

# **Is Trump Making America Great Again? A One-Year Anniversary Scorecard of the Trump Presidency**



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# Key Questions to Ponder

## Part I: The Promises

- Has Trumpenomics been implemented?
- Have other Trump policies been implemented?

## Part II: The Performance

- What is the current state of the U.S. economy?
- What is the current state of U.S. politics?

## Part III: The Score

- Correlation or causation?
- Short-term or long-term?

# Part I: The Promises



But you **promised!** :(

# Has Trumpenomics Been Implemented?

## Lower Taxes: Tax Cuts and Jobs Act (December 2017)

- Reduce individual income tax from 7 to 3 tax brackets with tax rates of 12%, 25%, & 33%:
  - Still 7 brackets, still very complex (or now more complex)
  - Tax rates 10%, 12%, 22%, 24%, 32%, 35%, 37% (vs. 10-39.6%)
  - Doubled standard deduction, repealed personal/dependent exemptions, placed limits on state and local tax deductions
- Reduce corporate tax rate from 35% to 15%
  - Reduced to 21%, 10.5% for income of U.S. foreign subsidiaries
  - 20% deduction for income from pass-through businesses
- Reduce corporate tax on repatriation to 10%
  - One-time 8% tax on unrepatriated foreign earnings
- Repeal estate and gift taxes
  - Top rate of 40% on estates > \$11.2m/\$22.4m (double previous)
  - Tax on endowment investment income of large universities

## Increase Expenditures: No 2018 budget

- National defense (e.g., 350-vessel navy fleet)
- Border security (e.g., “The Wall”)
- Domestic infrastructure (e.g., \$1 trillion PPP)

## Deregulate Business: Very aggressive implementation

- Complete regulatory overhaul
- Moratorium on new federal regulations

# Has Trumpenomics Been Implemented? (2)

## America-First Trade Policy

- No Trans-Pacific Partnership: **Withdrew**
- Re-negotiate NAFTA: **In process**
- China currency manipulator, subject of trade cases: **Silence**

## Unleash American Energy

- Attain energy independence: **In process**
- Increase coal production and hydraulic fracturing: **No**
- Increase energy production on federal lands: **Permitted**

## Repeal Affordable Care Act

- **Cut enrollment period in half, gutted outreach budget**
- **Repealed ACA individual mandate penalty (in tax bill)**

## Penny Plan

- Reduce non-defense, non-safety net spending annually by 1% of the previous year's total: **No approved budget**
- Total reduction \$1 trillion over ten years: **Tax Cuts and Jobs Act estimated to increase deficit \$1.5 trillion**

→ ***Reaganomics Redux....***

# Have Other Trump Policies Been Implemented?

- Crackdown on immigration (legal and illegal)
  - Increased raids, deportations + sanctuary city retaliation
  - Imposition of selective bans + enhanced vetting
  - Cancellation of DACA (“Dreamers”) and temporary protective status (TPS)
  - Restriction of temporary/special work visas (H-1B)
  - No funding for “The Wall”, no comprehensive reform
- Crackdown on criminals
  - Reduced discretion for judges/mandatory sentences
  - Enforcement of federal marijuana laws
- Rejection of global warming prevention/mitigation
  - Withdrawal from Paris Accord
  - Lax EPA enforcement
- America First foreign policy
  - Tension with allies
  - Global flashpoints (North Korea, Iran, Middle East)

