



Did Trump Create or Inherit the Strong Economy?

The U.S. economy is now in its 11th year of expansion, with exceptionally low unemployment and robust job creation. There are signs that the economy may be weakening due to the trade war and other factors, but so far, it has proven resilient.

President Donald Trump claims credit for the strong economy, claiming that he inherited a “disaster” from President Barack Obama and that he “accomplished an economic turnaround of historic proportions.”¹ However, the truth is that by the time he became president, the economy largely had recovered from the Great Recession and was nearing full strength. The question is whether the President’s erratic policies will undermine the strong economy he inherited.

Obama was handed an economic catastrophe—and prevented an even greater meltdown

When Barack Obama became president, the economy was experiencing what former Federal Reserve Chairman Ben Bernanke called “the worst financial crisis in global history, including the Great Depression.”² In the last quarter of 2008, real GDP **plummeted 8.4 percent** and the economy **hemorrhaged more than 1.9 million jobs**.³

Barack Obama and Congressional Democrats took strong action to rescue the economy, including the stimulus, TARP, financial reform and the auto bailout. In addition, the Federal Reserve lowered interest rates and took extraordinary measures to boost growth. Research by economists Alan Blinder and Mark Zandi found that without this multi-faceted response, the recession would have **lasted twice as long**, job losses would have been **twice as high** and the drop in GDP would have been more than **three times worse**.⁴

Trump inherited a strong economy that got stronger

- **Unemployment:** Under Obama, unemployment was cut from a recession-peak of **10 percent** to only **4.7 percent**. It has continued to drop and now is extremely low at **3.6 percent**.⁵
- **Job growth:** By the end of the Obama administration, the economy had experienced **76 consecutive months** of job growth. Since Trump became president, the streak has been extended to **109 consecutive months**.
- **Average monthly job growth:** During the last 33 months of the Obama administration, non-farm job growth averaged 224,000 per month. During the first 33 months of the Trump administration, the average was **34,000 jobs per month less**.
- **GDP growth:** Average real GDP growth was **roughly the same** (2.6 percent) for the first 11 quarters under President Trump (ending Sept. 2019) and for the last 11 quarters of the Obama administration.
- **Income:** During the last two years of the Obama administration, annual median household income increased **\$4,800**. This is **three times more** than the \$1,400 increase during the first two years of the Trump administration.⁶

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- **The stock market:** President Trump frequently points to the stock market as evidence of his success, even though it is a poor proxy for the nation's overall economic well-being since nearly half of Americans do not own stock, either directly or indirectly. However, even by this measure, he lags behind President Obama. Between President Trump's Inauguration Day and November 2019, the Dow Jones Average **increased more than 40 percent**, while over the eight years of the Obama administration, the DJIA **increased almost 150 percent** – a substantially greater pace.

Mainstream economists say the economy was strong before Trump took office

Greg Mankiw, chairman of the Council of Economic Advisers under George W. Bush, states that "... the economy was in fine shape at the end of the Obama administration, despite what President Trump sometimes asserts."⁷

A substantial part of economic progress under Trump occurred before his signature economic policy took effect

President Trump's most significant economic policy, his \$1.9 trillion tax cuts, did not take effect until January 2018—a year after he took office. By that time, unemployment had **dropped from 4.7 to 4.1 percent**, household incomes had **increased \$850** and **2.3 million new jobs** had been created.

The tax cuts may have caused a slight "sugar high" – but at a very high price

The 2017 tax cuts likely added some fuel to the already-hot economy because they increased corporate profits (benefiting shareholders) and gave individuals more money to spend. However, many economists say that the "sugar high" from the tax cuts is wearing off. In fact, business investment has declined for two consecutive quarters and a recent analysis by the *New York Times* found no relationship between the size of the tax cut companies and industries received and their investments.⁸ In the long term, the **\$1.9 trillion in new federal debt** likely will weigh down the economy.⁹

Trump's trade war hurts consumers, businesses and the economy

American businesses and consumers, not foreigners, pay tariffs. Although the tariffs hurt China by reducing demand for more Chinese goods, they also hurt American businesses that pay the tariffs, American consumers who buy the higher-priced products, American farmers who are hit with reciprocal tariffs, and the economy, which is weighed down by the interaction of these forces.

