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Trumponomics: Economic Policies of Donald Trump

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CONTENTS

1. INTRODUCTION

1.1 Topic and purpose

The election and presidential mandate of Donald Trump brought along many economic policies not seen since the Reagan administration. This paper will delve into the detail of the initial economic plan and policies, how they changed over time, their implementation process, and compare the effects to those of policies implemented during previous presidencies. In the end, the changes in key economic metrics will be compared to those of global economies.

1.2 Methods and data sources

In this paper, secondary sources of data are used. Due to the recentness of the topic, most of the sources online scientific and professional literature are complemented by professional journals, papers, and articles. Other online articles and miscellaneous sources of information were used to better understand and explain the background. The descriptive statistical analysis of major economic indicators was used to show how these economic policies impacted the US economy, and how it fares to the rest of the World. Besides that, descriptive method, compilation method, classification, induction, and deduction methods were also used in the analysis.

1.3 Structure

The first part of the paper is an introduction which is divided into topic and purpose, methods and data sources, and structure. This part will serve as a general intro to the overall goals and methods used in this paper, and how it is structured. The second part, Background, and initial economic plan will serve as a second introduction to better understand the reasons for the success of Donald Trump in the presidential election, and to look into the initial economic plan for his tenure. The third part, Economic State prior to Trump's Election will investigate previous economic and fiscal policies, 2008. Economic crisis, its aftermath, and the response. The fourth part of the paper – Main characteristics of Trumponomics provides an in-depth analysis of the Trump Administration main policies, their implementation, and outcome. In the fifth part, an analysis of the major economic indicators in the United States during the Trump

Administration era is provided alongside a comparison of those economic indicators with the rest of the World. The conclusion sums up the most important findings of the conducted analysis and gives an overall evaluation of the results of implemented policies.

2. Trumponomics background and initial economic plan

On November 9th, 2016., Donald Trump was elected as the 45th president of The United States. Not even a year before, he was just an outsider with no real chance at the election in sight. Through a year of intense campaigning that primarily targeted lower and middle working classes, his populistic stances, and speeches heavily resonated within them. On August 8th, 2016, Trump revealed his economic plan at the Detroit Economic Club, with his main point of interest being a big revision of the tax code with many tax cuts for individuals and companies. He also announced deregulation and big infrastructure investments as his other major policies (Moore and Laffer, 2018). The introduction will offer a more detailed look into the whole campaign process and the election itself. A description of the economic state in the US will be provided together with an insight into the United States election process. The main purpose of this thesis is to evaluate how Trump's policies affected the US economy and whether the goals set during the campaign were fulfilled. To fully understand them, a detailed analysis of all major policies will be given, and as many of the policies spoken about in the campaign received major overhauls before they were implemented, an insight into this will be supplied with details of how and why they were changed. To be able to evaluate the whole mandate and economic policies, an analysis of how these policies worked out in the short term and a comparison to some similar policies that were implemented in the US by previous presidents (most notably by Reagan as they had a lot of similar ideas and policies) will be provided. Results and effects of economic policies during his tenure will be evaluated by conducting a descriptive statistical analysis illustrating how some of the most important macroeconomic metrics like GDP growth rate, Manufacturing rate, Inflation rate, and Unemployment rate changed during his time as president. In conclusion, the key findings of the research will be summarized together with a discussion of some major economic and political events in the World as they may have skewed some metrics and results.

2.1 Campaign

Donald Trump first indicated that he was considering running for president in the mid-1980s when he mentioned it in a couple of interviews. Since then, up until the 2021 presidential election for which he did not run, he kept a low profile, but often publicly criticized President Barack Obama. Yet, he still managed to surprise a lot of people in

June of 2015, when he officially announced that he would be a candidate in the presidential election of 2016 (Moore and Laffer, 2018). At first, many people thought it would just be some sort of a PR stunt as was the case with his previous announcements about running for Office.

The slogan of his campaign in which he made some quite sensational promises was "Make America great again. He pledged to create millions of new jobs, create a better import/export ratio by imposing trade tariffs, repeal the crown jewel of the Obama legislation – the Affordable Care Act (better known as Obamacare in popular culture), and revive exploitation of natural resources, withdraw the United States from the Paris agreement on climate change (to be able to revive the coal and oil industries), and the most controversial topics – build a wall along the US-Mexico borders to prevent illegal immigration from South America and ban Muslim immigrants. Most of these issues were already raised and described by Trump in his 2015 book *"Crippled America: How to Make America Great Again"* (Britannica, nd).

Throughout his campaign Trump presented himself as a political outsider, first in the republican primary and later in the general election. This was one of the main reasons why his ideas resonated so much within the conservative circles, especially those who found common ground with his populistic views. This helped him win most of the republican primary polls (Hilsenrath and Davis, 2016).

His political campaign was heavily intertwined with his personal controversies, he was often caught making racist and sexist remarks (Filipovic, 2017), and insulted his political adversaries by making fake claims mostly through one of his favorite communication channels – Twitter. As if these controversies weren't enough, Trump was heavily supported by various very conservative subcultures like white supremacists and neo-Nazis (McCammon, 2020). For most candidates this would be the end, however, this stance allowed him to gain even more popularity in all tiers of conservative circles as he stood his ground and showed that he is willing to take a stand against some of the republican values.

The Republican primary season opened in February 2016 with the Iowa caucus, which often shows if the polls were true or if the Republican Party members have a different opinion on the candidates. Trump took a blow and lost the Iowa caucus but managed to rebound and win the next three caucuses – New Hampshire, South Carolina, and Nevada. To put this in perspective, he lost Iowa by only 3.3 percentage points but won New Hampshire and Nevada by over 20 percentage points, and South Carolina by more than 10 percentage points (Politico, 2016).