# Part II: The Performance



# What is the Current State of the U.S. Economy?

First, the good news: strong aggregate performance

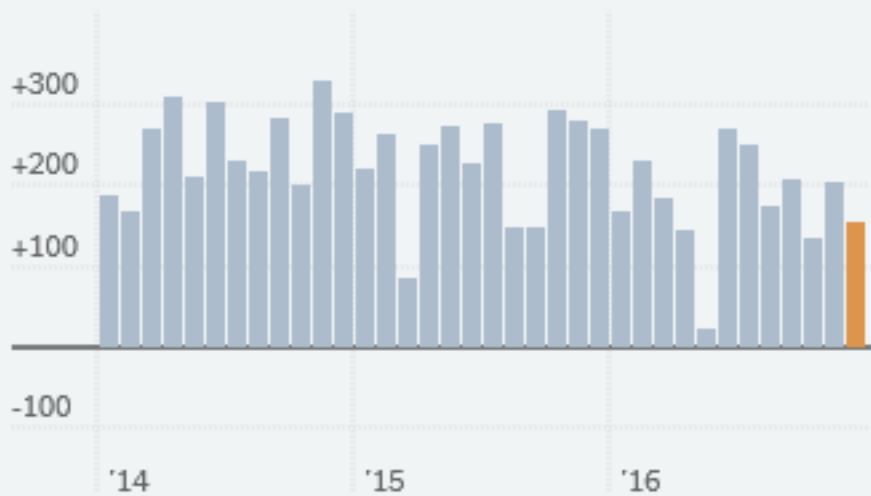
- GDP growth (2017 est.): 2.5% (1.6% in 2016)
- Unemployment Rate (12/17): 4.1% (4.7% in 2016), 17-year low, rate for blacks fell to 6.8% (lowest level since records kept beginning in 1972)
- Net Jobs Created (2017): +2.1 m (+2.2 m in 2016), 7<sup>th</sup> straight year of increases > 2 m
- Positive Net Jobs Created 87 consecutive months, longest expansion on record
- Hourly Pay (December 2017): +2.5% (year on year)
- 19 states increased minimum wage (eff. 1/17)
- Urban CPI thru 12/17: 2.1% (2.1% in 2016)
- Stock markets booming



# Current State of the U.S. Economy? (2)

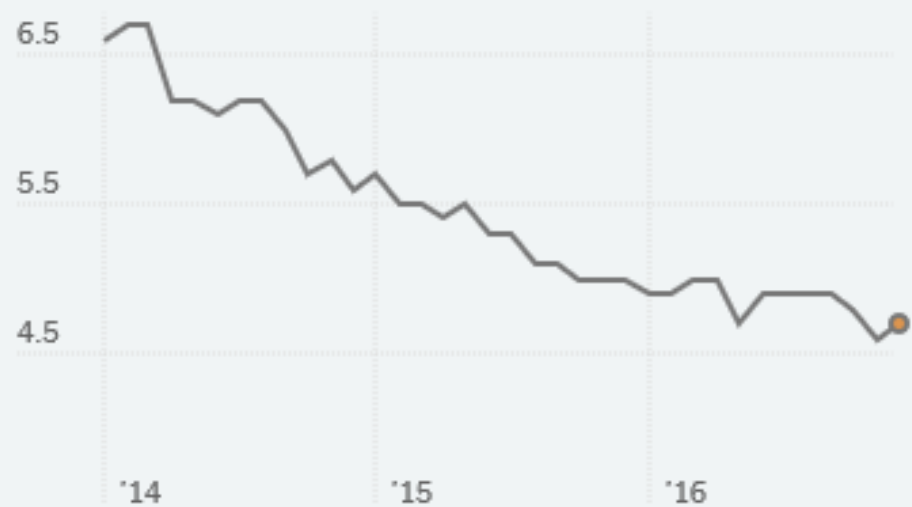
**Change in jobs**  
In thousands

December  
**+156,000**



**Unemployment rate**

December  
**4.7%**



# Current State of the U.S. Economy? (3)

## Now, the bad news: structural inequality (12/16)

- Standard aggregated unemployment: 4.7%, 7.5 m
- Long-term unemployment: 1.8 m, 24.2% of unemployed
- Unemployment by race
  - Whites: 4.3%
  - Hispanics: 5.9%
  - Asians: 2.6%
  - Blacks: 7.8%
- Unemployment by education
  - < High school: 7.9%
  - Some college: 3.8%
  - High school: 5.1%
  - ≥ Bachelor's: 2.5%
  - Continued decline in factory jobs: -63,000 (since January 2016)
- Unemployment more broadly defined
  - With involuntary part-time: -459,000 in 2016, 5.6m → 8.2%
  - With marginally attached: 1.7m → 9.3%