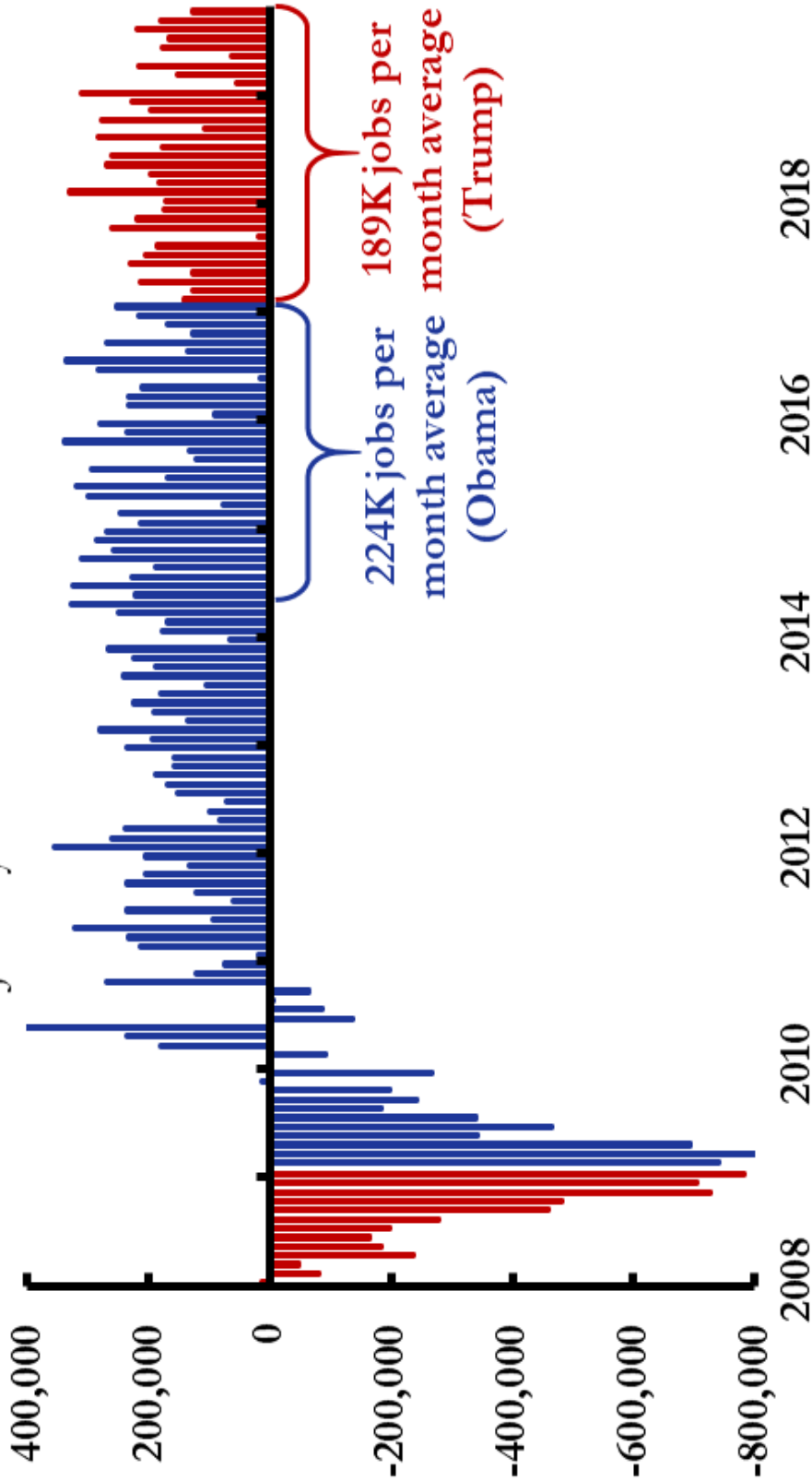
One analysis finds that the trade war with China has already **cost 300,000 American jobs** and the number **could rise to 450,000** by the end of the year.¹⁰ Furthermore, the Congressional Budget Office estimates that the trade war will reduce GDP by 0.3 percent in 2020.¹¹ There clearly are American casualties in the trade war—the magnitude of the long-term damage is yet to be seen.

