

TRUMPONOMICS VS. OBAMANOMICS: THE VIEW FROM THE STATES

A New Direction

- Transition from Obamanomics to Trumponomics
 - Shift in policy direction
 - Greater emphasis on tax cuts and deregulation
 - Attempts to roll back Affordable Care Act, Dodd-Frank financial reform
 - Trademark campaign promises
 - Reversal of trade policy
 - Immigration reform



Photo: Jesusemen Oni / VOA

Comparing Presidencies



- **President Obama's agenda:** fiscal stimulus, Affordable Care Act, financial reform, Paris accords, TPP
- **President Trump's agenda:** tax cuts, repealing ACA, deregulation, boosting energy production, withdrawing from TPP, Paris Accords

What Obama Inherited	What Trump Inherited
7.8% Unemployment (January 2009)	4.8% Unemployment (January 2017)
-8.2% GDP Growth (Q4 2008)	1.8% GDP Annual Growth (Q4 2016)
3.8% Inflation Annual Change (2008)	1.3% Inflation Annual Change (2016)

Sources: BLS, BEA, Minneapolis Fed

Looking Back: Presidential Platform



- Trade
- Tax
- Infrastructure
- Energy/Environment
- Immigration
- Health Care

Regulatory Change



- Trump administration is rolling back regulations. American Action Forum estimates:
 - ▣ Rule changes by administration through May 4, 2018 yield a net savings of about **\$1.2 billion a year**
 - ▣ By May 2019: 209 deregulatory actions vs. 47 regulatory actions
 - *4.4 deregulatory moves for every one new rule*
- Partial rollback of Dodd-Frank
 - ▣ Dodd-Frank added \$38.9 billion in regulatory costs and nearly 83 million hours of paperwork – American Action Forum estimate

Source: American Action Forum

Tax Reform



- Tax Cuts and Jobs Act
 - Cuts corporate tax rate from 35% to 21%
 - Reduces personal income tax rates
 - Increases standard deduction
 - Caps SALT deductions
- States benefit from resulting stimulus
- States now need to reshape their tax codes to complement federal policy

Unfinished Business



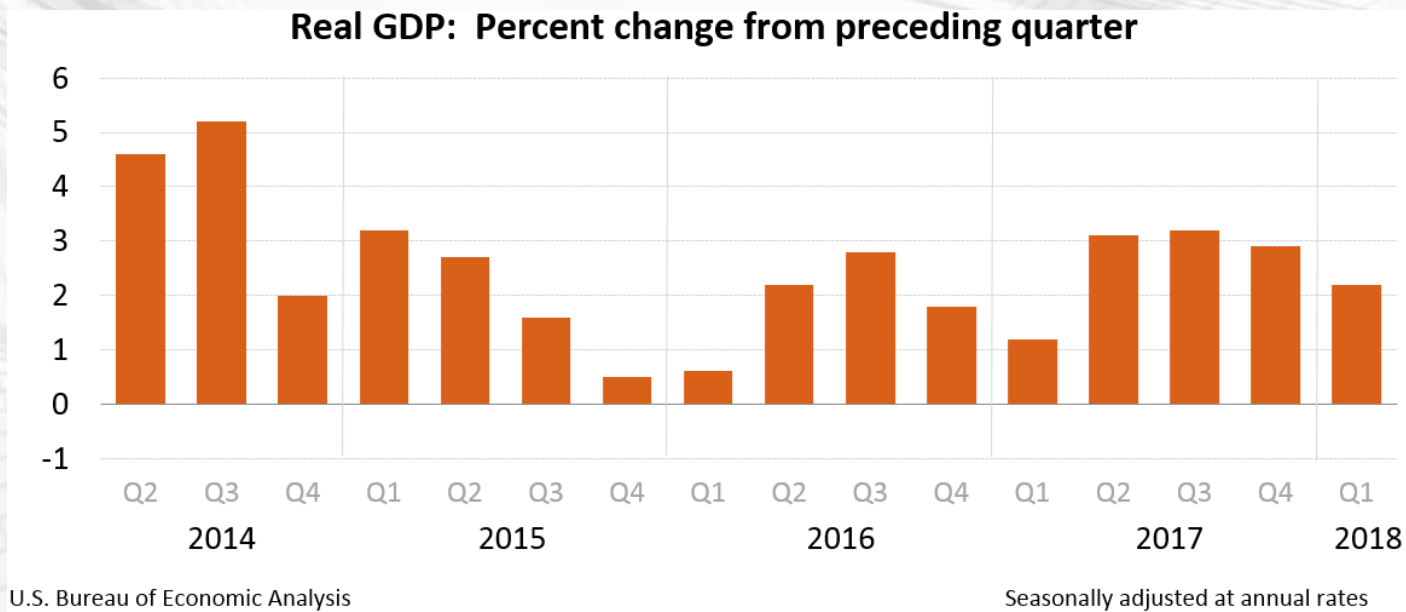
- Republicans failed to repeal the Affordable Care Act
 - Trump and Congress sought other ways to weaken President Obama's signature law
 - Limited efforts to encourage enrollment and ended cost-sharing subsidies for insurers.
 - Giving states more control over Medicaid programs.
 - Repeal of the individual mandate.
- American Infrastructure Initiative: \$1.5 billion
 - \$200 billion in federal dollars to spur states, municipalities and the private sector to invest.
 - Reversal of historic 80/20 cost sharing
 - Not expected to proceed until after the midterm elections.