The next big showing of who had the biggest chance of winning the primaries was on Super Tuesday – a Tuesday in February or March when the majority of US states hold their respective primaries for the presidential election. Prior to Super Tuesday on March 1st, 2016., a debate was run between the remaining five Republican candidates on February 25th. Trump's adversaries Ted Cruz and Marco Rubio teamed up and had a heated exchange with Trump, however, their way of trying to put an end to Trump's campaign ultimately backfired. Trump won 7 out of 11 states on Super Tuesday and had more than 5 percentage points over Ted Cruz in the popular vote (Politico, 2016).

By late March only three candidates for the republican primaries were left since Rubio dropped out after a terrible showing on Super Tuesday II. Cruz managed to gain some momentum during late March and early April by winning 4 out of 7 state primaries. Trump still managed to win in Arizona, North Dakota, and by far the biggest victory in New York – his home turf. This was the beginning of the end for the other two remaining candidates (Politico, 2016).

In April, Trump only cemented his lead by winning all five northeastern states by an enormous margin. It was the Indiana primary victory in May that left Trump as the only candidate for the Republican party nominee for president. In the end, Trump won 1441 republican delegates (58.3 percentage points) and had 44.95 percentage points in the popular vote (to put this in perspective, the second-placed candidate Ted Cruz won 551 delegates or 22.3 percentage points and had 25.08 percentage points in the popular vote). In early July, Trump announced that his candidate for vice president would be then Governor of Indiana Mike Pence. A week later, on July 19th, 2016. Trump had officially received a nomination for the presidential race at the Republican National Convention. During the conventions, Trump delivered a speech primarily focused on attacking and criticizing his opponent, the Democratic nominee Hillary Clinton (Politico, 2016).

There were plenty of controversies surrounding the election both from the democratic and republican sides with heavy speculation of foreign intervention and the release of many various documents and accusations. To stay on the topic of this paper they will not be discussed further.

2.2 Plan for the economy

2.2.1 Tax cuts

One of the most advocated economic measures by Donald Trump were regarding income taxes. The Trump administration and their economics team proposed a three-tax bracket system (the current system at the time had seven tax brackets). The proposed tax brackets would be as follows – those making under 75.000 USD per year would be in the 15-percentage point bracket, and those making between 75.000 and 225.000 USD would be in the 25-percentage point bracket, and those earning over 225.000 USD would be in the 33-percentage point bracket. To put a better perspective on these numbers, under the prior system the lowest tax bracket was 10 percentage points for those who earned less than 18.450 USD, and the highest was 39.6 percentage points for those earning over 464.850 USD. It is important to point out that the tax system of the United States has three categories when it comes to tax: Single Filers, Married Joint Filers, and Head of Household filers. All the figures refer to the Married Joint Filers' earnings and tax rates (Beattie, 2020).

Trump proposed a corporate tax cut from 39 percentage points down to 15 percentage points. While the corporate tax rate was 39 percentage points at the time, research done by Goldman Sachs suggests that the effective rate was quite lower, with the S&P 500 companies effectively paying around 29 percentage points on average (Floyd, 2022).

Trump’s economic advisory team argued that these tax cuts would result in bigger investments by businesses and private persons. The Tax Policy Center argued that this policy would only work if Trump planned to significantly decrease federal spending. They also pointed out that this type of policy would harm GDP growth and calculated that the growth would diminish by 4 percentage points over the next 20 years (Nunns, 2015).

2.2.2 Deregulation

Donald Trump proposed something quite controversial to say the least; he wanted to repeal the Dodd-Frank regulation. The Dodd-Frank act is a US federal law proposed in 2010. by then-president Barack Obama in response to the crisis of 2008. The core of 2008. the crisis was considered to be terrible lending practices by investment banks. The main provisions of the Dodd-Frank were reducing the amount of money the US would lend to failing banks and thoroughly explaining how those banks could use the remaining money set aside to aid them, new agencies were created to better detect possible economic downturns and closely monitor and audit both the insurance and banking industries (until that point, the insurance industry was one of the least regulated industries in the United States). There were many other provisions implemented in the Dodd-Frank act, and these will be discussed further in the paper with more context (Klein, 2018).

Trump's main argument against the Dodd-Frank act was that it averted banks from lending money to lower-income individuals. He also proposed a stop in any new regulation and a complete overhaul of the current regulation (Klein, 2018).

2.2.3 Investments in infrastructure

Another big point presented by Donald Trump and his economic advisory team during the campaigning process was huge investments in infrastructure. He released a legislative goal with six principles that would help rebuild and modernize the decaying infrastructure. His plan consisted of the following: *"200 billion USD in Federal funds to spur at least 1.5 trillion USD in infrastructure investments with partners at the State, local, Tribal, and private level; new investments to be made in rural United States, which has been left behind for too long; decision making authority will be returned to State and local governments; regulatory barriers that needlessly get in the way of infrastructure projects will be removed; permitting for infrastructure projects will be streamlined and shortened; America's workforce will be supported and strengthened."* (Trump, 2016)

2.2.4 Trade

When it comes to trade, Trump proposed quite a protectionist plan, saying that current trade regulations often steer American companies away from producing in the United States and opting for cheaper options in lesser-developed countries. He also argued that the North American Free Trade Agreement (NAFTA) was unfair toward the United States and proposed a Trans-Pacific Partnership (TPP). In his campaign, he proposed a 45% import tariff on all products coming from China. He had an agenda that often-attacked China with currency manipulation and using lax import taxes to gain an economic advantage over the United States. He was adamant about striking a new trade deal with China (Moore and Laffer, 2018).

