



Risks Posed by Trump Administration to Economic Progress Made by Obama Administration

An Initial Response to the Economic Report of The President

Over his eight years in office, President Obama has led an economy that has gone from crisis to recovery to steady growth. Businesses have added nearly 16 million jobs since early 2010, the unemployment rate has been cut more than in half from its peak and wages are growing faster than they have in years. The Obama administration has made significant progress on a range of issues that impact economic security for American families, while laying the groundwork for strong, broadly shared and sustainable growth in the future.

Because of the leadership of President Obama, more than 20 million Americans have gained health insurance and the peace of mind that comes with it. More than 11 million people are saving money on their student loans as a result of the Obama administration lowering interest rates, and more than 250,000 additional low-income students are able to attend college because the administration increased spending on Pell Grants. The decades-long trend toward increased income inequality has been mitigated by progressive tax reform. The financial system is stronger and more stable than before the crisis, while consumers are better protected against predatory practices. And the country is taking steps to fight climate change and compete in the industries of the future like clean energy.

The Trump administration could put these and many other accomplishments at risk. While President-elect Trump has claimed that he will be the champion for “the forgotten men and women of our country,” so far his Cabinet appointments and policy proposals are disconnected from that promise.¹ Rather than enacting policies that foster economic security for middle-class Americans, all signs suggest that his administration will return to the trickle-down economic policies that in the past have failed to boost growth or help working families, while opening the door to the sort of recklessness on Wall Street that devastated Main Street eight years ago.

This document highlights the progress President Obama has been able to achieve for the U.S. economy and American families—and states in clear terms the risk that President-elect Trump poses to this progress.

Eight Years of Recovery and Reinvestment

Obama Administration Progress

President Obama took office in the midst of the worst economic crisis since the Great Depression. Nearly 800,000 Americans were losing their jobs each month and unemployment was on its way to peaking at 10 percent. Nearly one in five workers in the auto industry lost their

jobs in just a year and a half, and the industry was on the brink of collapse.² Millions of families ended up losing their homes and \$13 trillion in household net worth evaporated.

President Obama acted swiftly to stabilize the economy, save domestic auto manufacturing and lay the foundation for a return to growth. Because of that, President-elect Trump will inherit an economy that is far stronger by virtually every measure than the one President Obama was handed. Businesses have added 15.8 million jobs since early 2010, including more than 800,000 jobs in manufacturing. The auto industry has gained 700,000 jobs since mid-2009. The unemployment rate has been cut more than in half from its peak and now stands at 4.7 percent. Home values have recovered from severe losses, lifting more than 9 million homeowners back above water, and nominal household net worth has gone up by nearly \$35 trillion.³ In 2015, real median household income increased by \$2,800, growing at its fastest pace on record.⁴

Trump Administration Risks

President-elect Trump claims he will be “the greatest jobs producer that God ever created” and that his policies will more than double the pace of GDP growth to 5 or 6 percent.⁵ But many of the policies he advocated during his campaign would risk significant economic harm.⁶ His plan to deport millions of undocumented immigrants would cause serious problems for labor markets, reducing the size and strength of the U.S. economy. His proposed tax cuts, which overwhelmingly benefit the wealthy and large corporations, would add trillions of dollars to the national debt.⁷

Progress Reducing Inequality

Obama Administration Progress

Rising inequality has been a major challenge facing the United States for decades. In 1970, the top 1 percent of households held 28 percent of the wealth in the United States; by 2012, that share had skyrocketed to 42 percent.⁸

To reverse this trend, the Obama administration presided over the largest increase in federal investment to reduce inequality since the Great Society programs under President Lyndon B. Johnson.⁹ It acted decisively to help the economy recover from the devastating effects of the Great Recession, expanded health insurance coverage under the Affordable Care Act (ACA) and made the tax code more progressive. Together these measures will boost after-tax incomes of the poorest Americans by 18 percent in 2017.¹⁰

The administration’s policy response to the Great Recession also offset rising inequality by saving jobs, lowering taxes, expanding the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) and extending unemployment insurance benefits. It has increased funding for higher education, job training programs, early childhood education and affordable child care—critical investments that will reduce inequality in the long term.

Trump Administration Risks

President-elect Trump has promised to help working class families, but his policy proposals would have the opposite effect. His plan to repeal the ACA would hurt many middle-class

families that depend on it to purchase insurance. His plan to roll back regulations on Wall Street and the big banks will make it more likely that American families will suffer the devastating effects of another financial crisis and subsequent recession.