Sources: CNN Money, CNBC

Economic Growth



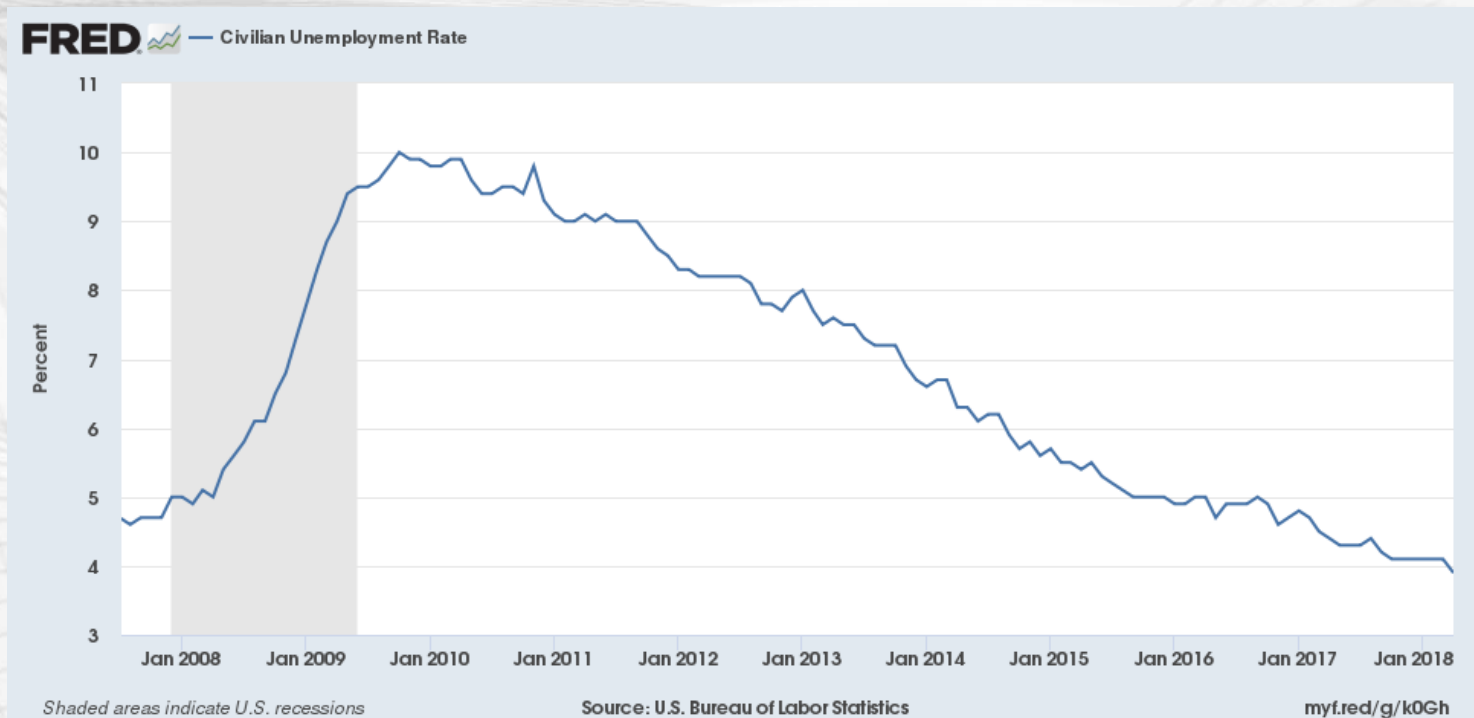
- GDP grew 2.3% year-over-year in 2017
 - Increased from 1.5% in 2016
- Annual Rate of 2.2% in Q1 2018
 - Revised downward from 2.3%