2.3 Election

To better understand how the election played out two terms must be explained – Electoral College, and swing states. Electoral College is a unique mechanism in the election, only seen in some third-world countries for the presidential election, and in Ireland for Senate voting. It is established in the Constitution and is best explained as a mechanism that will act as a compromise between a popular vote by the citizens and a vote by Congress. Essentially it means that congress can overturn an election otherwise won by the popular vote. The Electoral College consists of 538 electors and 270 are required to elect a President. Essentially each state has a certain number of electors that is equal to the number of members in the congressional delegation. So, for instance, California, a big state, has 55 electoral votes, while Alabama, a smaller state, has 9. 48 states out of 50 (only Nebraska and Maine have a rule that states otherwise) have a rule that the winner takes all. So, if a candidate wins 50% + 1 vote in California (28), he will win all 55 electoral votes. Historically there are states that vote the same each time in the Electoral College. California and New York vote Democrat in pretty much all elections, while for instance Texas and most other southern states will vote Republican. This brings us to the next important term that must be explained – Swing States. They are states that are not historically tied to a party, for instance, Florida, Pennsylvania, and Ohio. That’s why most presidential campaign efforts take place in these States (National Archive, 2019).

As the elections were nearing, both parties had defined their nominees for the presidency. The Democratic Party nominated Hillary Clinton, and the Republican Party nominated Donald Trump. During the pre-election times, there had been plenty of controversies on both sides. Trump continued to play on the populism card trying to appeal to middle-class voters from the Midwest. These were the people that were hit the hardest during the economic crisis and had the slowest recovery rate. Clinton carried on campaigning for a continuation of Obama's presidency and focused more on climate change. Quite the exact opposite of what Trump was advocating. By this time Clinton had a 6-percentage point lead in most of the bigger polls. As Election Day was nearing, Clinton's lead in polls was heavily diminishing due to newly discovered controversies. The final polls put Clinton ahead for around 3 percentage points in the popular vote but with an edge in most swing states, where most of her campaign was targeted. The Presidential Election was held on November 8th, 2016. As the results slowly started to come in, Clinton had an advantage in 9 of the 11 swing states. Trump only had an advantage in Ohio and Iowa. As more polls began to close, Trump suddenly gained an advantage in Florida, North Carolina, Pennsylvania, Wisconsin, and Michigan. While Clinton won the popular vote by 2.1 percentage points (65,853,625 votes for Clinton, and 62,985,106 votes for Trump) largely due to the higher population in the Democratic strongholds – New York and California. The swing states decided the election with Trump winning the biggest of them. In the end, Trump won the Electoral College – 306 votes for Trump, and 232 for Clinton (Politico, 2016).

Trump has managed to shake the political scene and his unexpected victory caused a political divide in the United States not seen in recent history.

3. Economic State prior to Trump's election

3.1. Years leading to the 2008 financial crisis

To understand the context of why candidates such as Trump and Sanders became quite popular in periods before the 2016 presidential election, a brief look into recent economic history is provided. As everywhere else in the World, the United States goes through economic cycles, and recessions followed by growth. It is important to see how those cycles happened in the 21st century in the US to further understand the reasoning. After the debt accumulation from the 1980s, and the oil price shock of the 1990s, the United States entered a brief recession in the early 1990s that lasted less than a year. This recession was followed by one of the longest periods of economic expansion in US history. Even though job growth was still slow, the economic growth started increasing at a stable rate around 1993 and real-estate prices started rising around the mid-1990s. The main reason for the economic boom in the second half of the 1990s was due to the rise of the dot-com bubble (Amadeo, 2022). Everyone was interested in this new and exciting technology that caused investors to drive stock valuation to record highs additionally fueled by the 1997 capital gain tax cut and low-interest rates. The FED started to raise interest rates in 1999, which would mark the end of this economic expansion and cause a market crash that would ultimately cause a chain reaction of bankruptcies (Scott, 2001). The short recession after 10 years of prosperity and growth is where things start to get interesting because the measures that followed have quite possibly shaped the economy that is witnessed today.

Alan Greenspan, one of the most influential US economists and 5 term Chair of the FED argued that central banks can manage the balance between growth and inflation, assume economic cycles and create an environment that can quickly and efficiently respond to slumps caused by inflation bubbles and economic downturns (Greenspan, 1997).

The recession of 2001 caused the FED to implement a fiscal policy of lowering interest rates of the overnight loans and window-overnight loans to try to slow down the deterioration in the economy. The target rate for overnight federal funds was lowered from 6.5 percentage points in late 2000 to 1.75 percentage points in December of 2001(Federal Reserve Bank of San Francisco, 2002). This was even further lowered to

1 percent in 2003. Lowering overnight loan interest rates means that banks will be able to borrow funds from one another at a lower rate which essentially leads to lower interest rates for the end users – their customers. This makes loans more affordable for both businesses and individuals. More affordable loans mean more spending, and that ultimately leads to higher inflation. The job of the central bank is to correctly speculate when these interest rates need to be lowered and when they need to be raised.