# Current State of the U.S. Economy? (4)

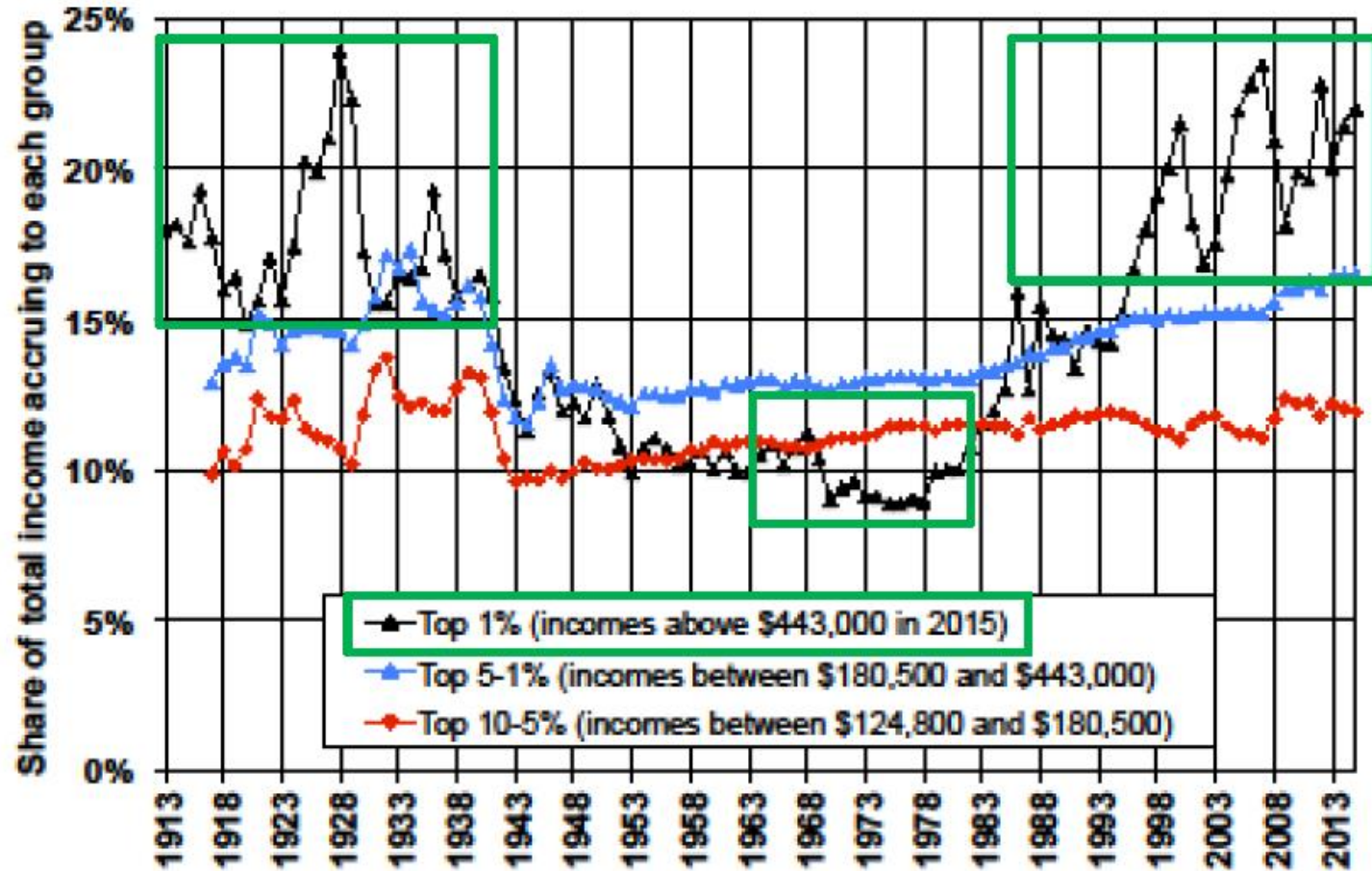


FIGURE 2

Decomposing the Top Decile US Income Share into 3 Groups, 1913-2015

# Current State of the U.S. Economy? (5)

Table 1. Real Income Growth by Groups

	Average Income Real Growth (1)	Top 1% Incomes Real Growth (2)	Bottom 99% Incomes Real Growth (3)	Fraction of total growth (or loss) captured by top 1% (4)
Full period 1993-2013	15.1%	62.4%	7.3%	59%
Clinton Expansion 1993-2000	31.5%	98.7%	20.3%	45%
2001 Recession 2000-2002	-11.7%	-30.8%	-6.5%	57%
Bush Expansion 2002-2007	16.1%	61.8%	6.8%	65%
Great Recession 2007- 2009	-17.4%	-36.3%	-11.6%	49%
Recovery 2009-2012	6.9%	34.7%	0.8%	91%
Top tax increase 2012-2013	-3.2%	-14.9%	0.2%	106%

Source: Emmanuel Saez, *Striking it Richer: The Evolution of Top Incomes in the United States (Updated with 2013 preliminary estimates)*, January 25, 2015.

