

Marubeni Washington Report**Governing by Impulse or Design**

Instinct vs. Strategy: Which Trump Will Define His Second Term?

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- At the 100-day mark, President Trump's approval rating had dropped to 45.1%, the lowest ever recorded at that stage in a presidency. Notably, for the first time, his economic approval dipped below his overall approval rating, throwing into question the central mythology of a dealmaking "businessman".
 - Markets had priced in a return to Trump 1.0 – a version that broadly aligns with the pro-business orthodoxy of the Republican Party. Instead, they are encountering Trump 2.0; a more ideologically driven administration that diverges from market-friendly expectations.
 - Rhetorically, Trump appears to be leaning on economic populism to blunt public backlash against his economic nationalist agenda. Whether this signals a strategic pivot or is merely short-term messaging to defuse criticism remains uncertain.
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President Trump's second-term strategy has been defined by a flurry of bold and disruptive actions aimed at reshaping the U.S. political and economic landscape. At the core of this agenda are three major fronts: aggressive trade protectionism, hardline immigration enforcement, and a sweeping campaign to dismantle what he views as the liberal administrative state. By "flooding the zone" with constant policy shifts and controversy, the administration has sought to dominate the news cycle and diffuse sustained criticism.

This is a familiar playbook. In his first term, Trump employed a similar strategy—most notably through a barrage of executive actions beginning with the federal regulatory freeze on day one (1/20/17), federal hiring freeze (1/23), withdrawal from the Trans-Pacific Partnership (1/23), border wall construction (1/25), Muslim travel ban (1/27), and Dodd-Frank rollback (2/3)—that often left the media and political opponents scrambling to respond. The goal then, as now, was to keep adversaries reactive and fragmented.

But there are crucial differences that distinguish Trump 2.0 from Trump 1.0. This time, he comes equipped with experience—and a clearer sense of how to bend institutions to his will. He has purged his ranks of globalists and "deep state" institutionalists. There are no more special counsels, no looming impeachment inquiries. His cabinet is filled with loyalists, and his deployment of the Department of Government Efficiency (DOGE) has demoralized and, in many cases, paralyzed the federal bureaucracy.

Trump's media ecosystem has also expanded dramatically, giving him greater control over narrative framing than during his first term. Unlike his first term, he now faces far less internal resistance and far less effective opposition.

Meanwhile, Democrats are in disarray. In early March, party members openly criticized Senate Majority Leader Chuck Schumer for failing to leverage a potential government shutdown to extract concessions from Republicans. Their resistance has been reduced to symbolic acts—marathon floor speeches and sit-ins—that garner little media attention. Progressive lawmakers have launched a "Fight Oligarchy" tour in an early attempt to mobilize ahead of the 2026 midterms. Illinois Governor J.B. Pritzker has emerged as a prominent voice, calling for nationwide mobilization. In New Hampshire, he told a crowd, "Never before in my life have I called for mass protests, for mobilization, for disruption. But I am now. These Republicans cannot know a moment of peace."