These lower rates between 2000 and 2004 caused the housing boom in the United States when buying a home was more affordable than ever. With opportunities like that, many new businesses open to fuel the demand. Hundreds if not thousands of new mortgage brokers started to operate, including dozens of quite big ones. To stay competitive, they beat each other to lower rates, especially for those who had lower income and could only afford to finance a home due to these newly lowered interest rates. Even Greenspan himself praised these adjustable-rate mortgages that allowed customers to pay low-interest rates in the first couple of years on the mortgages saying: “Many homeowners might have saved tens of thousands of dollars had they held adjustable-rate mortgages rather than fixed-rate mortgages”. Due to the housing boom, the economy started blossoming once again. The Greenspan put seemed to have worked once again – except that it didn’t (Nelson, 2015). The FED decided to start raising the federal funds' rates back in 2004. The inflation increased only by a small margin, however, another problem appeared. The federal deficit rose to over 400 billion USD largely due to lower interest rates and war spending in the early 2000s as a response to the 9/11 attacks. Even though the FED raised interest rates to 5.25 percentage points by the end of 2006 (Amadeo, 2022), the low-interest rate mortgages continued to thrive, largely due to a new “hack” discovered by non-other than Wall Street. They figured out a way to avoid regulation by packaging these mortgages into securities. These securities were then financed by huge institutional investors like pension funds and insurance companies. The increased interest rates did not stop huge banks like Lehman Brothers, JP Morgan, and Citigroup from offering low-rate mortgages to those who could not afford them by simply not doing any background checks or verifying the source of income (Silver, 2022). Due to the lax regulations regarding mortgages the demand was higher than ever – everyone could become a homeowner all the sudden. This would later cause a ripple effect crushing the economy and for the first time show that the Greenspan put had allowed for the economy to collapse.

3.2. Aftermath and response to the financial crisis

As 2007 neared, the housing bubble was starting to burst. Many Americans were stuck with no money, trying to sell houses that were now worth a substantial amount less than what they paid for them. The so-called adjustable-rate mortgages that were praised only a few years before now meant that they were paying more and more while the value of their houses was going down. Most subprime borrowers now had mortgages they couldn't afford in the first place and the costs only went up. This caused a ripple effect of people simply abandoning their mortgages and their houses. As 2007 started subprime lenders started to file for bankruptcy one after another. In early 2007, around 30 big subprime lenders were bankrupted with New Century Financial being one of the bigger ones. However, this terrible chain of events was only starting. It wasn't until August that the bigger picture was clear- The United States and consequently the World would be hit by one of the biggest economic crises in human history. It was clear that the United States was in a recession by the winter of 2008, financial institutions continued to struggle with liquidity and the stock markets faced the worst downfalls since the September 11th attacks. In March, Bear Stearns, one of the biggest investment banks on Wall Street, had gone bankrupt and had to be acquired by JP Morgan for chump change. By the summer, more and more huge financial companies had gone under. Fannie Mae and Freddie Mac – private mortgage corporations that were chartered by congress had to be seized by the US government (Singh, 2022). It was September that marked the largest bankruptcy in United States history – Lehman Brothers. On September 18th, 2008. Ben Bernanke – the newly appointed FED chairman and Hank Paulson, the Secretary of the Treasury went in front of congress and successfully pushed for a $700 billion relief bill that would essentially bailout the financial system that was on the verge of completely collapsing (Cassidy, 2018).

All the attention was turned towards the three most important financial institutions in the United States – the FED, which oversees and creates the monetary policy to stabilize prices, increase employment, and is in charge of the interest rates, the Treasury Department which governs the fiscal policy, and the Federal Deposit Insurance Corporation (FDIC) which insures deposits in banks to promote the public confidence in the U.S. financial system.

The Federal Reserve was quite probably the most crucial institution during the crisis. They allowed depository institutions to borrow money from them when they were unable to borrow money anyplace else. It was during the 2008 financial crisis that the FED used its emergency power to borrow money to other non-depository financial institutions like mutual funds and investment banks – the last time the FED used this power was during the Great Depression. In late 2007, the FED responded to the rising unemployment by what seemed to be the tactic of their choice in recent times – interest rate cuts (Yglesias, 2015). The FED continued to reduce interest rates until June of 2008. Even though the economy was still in a downturn they decided to stop reducing interest rates in fear of rising inflation, largely due to the already increasing prices of commodities. Even after Lehman Brothers went bankrupt, the FED held its policy rate with the interest rates at 2%. In the months that followed, they simply had to lower the rate due to other factors and the rate nearly reached 0% effectively. Once they could not lower the interest rates any further, the FED turned to some more unconventional methods. The main one being assistance to financial institutions, as mentioned previously it was a relief bill that they passed in Congress called the Troubled Asset Relief Program (TARP) which provided a $700 billion bailout to the financial system. It allowed the remaining investment banks – Goldman Sachs and Morgan Stanley to reclassify to be able to access cheaper overnight lending. It also allowed all financial institutions to lend money very cheaply to prevent further bankruptcies (Silver, 2022). The other two policies implemented by the FED were forward guidance – a strategy of making people more likely to borrow and invest by letting them know that near-zero interest rates will persist for the foreseeable future. The last and quite possibly the most controversial measure implemented by the FED was quantitative easing or a show they preferred to call it, large-scale asset purchases. By doing this, the FED is quite literally making new money that is then used to buy up a ton of long-term debt issues from the government and in this case institutions like Fannie Mae and Freddie Mac. A similar tactic was employed in the last few years during the COVID crisis.

