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Is It True that Incomes Have Risen \$5,000 under Trump?

President Trump has repeatedly claimed that median household income is up \$5,000 since he took office and that he has worked magic with the economy.¹

This claim was cited first by right-wing economist Stephen Moore, who recently wrote in *RealClearPolitics* that “the median or average-income family has seen a gain of \$5,003 since Trump came into office.”² Variations have been repeated by Vice President Pence, Fox News personalities such as Stuart Varney and Jesse Waters, policy analysts at the Heritage Foundation and others. The president later further inflated the number, claiming that the increase is \$7,000 when tax cuts are included and \$10,000 when factoring in supposed savings from deregulation.³

The *Washington Post* Fact Checker awarded the claim “**Two Pinocchios**,”⁴ partly because Trump claims credit for a trend that started under Obama and greatly exaggerates the impact of the tax cuts.

The official government statistics report only a \$1,400 increase over the first two years of the Trump administration

The most reliable data about household income is released annually by the U.S. Census Bureau, which in September reported that inflation-adjusted median household income in 2018 was \$63,179. This represents a \$1,400 increase over the first two years of the Trump administration.⁵ However, this does not include the period from January 2019 through the present.

The increase during the last two years of the Obama administration was three times larger

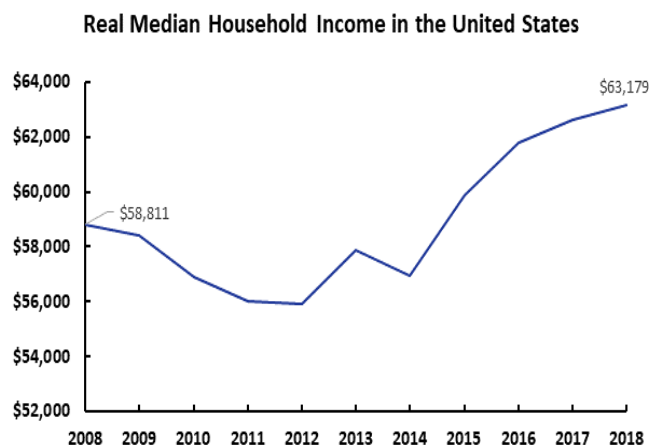
The annual data show that median household income increased \$4,800 during the last two years of the Obama administration—more than three times greater than during the first two years of the Trump administration.⁶

The \$5,000 figure is based on monthly data, which are less reliable than annual figures

This is not the widely accepted official annual statistic on household income, but is produced by a private firm based on less accurate monthly data from the Census Bureau’s Current Population Survey (CPS).⁷ The monthly survey has a small sample size and includes only one question about income, while the annual survey has a much larger sample size and asks many precise questions about income.⁸

Because of these methodological shortcomings, the monthly numbers can be very volatile—for example, showing that household incomes skyrocketed almost \$2,000 from May through August.⁹ An increase of this magnitude in such a short period seems unlikely.

The private report may suggest possible trends, but its authors characterize it as an “interim measure,” stating that the Census Bureau’s annual statistics



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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provide “the most accurate measures of both the level and change in household income.”¹⁰ The 2019 figures will be reported in September 2020.

Nevertheless, it is likely that income growth has accelerated somewhat

There is no question that an exceptionally tight labor market, with an unemployment rate of only 3.5 percent in December, has given a slight boost to wage growth. If wages continue to rise and unemployment remains low, median household incomes will continue to rise.

The \$5,000 figure touted by the Trump administration suggests that household incomes rocketed upward in the first eight months of 2019—supposedly, an extremely unlikely \$850 increase between July and August alone.¹¹ This one-month move further underscores the volatility in monthly data. It is not clear that when the official annual household income figures for 2019 are released in 2020 whether the increase will reach the \$5,000 figure trumpeted by the Trump administration.

Trump inherited a strong economy that was still becoming stronger

Wages and household incomes had been rising for several years by the time Trump was inaugurated on January 20, 2017. Trump inherited a strong economy, with very low unemployment, strong job growth, steady GDP growth and rising incomes.

More than half of income growth occurred before Trump’s signature economic policy took effect

Whether you choose to rely on the official annual estimates of household income growth, which show a \$1,400 increase during the first two years of the Trump administration, or an estimate by a private firm based on a less reliable monthly survey, which estimates a \$5,000 increase for the first 32 months of the administration, it is clear that much of the increase isn’t due to Trump policies.