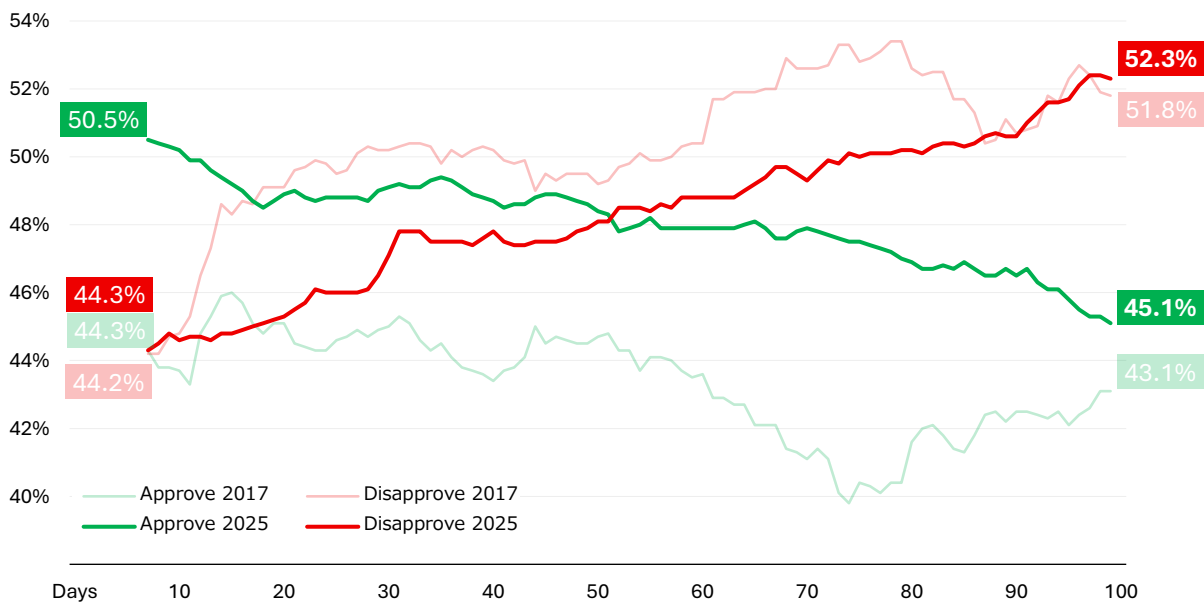
Yet despite these efforts, Democrats remain fractured and unfocused. One hundred days into his second term, Trump has largely governed without serious constraints.

A Shifting Public Mood

Yet public opinion presents a more sobering picture. While presidents typically benefit from a honeymoon phase, Trump’s has been the shortest in modern history. According to the polling average compiled by RealClear Polling, President Trump began his second term with an approval rating of approximately 50.5%—an improvement over the 44.2% he received after his first inauguration. To be clear, these remain the two lowest initial approval ratings on record for a new presidential term.

However, the bump was short-lived. Within weeks, his approval began to decline, falling underwater around March 11—widely viewed as the shortest honeymoon period of any modern president. For Biden, his approval rating crossed over to net negative territory in August of 2021, after the U.S. withdrawal from Afghanistan. By the 100-day mark, Trump’s approval rating had dropped to 45.1%, the lowest ever recorded at that stage in a presidency.

Trump’s Approval/Disapproval Rating – 2017 vs. 2025 (%)

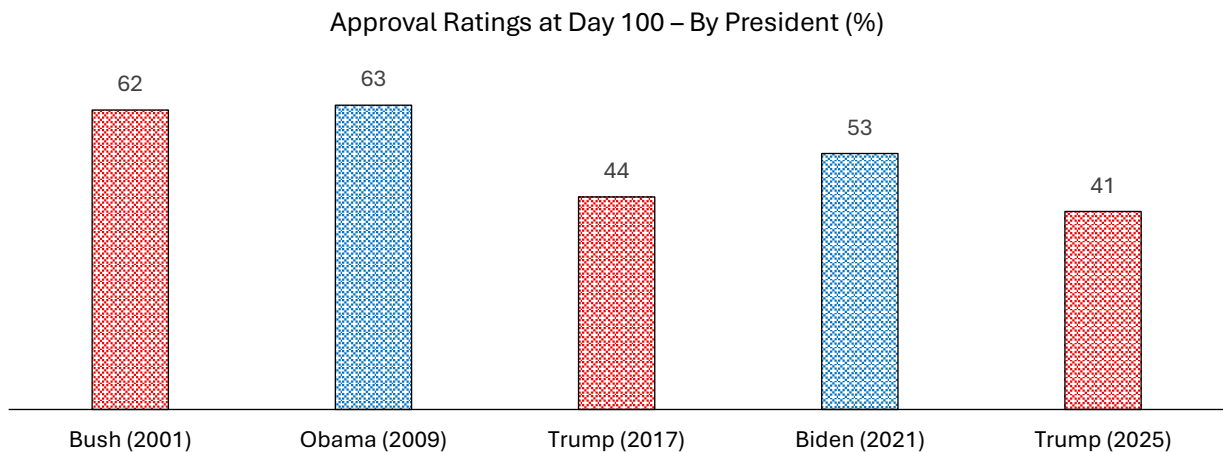


Source: RealClear Polling

100-Day Polls by Major Outlets (%)