# Current State of the U.S. Economy? (6)

Table 1. Real Income Growth by Groups

	Average Income Real Growth (1)	Top 1% Incomes Real Growth (2)	Bottom 99% Incomes Real Growth (3)	Fraction of total growth (or loss) captured by top 1% (4)
Full period 1993-2015	25.7%	94.5%	14.3%	52%
Clinton Expansion 1993-2000	31.5%	98.7%	20.3%	45%
2001 Recession 2000-2002	-11.7%	-30.8%	-6.5%	57%
Bush Expansion 2002-2007	16.1%	61.8%	6.8%	65%
Great Recession 2007- 2009	-17.4%	-36.3%	-11.6%	49%
Recovery 2009-2015	13.0%	37.4%	7.6%	52%

Source: Emmanuel Saez, *Striking it Richer: The Evolution of Top Incomes in the United States (Updated with 2015 preliminary estimates)*, June 30, 2016.

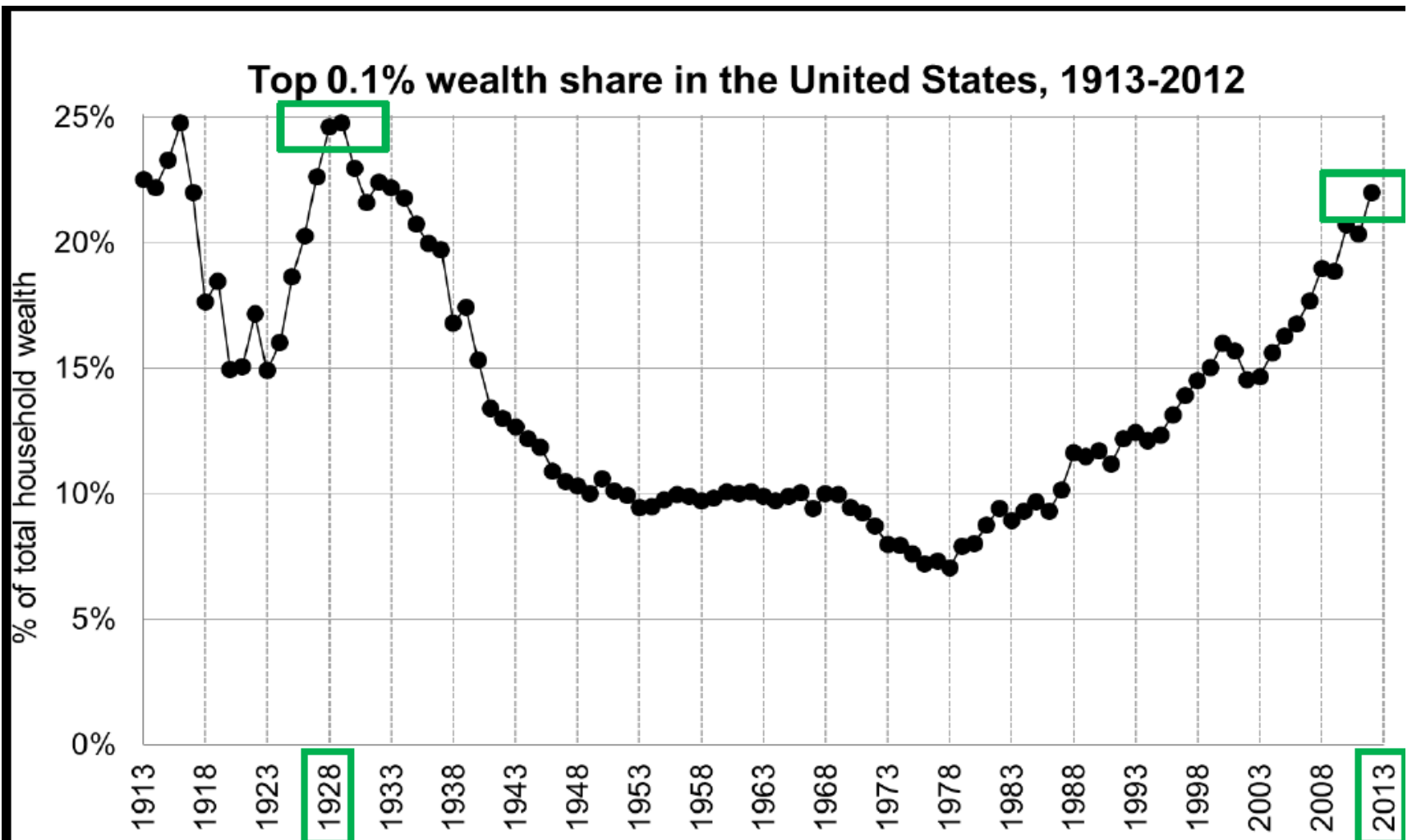
# Current State of the U.S. Economy? (7)

