



TRUMP’S BORROWING-FUNDED TAX CUTS: ECONOMIC IMPACT & ETHICAL ANALYSIS

July 1st, 2025



This document summarizes the analysis by ‘Think Big Partnership’ of a potential economic plan by Donald Trump in a second term, focusing on borrowing to fund tax cuts. It compares this approach to Liz Truss's short-lived UK policy in 2022, assesses market risks, and incorporates a moral critique of the strategy.

1. Premise

Our conclusion in practical terms is that —Trump can survive politically and economically with a borrowing-heavy tax cut plan because the U.S. dollar is the world’s reserve currency, and markets tolerate large U.S. deficits more than they would for smaller economies like the UK.

But our moral critique we consider as valid and widely shared by economists and ethicists.

Our Moral View

- Economically regressive: Cutting taxes for the wealthy while increasing debt burdens the system long-term and often leads to cuts in programs that help the poor.
- Socially destabilizing: Rising inequality, eroded trust in government, and greater polarization.
- Ethically questionable: Using state power to benefit those already advantaged, while future generations shoulder the debt or suffer reduced services.

This echoes the IMF and even former Reagan advisor critiques: Borrowing to cut taxes for the rich without structural reform is neither sustainable nor equitable.

2. Trump vs Truss: Economic Policy Comparison

Category	Liz Truss (UK, 2022)	Donald Trump (USA, 2025 Plan)	Economic Reaction	Moral Impact
Economic Policy	Borrowing - to fund tax cuts for the rich	Borrowing/printing to extend/ expand 2017 tax cuts	UK bond market panic	Regressive & elitist
Currency Power	Weak (British pound)	Strong (USD as world reserve currency)	No global trust buffer	U.S. can delay reckoning
Market Reaction	Immediate sell- off, BoE intervention	More gradual, bond market tolerance	More tolerant due to USD	Still exacerbates inequality
Political Fallout	Party revolt, resignation in 45 days	Strong base, likely durable term	No short-term collapse	Trust in fairness erodes

3. Economic Impact Timeline

The following infographic outlines the likely economic and social effects across four phases:

ECONOMIC IMPACT: BORROWING TO CUT TAXES			
Policy Action	Year 1 (2025-2026) (US2J Trump tax cuts)	Year 4-5 (post-2029)	Long Term (post-2029)
Economic Effects	<ul style="list-style-type: none">• Renew/expand 2017 Trump tax cuts• Fund via borrowing <div>✓ Short-term GDP boost</div> <div>✓ Higher corporate profits</div>	<ul style="list-style-type: none">• Continued debt accumulation• Possible credit downgrade <div>⚠ Bond markets uneasy</div> <div>⚠ Dollar volatility possible (though still reserve currency)</div> <div>⚠ Risk of stagflation</div>	<ul style="list-style-type: none">• Mounting debt servicing costs• Policy reversals likely <div>✗ Weak fiscal flexibility</div> <div>✗ Crowding out of public investment</div> <div>⚠ Recession risk if confidence dips</div>
Social & Moral Impacts	<div>⚠ Widening budget deficit</div> <div>⚠ Inflation pressure resurfaces</div>		
Social & Moral Impacts	<div>⚠ Perceived favoritism toward wealthy</div> <div>⚠ Public trust erosion</div>	<div>⚠ Poor & middle-class squeezed</div> <div>⚠ Risk of social unrest</div>	<div>⚠ Intergenerational injustice</div> <div>⚠ Reduced safety net</div>

Key Takeaways

- ✓ Short-term gain for markets, business owners, and top earners
- ⚠ Medium- to long-term pain: inflation risks, rate hikes, weakened public services
- ✗ Moral hazard: The poor disproportionately bear the cost of policies favoring the rich
- 📉 Structural damage: Increased debt → weakened state capacity → rising inequality

4. Summary of User's Moral and Economic Conclusions

- Trump is likely to survive economically and politically because the U.S. dollar is the world's reserve currency.
- The U.S. can borrow or print money without the immediate market backlash seen in smaller economies like the UK.
- However, borrowing to cut taxes for the wealthy is morally and socially unjust. It increases inequality, weakens public services, and burdens future generations with debt.
- There is a fundamental moral hazard in privileging short-term market gains over long-term social equity.

Conclusion: While the U.S. system may allow Trump to implement this fiscal strategy without immediate collapse, the ethical and structural damage it causes is significant and lasting. Economic sustainability cannot come at the cost of widening inequality and reduced protections for society's most vulnerable.

✓ Final Verdict

Trump can survive where Truss could not, because:

- The U.S. has more fiscal and monetary freedom due to the dollar's global role.
- His political base and institutional power are stronger.

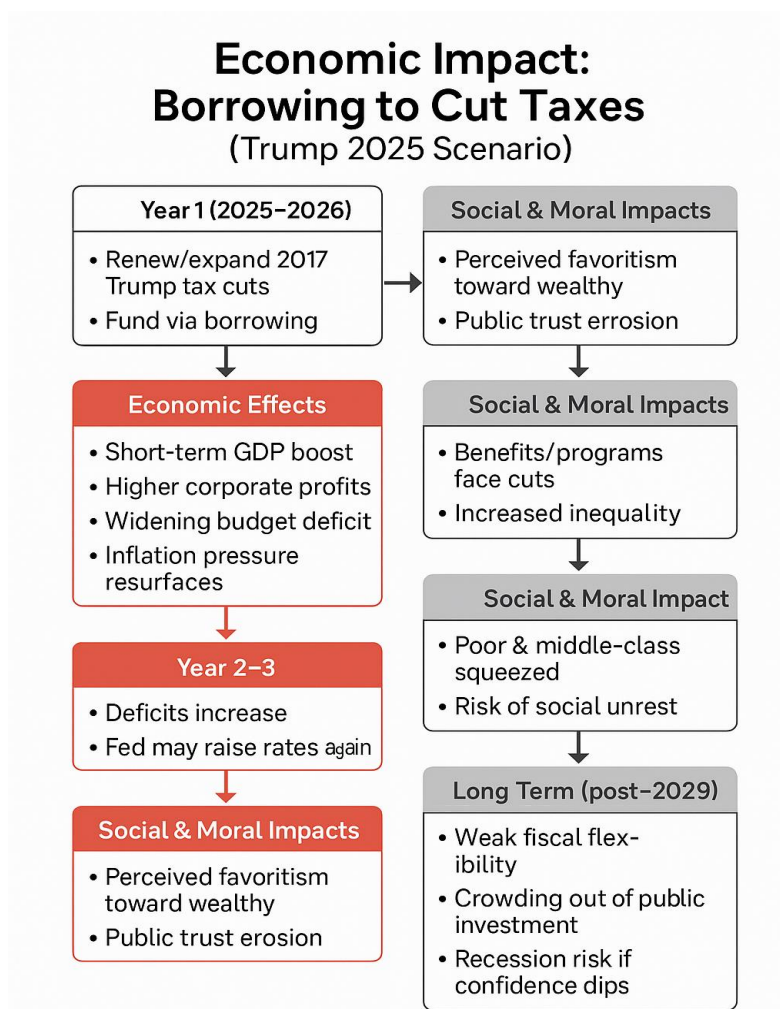
But we believe it is right to say that morally, this policy direction is deeply flawed. It's short-term populism with long-term harm, particularly for the vulnerable.

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