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USA

# Trump reinvents war capitalism

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**Believing that the United States is being mistreated in international trade, Trump, speaking before an audience of auto union members gathered at the White House, announced measures that would amount to nothing less than a declaration of economic independence...**

Customs duties work on the same principle as a tax, but they are cross-border and increase the price of imported products. For example, a 20% customs duty means that an imported good worth £100 will increase in price to £120 once it enters the United Kingdom.

With these measures, Trump is pursuing four economic objectives: a reduction in the trade deficit (the United States imports more than it exports); reindustrialization; job creation; and tax revenues to offset future federal revenue losses resulting from promised tax cuts. These objectives would be achieved through three effects. Foreign companies will set up production facilities locally to circumvent customs barriers. Domestic production will replace imports. And the customs duties collected are direct tax revenues. But Trump is careful not to highlight the short-term consequences: higher prices for households, which could lose £3,800 in purchasing power, higher production costs for businesses (inflation) and retaliation by other countries.

## **A policy that has already failed and plunged the world into war**

Trump already took similar measures in 2018 and 2019, with no effect on the trade deficit or employment, generating negligible customs revenues (between 1 and 2% of the federal budget). Not enough to offset the tax cuts!

Above all, these are the kind of measures that all industrialized countries applied in the 1930s, fuelling a downward spiral (as one country's imports are another's exports, any measure to restrict imports leads to a reduction in global production) and inflation. It is this scenario of economic stagnation and inflation that is causing panic at the IMF, the World Bank and stock markets around the world.

## **A rise in authoritarian nationalism**

Are the tariff increases temporary, intended to serve as a bargaining chip in political and trade negotiations (as with Mexico and Venezuela), or are they a long-term economic choice? It is difficult to say at this stage. However, in the context of heightened inter-imperialist competition to reap the benefits of sluggish global growth constrained by falling profit rates, it seems clear that Trump has chosen to return to the trade wars and economic protectionism of the 1930s. This is a paradigm shift that buries the way in which trade relations between imperialist powers had been managed until now — that is, through regular negotiations aimed at abolishing customs duties, differentiated according to sector and country wealth. It is also a further step in the development of an authoritarian nationalism that sees closing borders as a response to the crisis.

## **The beginning of a backlash**

Trump could well emerge weakened from the current situation if his announcements do not very quickly lead to an improvement in the position of US capitalism in international relations (through access to resources or advantageous trade agreements). Layoffs in the public services and falling stock markets are already affecting the purchasing power and savings of millions of Americans, including Trump's electorate. The loss of the local Supreme Court election in Wisconsin in early April (where Musk had been particularly involved), criticism from within the Republican camp itself and, above all, the thousands of demonstrators who gathered in some 1,200 rallies organized by the 'Hands Off' movement (see article on page 4) show that a reversal may be underway.

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Translated by **International Viewpoint** from [l'Anticapitaliste](#).

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