

America Looks Like a Troubled Emerging-Market Economy

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Under US President Donald Trump's erratic rule, the United States is now exhibiting all the symptoms, from high import tariffs and fiscal deficits, to oligarchy and flagrant corruption. Worse, the fallout cannot be confined to the US, and no multilateral bailout or structural adjustment plan can mitigate the damage.

WASHINGTON, DC – Having worked as an emerging-market economist for many years, first at the International Monetary Fund and then on Wall Street, I recognize an emerging-market economy in trouble when I see one. It pains me to say it, but the United States is showing many of the warning signs. Worse, by dint of its size, America's actions have a much greater impact on the world economy than those of any run-of-the-mill emerging market.

One sure sign of a troubled emerging-market economy is excessive use of import tariffs to protect domestic industries. Such policies stifle competition, increase inflation, inhibit economic growth, and fuel widespread corruption by giving government officials the power to grant exceptions to tariffs on a case-by-case basis. It would be an understatement to say that America is on its way to becoming an over-protected economy behind a high tariff wall. Since beginning his second term as president, Donald Trump has imposed a 20% tariff on all imports from China and a 25% levy on all steel and aluminum imports. He has threatened a 25% tariff on all Mexican, Canadian, and European imports, and suggested similar tariffs on all automobile, pharmaceutical, semiconductor, and lumber imports. And on top of it all, he has made clear that he will retaliate with "reciprocal" tariffs against any country whose non-tariff barriers on US exports are higher than America's on theirs.

Another sure sign of a troubled emerging-market economy is a large budget deficit and a heavy burden of public debt. Here, too, the US checks the relevant boxes. At the start of Trump's second term, the US was running a budget deficit of [6.5% of GDP](#), and US public debt was close to [100% of GDP](#), well on its way to exceeding the ratio at the end of World War II.

With the economy at full employment, this would be the time to move toward a balanced budget. Yet we all know that isn't happening. Judging by Trump's proposed tax cuts, the typical emerging-market economy's budget deficit may soon pale in comparison to that of the US. According to the Committee for a Responsible Federal Budget, the administration's envisioned tax cuts would add between [\\$5 trillion and \\$11 trillion](#) to the US budget deficit over the next decade. That would take public debt to 140% of GDP by 2034 – or 50% above the debt ratio of the typical emerging-market economy.

Yet another sign of a troubled emerging-market economy flashes red when a handful of oligarchs wield outsize political influence – or even wield power directly – and when the government goes out of its way to undermine confidence in public institutions in general and the central bank in particular.

One need only think of Elon Musk and the millionaires and billionaires now in charge of the US Treasury (Scott Bessent) and Commerce Department (Howard Lutnick) to recognize that America is well on its way to becoming an oligarchy. Equally, Trump's appointed FBI director, Kash Patel – a man who is openly committed to dismantling the institution he leads, and his frequent attacks on Federal Reserve Chair Jerome Powell leave no doubt that public confidence in America's institutions is being ruthlessly undermined.

Something else that the US now has in common with many emerging-market countries is a highly erratic approach to economic policymaking, which creates an atmosphere of heightened uncertainty that undermines investor and consumer confidence. America's two main trading partners are threatened with 25% tariffs one day, only to be granted a one-month reprieve the next. Government workers are fired en masse by Musk's Department of Government Efficiency (DOGE) and then rehired,

because it turns out that they performed essential functions like overseeing the US nuclear-weapons stockpile. No wonder the stock market has been swooning: investor and consumer confidence is tanking.

Until recently, America's great advantage over most emerging-market economies was that investors could have full confidence that the rule of law prevailed, and that there was a level playing field for all market participants. Yet here, too, America seems to be in the process of squandering its advantage. The executive branch's public challenges to legitimate court rulings are becoming commonplace, and those wielding political power no longer bother to hide egregious conflicts of interest.

This is all deeply concerning not only for America's economic outlook, but also for the rest of the world. Since the US remains the world's largest economy, economic damage on the scale that Trump is inflicting will invariably cast a long, dark shadow – and there will be no IMF bailout or structural adjustment plan that can put things back on track.