	RCP Average	ABC Washington Post	Pew	New York Times Siena	Reuters Ipsos	YouGov Economist	Fox
Approve	45.1	39	40	42	42	41	44
Disapprove	52.3	55	59	54	53	54	55
Net	-7.2	-16	-19	-12	-11	-13	-11

Unlike polling averages from Silver Bulletin, formerly FiveThirtyEight, which weighs polls by sample size, pollster rating, methodology, and recency, RCP uses a simple arithmetic average of the latest polls. This means lower-quality or outlier polls (those that tend to be more Republican-friendly pollsters like Rasmussen and Trafalgar) can influence the average just as much as high-quality, large-sample ones. Even with this consideration, the downward trend is clear.



Source: CNN

Consequently, Republican lawmakers returning to their districts have faced a wave of anger from constituents. Several factors have contributed to this growing dissatisfaction:

Mass federal layoffs and service cuts: The Department of Government Efficiency (DOGE), led by tech billionaire Elon Musk—a major backer of Trump’s 2024 campaign—has carried out sweeping layoffs, eliminating over 20,000 federal jobs. The cuts have hit a broad range of agencies, from the Pentagon to the Social Security Administration, leading to service disruptions and widespread concern in communities that rely on federal programs. A Reuters/Ipsos poll found that a majority of Americans fear DOGE’s downsizing initiative is undermining government functions.

Tariffs and inflation: Trump campaigned on relieving financial pressure on working Americans and restoring national prosperity. Yet by March, voters saw little economic relief. On the contrary, his newly imposed tariffs have fueled concerns about rising prices for everyday goods. These effects are just beginning to show up in consumer spending, further straining household budgets.

