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THE COMING AMERICAN BOOM IN 2026

It was, and remains, fashionable in some quarters abroad and even here at home, to question the concept of American exceptionalism after the 2024 election. Naturally, some of those feelings were driven more by the man who won the contest rather than a dispassionate understanding of what has made America so special and unique since its founding. European intellectuals often see America's patriotism and success as attributable to luck or some sort of cosmic accident that would be impossible to reproduce.

But anyone looking to discount America's economic success is liable to be sorely disappointed as we approach 2026. Three forces are going to coalesce that are likely to lead to a boom in economic activity and consumer spending in the U.S. – the tax cuts and supply-side effects of the One Big Beautiful Bill, America's hosting of the World Cup, soccer's premier, unparalleled contest, and, finally, a celebration of the 250th anniversary of the signing of the Declaration of Independence.

Of these three forces, the biggest economic impact will naturally be driven by the tax cuts and supply side incentives written into law as part of the One Big Beautiful Bill. In one fell swoop the OBBB makes permanent the lower tax rates established 2017's Tax Cut and Jobs Act, eliminates taxes on tips and overtime, increases the standard deduction for single and married filers, introduces deductions for Seniors and those who pay interest on car loans, and raises the cap on the SALT deduction for those paying state and local taxes. To the extent to which the IRS said that it will not adjust its withholding schedules for income and Social Security benefits before 2026, the tax refund season is expected to be especially heavy as we start the new year. Historically, the propensity for taxpayers to spend their tax refunds is high.

Just as important, the supply side impacts of the OBBB may be coming just in time to boost what appears to be softening labor market. The law increases the small business tax deduction, increases the thresholds and makes permanent the Qualified Business Income deduction, and allows for 100% immediate expensing for new investments in factories and production facilities. The correlation between capital spending and employment is well-established, especially in the manufacturing sector. The nonpartisan Joint Committee on Taxation estimates that the research provisions will reduce taxes by $141 billion by 2034, with more than $87 billion in cuts in fiscal years 2025 and 2026 alone.

This bounty will be enhanced by the fact that it will host what is arguably the world's premier sporting event – the World Cup – in 2026. A record 48 teams will participate in the tournament taking place in eleven cities across the U.S. and five cities in Mexico and Canada. A joint study from soccer's governing body, FIFA, and the WTO, estimates that an astounding 6.5 million people are expected to attend the FIFA World Cup 2026 globally, generating 185,000 full-time equivalent jobs, $30.5 billion in gross output, and $17.2 billion in GDP for the United States alone. The 39-day tournament will take place from June 11th to July 19th, 2026, scheduled perfectly to encapsulate July 4th, 2026, the 250th anniversary of the signing of the Declaration of Independence.

To the extent to which there are innumerable events to celebrate America's semiquincentennial at the federal, state, and local levels, it is difficult to measure how much national pride might impact economic activity. The New York City Economic Development Corporation estimates that the parade of tall ships in the port of New York and New Jersey – Sail4th 250 – will generate $2.85 billion in economic activity for the New York area alone. The City of Philadelphia is expecting an economic boost of $1-2 billion. And on it goes. President Kennedy implored Americans to never forget that they were "heirs to that first revolution." A reminder that the American experiment is exceptional may allow the country to stitch together a torn social fabric. Anyone old enough to remember the bicentennial knows that it was fun and inspiring. In that regard, the celebrations may be priceless. At any rate, who would doubt President Trump's interest and effectiveness in putting on a show?

The U.S. is currently looking at a policy mix it might normally see in response to a recession - stimulative fiscal policy, likely Fed easing, and regulatory relief – just as the labor market appears to be softening. Tax cuts are likely to boost consumer spending as we end 2025 and begin the new year. Although there are those who argue that this will only provide a short-term boost for the American economy, the incentives for increases in capital spending should provide the basis for long-term economic growth. A celebration of America's semiquincentennial as the country hosts the world's premier sporting event will only enhance America's coming economic boom. A self-proclaimed political elite may claim that such forces are just luck. American patriots, however, are likely to conclude that "luck is the residue of design."

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