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Is This Trump's Mitterrand Moment?

The French President saved his government by giving up socialism. It's a precedent for tariffs.



President Donald Trump and China's President Xi Jinping in Osaka, Japan, June 29, 2019. PHOTO: KEVIN LAMARQUE/REUTERS

Full text:

President Trump continues to walk back his original tariff assault, and markets are pleased. They rose again Wednesday after Mr. Trump said he won't fire the Federal Reserve Chairman and is likely to retreat from his highest China tariffs. Is this Mr. Trump's François Mitterrand moment?

Readers of a certain age will recall how the French Socialist President swept into power in 1981 promising a far left agenda of government control over the private economy. The market reaction was brutal. Within a year he had put socialism on pause and by 1983 he had abandoned most of it. He went on to serve two terms.

That historic U-turn comes to mind as we watch Mr. Trump execute a reversal by stages in his tariff agenda. First he carved out space for Mexico and Canada from his reciprocal tariffs. Then he put his reciprocal tariffs on everyone except China on a 90-day pause. Then the Customs bureau gave exceptions to [Apple](#), [Nvidia](#) and big electronics companies. Now comes word that Mr. Trump may substantially cut his 145% tariff rate on China.

That's a long way in three weeks from the declarations by White House aide Peter Navarro and Commerce Secretary Howard Lutnick that there would be no tariff-rate changes. It's hard to see this as anything other than a retreat amid the harsh reaction of financial markets, worries about recession and price increases, and a sharply negative reaction from the rest of the world—friend and foe.

The good news is that at least Mr. Trump is finally listening to reality. The CEOs of [Walmart](#), [Home Depot](#) and Target paid a visit to the White House this week and told Mr. Trump prices would soon rise and store shelves might soon be empty as the tariff impact grows. This would be more than the “little disturbance” Mr. Trump warned about when he first unveiled his tariff barrage.

Financial markets have also had an impact, as they rise or fall based on the latest news about tariffs and Mr. Trump's plans for Fed Chair [Jerome Powell](#). There couldn't have been a clearer market test in the last three weeks about the economic damage these columns warned about. The MAGA media echo chamber that praised Mr. Trump's tariffs as strategic genius looks foolish.

Another harsh reality is that China called Mr. Trump's bluff and seems to have won this round. When Mr. Trump imposed his tariffs in the first term, President Xi Jinping retaliated with some restraint and sent a delegation to negotiate a trade deal.

This time he retaliated in tit-for-tat fashion and pushed all of his anti-U.S. economic and diplomatic levers. He has cut off U.S. access to crucial rare-earth minerals, stopped the delivery of [Boeing](#) jets, looked elsewhere for food and natural-gas imports, and unleashed regulators against American companies.

Beijing has also warned countries not to do trade deals with the U.S. that exclude China—or else. With even U.S. allies facing Mr. Trump’s tariff assault, Beijing’s threat has resonated in a way that it never previously did. U.S. diplomatic sway is ebbing.

The question going forward is whether Mr. Trump is internalizing these economic and political lessons or merely pausing to fight his trade war another day. We doubt even Mr. Trump knows the answer, since so much of his decision-making is ad hoc. He’ll keep his universal 10% tariff in any case.

But if the President is looking for political advice, he could do worse than check out the [polling cited nearby](#) by Mark Penn and Andrew Stein. It shows that the public largely opposes his tariffs, whose damage poses the single biggest threat to his Presidency. Better to heed the polls and the verdict of Adam Smith, and take the Mitterrand path to political survival.