The president’s most significant economic policy, his \$1.9 trillion tax cuts, did not take effect until January 2018. According to official annual Census statistics, 60 percent (almost \$850 out of \$1,400) of the household income growth in his first two years occurred before the tax cuts took effect.¹²

The president’s additional claims—that net incomes are up by as much as \$10,000—are flatly false

President Trump further inflated the \$5,000 figure by implying that households have received an additional \$2,000 during his term due to the tax cuts—a total of \$7,000 annually. However, this is wildly misleading because the \$2,000 is a high estimate of the possible *average* household savings, which is much higher than what a typical (median) family would receive.¹³

During a recent speech at the Economic Club of New York, the president further inflated the figure, claiming that “in addition to the \$5,000 [rise in median income], we have to add \$2,200 for the tax cuts...and \$2,000 to \$3,000 for regulatory and energy cuts. So that would be a total of almost \$10,000.”¹⁴ It is not at all clear how the president calculated supposed savings from deregulation. His speech was derided for being full of false claims.¹⁵

The president’s other most significant economic policy—the trade war—badly hurts Americans

In addition, the president ignores the costs of tariffs on imports from China, which the Federal Reserve Bank of New York estimated in May at \$800 per year for each household.¹⁶ A recent NBER paper found that the costs of tariffs have been completely passed on to U.S. firms and consumers.¹⁷

The president’s claims follow a pattern of lies and misleading statements about the economy

According to the *Washington Post* Fact Checker, by early December, President Trump had made over 15,000 false or misleading claims, including 1,460 about the economy, during his presidency.¹⁸

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- ¹ Jackson, Brooks. "[Trump's Shaky \\$5,000 Boast.](#)" FactCheck.org. November 6, 2019.
- ² Moore, Stephen. "[It's a Middle-Class Boom.](#)" *RealClearPolitics*. October 15, 2019. Moore made a similar claim two weeks earlier in *The Wall Street Journal*, but came up with a lower number (\$4,144) using a different methodology.
- ³ Picchi, Aimee. "[Is Trump right that Americans' incomes have risen \\$7,000 since he took office?](#)" *CBS News*. October 24, 2019; Dale, Daniel and Subramaniam, Tara. "[President Trump made 53 false claims last week, including 29 in a speech to New York business leaders.](#)" *CNN*. November 22, 2019; The White House. "[Remarks by President Trump at the Economic Club of New York.](#)" Issued on November 12, 2019.
- ⁴ Kessler, Glenn. "[Trump's shiny new talking point about income growth.](#)" *Washington Post*. October 28, 2019.
- ⁵ U.S. Census Bureau. "[Income and Poverty in the United States: 2018.](#)" September 2019; St. Louis Federal Reserve Bank. "[Real Median Household Income in the United States.](#)" Updated September 10, 2019.
- ⁶ Ibid.
- ⁷ Green, Gordon and Coder, John. "[Household Income Trends August 2019.](#)" Sentier Research. October 2019. On October 30, 2019, Sentier Research reported household income data for September 2019, showing that median household income increased \$5,227 from January 2017-September 2019.
- ⁸ U.S. Census Bureau. "[Differences between the Current Population Survey \(CPS\) and the Annual Social and Economic Supplement \(ASEC\) to the CPS.](#)" Accessed October 29, 2019.
- ⁹ Green, Gordon and Coder, John. "[Household Income Trends August 2019.](#)" Sentier Research. October 2019.
- ¹⁰ Ibid.
- ¹¹ Ibid.
- ¹² U.S. Census Bureau. "[Income and Poverty in the United States: 2018.](#)" September 2019; St. Louis Federal Reserve Bank. "[Real Median Household Income in the United States.](#)" Updated September 10, 2019.
- ¹³ Kessler, Glenn. "[Trump's shiny new talking point about income growth.](#)" *Washington Post*, October 28, 2019.
- ¹⁴ The White House. "[Remarks by President Trump at the Economic Club of New York.](#)" Issued on November 12, 2019.
- ¹⁵ Dale, Daniel and Subramaniam, Tara. "[President Trump made 53 false claims last week, including 29 in a speech to New York business leaders.](#)" *CNN*. November 22, 2019.
- ¹⁶ Amiti, Mary, Redding, Stephen J. and Weinstein, David E. "[New China Tariffs Increase Costs to U.S. Households.](#)" Federal Reserve Bank of New York. May 23, 2019.
- ¹⁷ Amiti, Mary, Redding, Stephen J. and Weinstein, David E. "[Who's Paying for the US Tariffs? A Longer-Term Perspective.](#)" NBER Working Paper No. 26610. January 2020.
- ¹⁸ *Washington Post* Fact Checker. "[President Trump has made 15,413 false or misleading claims over 1,055 days.](#)" *Washington Post*. Updated December 10, 2019.