Falling Unemployment



- Unemployment rate fell in May to 3.8% for the first time since 2000
 - ▣ Peak of 10% in October 2009



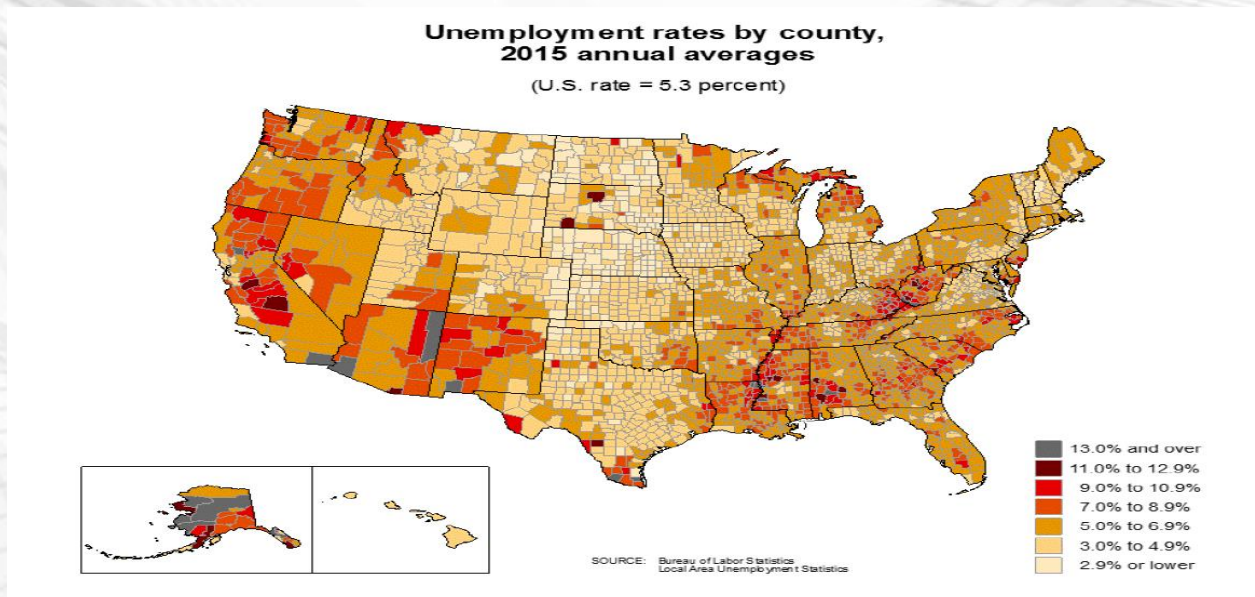
what does **REMI** say? sm

Graphic: St. Louis Fed

Looking Back: Labor Slack



- Trumponomics a year ago: low headline unemployment masked opportunity
 - ▣ Discouraged workers
 - ▣ Regional disparities
- Result: stimulus would not overheat the economy