The US Treasury Department primarily worked alongside the FED during the crisis, trying to solve the early liquidity issues of financial institutions. Its main goal was to save the financial system from collapse and therefore protect the economy from an economic depression. The Treasury had very little legal authority to go out on its own and implement policies until Congress passed the TARP. It was the Secretary of the

Treasury – Hank Paulson who played a major role along with Ben Bernanke to pass the bill in congress. He was also crucial in new legislation that allowed for Fannie Mae and Freddie Mac to be seized by the US government (Silver, 2022).

The FDIC is an institution that wasn't really in the spotlight prior to this crisis, but largely due to the insurance sector being one of the most unregulated sectors it had to step in and implement policies to help protect the economy. They implemented the Debt Guarantee Program (DGP), which extended their guarantee to newly issued debt instruments of FDIC-insured institutions and their affiliate companies. The Transaction Account Guarantee Program (TAGP), which provided coverage for non-interest-bearing transaction accounts. Both the DGP and TAGP had large roles in response to the systemic risk in the banking system that was not well regulated before the implementation of these policies. The FDIC guaranteed for around $350 billion in newly issued bank debt. The FDIC also aided three out of the four biggest banking organizations in the United States – Bank of America, Citigroup, and Wachovia, and had a large role in helping liquidate failing banks and placing them into receiverships (Yale, 2019).

3.3. Policies implemented prior to the 2016 election

On January 20th, 2009, Barack Obama was elected as the 44th president. He took the role in one of the most uncertain times in recent US history. Not even a month later, he signed the American Recovery and Reinvestment Act of 2009 (ARRA), an $831 billion economic stimulus package. The main goal of ARRA was to stimulate the economy in the short term and solidify investments in education and other essential public services to ensure long-term economic growth in the United States (Amadeo, 2021). The short-term components of ARRA included tax cuts, tax credits, and unemployment benefits of around 260 billion USD in the first two years of signing. It created jobs by funding public projects. $48 billion was injected into transportation and mass transit projects, $31 billion into modernizing federal buildings, and $6 billion into water projects. $22 billion was invested in the alternative energy industry to demonstrate the new clean energy policies. One of the bigger components of the ARRA was the expanded health care. $24 billion was invested to subsidize 65% of the Consolidated Omnibus Budget Reconciliation Act (COBRA), $87 billion of funds to help states pay for Medicaid needs, $10 billion to the National Institute for Health, and $17 billion to modernize the technological systems in health. A total of $108.6 billion was spent to boost education with the biggest chunk of it being for school districts and states to pay salaries and afford education programs. $17.7 billion was invested in improving scientific research and technology by modernizing science facilities and funding Internet infrastructure in rural areas. $730 million was spent on helping small businesses, primarily with tax deductions, loan guarantees, and other tax-related incentives. By 2010 the United States was already starting to slowly recover from the turbulent times in prior years. The first two years of Obama's tenure were one of the most productive congress years in recent history since the democrats had a majority in both the House and the Senate. Two big acts were signed in 2010, the Patient Protection and Affordable Care Act (ACA) that covered additional 24 million people with health insurance, and the Dodd-Frank Wall Street Reform and Consumer Protection Act which limited the risk exposure for financial institutions and completely restructured the outdated regulations in the banking and insurance industries. In 2012 Obama signed the American Taxpayer Relief Act (ATRA). The ATRA was implemented to make permanent many tax cuts implemented from the early 2000s to tax cuts made during and after the economic crisis of 2008. Ben Bernanke, the chairman of the FED at the time coined the term fiscal cliff a year prior (fiscal cliff occurs when tax cuts expire in combination with congress passed spending cuts). One of the biggest reasons for passing ATRA was to avoid the fiscal cliff and a new potential downturn in the economy (Amadeo, 2021).

Under the two mandates from Obama, unemployment fell from 10 percentage points during the peak of the recession to 4.7 percentage points in 2016. By the end of 2016, the United States had 76 consecutive months of job growth. Average real GDP growth was around 2.6-percentage points during the last 11 quarters of the Obama administration (FRED, nd). The annual median household income increased by $4800 over the last two years of the Obama administration. The United States had a seemingly good response to the 2008 financial crisis that almost went from a recession to a depression. Swift decisions by policymakers allowed them to rebound in the short-term and provide steady growth of the economy. However, the United States heavily relied on creating and borrowing money. Under George W. Bush, the 43rd President of the United States the US national debt increased from $5,807 billion (55 percentage points debt-to-GDP ratio) to $11,910 billion (or 82 percentage points in terms of debt-to-GDP ratio). Under Obama, that number rose to $19.573 billion (or 105 percentage points of the debt-to-GDP ratio) (Amadeo, 2012).

In hindsight, it looks like the Obama administration did a decent job of containing the economic crisis of 2008 and taking determined measures to turn the economy around. However, the people had quite a different outlook in 2016. The median household income, when adjusted for inflation, had dropped over 7 percentage points since 2000 (Schneider, 2019). Many thought that China joining the WTO would open a new market for US exporters, however, they were completely wrong. China used this to overflow the United States with its own exports. Its large workforce, low wages, and technological revolution caused the biggest disruptions in the United States labor market. China accounted for 2.4 million lost jobs in the United States between 1999 and 2011, mostly in lower paying manufacturing jobs (Davis and Hilsenrath, 2016). New technologies didn't produce the economic growth they were expected to and didn't provide Americans with enough new jobs. It only helped widen the income gap in the United States. In 1990 the top 20% of American families accounted for 44.3% of total income, whereas in 2015 that percentage was 48.9% (Sommeiller, Price, and Wazeter, 2016). Seven out of ten Americans were not satisfied with the path the United States was on. As it seemed at the time, the economy was going nowhere. Those hit the hardest were middle- and lower-class families in rural areas, which caused a big rise in social problems and therefore populism.

