

CAROLYN B. MALONEY
12TH DISTRICT, NEW YORK
2308 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3212
(202) 225-7944
COMMITTEES:
FINANCIAL SERVICES
GOVERNMENT REFORM
JOINT ECONOMIC COMMITTEE,
[SENIOR HOUSE DEMOCRAT]



Congress of the United States
House of Representatives
Washington, DC 20515-3212

DISTRICT OFFICES:
 1651 THIRD AVENUE
SUITE 311
NEW YORK, NY 10128
(212) 860-0606
 31-19 NEWTOWN AVENUE
ASTORIA, NY 11102
(718) 932-1804
 619 LORIMER STREET
BROOKLYN, NY 11211
(718) 349-5072
WEBSITE: www.house.gov/maloney

January 30, 2018

Dear Colleague:

The fact checkers will be working overtime tonight for the State of the Union Address. In the meantime, I'd like to offer some thoughts about what the President likely will say about the economy and why it will be not only misleading but just plain wrong.

President Trump no doubt will take full credit for the strong U.S. economy. However, he should be thanking Barack Obama for the economy he inherited for because is riding on the *tailwinds* of his predecessor.

For any President to take credit for a strong economy after only a year in office is preposterous on the face of it because it can take many months for a new presidential policy or legislation to affect the economy. That is especially the case for this President, given how spectacularly unproductive his administration was for most of its first year.

Nevertheless, tonight President Trump will pat himself on the back for the economy he inherited from President Obama. This will complete a cynical tactic he began during the Obama administration – claiming that strong economic indicators are fake, then a year later taking complete credit for those same numbers and for economic progress that merely is an extension of a well-established trend.

For example, during the Obama administration the unemployment rate was *more than cut in half*, from 10.0 at the peak of the Bush-era recession to 4.9 percent when President Obama left office. However, on the campaign trail Donald Trump repeatedly claimed that the unemployment rate calculated by the Bureau of Labor Statistics (BLS) was a “phony” number, “false” and a “fake.” *The Washington Post* found that he made such statements at least 19 times on the campaign trail. But now, as unemployment has continued to drop to the current rate of 4.1 percent, the President has flipped and he hails the same fake statistics as a miracle of his making.

The same pattern can be seen in his recent claims about African-American unemployment. During the Obama administration the African-American unemployment rate was *cut nearly in half*, from about 16 percent at its recession peak to about 8 percent when President Obama left office. However, during the campaign Donald Trump claimed that this figure was also fake, cooked up by the BLS. But as the African-American unemployment rate continued to drop during his administration to the current rate of

6.8 percent, he did a complete 180 and now claims that this economic indicator is dead accurate and that it's a triumph of his genius. It is as if he believes that taking credit for this continuing trend will wash away memories of Charlottesville and numerous other racist and incendiary actions.

Likewise, he employed the same strategy in his ALL CAPS tweets about the stock market. Under the Obama administration, the Dow went from a Bush-era recession low of about 8,000 to approximately 20,000 when Barack Obama left office. Candidate Trump claimed that stock market was a "big, fat bubble" that would soon burst. But now that the Dow has continued climbed to about 26,000, President Trump now proclaims this as his greatest triumph.

It is no surprise that stock prices have continued to rise. The President and Congressional Republicans borrowed more than one trillion dollars to finance huge corporate tax cuts, boosting the bottom lines of corporations that were *already* making record profits. Because stock prices respond strongly to profit projections, it is no surprise that the market would continue rise – disproportionately benefitting the very rich.

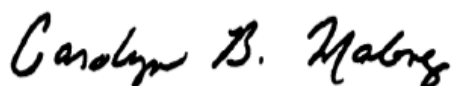
The President will also employ other methods of numerical trickery – most notably *cherry picking*. He again will praise himself for fact that the economy has added almost 2.4 million private sector jobs since he was elected. However, as *The New York Times* has reported, he is taking credit for jobs created *even before* he took office, as if the mere expectation of a Trump presidency would spark a hiring frenzy. Moreover, the *Times* points out that this figure lags behind the 2.8 million private-sector jobs created in the previous 14-month period before Trump was elected. In fact, private-sector job creation during the Trump administration merely continues a trend that was established during the Obama administration, during which the economy added more than 15 million private sector jobs after climbing out of the depths of the Great Recession.

The President also will cherry-pick GDP numbers, pointing to quarters in 2017 when the annualized GDP growth rate exceeded three percent. He will neglect to mention that the quarterly real GDP growth rate during the Obama administration exceeded three percent 8 times. Moreover, the overall 2017 real GDP growth was 2.3 percent, barely above the average of the entire Obama administration including the horrible recession that began under George W. Bush.

Finally, it is critically important to remember that President Trump and President Obama inherited vastly different economies from their predecessors. Barack Obama inherited from George W. Bush what former Federal Reserve Chairman Ben Bernanke called "the worse financial crisis in global history, including the Great Recession." In sharp contrast, President Trump inherited from Barack Obama a robust economy, which he had trashed as a candidate but for which he now takes credit.

Although we don't know what exactly to expect from the President's State of the Union Address, we surely know one thing – the fact checkers will be busy.

Sincerely,



CAROLYN B. MALONEY
Senior House Democrat, Joint Economic Committee