

**MEMO** Published March 27, 2025 • 5 minute read

# Making Republicans Own the #TrumpSlump



*Third Way,*

The last three Republican presidents—George H.W. Bush, George W. Bush, and Donald Trump 1.0—concluded their presidencies with devastating recessions. Donald Trump 2.0 is breaking that mold; he’s leading America, perhaps by design, into a recession from the very start of his term.

In fact, the economic hallmark of Trump’s first 100 days will be the “Trump Slump.” His economic, fiscal, and trade policies, his unsettling words, and his reckless actions with Elon Musk on DOGE are sending what had been a strong economy spiraling towards recession. It is a remarkable turnabout. From steady growth, lower inflation, and a “soft landing,” we are now teetering on the knife’s edge of a downturn as consumer and business confidence craters. And that is all before Trump and Republicans inevitably flip-flop on his pledge to “balance the budget” by racking up trillions in new debt and slashing Medicaid and raising tariffs to pay for Trump’s tax cuts for the uber wealthy.

All presidents are vulnerable on the economy but none more so than Trump. He repeatedly pledged, “Starting the day I take the Oath of Office, I will rapidly drive prices down, and we will make America affordable again.”<sup>1</sup> Voters put up with his antics and the insults because they believed they were going to have someone at the top who understands the economy and can deliver results. Or so they thought.

In our first Signal Project memo, we noted that many important issues have low voter salience. Defunding USAID and trashing the federal workforce are consequential, driving the news, and stoking anger from those who are highly engaged, but they may simply be noise to most voters. Democrats must separate the signal from the noise—that means showing how Trump campaigned on the promise of restoring order but instead is bringing nothing but chaos. His actions are jeopardizing the safety and security of you, your family, and your community.

In this second Signal Project memo, we urge Democrats to continue to filter out the noise and highlight how Trump is threatening our economic livelihood. Amid dozens of red flashing lights on the economy, there is a clear **signal** for policymakers: Democrats must be relentless in assigning blame for the Trump Slump. Trump says a recession would be “worth it.” Republicans seem to be promising the pain of a recession. Let’s ensure they own it.

## Americans Are Feeling the Pain of the Trump Slump

- **Voters’ view of Trump’s handling of the economy has already dipped 11 points.** Today, “48% of Americans say the economy is getting worse, up from 37% at the start of Donald Trump’s second term; only 19% say it is getting better.”
- **Economic optimism has fallen 14 points from Inauguration Day**, from +12 to -2 on whether the economy will be good or poor one year from now.
- **Americans believe a recession is imminent**, with 71% expecting a recession with the next 12 months.
- **Americans believe inflation is back.** Trump delivered the largest month-over-month leap in long-term inflation expectations in over 30 years.
- **Consumer confidence across all party affiliations dropped by double digits in one month.**<sup>2</sup> Consumer sentiment is down with “Republicans post(ing) a sizable 10% decline in March. For Independents and Democrats, the expectations index declined an even steeper 12 and 24%, respectively.”

- **Credit card debt and delinquency rates are rising** among all income levels, have shot past pre-pandemic levels, and are approaching rates unseen since the financial crisis.
- **Tariffs will wreck family budgets**, costing American families \$1,600–\$2,000 per year. <sup>3</sup> Working- and middle-class families will bear a bigger burden than those at the top.

## **Business and Finance Believes the Trump Slump Has Arrived**

- **The Federal Reserve slashed its expected 2025 GDP growth rate** to an anemic 1.7%. The Fed also projected “weaker growth, higher unemployment and higher inflation than they had anticipated in December. Moreover, nearly all officials judged that if their forecasts were to be proven wrong, it would be in the direction of even softer growth, more joblessness and firmer price growth.”
- **The S&P 500 is down 6%** since Trump took office, and the market has performed worse in Trump’s opening two months than any president dating back to Gerald Ford, with the exception of George W. Bush and the dotcom bubble.
- **Small business confidence is plummeting.** Only one-in-three small business owners expect the economy to improve—a drop of 10 points from the month before. <sup>4</sup> The number of businessowners who think it’s a good time to expand their business has dropped the most since the early days of COVID. <sup>5</sup>
- **Retail sales are stagnant** with “spending last month declin(ing) the most at department stores (-1.7%), restaurants and bars (-1.5%) and at gasoline stations (-1%).”
- **Trump is set to saddle the United States with trillions more dollars of debt.** New studies show that higher debt increases inflation in both the short and long run. <sup>6</sup>
- **Tariffs trigger a slump.** Sustained tariffs on Canada and Mexico are expected to reduce economic output by 0.4%. <sup>7</sup>

## **Even Conservative and Nonpartisan Businesses Leaders and Top Economists**

# Believe GOP Tariffs and Deficit Policies are Causing the Trump Slump

- "Tariffs = a hidden tax on Americans," wrote the former Ronald Reagan economic advisor Steve Hanke.
- "Trump is once again pushing the same failed policies—this time on steroids," says Desmond Lachman of the conservative American Enterprise Institute.
- "The idea of short-term pain for long-term gain is not a crazy idea in and of itself," [but Trump's trade policies] "are short-term pain to get more long-term pain," said Greg Mankiw, chairman of the Council of Economic Advisers under President George W. Bush.
- "The longer we wait [on federal deficits], the more the pain is going to be," said Alan Auerbach, an economist at the University of California, Berkeley. The trouble, Mr. Auerbach and other economists say, is that nothing the Trump administration has proposed would make a meaningful dent in the deficit.
- "Absent a change in course, our country will surpass its historic World War II era record level of debt in just four years," says Maya MacGuineas, president of the nonpartisan Committee for a Responsible Federal Budget.

## Conclusion

Stephen Bannon, Trump's former advisor and current MAGA bullhorn, has said, "This is a whole new way of thinking. It's a new economic model." <sup>8</sup> As the pain inflicted by their actions starts to hit working families, Democrats must make Republicans own the Trump Slump.

## ENDNOTES

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