4. Main Characteristics of Trumponomics

4.1. Income Tax Cuts

Trump took a lot of inspiration from Reagan and his policies back in the 1980s. The Reagan administration introduced the 1981 Economic Recovery Tax Act that, while temporary, provided much lower tax brackets. Individual tax brackets were changed by as much as 25% and the policy encouraged companies to invest in equipment. Due to these tax cuts, inflation dropped too much and created the deficit. In order to equal it out, Reagan and his economic advisors proposed a new bill in 1984 that would cut back on some of the tax cuts. In 1986, Reagan dropped tax rates yet again, the top rate was lowered from 50% to 28%, and corporate taxes were cut from 50% to 35% (Ackerman, 1982).

Tax cuts were one of the main selling points of Donald Trump's campaign- he was very clear on his intention to lower taxes across the board. The initial proposal of the new tax reform was published in early 2015 by Donald Trump. In his words: *"America needs a bold, simple, and achievable plan based on conservative economic principles. This plan does that with needed tax relief for all Americans, especially the working poor and middle class."* (Trump, 2015) Trump's economic and tax advisors claimed the initial tax reform plan to be unsophisticated, it included what he wanted to do rather than how to do it. One of his new tax advisors, Dana Trier was baffled by some of the proposed changes. The initial document asked for the corporate tax rate to be slashed from 35% to 15% (CNN, 2017), which Trier thought to be impossible. The plan was initially presented to congress on February 28th, 2017. in which Trump was very lax with specifics and just mentioned that there would be big cuts for companies, and massive tax reliefs for the middle class. It took the Trump administration over 10 months to create somewhat of a realistic plan from the initial draft. Many of the economic and tax advisors left their posts in the meantime as they felt that this new tax reform was everything it shouldn't be. The Tax Cuts and Jobs Act (TCJA) was the single largest tax reform in over three decades. So, how did the TCJA affect the US taxpayers? When it comes to individual income tax brackets, the United States has 7 different rates based on income, which are presented in Figure 1.

Figure 1 Comparison of Tax brackets, pre-TCJA & TCJA

Prior Law			TCJA		
Taxable Income		Tax Rate	Taxable Income		Tax Rate
Single Filers			Single Filers		
Over	Under		Over	Under	
$ -	$ 9,525.00	10.0%	$ -	$ 9,525.00	10%
$ 9,525.00	$ 38,700.00	15.0%	$ 9,525.00	$ 38,700.00	12%
$ 38,700.00	$ 93,700.00	25.0%	$ 38,700.00	$ 82,500.00	22%
$ 93,700.00	$195,450.00	28.0%	$ 82,500.00	$157,500.00	24%
$195,450.00	$424,950.00	33.0%	$157,500.00	$200,000.00	32%
$424,950.00	$426,700.00	35.0%	$200,000.00	$500,000.00	35%
$426,700.00	over	39.6%	$500,000.00	over	37%

Source: Student work according to data from JCT.gov

The lowest bracket for single filers remained the same, the second bracket spread remained the same, but the tax rate dropped from 15 percent to 12 percent. Prior to TCJA the third tax bracket was from $38.700 to $93.700 at a 25 percent tax rate; under TCJA it would be changed to 22 percent from $38.700 to $82.500. The fourth tax bracket was lowered from 28 percent to 24, the spread for this bracket was previously from $93.700 to $195.450, and under TCJA it was changed to $82.500 to $157.500. The fifth tax bracket before TCJA was 33 percent for taxable income between $195.450 and $424.950, and TCJA changed it to 32 percent with a $157.500 to $200.000 spread. The rate of the second to the last bracket remained at 35 percent, while the spread changed. The tax rate for the last tax bracket was also changed. Before TCJA that rate was $426.700 and over, whereas the TCJA changed it to $500.000 and over. The rate was lowered from 39.6 percent to 37 percent (Floyd, 2022).

The standard deduction, the non-taxable portion of the income, was raised to $24.000 from $12.700 for married couples filing jointly, and to $12.000 from $6.350 for single filers. The personal exemption, a measure of $4.050 per person that taxpayers could claim for each person they supported was suspended. Another measure, which proved to be very unpopular was ending the individual mandate, a provision that was created as a part of the Affordable Care Act (ACA). It penalized individuals who did not have health insurance coverage. The Congressional Budget Office (CBO) suggested the measure would reduce federal deficits by approximately $338 billion in the next ten-year period, however, it would lead 13 million people to lose their healthcare insurance due to a 10% increase in policy premiums (Congressional Budget Office, 2022). Many other small changes were conducted in the individual tax reforms, with most of them, unfortunately raising costs for the lower and middle-income taxpayers, while the higher-income taxpayers either received favorable measures or no increases in taxes (Floyd, 2022).

It was the Business tax rates that were the main objective of this reform, with Trump arguing that the new, lower rates would encourage production, and create more jobs in the United States. By early 2018, corporate income tax was lowered from 35 percent to 21 percent. The United States had one of the highest rates with the average rate being 29 percent for corporate tax rates in 2012 (out of G20 countries, only Argentina and Indonesia had higher average corporate tax rates) (Congressional Budget Office, 2022).

The main reasoning behind cutting corporate income tax was the opinion that it would reduce the number of corporate inversions (US companies that merge with foreign companies to be treated as a foreign corporation in the US tax system).

