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## Who's really to thank for booming economy: Donald Trump or Barack Obama?

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**Both Trump and Obama are offering a certain amount of truth on behalf of their claim, along with a healthy dose of hyperbole.**

Economic growth is up, unemployment is down, and President Donald Trump and former President Barack Obama are fighting over who should get the credit. Both are offering a certain amount of truth on behalf of their claim, along with a healthy dose of hyperbole and more than a little statistical cherry-picking.

Trump, for instance, inherited an economy that was in the process of bouncing back after a long recessionary trough. This makes it hard to disentangle the results of his policies from the broader trend.

It is fair, for instance, for Obama to suggest that the recession ended and the economy started growing again on his watch. In fact, if you were to chart various economic indicators on a graph, you would be hard pressed to find exactly where the Obama presidency ended and Trump's began. To cite just one example, the U.S. economy created nearly 4 million jobs in the last 18 months of Obama's term, virtually indistinguishable of the first 18 months of Trump's.

Of course, Obama was starting from the nadir of the Great Recession, so economic and job growth should have been expected. And many economists suggest that the increased taxes, onerous regulations enacted in bills such as Dodd-Frank and the Affordable Care Act, as well as the perception that Obama was anti-business, slowed the economic recovery. In terms of economic output, this was the slowest economic recovery since World War II.

Moreover, it is noteworthy that growth had slowed during Obama's last year in office, dropping from 2.3 percent in the second quarter of 2016 to just 1.8 percent in the final quarter.

### **Donald Trump's economy**

Meanwhile, economic growth under Trump has averaged 2.9 percent, and will likely top 3 percent this year. That's considerably more than the 1.5-1.75 percent growth rate predicted by the Federal Reserve Bank of San Francisco when Trump took office.

The economy has also added 3.6 million jobs since the start of Trump's presidency, and unemployment has declined from 4.8 percent to 3.9 percent. Unemployment rates for women, African-Americans and Latinos are all at multi-decade lows. Real disposable income — which barely rose during Obama's tenure — is now growing about .3 percent. And small-business optimism has reached its highest level ever recorded.

On the other hand, it is far too soon for many of the president's initiatives, such as tax and regulatory cuts, to have fundamentally altered business incentives. Besides, those cuts have been much smaller than the president likes to trumpet. For instance, according to the American Action Forum, net deregulation this year under Trump will save businesses roughly \$1.6 billion. This is a step in the right direction but a drop in the bucket of an \$18.6 trillion economy. And those savings will easily be offset by the economic damage from the tariffs that the Trump administration has been imposing on imported goods.

### **Is this sustainable growth?**

Rather than a fundamental shift in the economy, we may simply be seeing a "sugar high," the stimulative effect of tax cuts combined with massive increases in deficit spending. Government spending is up 7 percent since last year, and that is reflected in gross domestic product numbers. There is good reason, therefore, to question whether the growth we are seeing is sustainable.

Deficits are expected to hit \$1 trillion soon, and the national debt will top \$30 trillion by 2025. That level of debt will act as a substantial drag on the economy, not to mention Trump's aforementioned trade policies and new immigration restrictions.

Both Trump and Obama are offering rival versions of: "You didn't build that." Both are suggesting that it is the president — and government more generally — that drives America's economic engine. They are both wrong.

It is the American people — workers, entrepreneurs and investors — who make the American economy hum.

Obviously, government policy matters. Good policies can encourage investment and innovation; bad policies can slow it. But no president can manage the individual choices of 325 million producers and consumers. Imbuing the president with mystical powers to manage the economy is to invite the sort of meddling that can only get in the way of American dynamism.

The best thing that a president — any president — can do for the economy is to get out of the way and let Americans innovate and produce.

The president who did that could really claim credit.

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