

The State of the Economy

When President Trump gives his State of the Union speech tonight, the strong U.S. economy will be a central theme. The President frequently claims credit, but in fact, he inherited a strong economy from President Obama, who helped pull the United States out of the worst recession since the Great Depression. He repeatedly has cited economic statistics that have been widely debunked, keeping legions of fact checkers fully employed. The following is a short economic guide to the President's State of the Union address.

Unemployment

During the Obama administration, Donald Trump claimed that the low unemployment rate was “[fake](#).” Now he takes credit for it. The unemployment rate peaked at 10 percent during the Great Recession and it was more than **cut in half** to 4.7 percent **before Trump was inaugurated**; it has continued the downward trend and now stands at 4 percent.

Job creation

Of the record-breaking 100 consecutive months of job creation, the **first 76 months** occurred during the Obama administration. In fact, job creation has slowed slightly since President Trump took office. The average number of jobs created each month in President Trump's first two years is 203,000, compared with 212,000 during the last two years of the Obama administration.

Wages

After decades of stagnation, [average hourly wages](#) are up **1.1 percent** from a year ago on an inflation-adjusted basis. The Trump administration predicted the Tax Cuts and Jobs Act (TCJA) would lead to a \$4,000 annual raise for the typical family. No mainstream economists agreed.

Economic growth

The President has been caught many times by fact checkers cherry-picking strong quarters and implying that these are the same as sustained annual growth rates. He promised sustained economic growth of 4 percent or more, but most forecasters show the economy on the same long-term growth trend that he inherited, with the Congressional Budget Office [projecting](#) it at **1.7 percent**.

The government shutdown

The Congressional Budget Office (CBO) estimates that the President's [shutdown](#) subtracted **\$11 billion** total from first and fourth quarter growth, with **\$3 billion** lost permanently. Moody's chief economist Mark Zandi warns that a second shutdown would be worse than the first and would “[wipe out confidence](#)” and “[metastasize throughout the economy](#).”

Tax cuts

Most economists believe that the tax cuts caused a one-time “sugar high” that was unnecessary in an already hot economy. It also added **\$1.9 trillion** to the debt, which could force cuts to Social Security and Medicare, or prevent investments in areas like infrastructure, education and other priorities. In arguing for the TCJA, President Trump [promised](#) that annual GDP growth would rise to as high as 6 percent, but it has not come close. The promised investment has failed to materialize – a survey of

[business economists](#) found that **84 percent** of respondents have not changed their firm's hiring or investment plans. The nonpartisan [Tax Policy Center](#) estimates that the long-term growth boost from the TCJA will be **close to zero**.

The trade war

The President's trade war has caused casualties on both sides. It has lowered growth in China, which hurts American exporters, and also has provoked [retaliatory responses](#) that have reduced business profits and caused [job losses](#) in the United States. Tariffs also have pushed down commodity prices, contributing to an expected [\\$9.1 billion](#) drop in net farm income in 2018. Soybean sales to China, for example, have dropped [94 percent](#). The Trump administration has been forced to subsidize agricultural producers that have been hurt by the trade war.

Immigration

The President frequently claims that immigrants take American jobs and cost the economy billions. However, research has shown that [immigrants](#) actually create growth and jobs. In total, immigrants add **\$2 trillion** to the [economy](#). Immigrants also are [twice as likely](#) to start a business as the native-born population. According to Minneapolis Federal Reserve President [Neel Kashkari](#), "Immigration is as close to a free lunch as there is for America."

Deregulation

The Trump administration frequently claimed that slashing regulations has unleashed economic growth – but these claims focus only on the costs of regulations. The Office of Management and Budget has found that the major [regulations](#) put into effect between 2006 and 2016 collectively resulted in at least **\$2.50 in benefits for every \$1 in costs**, and potentially much more.

