



ECONOMIC UPDATE

January 24, 2020

Quote of the week

“[President Trump’s] persistent depiction of the U.S. economy as the greatest ever is false.”

— *The Associated Press*

What you need to know

- At the World Economic Forum in Davos, Switzerland, President Trump credited his policies for the current strength of the U.S. economy. *The Associated Press* reports that [his speech was riddled with falsehoods and distortions of fact](#).
- Also at Davos, other leaders [focused on how to address climate change](#). A group representing many of the world’s central banks released a report stating that [climate change could cause the next financial crisis](#).
- The [share of workers who were members of a union fell slightly](#) in 2019, from 10.5 percent to 10.3 percent, according to new data from BLS. This is about half of what it was in 1983 (20.1 percent).
- The IMF predicts that tariffs and reduced business investment, byproducts of the president’s trade war, [will reduce global GDP by \\$700 billion](#) in 2020.
- The price of a bushel of soybeans is less than it was in November 2016, when Trump was elected. Since the signing of the Phase One trade deal with China, [soybean futures prices have barely moved](#), signaling that the deal will have little economic impact.

Happening the week of January 27, 2020

- *Monday*: Census releases [New Home Sales](#) data for December.
- *Tuesday*: The Conference Board releases the [Consumer Confidence Index](#) for January and Census releases the [Advance Report on Durable Goods](#) for December.
- *Tuesday-Wednesday*: The Federal Open Market Committee meets to discuss the state of the economy and determine if any rate changes are necessary.
- *Wednesday*: Census releases the [December 2019 Advance Economic Indicators Report](#). The Fed announces any rate changes and [Chair Powell holds a news conference](#).
- *Thursday*: The Bureau of Economic Analysis releases [GDP](#) for the fourth quarter of 2019.
- *Friday*: BEA releases the [Personal Consumption Expenditures Price Index](#) (PCE). The University of Michigan releases the [Consumer Sentiment Index](#).

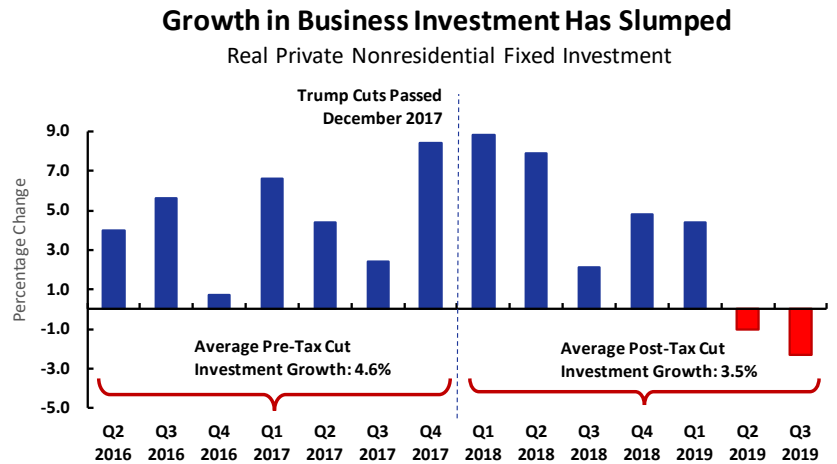
Good reads

- [“There’s No Such Thing as a Free Tax Cut,”](#) *New York Times* 1/22/2020
- [“Low Unemployment Isn’t Worth Much If the Jobs Barely Pay,”](#) *Brookings*, 1/8/2020
- [“Home ownership Is the West’s biggest economic-policy mistake,”](#) *The Economist* 1/26/2020

Chart of the week

Since the enactment of the 2017 tax cuts, growth of business investment has averaged just 3.5 percent, substantially below the 4.6 percent average growth of the previous seven quarters.

Although there was a slight bump in the first two quarters after the tax cuts took effect, investment subsequently fell below its long-term trend, contracting in the two most recent quarters. CRS found that [any bump in business investment occurred despite the tax cuts, not because of them.](#)



Source: Bureau of Economic Analysis/Haver Analytics

Note: Pre- and post-tax cut periods reflect the 7 quarters before and after passage of the Trump Tax Cuts.

New research and reports

- A working paper from the Federal Reserve Bank of San Francisco asserts that [monetary policy can have long-term effects on the economy](#). For example, a one-percentage point increase in short-term interest rates can decrease GDP per capita by 3.7 percent over 12 years.
- Researchers at Princeton, Berkeley and the Census Bureau find that the [Clean Air Act helped bring down racial disparities in exposure to air pollution](#).
- [Political polarization seems to be growing faster in the United States than in comparable countries](#), suggesting that factors specific to the United States are responsible (rather than worldwide trends like widening inequality and increased use of the internet.)

Selected JEC resources

- [Did Trump Create or Inherit the Strong Economy?](#)
- [U.S. Economy by the Numbers](#)
- [Macroeconomic Dashboard](#)
- [Is It True that Incomes Have Risen \\$5,000 under Trump?](#)
- [50 State Economic Snapshot](#)
- [2017 Tax Cuts Failed to Deliver Promised Economic Boost](#)

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Contact: hope_sheils@jec.senate.gov