The other big component of TCJA that was related to business taxes was the immediate expense of short-lived capital. This measure would in theory stimulate more expenditure by corporations. Usually, short-lived capital is depreciated over time, by integrating immediate expenses, TCJA would lower due taxes and encourage companies to spend more money on such assets (Floyd, 2022).

Multiple other smaller provisions were integrated in the proposed tax plan, including: (Floyd, 2022):

> -Net interest deduction limited to 30 percent of EBITA to offset other tax cuts that were made in the TCJA,
>
> -Net operating loss carrybacks were scrapped (these previously allowed companies to carry over tax deductions they were unable to use in the previous tax period),

-Section 199 that allowed deductions for business with production inside the United States was replaced with the Section 199A deduction which applied to not only domestic manufacturing companies, but sole proprietorships, S corporations, and partnerships.

One of the most talked about provisions of the TCJA was certainly the changes in the taxation of foreign earnings. Before TCJA, the United States taxed corporations and residents both on domestic and international income. The problem with this method was that many big US corporations funneled funds through their international subsidiaries based in countries with lower tax rates. TCJA introduced two tax rates for the repatriation of international profits. Earnings in cash and cash equivalents at 15.5 percent, and others at only 8 percent. The TCJA allowed for these repatriations to be paid in installments over eight years. They argued that many US corporations that used their foreign vessels to avoid paying taxes would be more than happy to repatriate their profits under these favorable conditions (Tax Policy Center, 2020).

The treasury claimed that TCJA would increase tax revenues by $1.8 trillion in the next 10 years, in which case it would earn the United States as much as it would cost it. This was of course based on the following estimated GDP growth rates: 2.5 percent real GDP growth in 2018, 2.8 percent in 2019, and 3.0 percent for the following eight years. The FED, on the other hand, had different projections, they estimated real GDP growth in 2018 to indeed be 2.8 percent, but their estimates for 2019, and 2020 were 2.1 and 2.0 percent respectively. It should be noted that all these projections were made before the COVID pandemic (Tax Policy Center, 2020).

4.2. Deregulation

During his presidential campaign, Trump campaigned for heavy deregulation in the US economy. It is important to mention that while regulation & deregulation are primarily economic instruments, Trump and his team looked at them as both an economic tool as well as a tool of the government to limit the freedom of both citizens and companies. It is a rationale quite often used by the Trump administration to resonate with specific voting groups (Belton and Graham, 2020).

The Republican party agreed that the previous administration went overboard with regulatory policies and that they needed not only to stop new deregulation policies, but also roll back on some of the previous policies.

Trump promised to cut two regulations for each new one imposed, and by 2019 he managed to do way more than that. For every new regulation, the Trump administration managed to cut 8 ½ regulations (Wallach and Kennedy, 2022).

It is quite important to mention that under Trump's administration the annual net regulatory costs amounted to $10 billion, whereas his predecessor Obama in comparison spent $111 billion and the George Bush administration spent $42 billion. The only other since WWII that was so eager on deregulation was Reagan, yet another testament to whom Trump looked up to when it came to economic policies (Wallach and Kennedy, 2022).

Trump's administration predicted $198.6 billion in savings through deregulatory acts by 2020. In the United States, acts of deregulation must go through many of the same procedures as new acts of regulation, meaning slow and long processes for implementation. Some of the bigger deregulatory accomplishments of the Trump administration include repealing the penalty for violating the individual mandate of the Affordable Act Care (a part of the tax reform), authorizing oil and gas drilling in Alaska (also a part of the tax reform), and deregulatory provisions in the banking reform legislation (Wallach and Kennedy, 2022).

Out of the 258 regulatory actions that ended up in court, the Trump administration was successful in only 58 of them, or 22 percent (Brookings, 2022).

4.3. Investments in infrastructure

During his campaign in 2016 Trump presented the plan to pledge $1 trillion for infrastructure (Moore and Laffer, 2018). Later in his presidency it was clarified that he never planned to use $1 trillion of federal funds for new infrastructure projects but planned to provide a part of it from federal funds and have the rest paid by other partners.

It wasn't until February of 2018 that a plan was finally unveiled, much of the plan changed by then. The federal budget allowed for only $200 billion of funds for infrastructure investments. Soon the Trump administration claimed that $200 billion of federal funds would result in over $1.5 trillion in infrastructure investments with the help of partners at the State, local, Tribal, and private level (Leibenluft, 2018). His administration heavily relied on incentivization and subsidization of these infrastructure projects that would later heavily rely on funds from non-federal sources.

The proposed $200 billion in federal funds would be divided as follows: (White House, 2018)

- $100 billion would be invested in infrastructure projects in rural America via a block grant program. Main emphasis was on improving and creating new transportation, broadband, water, power, and other infrastructure projects,
- $50 billion to be allocated to State governors to give them the opportunity to prioritize the projects they deem worthy of investments (as a part of the plan to increase the decision-making capabilities of state and local governments),
- $20 billion would be allocated to the transformative projects program, a funding project that would see federal funds invested into projects that promote innovative projects that are too risky for private investments,
- $20 billion on expanding current infrastructure financing programs,
- $10 billion to be invested in the Federal capital revolving fund that worked on identifying inefficient leasing of federal property that would be cheaper to buy rather than to lease.

Not much happened until April 2019, when a bipartisan bill was in the works. A bill that proposed expenditure of $2 trillion of federal funds on infrastructure (Grisales, 2021), the bill fell through a mere month later with the Trump administration dropping out of it.