Climate change

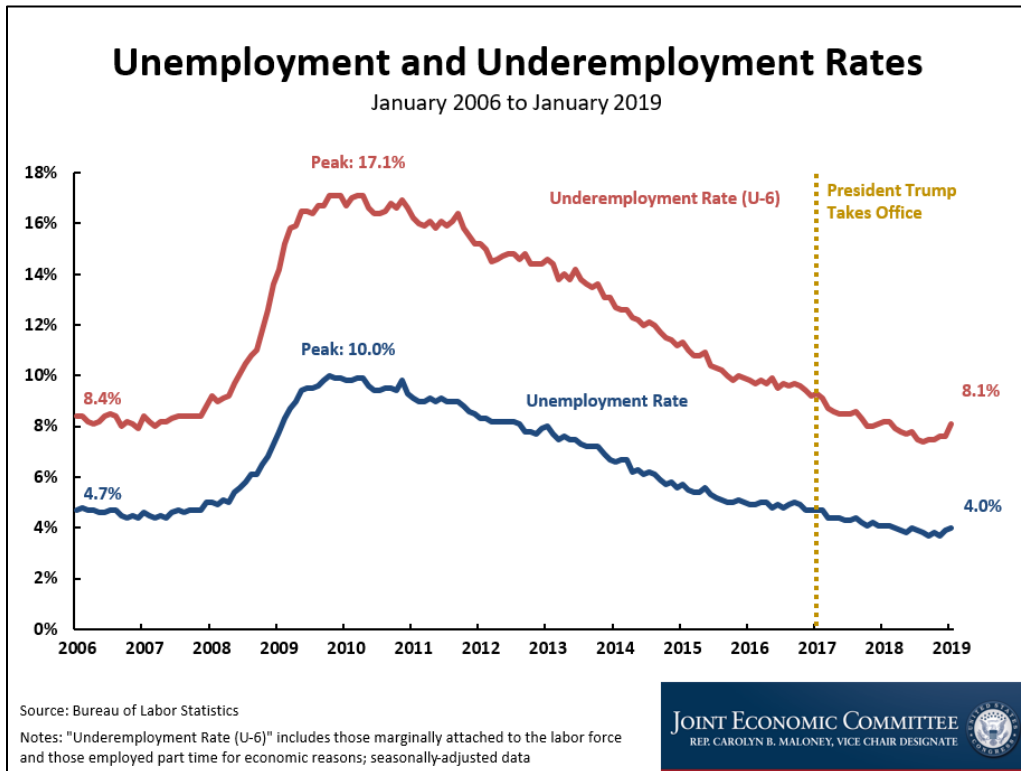
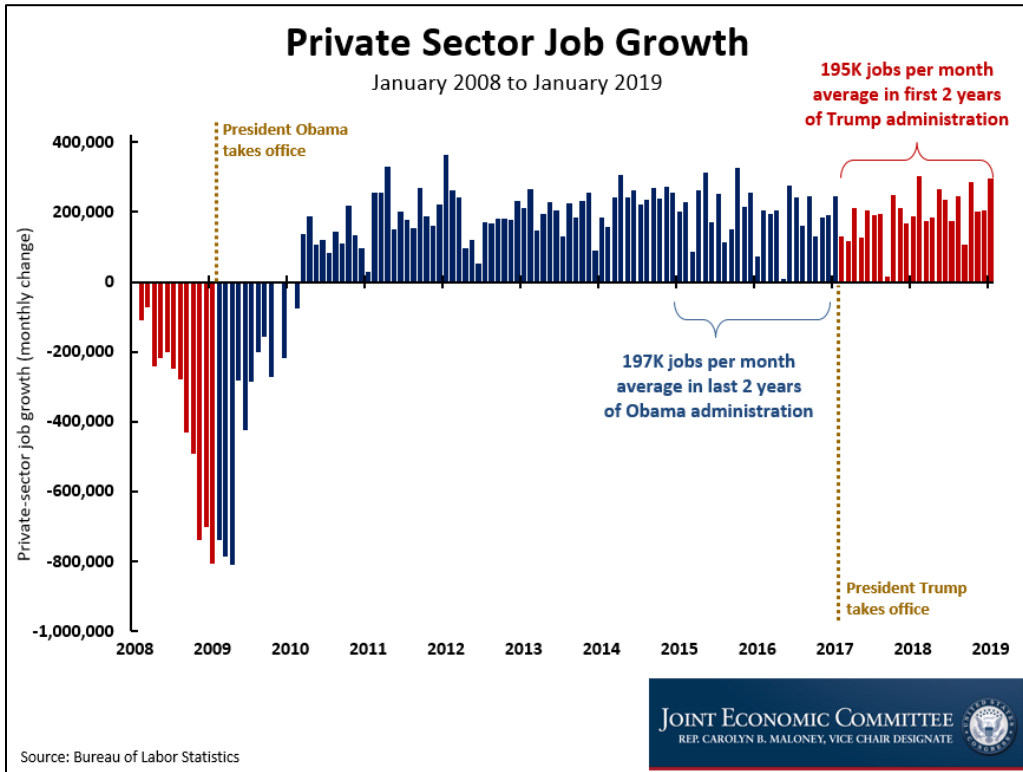
President Trump has attempted to stop government scientists from studying climate change, delayed and undermined important carbon-reducing regulations and pulled the United States out of the Paris Agreement. The [National Climate Assessment](#) estimates that, without action to mitigate climate change, global warming will eventually cost the American economy **hundreds of billions of dollars** every year.

Racial and gender disparities

President Trump frequently claims credit for record-low black unemployment, but the rate is the result of an eight-year long trend. Nevertheless, the [black unemployment rate](#) is still about **double the white unemployment rate**. Further, women still face substantial wage disparities – in 2017, the typical [woman](#) working full-time year-round earned just **80 cents for every dollar** earned by the typical man.

Inequality

Income inequality has risen substantially in recent decades – between 1980 and 2014, the incomes of the top one percent grew **three times faster** than the [national average](#). The Trump tax cuts, which heavily favor the wealthiest Americans, make the situation worse. Once temporary provisions expire, **99 percent** of the benefits will go to the [top 5 percent](#) of taxpayers.



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