Table 1: Thresholds and average wealth in top wealth groups, 2012

Wealth group	Number of families	Wealth threshold	Average wealth	Wealth share
<b>A. Top Wealth Groups</b>				
Full Population	160,700,000		\$343,000	100%
Top 10%	16,070,000	\$660,000	\$2,560,000	77.2%
Top 1%	1,607,000	\$3,960,000	\$13,840,000	41.8%
Top 0.1%	160,700	\$20,600,000	\$72,800,000	22.0%
Top .01%	16,070	\$111,000,000	\$371,000,000	11.2%
<b>B. Intermediate Wealth Groups</b>				
Bottom 90%	144,600,000		\$84,000	22.8%
Top 10-1%	14,463,000	\$660,000	\$1,310,000	35.4%
Top 1-0.1%	1,446,300	\$3,960,000	\$7,290,000	19.8%
Top 0.1-0.01%	144,600	\$20,600,000	\$39,700,000	10.8%
Top .01%	16,070	\$111,000,000	\$371,000,000	11.2%

Notes: This table reports statistics on the wealth distribution in the United States in 2012 obtained by capitalizing income tax returns. The unit is the family (either a single person aged 20 or above or a married couple, in both cases with children dependents if any). Fractiles are defined relative to the total number of families in the population. Source: Appendix Table B1.

# Current State of the U.S. Economy? (8)



This figure depicts the share of total household wealth held by the 0.1% richest families, as estimated by capitalizing income tax returns. In 2012, the top 0.1% includes about 160,000 families with net wealth above \$20.6 million. Source: Appendix Table B1.

Source: Emmanuel Saez and Gabriel Zucman, *Wealth Inequality in the United States Since 2013: Evidence From Capitalized Income Tax Data*, October 2014.

# Revenue and Distributional Effects of the Tax Cuts and Jobs Act

- Revenue
  - Increase deficit \$1.5 trillion over 10 years
  - Increase public borrowing, debt/GDP, interest rates
  - Crowd out private borrowing, slow economic growth (stimulus counterproductive at full employment)
  - Require tax increases or expenditure cuts
  - Positive impact on macroeconomic feedback very small
- Distributional
  - Two-thirds of benefits will go to top quintile and one-fifth will go to top 1%
  - 6% of the benefits will go to bottom two quintiles
  - Tax cuts on earned income expire in 10 years