Trump inherited a strong economy—will he screw it up?

It is clear that Trump inherited a strong economy that was still trending upward when he entered office—those trends have continued. The economy may have received a small boost from the 2017 tax cuts, but many economists believe that "sugar high" will be short-lived. Meanwhile, the Trump trade war has hurt American consumers and businesses, and it may slow future economic growth. In short, Trump inherited a strong economy from Barack Obama. The question is whether he will screw it up.

Non-Farm Job Growth

January 2008 to October 2019

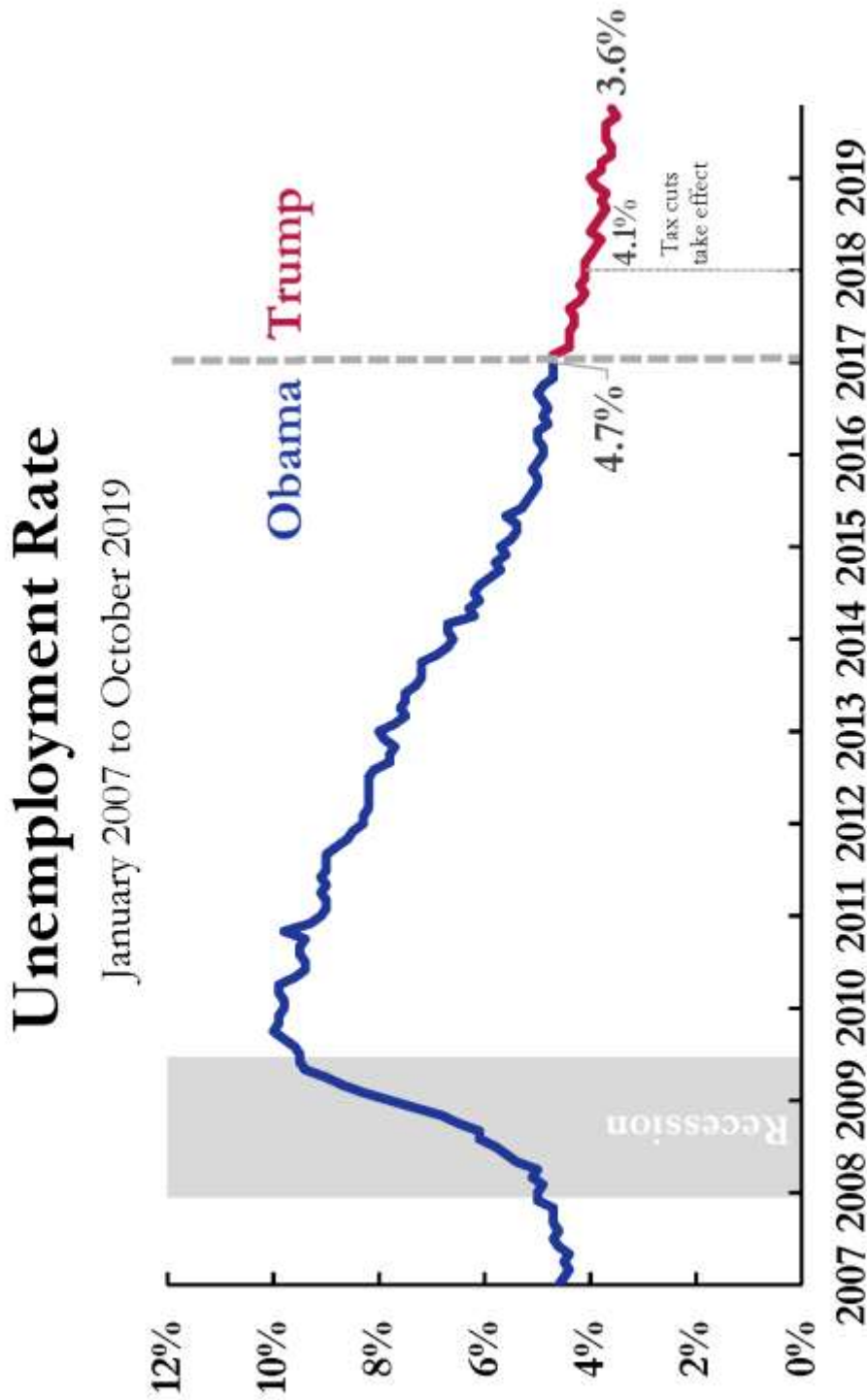


Source: Bureau of Labor Statistics

Note: Obama job average is over 33 months—the same time period President Trump has been in office.



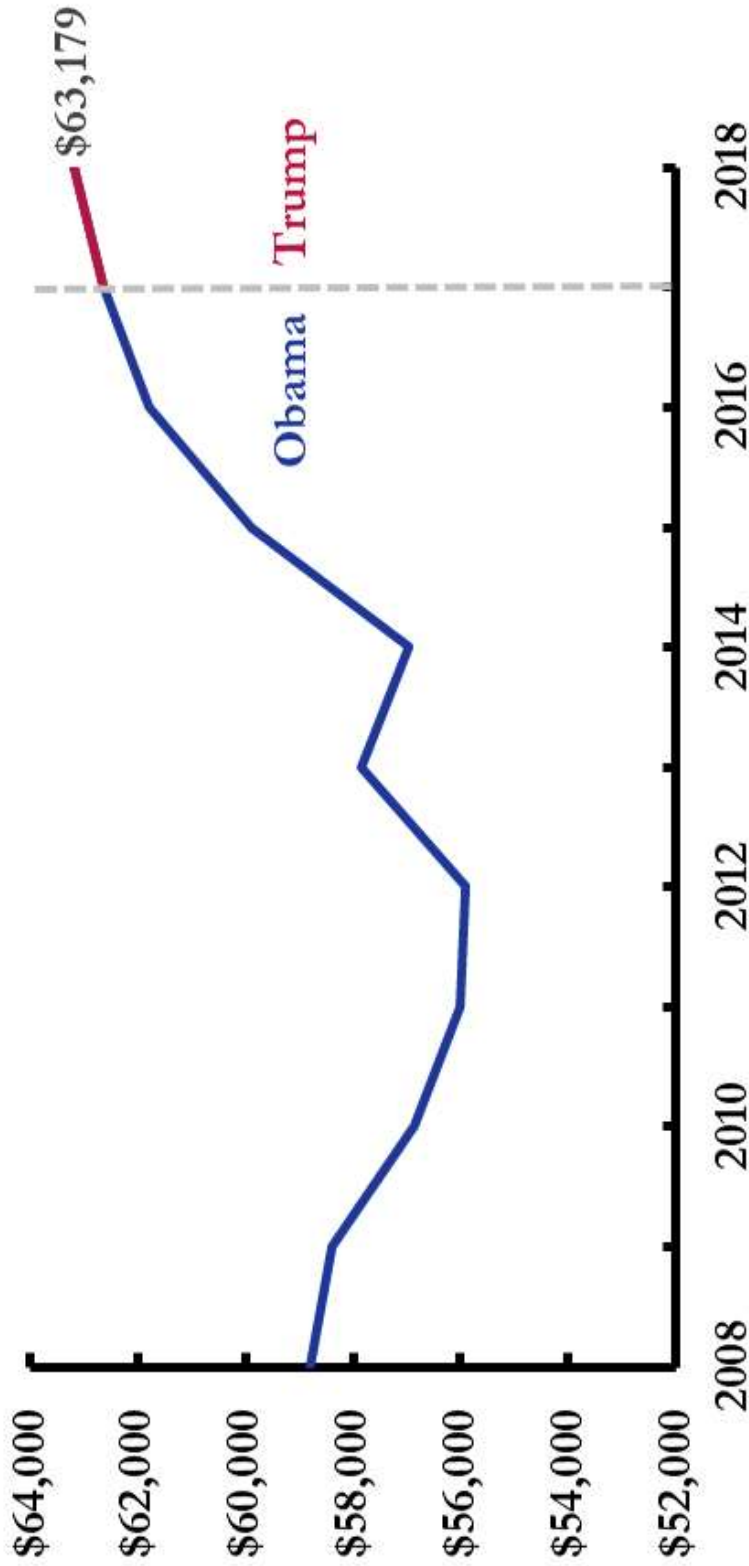
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Source: Bureau of Labor Statistics, using the Civilian Unemployment Rate Ages 16+, Seasonally Adjusted