His tax plan would disproportionately benefit the ultra-wealthy, providing an average tax cut of \$1.1 million to the top 0.1 percent of earners, compared with an average tax cut of \$1,010 for the middle quintile of earners.¹¹ In addition to spurring greater inequality, these tax reforms would starve the budget of needed revenue to make critical investments in education, infrastructure, defense and the workforce.

Reforming the Health Care System

Obama Administration Progress

When President Obama took office, 44 million Americans did not have health insurance, and about 130 million people—more than one in three Americans—had pre-existing conditions that could make it difficult or impossible to get affordable coverage.¹² Skyrocketing health care costs were placing significant pressure on family budgets and the federal budget.

Under the Affordable Care Act (ACA), 20 million Americans have gained insurance coverage through the Health Insurance Marketplace, the expansion of Medicaid and new standards for private insurance that allow young people to stay on their parents' plans until age 26 and that make it illegal to discriminate against people with pre-existing conditions. Average family premiums are about \$3,600 lower for the 150 million Americans who get their insurance through their employer today than they would be if premiums had continued to grow as fast as they did before the ACA. More than 11 million seniors have saved an average of \$2,100 per person on prescription drugs because the law is phasing out the “donut hole.”¹³

Trump Administration Risks

President-elect Trump has said that the ACA has “gotta go” and that he will replace it with “something terrific.”¹⁴ However, Republicans plan to repeal the law quickly without a plan to replace it, which would wreak havoc on the health care system. An estimated 32 million people would become uninsured by 2026, including 18 million as early as the first new plan year after enactment of the repeal.¹⁵ Millions of Americans would be hurt by ending the ban on discrimination against those with pre-existing conditions.¹⁶ Republicans claim that they can keep the ban while eliminating the requirement that everyone be covered, but this would make costs soar for those who need coverage the most.¹⁷

Repealing the ACA could mean faster premium growth for those with employer-based coverage and higher prescription drug costs for Medicare beneficiaries. It would also impact the budget, causing deficits to shoot up by \$350 billion over a decade and by trillions over the long term.¹⁸

In addition to these impacts, repealing the ACA's Medicaid expansion would pose serious problems for hospitals in rural areas and small towns that depend on Medicaid reimbursement. Fewer people would be able to afford care, while hospital uncompensated care costs would increase sharply. These hospitals are often the largest employers in their areas, and one study

found that repealing the Medicaid expansion would cost the economy more than 1.7 million jobs.¹⁹

Investing in Higher Education

Obama Administration Progress

The Obama administration has made the student debt crisis a high priority. It has doubled investments in grant and scholarship aid, including a \$12 billion increase in Pell Grant funding which has given more than 250,000 additional low-income students a chance to attend or finish college in the 2014-15 academic year.²⁰ It lowered interest rates on federal student loans, saving roughly 11 million borrowers an average of \$1,000 each.²¹ It expanded loan repayment programs based on earnings after graduation, providing a flexible repayment option to more than 5 million students.²²

The administration also tackled the growing problem that some for-profit institutions leave graduates with inadequate skills, low earnings and extremely large amounts of student debt. It enacted regulations that crack down on deceptive marketing tactics common in the for-profit higher education industry.²³ It also created new safeguards requiring all schools seeking federal funding to demonstrate that they deliver high-quality education leading to gainful employment.²⁴

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President-elect Trump has promised to “solve the student loan crisis” and lower the cost of college.²⁵ Yet Republican proposals aim to cut Pell Grants and other programs.²⁶ As a result, as many as 8 million recipients could become more dependent on expensive loans from private lenders to cover college costs; some may forgo higher education altogether. In addition, President-elect Trump, who recently agreed to a \$25 million settlement with aggrieved students at Trump University, wants to reduce “unnecessary costs of compliance with federal regulations.”²⁷

Strengthening the Financial System

Obama Administration Progress

When President Obama took office, the nation was facing the worst financial crisis in 80 years, so he moved quickly to stabilize the financial system and to reduce the likelihood of another financial crisis. The Dodd-Frank Wall Street Reform and Consumer Protection Act increased the stability of the financial system by preventing large financial institutions from making speculative investments with depositors money (the Volcker Rule), identifying systemic risks in the financial system, and instituting measures to make it less likely that any large financial institution would be “too big to fail.” The law also established the Consumer Financial Protection Bureau (CFPB) to protect consumers from predatory practices.

