working or are, in theory, exempt from the requirement, but who fail to clear the paperwork hurdles that are imposed as part of the program. This is a feature, not a bug. It is a mechanism that is designed to reduce enrollment in Medicaid, and every indication…this is widely backed by Republicans. This is not one of the issues that's controversial in this legislation–every indication is that they're going to do something very much like what the House has proposed, and if they do, it is going to cost millions of Americans their health insurance.

Michael Klein
And you know, in my discussion with Diane, that I referenced a moment ago, she focused on SNAP, the what used to be called food stamps, and all the evidence in the same way. Binya.

Binyamin Applebaum
Yeah, same idea.

Michael Klein
Points to the same thing. Scott?

Scott Horsley
Yeah. Yeah. I just don't quite know how it's going to shake out, because the Republican majority in both the Senate and the House is so narrow. So it only takes a few defectors to mess things up, and there have been, there have been some red state Republicans who have sounded a populist concern about what happens to the rural hospitals and...so there are some red state Republicans who I do think, get it not. Not out of any necessarily goodwill towards the Medicaid recipients, but who recognize the economic downside there. And so who can they afford to lose? Can they afford to lose Josh [inaudible] or they can afford to lose some hardliners in the house if it goes back over there? I just don't quite know how the politics is going to shake out, and whose ox is going to wind up getting gored there.

Michael Klein
So I'd like to conclude by asking about the self-dealing of this administration. There are so many cases of this. The Qatari jet offered for Air Force One which would then go to Trump's library, the selling of access to people who invested in his cyber currency, the fast tracking of a Trump golf course in Vietnam. And there are probably a lot of other things you don't even know about. There are clear conflicts of interest here and violations of the Emoluments Clause. But are there broader economic effects as well, or is this just something where we're concerned about the degradation of the rule of law?

Larry Edelman
Well, I would say that's important. And if listeners want to really get deep into this one, Ezra Klein has a great podcast that came out yesterday or today with my former colleague, Zeke Faux at Bloomberg and they just go through the whole list of all the self dealing, the crypto stuff that Trump is doing, and Trump's family is doing. And it's a staggering amount of money that this administration is making. I would say that from a macro perspective maybe the importance is that, the more shady crypto becomes integrated into the financial system, the more at risk we are. And when you have the regulators basically backing off because the President of the United States wants it to be wide open so that he can exploit it, then you really have to wonder, what happens to consumer protections? What happens to the financial system? Will banks get more involved because they want to pass this up? They're already talking about getting into stable coins, so that might be the one angle I see on the impact beyond just, 'oh my god, look at all this money that this family is making based on the fact that he's the President of the United States.'

Michael Klein
Binyamin?

Binyamin Applebaum
I think it runs much deeper than that. I think corruption has two problems. It misallocates resources. By definition, the wrong decision is being made, and secondly, it undermines faith in the ability of government to serve the public interest across the board. And last year, the Nobel Prize in economics was awarded to three economists for work demonstrating that governments that maintain the rule of law,

respect property rights, have institutions that are fair and just, that that is the bedrock of economic growth. and that the absence of that – and the absence of that is corruption, to be very clear – is terrible for economic growth. So at the very basic level of foundational macroeconomics, we know that this type of corruption ultimately undermines a nation's economy. It doesn't happen immediately, but it happens in ways that are insidious and far reaching, and we should all be very worried.

Michael Klein
Yeah, the Nobel committee recognized that the work of Acemoglu, Johnson, and Robinson, has been hugely influential, and as you're suggesting, Binyamin, it has important real world implications as well.

Scott Horsley
All three based in the US, and all three [inaudible]

Michael Klein
Based in the US, for now.

Scott Horsley
Yeah.

Michael Klein
I'd like to thank each of you for, once again, helping our listeners understand what's going on now and what the implications of these things will likely be. And also, I'd like to wish Heather the best of luck as you begin your new position as Chief Economist at Navy Federal Credit Union. I know you'll still keep a hand in journalism, contributing the occasional column to the Washington Post, as well as being a contributor for Marketplace Radio, but your day job is going to be pretty different, and I appreciate for the last few years, Heather, you consistently joining us on this podcast.

Heather Long
Thank you. I'm helping the JOLTS report now.

Michael Klein
Well, thanks everybody.

All
Thanks, Michael.

Michael Klein
This has been EconoFact Chats. To learn more about EconoFact, and to see the work on our site, you can log into www.econofact.org. EconoFact is a publication of the Fletcher School at Tufts University. Thanks for Listening.