# What is the Current State of the U.S. Politics?

- Executive Branch: Republicans (Trump)
- Legislative Branch: Republicans (both houses)
  - Senate: 51-49 (Democrats need 2) [won Alabama special election]
  - House of Reps: 239 -194, 2 vacant (Democrats need 24)
- Judicial Branch: Appointments by Republicans
  - 1 Supreme Court appointee: could be swing vote
  - Maybe additional Supreme Court vacancies
- Mid-term Elections in November 2018
  - Party in power usually loses seats, large losses when low approval ratings; Trump's achievements ≠ increased popularity
  - Senate difficult to take; 33 seats up but only 8 held by Republicans and many vulnerable Democrats
  - House more likely; all 435 seats up, target seats with Republican incumbents where Clinton won in 2016
  - Divisions in both parties
- Robert Mueller investigation re Russian interference in 2016 election, Trump obstruction of justice

# Part III: The Score



# Correlation or Causation?

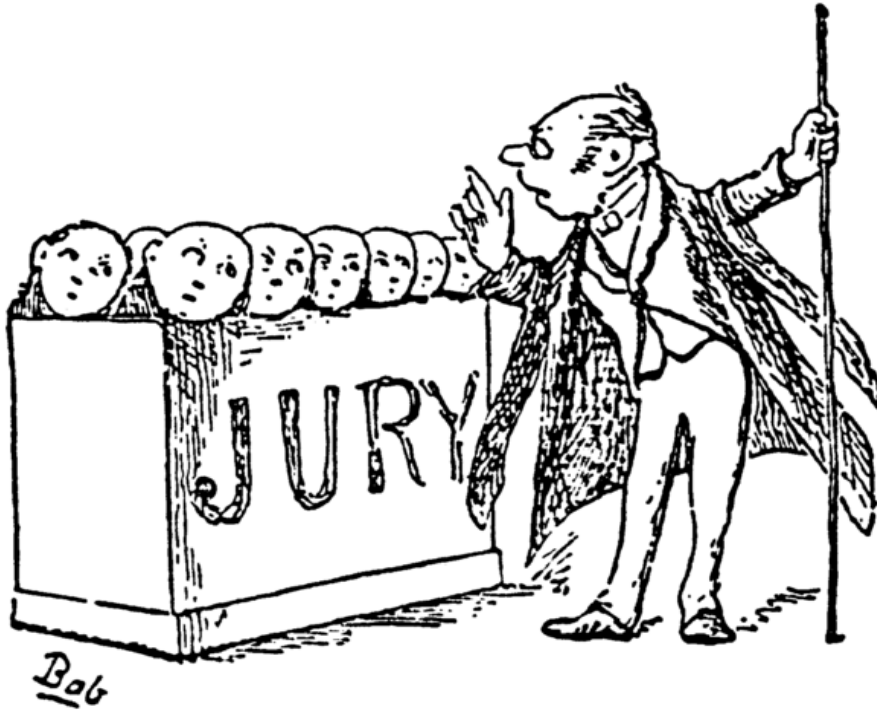
- Although achievements limited by lack of new spending (legislative deadlock) and court challenges (judicial checks and balances), Trump has fulfilled many of his campaign pledges through the use of executive authority and administrative discretion
- Trump now presiding over strong economy and has not engaged in any new armed conflicts
- Tax cuts for corporates/the wealthy and aggressive deregulation have bolstered business confidence and equity markets
- But most economic trends are a continuation of Obama post-crisis policies and performance and the rest of the world is also doing relatively well at present....

# Short-term or long-term?

- It is too soon to assess Trump's impact on the national and global economy given external factors and time lags
- The most immediate impact of the Trump presidency has been on domestic and foreign perceptions regarding confidence, trust, and certainty
- Long-term impacts on peace and prosperity still unknown, and probably unknowable given Trump's impulsiveness
- A potentially devastating but largely invisible long-term impact of the Trump presidency is a result of the Administration's preference for "faith-based policy" rather than "evidence-based policy"
- This is causing a slow erosion of the quality of American institutions, given the exodus of senior civil servants and lack of enthusiasm of young professionals to enter the civil service



OR



The jury is still out....