The CFPB protects working and middle-class consumers from a broad range of predatory practices. The CFPB ensures consistent nationwide enforcement of consumer protection laws in a wide range of financial products and services, such as mortgage loans, credit cards, student

loans, car loans, debt collection and credit reporting, as well as often-abused financial products such as prepaid accounts, payday loans and car title loans. As of July 2016, CFPB enforcement actions returned \$11.7 billion to more than 27 million harmed consumers—including homeowners, students, seniors and service members.²⁸

Trump Administration Risks

Trump’s transition team has pledged to dismantle Dodd-Frank.²⁹ However, repealing Dodd-Frank would pose significant risks to the economy and to millions of American families. At the most recent hearing of the U.S. Congress Joint Economic Committee, Federal Reserve Chair Janet Yellen said she “wouldn’t want to see the clock turned back on those because I do think they’re important in diminishing the odds of another financial crisis.”³⁰ This could precipitate another recession.

Addressing Climate Change

Obama Administration Progress

In the first months of his administration, President Obama launched a historic \$90 billion investment in clean energy technology, helping American companies become world leaders in the emerging industry. The administration established new energy efficiency standards for home appliances, tightened vehicle emission standards and set ambitious carbon standards for power plants in the 2015 Clean Power Plan (CPP). The administration also led international efforts to reduce greenhouse gases, signing the landmark Paris Agreement in which nearly 200 countries agreed to work together to mitigate climate change.

These initiatives are already beginning to pay off. Since 2008, wind electricity production has tripled and solar electricity production has increased thirty-fold, and in many areas of the country renewables are now cheaper than fossil fuels and those costs continue to decline.³¹ The administration’s investments in clean energy supported an average of more than 100,000 jobs per year between 2009 and 2015.³² Completing this transition to renewable energy could create up to 2 million new jobs, on net.³³ The new energy efficiency standards are projected to save American households \$540 billion on utility bills through 2030.³⁴ The CPP is projected to provide net benefits of up to \$45 billion to the nation’s economy in 2030.³⁵ The projected fastest-growing job through 2024 was wind technician, and those jobs primarily benefit rural communities.³⁶

Trump Administration Risks

President-elect Trump has repeatedly called climate change a hoax.³⁷ He also threatened to withdraw from the Paris Agreement, nominated a radical opponent of carbon regulations to head the EPA, laid out plans to eliminate federal investments in renewable energy and promised to restart generous federal land-leases to the coal industry.³⁸ In the long term, these efforts likely would hinder job creation and weaken economic growth by ceding markets for renewable energy technologies to countries like China, which plans to invest \$360 billion in renewable energy through 2020.³⁹ The Obama administration laid the groundwork for the United States to be the

global leader in clean energy, but the President-elect's agenda threatens to set America back decades.

Conclusion

The economy has made significant progress over the past eight years under President Obama. The Trump administration inherits an economy with a 4.7 percent unemployment rate, real median household income that grew at the fastest rate on record in 2015 and wages that are increasing at nearly a three percent annual rate, the fastest pace in years. In addition, through enactment of the ACA, the Obama administration cut the number of uninsured in nearly half, banned discrimination against people with pre-existing conditions and slowed the growth in health insurance premiums.

President-elect Trump promises to do better: to deliver economic growth exceeding 5 percent, re-energize a manufacturing sector that has already added 800,000 jobs since 2010, create jobs at a faster pace than the Obama administration, boost wages, increase labor force participation, maintain the recent gains in health care while reducing costs for families—and accomplish all of this while eliminating the national debt over eight years.

To evaluate the success of the Trump administration, it will be important to track the economic and other indicators the President-elect himself has highlighted as his top priorities. It will be critical to hold the new administration accountable to its promises—to document how it is meeting or falling short of its claims.

In addition to tracking the pace of economic growth and changes in wages, jobs and manufacturing jobs, it will be useful to focus on changes in access to and affordability of health care and higher education. It is also important that the Trump administration is judged by how it addresses a range of challenges, such as income inequality and climate change, which have received less attention from the incoming president.

The President-elect's promises are bold. The efforts to match those promises to the actual record must be rigorous.

Sources

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