Real Median Household Income



Source: U.S. Census Bureau, Federal Reserve Economic Data (FRED), St. Louis Fed.
Note: Dollar amounts are 2018 CPI-U-RS Adjusted Dollars.



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¹ Boak, J. and Rugaber, C. 2018. “AP FACT CHECK: Trump falsely claims historic turnaround” *Associated Press*. Retrieved from <https://apnews.com/a7e135215ebc4993a99a85f7eb6963f3>

² Worstall, T. 2014. “Ben Bernanke: The 2008 Financial Crisis Was Worse Than The Great Depression.” *Forbes*. Retrieved from <https://www.forbes.com/sites/timworstall/2014/08/27/ben-bernanke-the-2008-financial-crisis-was-worse-than-the-great-depression/#e94a81768419>

³ “The Employment Situation—December 2008.” *Bureau of Labor Statistics*. Retrieved from https://www.bls.gov/news.release/archives/empsit_01092009.pdf

⁴ Blinder, A. and Zandi, M. 2015. “The Financial Crisis: Lessons for the Next One.” *Center on Budget and Policy Priorities*. Retrieved from <https://www.cbpp.org/sites/default/files/atoms/files/10-15-15pf.pdf>

⁵ “The Employment Situation—October 2019.” *Bureau of Labor Statistics*. Retrieved from <https://www.bls.gov/news.release/pdf/empsit.pdf>

⁶This does not include the 10 months of 2019 because annual data are not yet available, nor does it include the last 10 months of 2014 under Obama. See previous [JEC memo](#) for more information.

⁷ Baker, P. 2018. “Trump Claims Credit for the Economy. Not So Fast, Says Obama,” *The New York Times*. Retrieved from <https://www.nytimes.com/2018/09/09/us/politics/trump-obama-economy.html>

⁸ Tankersley, J., Eavis, P., and Casselman, B. 2019. “How FedEx Cut Its Tax Bill to \$0,” *The New York Times*. Retrieved from <https://www.nytimes.com/2019/11/17/business/how-fedex-cut-its-tax-bill-to-0.html#click=https://t.co/0DrUnEaEF9>

⁹ “An Update to the Budget and Economic Outlook: 2019 to 2029.” 2019. *Congressional Budget Office*. Retrieved from https://www.cbo.gov/system/files/2019-08/55551-CBO-outlook-update_0.pdf

¹⁰ Layne, R. 2019. “Trump trade war with China has cost 300,000 U.S. jobs, Moody's estimates,” *CBS News*. Retrieved from <https://www.cbsnews.com/news/trumps-trade-war-squashed-an-estimated-300000-jobs-so-far-moodys-estimates/>

¹¹ Fried, D. 2019. “The Effects of Tariffs and Trade Barriers in CBO’s Projections.” *Congressional Budget Office*. Retrieved from <https://www.cbo.gov/publication/55576>