GUEST ESSAY

3 Experts on What Trump Is Doing to the Economy

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By Josh Barro, N. Gregory Mankiw and Betsey Stevenson

Mr. Barro is a Times contributing Opinion writer. Mr. Mankiw is an economics professor at Harvard. Ms. Stevenson is an economics professor at the University of Michigan.

Josh Barro, a contributing Opinion writer, hosted a written online conversation with N. Gregory Mankiw, a professor of economics at Harvard and a former chairman of the President's Council of Economic Advisers under George W. Bush, and Betsey Stevenson, an economics professor at the University of Michigan and a former chief economist of Barack Obama's Department of Labor and a member of his Council of Economic Advisers, to discuss the perilous status of economic data and the uncertain state of the economy.

Josh Barro: Earlier this month President Trump fired Erika McEntarfer, the head of the Bureau of Labor Statistics, after a monthly jobs report that showed significant softening of the labor market. His nominee for a replacement, the Heritage Foundation economist E.J. Antoni, has been criticized as unqualified even by conservative economists and is widely viewed as fulfilling a desire expressed by Steve Bannon and others to bring the statistical agencies into stronger political alignment with the president.

How should Americans read the jobs reports that come out over the next few months? How can we assess whether the numbers are coming under political influence?

N. Gregory Mankiw: My sense is that it would be difficult for Antoni to politically bias the numbers all by himself. The question is whether he leads a shake-up of the agency by firing a number of the professional and nonpartisan staff. If so, over time the numbers could become more suspect.

Betsey Stevenson: I agree with Greg that it would be almost impossible for him to taint the numbers in some nefarious way. There are too many diligent statisticians who would be whistle-blowers. One of the problems the B.L.S. already has is that it has lost staff under President Trump, who also dismissed all of the volunteer professional economists and statisticians who contributed to data accuracy through the advisory committees. Losing staff would make things worse in that dimension.

Mankiw: I agree that there would be whistle-blowers. But I wonder whether the general public would pay enough attention to care. The Trump administration has shown a willingness to do the previously unthinkable.

Barro: It's not just a matter of the general public, though, right? If you're juking the numbers, it's probably in part because you want to avoid negative financial market consequences. But it should be hard to fool the markets — there's a lot of money to be made seeing through a juked report and properly understanding the state of the economy. Will it be possible for firms and investors to assess the true condition of the economy if the government data becomes less reliable?

Mankiw: Yes, markets would see through any data fudging, in part by relying more on private data, like the ADP numbers — a private National Employment Report. But the president appears to think that the official numbers are a political liability if they show weakness.

Stevenson: Markets rely on data in a way that is both a check on government data and a risk. The check is that it is hard to fool the market. The risk is that the B.L.S. starts favoring certain people. The B.L.S. commissioner plays a very important role as a referee in ensuring that no one gets early or better access to the data. When I was chief economist at the Department of Labor, we spent a lot of time talking to B.L.S. about making sure that the media lockup — which is the early access to the data that they used to give reporters — wasn't being used to make money in the market by having access to the information even fractions of a second before other people. B.L.S. ended up eventually ending the lockup partially for that reason.

Barro: Antoni has floated the idea of releasing jobs data less frequently — quarterly instead of monthly. How would that affect the economy?

Mankiw: Less frequent data releases would make it harder for the Federal Reserve to monitor recent developments, which would mean worse monetary policy and, ultimately, a less stable economy.

Stevenson: Data releases are balancing three factors: cost, timeliness and accuracy. More funding could help the B.L.S. have more accurate data in the first month. Or, as Antoni has suggested, just delay the data release to the second or third month, when most of the reporting is in. But some information is better than none, so simply holding the data doesn't make it more accurate; it simply reduces the amount of information available. My bigger concern is that suspending data could be used to redefine it in a way that is not comparable with the past. While whistle-blowers can point out that the data is not comparable, it still clouds the economic picture.

