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Trump's war is delivering a gut punch to the US economy

di Elizabeth Warren

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Almost a month into Donald Trump's war with Iran, two things are clear. First, the president has sparked a global conflict that has resulted in the deaths of more than a dozen US service members and wounded hundreds more, while killing thousands of civilians in the region and displacing millions more. Second, Trump's war threatens to deliver a gut punch to a teetering American economy. If he does not end his war immediately, he risks a recession that will shutter small businesses and toss millions of workers out of their jobs, all while more American troops arrive home in coffins. The costs of Trump's war are staggering. The most consequential is the effective closure of the Strait of Hormuz, which has caused global oil prices to rise at the fastest rate since Russia's full-scale invasion of Ukraine in 2022. The average gasoline price in the US is now \$3.98 — nearly \$1 higher than just a month ago. For the average household, the pain at the pump could add up to nearly \$750 in extra costs this year.

A supply chain crisis will adversely affect the US economy in two crucial ways. First, higher prices. The costs of heating or cooling American homes will go up, adding further pressure to utility prices that have already soared by more than 10 per cent under Trump. Jet fuel costs are also rising, and airline CEOs have announced they are passing those costs on to passengers. Diesel prices are climbing too, driving up the cost of transporting every good that moves on a truck. Skyrocketing fertiliser costs are hitting just as US farmers prepare for the planting season, which means food will get more expensive for families.

Higher prices on everything from groceries to furniture to clothes will tear a hole in family budgets at a time when more Americans already report skipping meals, delaying medical care, or dipping into their retirement savings to make ends meet. The response from

Trump's top economic adviser, Kevin Hassett, was that consumer pain caused by the Iran war is "the last of our concerns right now".

Out of touch? Certainly. But there is a second dangerous economic effect of Trump's war: a surge of inflation and uncertainty hitting just as an entire dashboard of economic indicators has started flashing red. The Federal

Reserve will be less likely to cut interest rates. Fed chair Jay Powell said last week that the energy shock will push up inflation, but warned that in the long run “we don’t know what the effects of this will be. And, really, no one does.” That uncertainty also has a price. Investors are demanding higher returns on US debt, driving up borrowing costs, including higher mortgage rates.

Inflation, by the Fed’s preferred measure, has crept back up to its highest level in almost two years. Trump knocked 15mn Americans off their healthcare plan and doubled health insurance premiums. Delinquencies are rising on auto loans and credit cards, which are at their highest levels since the recovery from the 2008 financial crisis. Job growth has stalled. If unemployment ticks up, we are likely to see a cascade of defaults.

All told, the war is making the American economy worse — at enormous, avoidable expense. Just the first six days cost taxpayers more than \$11bn — enough to pay for a full year of health insurance for more than a million Americans. Estimates suggest the Trump administration is currently spending at least \$1bn a day. And reporting indicates the White House will soon request a whopping \$200bn more from Congress. For those keeping track, that’s more than \$2,300 for every American family.

Before more people die and the US economy staggers into a recession, Congress should step up and reverse course. If the president refuses to stop the war and seek a diplomatic resolution to the conflagration he has sparked, Republicans must join Democrats in Congress to cut off authorisation for the war. And if hoping for Republicans to grow a spine is too tall an order, every Democrat should oppose supplemental funding. Republicans who want to continue it may respond by choosing the unprecedented route of jamming through funding using a simple majority, party line procedure instead of the normal bipartisan Senate funding rules. But if they do so they will make it clear to voters that they are willing to bend the knee even as this conflict drives up costs all across this country.

Trump campaigned for the presidency on avoiding foreign wars and lowering costs “on day one”. His promises are now in tatters. The human cost of this war is unconscionable. The economic cost is dangerous and growing. The president should end this war today.