

Meeting Summary for Saul and Amanda talk Tariffs and More

Apr 05, 2025

Quick recap

Saul emphasized the importance of being an independent economist and discussed the history and purpose of tariffs, as well as the potential economic risks of President Trump's tariff policies. The conversation also touched on the impact of tariffs on businesses, the potential for countries to create their own free trade agreements, and the implications of the US's actions on Asian countries.

Economists, Tariffs, and Government Revenue

Saul explains the importance of being an independent economist, highlighting that economists working for financial institutions are often subject to censorship and constraints on what they can say publicly. He discusses the history and purpose of tariffs, noting that they were originally used to raise government revenue and protect domestic industries. Saul points out that tariffs have become less significant as a revenue source for the U.S. government since the introduction of income tax. He also mentions that the current administration's tariff policies are partly motivated by a desire to reduce income taxes and return to an earlier economic model.

US Tariffs: Unfair and Detrimental

Saul discussed the US's new tariffs, which he found to be illogical and potentially detrimental to the US economy. He explained that the tariffs were calculated by dividing the US's imports from a particular country by the trade balance, and if the number was more than 10%, it was divided by 2. He gave examples of countries that were unfairly hit with high tariffs, such as La Soto and Saint Pierre I, Mikolo. Saul also mentioned that the tariffs would be paid by American consumers in the form of higher prices for imported goods, which would disproportionately affect lower-income households. He warned that these tariffs could lead to a prolonged economic depression, similar to the Great Depression caused by the Smoot-Hawley tariffs of 1930.

Trump's Tariffs and Economic Uncertainty

Saul discussed the potential economic risks of President Trump's tariff policies, emphasizing the uncertainty they create for businesses and consumers. He noted that this uncertainty could lead to a recession, as businesses may delay investment decisions and consumers may postpone major spending. Saul also highlighted that American consumers are increasingly concerned about

inflation, with expectations reaching their highest level in 41 years since Trump's inauguration. He warned that if people expect further inflationary consequences, there could be a wage-price spiral, forcing the Federal Reserve to raise interest rates to potentially trigger a recession.

Tariffs and Business Adaptation Challenges

Amanda and Saul discussed the impact of tariffs on businesses and the economy. They highlighted the challenges businesses face in adapting to new manufacturing plants and the time it takes to make such decisions. They also discussed the potential for businesses to form new unions with partners in response to the current economic situation. Saul emphasized the need for clarity in decision-making for businesses and the potential for countries to create their own free trade agreements. They also touched on the issue of China's protectionist policies and its use of subsidies to promote industries and exports.

US Actions Impact Asian Security

Saul discussed the implications of the US's actions on Asian countries, particularly in relation to their security and trade. He noted that the US's apparent disinterest in these countries' affairs, as evidenced by its treatment of Canadian and European partners, has led Asian nations to reconsider their reliance on the US for security. This has prompted them to consider alternative arrangements, potentially involving China, which could lead to a world divided into three regions, each dominated by a single power. Amanda agreed with Saul's analysis.

US Global Reputation and Economic Impact

Saul discusses how America is damaging its global reputation and soft power, which has been a significant strength since World War II. He notes that this is reflected in the falling US dollar, which is no longer seen as a safe haven in uncertain times. Amanda adds her observations about the spread of American culture in Europe. Saul explains that countries like China are reducing their purchases of US Treasury bonds due to fears of potential sanctions. He predicts that the US will become less relevant globally over time, similar to Britain's decline. Saul also mentions that foreign investors may become more cautious about investing in the US, which could impact the country's ability to finance its current account deficit. He notes that European markets have been moving in the opposite direction to US markets recently, suggesting a shift in global economic perspectives.

Saul Shares Australian Economy Insights

Amanda expressed her gratitude for the insightful discussion with Saul, who shared his expertise on the Australian economy. She encouraged everyone to listen to the recording and explore Saul's

content on LinkedIn and his website. Saul agreed to share his insights with Amanda's team in the future.