what does **REMI** say? sm

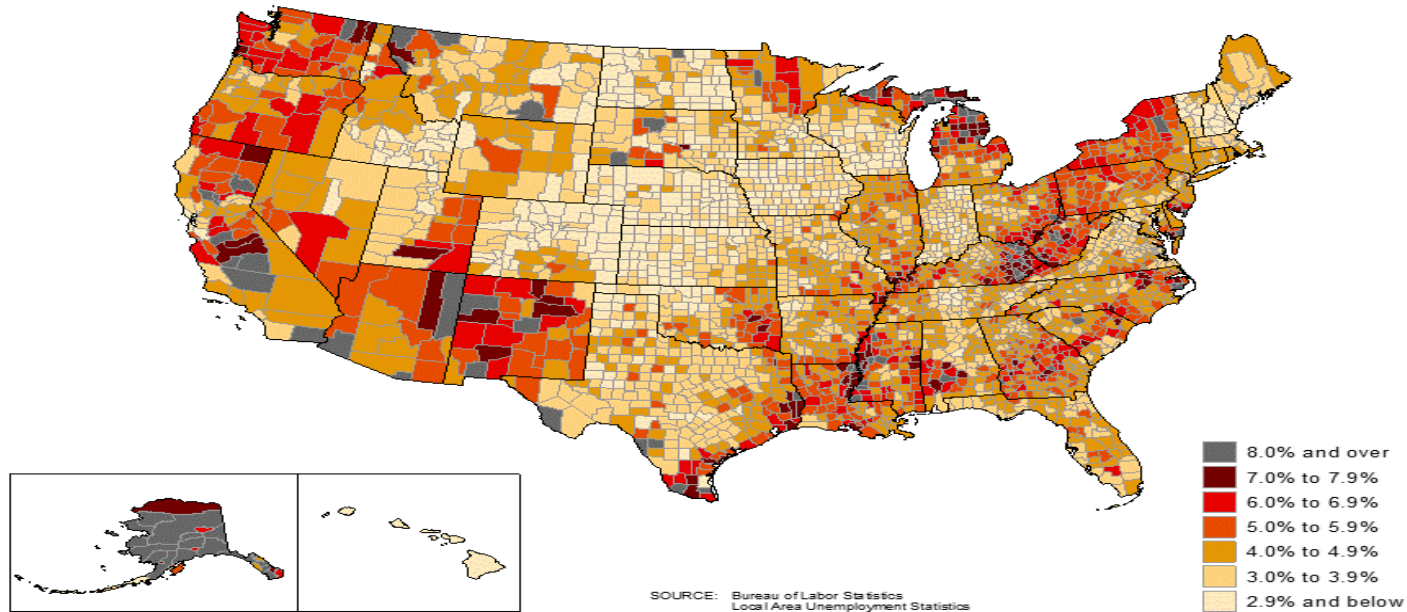
Graphic: Bureau of Labor Statistics

Looking Ahead: Labor Slack?



Unemployment rates by county, May 2017-April 2018 averages

(U.S. rate = 4.2 percent)



Graphic: Bureau of Labor Statistics

what does **REMI** say? sm

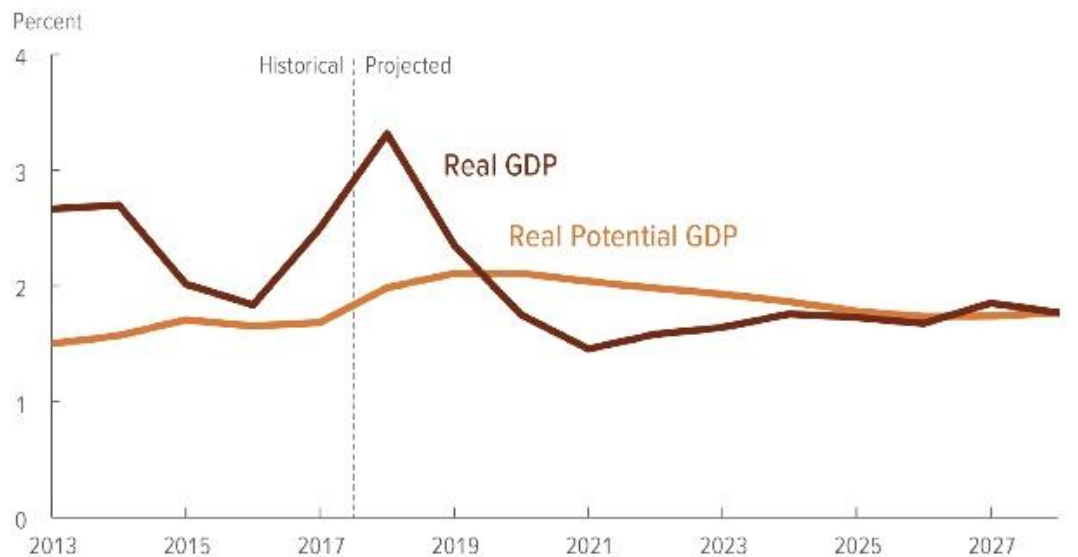
Looking Ahead: Long-term Growth



CBO projects faster GDP growth due to tax and spending legislation.

The growth would slow in the long term as interest rates and prices rise, and personal income tax cuts expire.