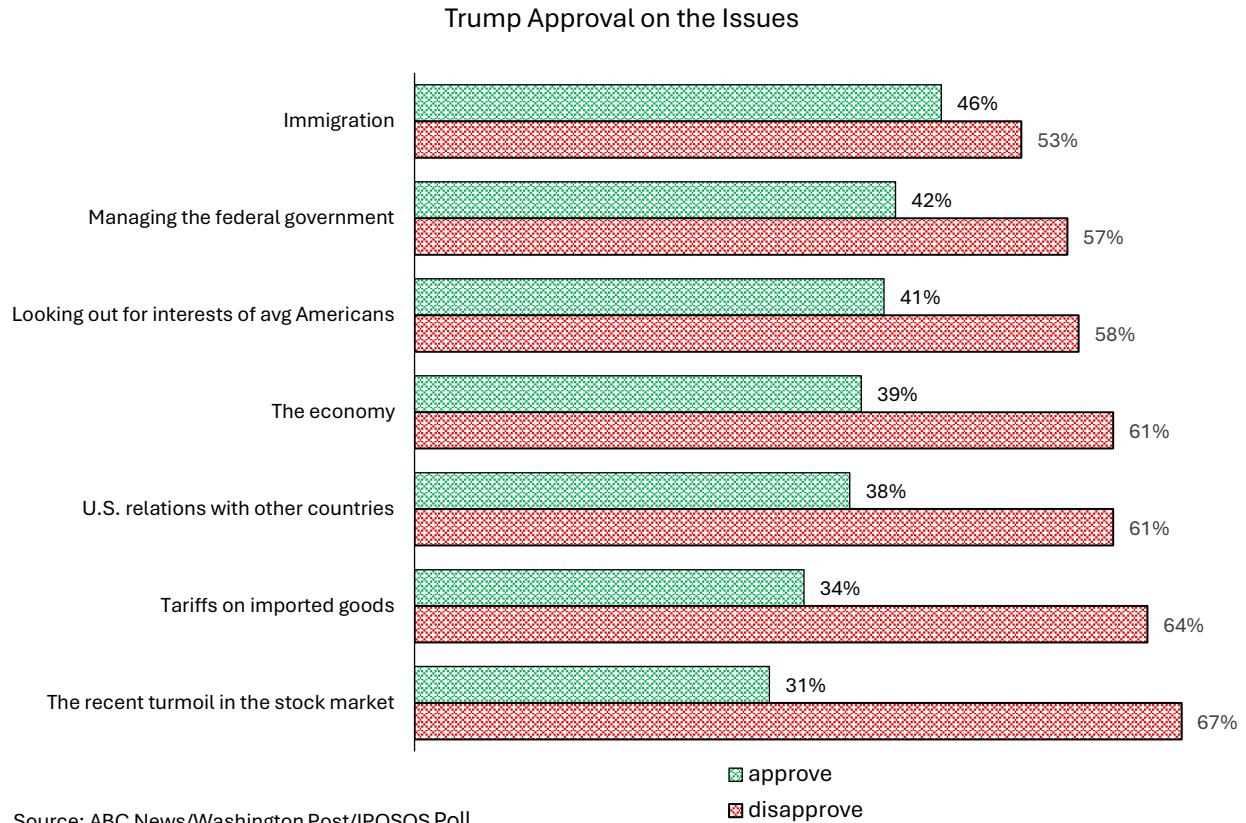
Deportations: In keeping with his campaign promises, Trump has intensified hardline immigration policies. Critics warn that these measures have undermined the rule of law and violated humanitarian norms. Immigrant communities and businesses that depend on immigrant labor have expressed deep anxiety, and legal challenges are mounting.

Rule of law concerns: The administration’s aggressive use of executive authority has raised alarms about democratic backsliding and the erosion of institutional checks and balances. Many of Trump’s actions are now being challenged in court, laying the groundwork for a potential constitutional crisis. This clash between executive overreach (welcomed by parts of his base) and institutional resistance (from the judiciary and Congress) has contributed to growing public skepticism.

In 2024, voters backed Trump largely for two reasons - inflation and border security. But even on those issues, they are now expressing clear disapproval. Of the two, the economy was long considered Trump’s relative strength. While his overall approval ratings have never been stellar, voters generally gave him credit for his economic stewardship. That dynamic has now shifted. His approval rating on the economy has fallen to just 39%—a 10-point drop compared to the same period in 2017, according to CNN. According to

RCP averages, his economic approval has—for the first time—dipped below his overall approval rating.

This marks a serious inflection point. Trump's political brand has always revolved around his image as a master dealmaker and successful businessman. The question now is: what happens when that core mythology begins to unravel?



Wishcasting Trump 1.0

Under normal circumstances, such a rapid decline in presidential support so early in a term would prompt internal reassessment. But these are not ordinary times, and Trump is no ordinary president. He is anything but predictable.

Consider “Liberation Day.” In the lead-up to the announcement, Treasury Secretary Scott Bessent suggested that tariffs would target the “Dirty 15”—the 15% of countries with the most persistent trade imbalances with the United States. National Economic Council Chairman Kevin Hassett echoed this, indicating that 10 to 15 countries were being eyed for reciprocal tariffs. Instead, the administration unveiled a sweeping package: a 10% baseline tariff on all imports and additional “reciprocal” tariffs ranging from 11% to 50% on imports from 60 countries. Then, just hours before the reciprocal tariffs were set to take effect, Trump unexpectedly announced a 90-day pause—without explanation.