Barro: On the accuracy front, the main criticism of B.L.S. from the Trump administration is that the jobs data is getting revised too much — a jobs number is announced shortly after the month being reported on, and then the number gets changed as more data comes in. Revisions in recent years have not been historically large relative to the size of the working population, but it is true that they have recently tended to go in the same direction (down) while they used to be more balanced between up and down. Is there truth to the claim that B.L.S.'s survey methods are out of date and need a shake-up?

Stevenson: Lots of economists, myself included, have urged Congress to appropriate the funding needed to modernize and update the U.S. statistical system. But they require funding and staff increases, while the current administration has been looking for cuts. There was a letter to members of Congress urging changes of this kind just before all of this happened. But I also want to add that the data is pretty good. The B.L.S. is measuring the total number of jobs and trying to finely discern pretty small changes from month to month.

Barro: The July jobs report that so upset the president did help to clarify the economic picture. I, for one, was a little perplexed that the job market was remaining so strong in the face of the tariff war. Now we have different news: Job growth hasn't been strong; it's actually been close to flat. But we're also not losing jobs. Where is the economy right now?

Mankiw: The economy is OK, but not great. Inflation is still above target, even if down from its peak a few years ago. Employment growth has stalled, though the unemployment rate remains low. We are getting the mild negative effects of tariffs and immigration crackdowns. Fortunately, the president backed off the huge tariffs he initially proposed in April, so the effects, while negative, are not huge — at least not yet.

Stevenson: It's become increasingly hard to use the jobs report as a barometer of the health of the economy because of the role of immigration. It was perplexing to see how many jobs companies could add without overheating the economy in 2023, 2024. And it turned out that was because labor supply was expanding rapidly because of immigration. Right now the challenge is to figure out whether lower job growth reflects lower labor demand or lower labor supply because of the administration's efforts to deport immigrants and discourage new immigrants.

Barro: So that means the Fed's job would be really hard right now even if the president weren't putting so much political pressure on them, right? The Fed is supposed to balance stable prices and maximum employment, and there are ways to take recent jobs and inflation data and tell very different stories about how strong labor demand is and how much upward pressure on prices there is.

Stevenson: The Fed's job is really tough right now. Should they look through tariff price increases? After all, they are a one-time jump in the price level and shouldn't lead to continuing inflation. On the other hand, 2021 inflation really rattled people, and seeing a big spike in prices again could unanchor inflation expectations in a way that means they need to fight the inflationary pressure of tariffs. They are looking at jobs numbers without really having a good understanding of what our current steady-state job growth should be because of changing immigration.

Mankiw: One key is whether tariff-driven inflation leads to higher expected inflation and thus a continuing inflation problem. But even if tariffs don't have that effect, they are still adverse. Essentially, Americans would start producing what they could buy cheaper abroad, which means lower productivity.

Stevenson: There is nothing quite like productivity-destroying tariffs to unite economists.

Barro: And yet the stock market remains near all-time highs. What do you make of that? Jason Furman says economists can suffer from "tariff derangement" — overrating the importance of tariff policies on the economic outlook. Investors seem pretty sanguine in the face of what the administration is doing.

Stevenson: People remain bullish about economic growth around the globe. There are other things going on, like artificial intelligence, that might justify that bullishness.

Mankiw: I agree that it is A.I. euphoria. Maybe it will pan out well, or maybe it will be another case of irrational exuberance.

Barro: So what should the Fed do? The members of the Federal Reserve Board who want rate cuts basically argue that the labor market is at a precipice. Michelle Bowman says firms are paralyzed: They can't hire because they don't have good expansion opportunities, but they can't fire because they're afraid of getting stuck, like they did after Covid, with great difficulty staffing back up.

But she says they can't stay frozen forever and she's concerned that they're about to turn toward layoffs — and that the Fed should therefore cut to support the labor market. Is that right?