(Briefing by CBO Director Keith Hall, 4/9/18)



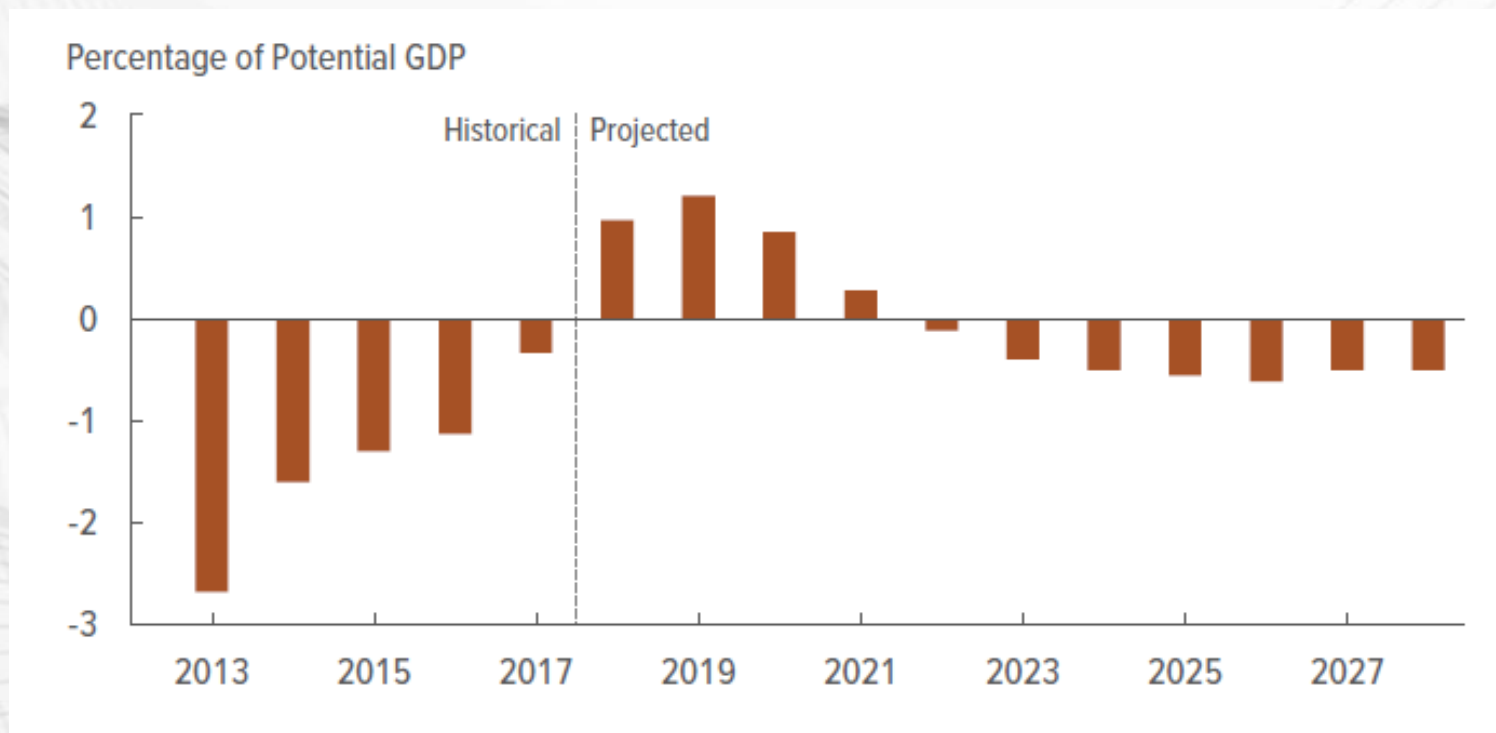
In CBO's projections, **real GDP growth** and **real potential GDP growth** average 1.9 percent over the 2018–2028 period, even though real GDP grows more rapidly at first.

2

Looking Ahead: Exceeding Potential



The output gap is expected to rise to 1.2% of potential GDP in 2019 before returning to historical average of minus 0.5%.