This unpredictability has raised broader questions about the administration’s endgame. Some analysts argue that Trump’s strategy is a calculated attempt to dismantle the global free trade system, moving the U.S. toward autarky while raising federal revenue. Others see it as a high-stakes bargaining ploy aimed at forcing trading partners to eliminate unfair practices, ultimately paving the way for a more reciprocal and freer trading system. For a brief moment, experts pointed to a paper by Stephen Miran—Trump’s chair of the Council of Economic Advisers—as a blueprint for this strategy, only for Miran himself to later contradict those interpretations.

A common refrain among market watchers has been: “Don’t take him literally but take him seriously.” That is, Trump, while his instincts and goals are clear, often uses hyperbole to provocative effect that isn’t meant to be taken word-for-word (e.g. “I will build a wall, and Mexico will pay for it”). This theory held during his first term. Investors largely brushed off his protectionist rhetoric, assuming it was political theater. Markets rallied after his 2016 victory, buoyed by expectations of pro-business policies, deregulation, and tax cuts. Despite his populist messaging, overall, his economic agenda closely mirrored GOP supply-side orthodoxy—cutting taxes on corporations and the wealthy in hopes of spurring growth. Even his trade skirmishes eventually yielded incremental wins, such as the USMCA, a bilateral deal with Japan, and a purchasing agreement with China. While the markets experienced periods of volatility stemming from trade tension in late 2018, overall, the period from 2017 to early 2020 under Trump’s first term was good for investors.

Following Trump’s 2024 reelection, markets once again rallied—anticipating more of the same. But this time, reality diverged sharply from expectations. The announcement of the sweeping “Liberation Day” tariffs on April 2, 2025, stunned investors. Markets reacted immediately and sharply.

Since then, Trump’s flurry of tariff actions has continued to destabilize markets. Although he issued a 90-day pause on the reciprocal tariffs—allegedly after panicking over a bond market sell-off, though he denies this—his trade policies in the second term have far exceeded what most observers, and markets, had anticipated.

Call to Service – A Vision for Economic Nationalism

So, What should we make of President Trump's recent economic policies? Is he fully embracing his ideological drive towards economic nationalism, positioning tariffs as a permanent fixture in American trade policy? Domestically, will he return to Trump 1.0 that more or less aligned with traditional Republican economic orthodoxy, or is he turning towards economic populism?

If one assumes a continuation of Trump 1.0, then we might expect agreements with major trading partners that nominally address the structural problems he previously highlighted. Domestically, this could involve extending the Tax Cuts and Jobs Act (TCJA) provisions, coupled with pro-business tax cuts and deregulation. But what if this assumption is wrong and the economic-nationalist version of Trump emerges?

On tariffs, it’s clear that this has been a core conviction of Trump’s since the 1980s. During his first term, his push for economic nationalism was often tempered by so-called “adults in the room” and globalist-oriented advisors who restrained the full implementation of his agenda. This time, however, with a cabinet composed largely of loyalists, those internal guardrails are gone.

While Trump may lower tariffs as part of specific negotiations, a full departure from his broader tariff strategy is unlikely under this scenario. His stated goals remain consistent: using tariffs to rebalance international trade, generate federal revenue, and incentivize the reshoring of manufacturing jobs. As he recently put it, “there can be permanent tariffs and there can also be negotiations because there are things we need beyond tariffs.” This suggests that tariffs serve a dual function—some are intended as permanent tools to address long-term structural imbalances, while others are deployed tactically to extract concessions from trading partners, including on issues unrelated to trade.

In recent months, Trump and his team have worked to reframe the tariff narrative more explicitly around economic nationalism. Whereas they once claimed tariffs would be paid by foreigners and have no effect on U.S. consumers, they now acknowledge the likelihood of short-term pain. Trump recently told voters that under his policy, American children might “have two dolls instead of 30 dolls... and maybe the two

dolls will cost a couple of bucks more than they would normally.” In doing so, he is preparing the public for economic sacrifice in service of his broader nationalist agenda.

