



WASHINGTON WATCH

# U.S. Treasury secretary says to brace for economic pain. One economist thinks he's underselling the fallout.

Treasury Secretary Scott Bessent says the country will go through an adjustment period after getting hooked on government spending

By Victor Reklaitis  
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U.S. Treasury Secretary Scott Bessent made waves on Friday with his comment that the American economy is facing a “detox period.”

“Could we be seeing that this economy that we inherited [is] starting to roll a bit? Sure. And look, there’s going to be a natural adjustment as we move away from public spending to private spending. The market and the economy have just become hooked, and we’ve become addicted to this government spending, and there’s going to be a detox period. There’s going to be a detox,” Bessent, a former hedge-fund manager, said during a CNBC interview.

“Employment should be from private companies, not from government. And I’m confident, if we have the right policies, it will be a very smooth transition,” he said, in an apparent reference to the layoffs of federal workers executed in large part by the entity known as the Department of Government Efficiency, which is run by Trump adviser Elon Musk.

Bessent has been making such comments in recent days in an effort to prepare the country for what he says will be a period of economic adjustment that will be followed by rewards in six months or a year, said **Bernard Baumohl**, chief global economist at the Economic Outlook Group, a nonpartisan forecasting firm. **Baumohl** said the Treasury boss seems to be trying to “calm people’s nerves” by saying that President Donald Trump’s tariffs might raise costs but will be offset by the creation of more jobs in the U.S. — as well as by a much-anticipated GOP tax package that extends current tax cuts and includes some new breaks.

“This is wishful thinking. I think the way trends are happening, we’re actually looking more at a protracted slowdown in the economy with greater unemployment, and in my opinion, 60% probability that we’re headed to recession,” said **Baumohl**, whose firm has released a report that says the downturn could begin as early as the middle of this year.

The Economic Outlook Group expert told MarketWatch that Bessent’s remarks are similar to when the Federal Reserve incorrectly predicted in 2021 that inflation would be transitory and things soon would get better.

The Trump administration’s layoffs of federal workers have been immediate and surprising, and the president’s tariffs have been on, off and partially on, all of which has caused a lot of confusion and uncertainty, according to **Baumohl**.

“I don’t see any kind of well-thought-out, comprehensive strategy coming out of the White House,” he said. “It all seems to be very capricious, and I think this has been of great concern, not just to U.S. and foreign investors, but certainly to consumers, and we’ve seen that in the abrupt decline in confidence, which is now showing up in their spending patterns. Once consumers start to cut back, there is nothing that the government can do to make sure that the economy keeps out of recession, because we’re talking about 70% of all economic activity.”

**Baumohl** said the U.S. economy is not so much going through a detox due to the Trump administration’s moves as it is experiencing “a barroom brawl.”

“They’re moving with full speed and with prejudice, without taking into account the damage that’s being done to the economy — to consumers, in particular, to businesses,” he said. “It’s not surprising to me that we are seeing many companies show great concern about the direction of the economy. All these firms that I know of — my clients — have sort of set up their own war rooms to try to make sense of all the activities going on from Washington and how that affects their sales, their revenue, their supply chains, their earnings, and whether they need to hire more people or not, buy more inventory or not,” he added.

“There’s not yet enough out there that tells them, ‘Hey, this is just a brief moment, a brief couple of months, where we might experience some pain, but after that, things are going to look great,’” **Baumohl** said. “The economics is not there.”

Other economists have voiced similar concerns. Erica York, vice president of federal tax policy at the Tax Foundation, said in a social-media post that the U.S. looks like it could “detox our way to a lower standard of living.”

Bessent’s “detox” comment also attracted support from some quarters.

“Well said by our friend Scott Bessent,” Jon Lonsdale, a venture capitalist and co-founder of data-analytics company Palantir Technologies, said in a social-media post. “He’s been dealt a complex hand, and we are lucky to have him in this position. President

Trump and Elon et al are doing what needs to be done, and political pressure will be brutal for some of this 'detox'. I hope they stay the course!"

In his remarks to CNBC Friday, Bessent also said there's no "Trump put," referring to the idea that the president won't let the stock market drop by more than a certain amount.

"There's no put. The Trump call on the upside is, if we have good policies, then the markets will go up," Bessent said.

When asked about how the administration might weather any big market selloffs, Bessent played down the market's signaling power.

"The market was up 20% last year, 20% the year before," he said. "Did the Biden administration succeed? The American people weren't buying it just because the market was up. They voted out the Democrats."

U.S. stocks were trading higher Friday but remained on track for big weekly losses sparked in large part by Trump's moves with tariffs. On Friday, investors were digesting an employment report, fresh comments from Federal Reserve Chair Jerome Powell and new tariff threats from Trump.

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