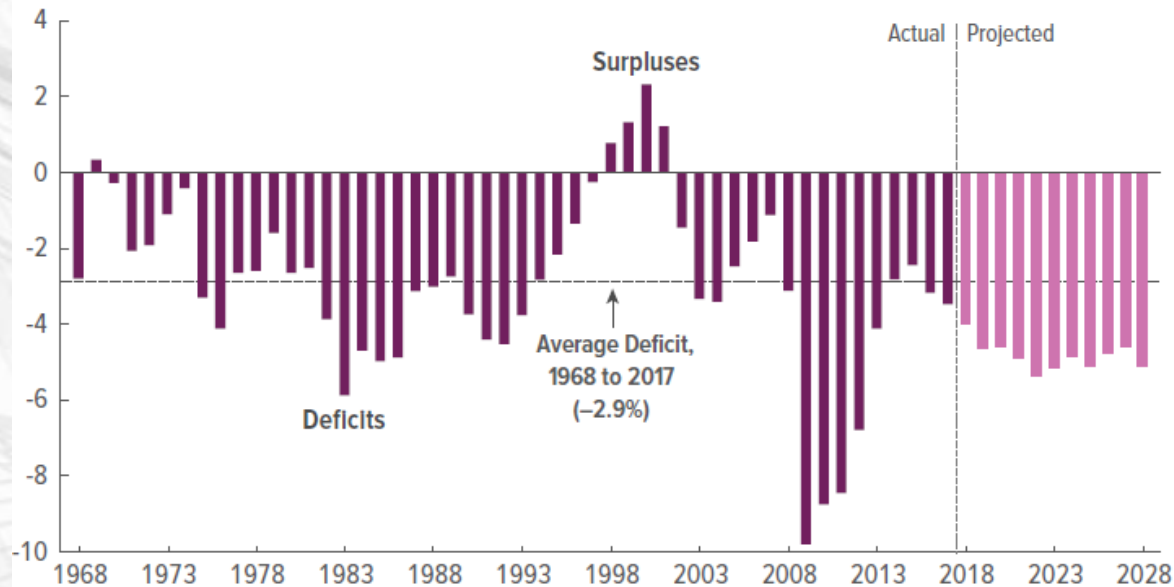
Long-term Deficits



Over the next 10 years, deficits as a percentage of GDP will exceed 50-year average – CBO projection.

Total Deficits or Surpluses

Percentage of Gross Domestic Product



Source: Congressional Budget Office.

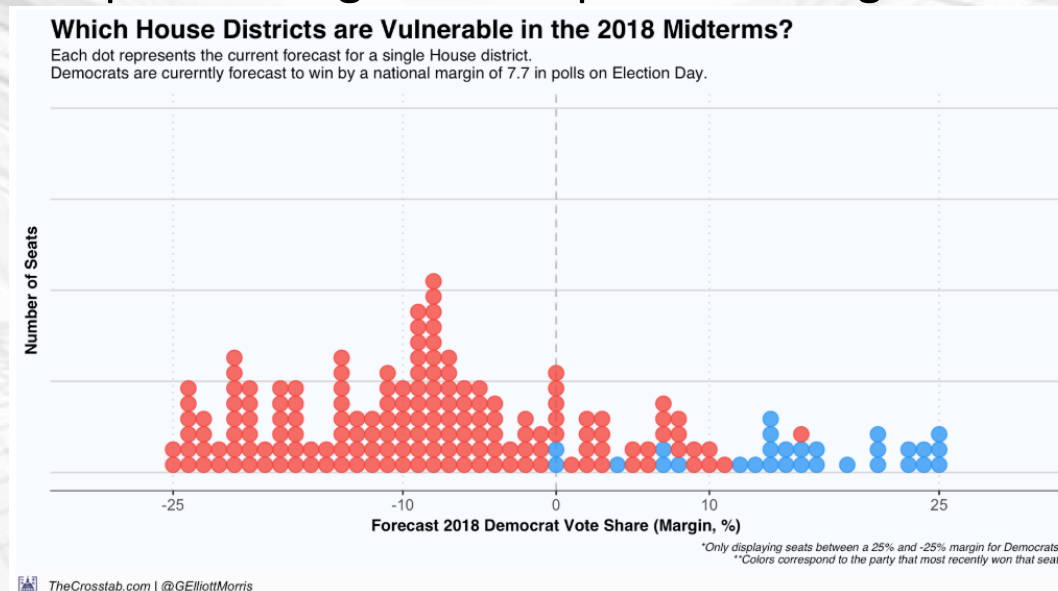
Graphic: CBO

what does **REMI** say? sm

Election 2018



- The November midterm elections loom large over policy debates.
 - ▣ 36 states, 3 territories to hold gubernatorial elections.
 - In 17 states, the incumbent governor is either term-limited or has declined to run for re-election
- President Trump is working with a Republican Congress – will that change?



Looking Ahead



Making the most of our momentum

- ▣ Complementing state and federal tax policy
- ▣ Creating an economy that works for everybody

Be ready for when the clock strikes midnight

- ▣ *Are states in a fiscal position for the next downturn?*
- ▣ *Last hurrah for new initiatives*

States in the Drivers Seat

Policies: Labor, Environmental, Transportation, etc.