

VIEWS OF VICE CHAIR DONALD S. BEYER, JR.

Introductory Letter

The U.S. Joint Economic Committee is required by statute to provide an annual written response to *The Economic Report of the President*, an assessment of the economy and presentation of the Administration's economic policies by the Council of Economic Advisers (CEA).

However, soon after the *Report* was released in February, it was made irrelevant by the worst public health crisis in more than a century and the sharpest economic downturn since the Great Depression. Because of these exceptional circumstances, our analysis looks both at the President's economic record in the years before publication of the *Report* and in the tragic months afterward.

Contrary to the President's claims, we find that his economic record before the coronavirus was unspectacular. However, his economic legacy will be defined by his failure to use the power of the presidency to attempt to contain the coronavirus, instead fueling its spread and causing extensive and long-lasting economic damage. Because of these catastrophic mistakes, the President's economic record will be one of the worst among all U.S. presidents.

We focus attention on the Trump Administration's failure to use economic policy to mitigate the human suffering caused by the coronavirus recession. For months he blocked efforts to extend enhanced unemployment benefits, threatening to leave millions of American families without income just after Christmas. He refused to provide critical aid to state and local governments, despite compelling historical evidence that withholding it can prolong a recession. Instead, he called for a large payroll tax cut that would have provided the biggest benefit to the highest wage earners and delivered nothing to millions of Americans who had lost their jobs.

The pandemic has laid bare one of the greatest challenges of our time, the entrenched economic inequality dividing Americans by race and class. The working poor, immigrants, Black Americans, Hispanic Americans and Native Americans have been hit especially hard by the pandemic; they are more likely to contract COVID-19 or suffer extreme economic hardship as a result of the coronavirus recession. The President not only has failed to lessen these divisions, he has greatly worsened them and left many Americans scarred.

The pandemic also has made it impossible to ignore shortcomings in U.S. policies to support workers and families, but the President has refused even to recognize their importance. Inadequate paid sick leave during a pandemic forces Americans to go to work sick and risk infecting others, yet the President weakened sick leave provisions in coronavirus relief legislation.¹ The closure of

child care centers and decreased supply of affordable child care during the pandemic has forced parents, disproportionately women, to work less or drop out of the labor force, yet the President has taken no action to help them.² And despite the fact that the share of Americans reporting symptoms of depressive and/or anxiety disorder has tripled in the past year, the President has ignored their illness and offered no plans to address it.³

Our analysis starts at the beginning of the Trump Administration, when the President inherited a strong economy from Barack Obama, with steady GDP growth, unemployment at only 4.7 percent and 76 consecutive months of job growth.⁴ The President claimed that the economy was “in a rather dismal state” and that he had performed a historic turnaround — much as he had boasted that he was a self-made man while inheriting more than \$400 million from his father.⁵

In the years before the pandemic, the President’s two most important economic policies provided few benefits at a very high cost. The 2017 tax cuts did little to lift the economy beyond existing trends, but increased inequality and will leave almost \$2 trillion in federal debt over 10 years.⁶ The trade war with China failed to deliver the promised “blue-collar boom” and instead cost hundreds of thousands of U.S. jobs. While the economy in the period before the pandemic remained strong, this was not due to the President’s policies but resulted from the tailwinds of the Obama expansion and the Federal Reserve’s far-sighted decision to hold interest rates low.⁷

The President casts himself and his economic record as victims of the coronavirus pandemic and resulting recession. However, he deserves infinitely more blame for these crises than any other American. He ignored the advice of the nation’s top economists, who said the number one priority for the economy was to contain the coronavirus. He did exactly the opposite of what the nation’s leading public health experts recommended — restricting testing, mocking those who wore masks and calling on supporters to attend political rallies that became super-spreading events. These blunders substantially worsened the economic crisis, with the effective unemployment rate reaching almost 20 percent.⁸

The President’s most tragic error was his effort to save his sinking economic record by pressuring governors to re-open their economies.⁹ Public health officials warned that prematurely lifting measures to contain the coronavirus would lead to an explosion of cases and deaths, while the overwhelming majority of top economists said that reopening too soon “will lead to greater total economic damage.”¹⁰ The President again ignored their advice, squandering the immense personal and economic sacrifices Americans had made during the lockdowns.

In recent months, leading economic indicators have improved from abysmal to mediocre. However, the economy is far weaker than the numbers suggest. For example, the unemployment rate in November was 6.7 percent — two percentage points higher than when the President took office.¹¹ However, this does not reflect the fact that since February 5 million Americans have given

up looking for work and have left the labor force.¹² If they were counted as unemployed, the unemployment rate would be approximately three percentage points higher.¹³ Likewise, the recent spike in third quarter GDP growth is underwhelming because it follows a historic drop in the previous quarter — the economy remains substantially smaller than it was at the end of 2019.¹⁴

President Trump leaves to his successor an economy that is in far worse condition than the one he inherited. He will be the first president in the modern era to preside over a net loss in jobs, with the economy losing approximately 3 million jobs since he was inaugurated.¹⁵ More than 700,000 Americans have filed for unemployment benefits every week since mid-March, and recent evidence suggests that the labor market may be worsening.¹⁶

The most ominous sign for the economy is the tragic fact that the number of new U.S. coronavirus cases is exploding, largely a result of the President's refusal to take responsibility for the federal coronavirus response and reckless actions he took that accelerated the spread of the virus. The number of U.S. deaths from COVID-19 already has exceeded the number of American lives lost in combat during World War II, and the numbers are climbing rapidly.¹⁷ As a result, the coronavirus pandemic now is a greater threat to the U.S. economy than in the spring, when it drove unemployment to the highest levels since the Great Depression.

This will be President Trump's economic legacy.

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VICE CHAIR

ENDNOTES

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