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.@VDHanson makes a compelling case for the @realDonaldTrump tariff strategy, but gets one issue incorrect. He describes the Trump tariffs as reciprocal and proportional to those other nations have assessed on us.

In actuality, the Trump tariffs were set at levels substantially above, and in many cases, at a multiple of the counterparty country’s tariff levels.

Initially, the market responded favorably, up more than one percent when Trump referred to ‘reciprocal tariffs’ in his Rose Garden speech. It was only when he put up a chart showing the actual tariffs that the markets plunged.

We can divine from this response that market participants are supportive of the administration using tariffs as a tool to lower the asymmetrical tariffs of our trading partners, but are highly concerned with tariff levels set well in excess of a corresponding country’s levels.

So why did Trump take this approach?

The answer goes back to ‘The Art of the Deal.’ Trump’s negotiating style is to ask for the moon and then settle somewhere in between. It has worked well for him in the past so he is using the same approach here.

The market’s response is due to the fear that if this strategy fails and the tariffs stay in place, they will plunge our economy into a recession. And we don’t need to wait for failure as it doesn’t take long for a high degree of uncertainty to cause economic activity to slow.

Press reports today have said that all deals are now on hold. This is not surprising. Capitalism is a confidence game. Uncertainty is the enemy of business confidence.

The good news is that a number of countries have already approached the negotiating table to make tariff deals, which suggests that Trump’s strategy is beginning to work. Whether this is enough to settle markets next week is unknowable, but we will find out soon.

The idea that Wall Street and investors are opposed to the President’s efforts to bring back our industrial base by leveling the tariff playing field is false. Our trading partners have taken advantage of us for decades after tariffs were no longer needed to help them rebuild their economies after WWII.

The market is simply responding to Trump’s shock and awe negotiating strategy and factoring in some probability that it will fail or otherwise lead to an extended period of uncertainty that will sink us into a recession.

The market decline has been compounded by losses incurred at so-called pod shops and other highly levered market participants that have been forced to liquidate positions as markets have declined.

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As more countries come to the table, those that have held out or have reciprocated with higher tariffs will have growing concerns about being left behind. This should cause more countries to negotiate deals until we reach a tipping point where it is clear that the strategy will succeed. When this occurs, stocks will soar.

Trump’s strategy is not without risk, but I wouldn’t bet against him. The more that markets support the President and his strategy, the higher the probability that he succeeds, so a stable hand on the trading wheel is a patriotic one.


An important characteristic of a great leader is a willingness to change course when the facts change or when the initial strategy is not working. We have seen Trump do this before. Two days in, however, it is much too early to form a view about his tariff strategy.

Trump cares enormously about our economy and the stock market as a measure of his performance. If the current strategy works, he will continue to execute on it. If it needs to be tweaked or changed, I expect he will make the necessary changes. Based on the early read, his strategy appears to be working.

Let’s help him succeed. It’s the least we can do.

Freyja™@FreyjaTarte · Apr 4

Victor Davis Hanson explains Trump’s tariffs like no one else can. #MAGA



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