Stevenson: They don't know what to do because there is so much more uncertainty in terms of policy and input costs. There are uncertainties around trade and supply chains, environmental regulations (with new state-federal conflicts), personnel churn in government, rule-making changes that have contributed to process-level volatility and more. In short, it's more than tariffs. And these are big uncertainties to make decisions under, and one thing we know about decision-making under uncertainty is that more uncertainty increases the option value of waiting.

Mankiw: Stanford's Nicholas Bloom has shown that uncertainty slows economic growth. And Trump is a master at creating uncertainty. The big question for the Fed is whether inflation or employment becomes the bigger problem over the next few months. It is now hard to say, so I think their wait-and-see approach is the right one.

Barro: Conservatives used to talk a lot about the importance of policy certainty — that firms need to know how they will be taxed and regulated so they can make investment decisions. The president relishes uncertainty; the signature of his tariff policy is not just higher rates but ever-changing ones, and changing in a way that invites firms to seek favor with the administration. He's also directly picking winners and losers. He's telling firms how to set prices. He's demanding a share of chipmakers' export sales. He had the government take a golden share in U.S. Steel and is talking about taking a stake in Intel.

Greg, I go back to the fact that the economy looks like it's only softening a little bit so far — from an orthodox conservative standpoint, shouldn't this stuff be a big problem for growth?

Mankiw: Trump has shown that he is not a traditional conservative. He is more of a right-leaning populist authoritarian. Yes, I think that is bad for economic growth, but we shouldn't overestimate the role of policy. Other things matter too, like technological innovation. And the effects of good or bad policies do not unfold in a matter of a few months.

Barro: Betsey, I see this has occurred to you too — you wrote on X: "I understand why Trump wants a command and control economy with him at the center. What is confusing to me is why the entire Republican Party is so willing to walk away from a competitive, market-based economy."

Stevenson: That is what I find puzzling. Trump is very confident that he knows who will be a good C.E.O., what investments the United States should have, what we should make versus buy and so on. He does not seem to like delegating to individual businesses.

But where are the rest of the conservatives who used to really like markets? It used to be the progressives who were willing to throw markets under the bus in order to accomplish their goals. And my fear is that no political party will really embrace a competitive market economy in the coming elections.

Mankiw: Betsey, I think we have learned that politicians like re-election more than they like good policy. Trump has held the primary process over the heads of many Republican legislators who should, and probably do, know better.

Barro: My big question is whether economic conditions are going to eventually force a reckoning on that. We've been so focused on tariffs and the Fed that we haven't even really addressed the signature economic policy from the administration this year: a massive fiscal expansion at a time of decent economic strength, making the federal debt outlook even more unsustainable than it was.

Greg, you gave a lecture earlier this summer about the ballooning federal debt and five ways it could be addressed in the long run. The options are actually pretty simple: extraordinary growth, default, inflation, spending cuts or tax increases. You say you expect large, broad-based tax increases. Can you walk me through that? Neither party has sought a broad-based federal tax increase in decades because it's politically toxic. What's the series of economic events that would force it?

Mankiw: Yes, it was the Feldstein Lecture on the topic of fiscal sustainability. My best guess is that Washington policymakers will not come to grips with the issue until the bond market forces their hand, and that may take a while, despite the fact that no rating agency gives the U.S. government its highest rating anymore.

Stevenson: Greg, do you think that it could come on suddenly? I feel like it will all be fine until it is not, and the problem is that we don't know when the "until it is not" time comes. For example, I think that the premium the United States has enjoyed as a safe harbor will evaporate, and we won't be able to get it back very easily. But investors seem to still be wrapping their heads around the idea that they should diversify because the United States is not as safe as it was once considered.

Mankiw: It is impossible to know when investors will start looking at the United States like a large version of Greece or Argentina. But when it happens, it could well be very ugly. As for international diversification, I am all in favor of it.

Josh Barro, a contributing Opinion writer, is the author of the newsletter Very Serious and the host of the podcast "Serious Trouble."

N. Gregory Mankiw, a professor of economics at Harvard, served as chairman of the President's Council of Economic Advisers under George W. Bush.

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