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Year Three of the Trump Economy – the U.S. Economy in 2019

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Last year was the tenth since the end of the Great Financial Crisis (GFC) and the third of trump's presidency.

Trump came into office promising increased rate of growth – 4% maybe even 5 or 6% – an end to trade deficits and more jobs, including a revival of manufacturing.

So, where so we stand?

On the question of growth there is no doubt: although the numbers for the 4th quarter GDP growth are not in yet, it is clear that 2019 will be the 13th consecutive year of real GDP growth below 3%, probably around 2.3%. This number is in contrast to the 3% annual real GDP growth that occurred between during early 1987-2007 neoliberal decades, and even further below the 3.7% average for the first three plus decades (1948-1980) following World War II. *The U.S. economy is stuck in low gear*. And, the usual policy response of the neoliberal era – cut corporate tax rates in the hopes that more investment will occur – is not working. The "Tax Cuts and Jobs Act" (TCJA), Trump's major tax cut enacted in 2017, has not moved us off the launching pad.

The Stock Market

Or at least not most of us. After a down year in 2018, the stock market raced to quite a few records in 2019, rising 30%. A major driver of this gain was the use of the increased cash in the hands of corporations to purchase their own stocks. While 2018 will probably remain the record year for such stock buybacks, 2019 will be a close second. (Among the chief beneficiaries of stock buybacks are the company executives who are offered stock options as part of their benefits.)

But the interesting, although often neglected, fact about stock buybacks is how they have been financed. More than half of all buybacks are paid for by the purchasing company taking on more debt. It is sort of like mortgaging your house so you throw a big party. The result was a ramping up of non-financial corporate debt in 2019 that now exceeds 75% of GDP, above the previous record peak in the midst of the GFC. And, half or more of this debt is rated BBB, the lowest grade above junk bond status. The risks for your pension fund – yes, it is probably buying this stuff to get higher yields – is that, if a downgrade to junk status occurs (as happened to Ford in late 2019), your fund will have to sell – pension funds can't own junk bonds.

The use of corporate cash to buy back stocks was accompanied by a failure of the TCJA to achieve its stated goal of increasing the rate of investment, by providing "rocket fuel for the economy." Business investment has declined throughout 2019 and now is at a level similar to that of the 2000-01 recession, although well above the trough during the recession that followed the GFC. Of course, Trump blamed others for the failure of the U.S. economy to achieve a 4% (or even 3%) growth rate – in particular the Federal Reserve – in his January 2020 Davos rant.

Trade

During his campaign, Trump repeatedly attacked existing trade agreements, labeling NAFTA as "perhaps the worst deal ever made." He also vowed to end the "cheating" by China in trade practices, although he blamed previous U.S. leaders for letting China do so.

At the end of 2019, Trump got a new NAFTA, "The U.S./Mexico/Canada Agreement (USMCA) through Congress. The USMCA does have some improvements over the old NAFTA but is very weak on environmental issues – climate change is never mentioned – and will likely have limited impact on the economic geography of automotive jobs.

What about the big trade picture? In December 2019 there was much made of the quarterly decline in the U.S. trade deficit. But missing from the self-congratulatory posturing was the fact the 2018 trade deficit was a record, eclipsing even those just prior to the GFC. The year 2019 will likely see a smaller trade deficit – but still much larger than the early 2000s.

Jobs

Finally, what about jobs? Trump claimed when he came into office that there were 96 million people out there who wanted jobs and could not get them. Well, there are still almost 96 million – of course this figure counts the retired, students and others as unemployed. In the real world, 2019 has been a good year for job growth, averaging about 120,000 new jobs/month. In a country with slow population growth, this was been sufficient to reduce the official unemployment rate to 3.5% in December. Keeping migrants out of the U.S. actually does have an economic logic for trump.

There are some concerning facts behind this low unemployment rate, however. First, wage growth has been very slow, something that should not happen if the economy was actually at or near full employment. Second, despite Trump's promises to bring back manufacturing, almost none of the 1.4 million new jobs in 2019 were in manufacturing: only 3% of the total.

And there is a gender dynamic here: for only the second time in the Unites State, there are more women holding payroll jobs than men. (This happened for the first time in the trough of the

GFC.) This shift has been driven both by the increased labor force participation rate of women but also by the long-term decline in labor force participation by men.

Finally, what about these new jobs – are they "good jobs" or just jobs? A *New York* magazine headline in December pretty much summed it up: "Jobs, Jobs Everywhere, But Most of Them Kind of Suck." In 2019 the U.S. economy continued to shed jobs in production, mostly male occupations and in the mostly female administrative and office support occupations. These are (were) the jobs that provided middle income wages to male and female workers. Instead, the Bureau of Labor Statistics projects that 6 of the 10 occupations where the largest number of new jobs will be created over the next decade have average salaries of less than $27,000/year.

In sum, three years in and at the beginning of a presidential election year, Trump's economy offers an open goal for a Democratic candidate will to push for big changes. And some have!