Appeasing an Angry Public Through Economic Populism

But how will Trump, the economic nationalist, manage the political fallout from his tariff agenda? The economic consequences are already beginning to affect his approval ratings, and Republican lawmakers are facing growing backlash in their districts. Voters are voicing frustration over the loss of essential public services, following widespread layoffs at the Department of Government Efficiency (DOGE). Others are alarmed by reports of ICE agents detaining individuals without due process. Despite Trump’s promise to end “Biden’s inflation” on day one, prices remain persistently high.

Small business owners are bracing for further cost increases tied to the new tariffs, and American farmers are already feeling the sting of retaliatory measures from trading partners. The price of everyday goods—from toys to clothing—has surged, even on discount platforms like Shein and Temu. Without corrective action, these pressures are likely to hit working families particularly hard, especially as the back-to-school season approaches.

To be clear, Trump’s current approval rating is weak, but not unprecedented. During his first term, his approval dipped as low as 37%. Today, over 80% of Republicans still approve of his performance, and there are no clear signs of an internal revolt. However, if his support continues to erode and falls below historic norms, it could threaten GOP unity—particularly on what he calls his “one big beautiful bill,” a sweeping legislative package that aims to anchor his domestic economic agenda.

At the heart of the bill is an extension of the 2017 Trump tax cuts (TCJA), which are set to expire at the end of 2025. Failure to renew them would result in higher taxes for many Americans, exacerbating the inflationary effects of tariffs. The legislation also includes a set of new tax breaks targeted at middle-class voters, including the elimination of taxes on tips, Social Security benefits, and overtime pay. Additionally, it proposes expanded tax incentives to boost domestic manufacturing. Altogether, the bill would add an estimated \$5.8 trillion to the federal deficit over the next decade.

The central challenge now is identifying revenue offsets—not only to comply with budget reconciliation rules, but also to placate fiscal conservatives within the Republican Party, who wield outsized influence in the narrowly divided House. Many of them are already angry by the use of a “current policy baseline,” which masks the true cost of extending the TCJA—estimated at \$3.8 trillion—by assuming the cuts remain in place. In response, they are expected to demand significant spending cuts, including potential reductions to entitlement programs like Medicaid.

In a notable departure from past orthodoxy, some Republicans are reportedly considering tax increases on corporations. Proposals under discussion include raising the excise tax on stock buybacks, capping the state and local tax (SALT) deduction for corporations (aka C-SALT or B-SALT), and tightening limits on executive compensation deductibility. These ideas are already drawing resistance from pro-business Republicans, but the fact that they are even on the table marks a meaningful shift in the party’s center of gravity toward economic populism.

Trump himself has begun to float the idea of taxing the wealthy to fund middle-class tax relief. In private conversations with Republican senators, he has reportedly expressed openness to raising tax rates on high earners—particularly those making over \$1 million annually—as a way to pay for eliminating taxes on tips, overtime pay, and Social Security benefits. Still, Trump remains wary of the political risks. He is keenly aware of the backlash that followed President George H.W. Bush’s 1990 tax hike, which violated his “no new taxes” pledge and alienated his base.

But his base, consisting mainly of working-class Americans, is materially different from that of his pro-business, “country club” Republican predecessors. A willingness to engage with ideas long championed by the economic populist wing of the MAGA movement makes sense. Figures like Steve Bannon and Tucker Carlson have pushed for taxing the rich to provide relief to the middle class and safeguard programs like Social Security and Medicare. Common proposals on Bannon’s War Room podcast include raising the top income tax rate, closing the carried interest loophole, and cutting defense spending—ideas that were once unthinkable within mainstream Republican policymaking circles.

Wrap Up

Trump’s second term marks a dramatic intensification of his first. He is governing with fewer restraints, a more ideologically aligned cabinet, and a clearer focus on remaking the U.S. trade policy around nationalist principles. Yet the political and economic costs are mounting. Whether he can maintain public support—and party unity—amid growing backlash will determine whether a Trumpism that fully embraces economic populism is a transient phenomenon or the new foundation of Republican governance.

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