With the 2015 highway and transit package set to expire in September of 2020. the Trump administration proposed yet another version of the bill (it should be noted that this was in an election year). They simply proposed an infrastructure plan based on the renewal of the prior package. The draft of the package allocated $810 billion forefront transit over the next ten years. To fulfill Trump's long-standing promise of providing

$1 trillion in federal funds for infrastructure, they proposed for $190 billion to be allocated to rural broadband infrastructure, 5G infrastructure, and other non-transport infrastructure (Mason and Shepardson, 2022).

4.4. Trade policies

The last major provision in the initial economic plan of the Trump administration was reducing the trade deficit. Through his "America First" plan, Trump proposed lowering the trade deficit by imposing tariffs on imports as well as re-negotiating current and planned trade agreements.

The tariffs and protectionism policy justification were presented in three key points: (Trump, 2015)

1. It would benefit the US workforce, especially those in manufacturing,
2. It would give the US leverage in negotiating new or renegotiating old trade agreements,
3. They were necessary for US national security.

Three key policies will be discussed in detail to further analyze the Trump administration trade policies.

One of the first policies the Trump administration wanted to create was imposing tariffs on imports of solar panels and washing machines. On October 31st, 2017, the United States Trade Commission presented the results of a study which showed that imports of solar panels and washing machines hurt the United States industries of solar panels and washing machines, and consequently filed for restrictions on their imports (Bown, 2017).

On January 22nd, 2018, The Trump administration imposed tariffs on $8,5 billion in imports of solar panels and $1.8bn of washing machines. While US presidents do have jurisdiction over this, it is very rarely imposed. On April 17th, 2018. China responded with preliminary tariffs on imports of sorghum plants from the United States which lasted only a month before being rescinded. Both China & South Korea filed lawsuits with the World Trade Organization (WTO) regarding these tariffs imposed by the United States (Bown and Kolb, 2018).

The initial trade tariff imposed by the United States was quite small in scale compared to what was about to follow. The United States Department of Commerce (DOC) soon released a report finding that imports of steel and aluminum threaten the United States' national security under Section 232 of the Trade Expansion Act of 1962 (Bown, 2017).

On March 1st, 2018, the Trump administration announced tariffs on all trading partners, including longtime allies, a 25 percent tariff would be imposed on steel, and a 10 percent tariff would be imposed on aluminum. These numbers were much higher than those proposed by the DOC in their report. These tariffs covered $48 billion of imports to the United States, mostly from their western allies. Only 6% of the imposed tariffs covered imports arriving from China (Lynch and Paletta, 2018). The EU soon filed a dispute with the WTO and would retaliate by suggesting tariffs to goods from the United States (Office of the United States Trade Representative, 2018). On March 8th, 2018, just a week later, the Trump administration would exempt Mexico and Canada from these tariffs. These two countries amounted to one third of the tariffed imports. On March 22nd, 2018, the Trump administration decided to temporarily exempt the EU, South Korea, Brazil, Argentina, and Australia from the steel and aluminum tariffs as well. Now only one third of the initial $48 billion facing tariffs remained (PIIE, 2018). On March 23rd, 2018, the steel & aluminum tariffs went into effect, sanctioning a total of $7.7 billion of aluminum products and $10.2 billion of steel products. China retaliates by imposing tariffs on exports from the United States in the same amount (Lu and Schott, 2018). The temporary exemption of the EU & other western allies ends with most of the tariffs being turned into quotas. The United States and their allies keep going back and forth threatening and imposing various trade restrictions.

The third observed a major change in trade policy, and quite possibly the biggest one would be directly aimed at China. On March 22nd, the Trump administration accused China of unfair trade policies and practices related to the transfer of technology, innovation, and intellectual property after another investigation by the DOC (Office of the United States Trade representative, 2018). The Trump administration soon suggests imposing tariffs on up to $50 billion of Chinese products and would file a dispute with the WTO on April 3rd, 2018. The Trump administration releases a list of 1333 Chinese products that would face sanctions with 25 percent tariffs, mostly focusing on machinery, appliances, and electrical equipment. Around 85 percent of sanctioned items were either inputs in production or capital goods which essentially meant an increase in the price of production in the United States and disruption of supply chains that would in the end increase prices for consumers (Office of the United States Trade representative, 2018). China retaliated by announcing tariffs on items of similar import value. The next couple of months were followed by back-and-forth accusations and threats of imposing further tariffs. On July 6th, 2018, the first wave of tariffs would go into effect, targeting $34 billion of imports from China. China responds with the same measure (Bown, Jung, and Lu, 2018). The second phase, targeting the remaining $16 billion of Chinese imports was activated on August 23rd, 2018. China once again responds with the same measure. The Trump administration would go further, proposing sanctions of further $200 billion of imports from China with a 10 percent tariff. This time China retaliated by threatening to impose sanctions on further $60 billion of imports from the United States. In 2018, the United States imposed tariffs on 12 percent of its total imports, while foreign retaliating tariffs accounted for 8 percent of total United States exports. On May 10th, 2019, the Trump administration announced that they would increase tariffs on imports previously hit with 10 percent tariffs to 25 percent. China retaliated by raising tariffs for United States exports, while lowering tariffs for other countries, creating a 14 percent net difference between tariffs for the United States and other countries. On January 14th, 2019, things finally started to look up for the Trump administration when China agreed to purchase an additional $200 billion worth of goods from the United States to loosen the tensions created by previous sanctions. That agreement was never fully executed (PIIE, 2022).

In 2019, the United States government brought in $79 billion from imposed tariffs, twice what it had gotten only two years prior (Gertz, 2020).

5. Analysis of major economic indicators in the United States during the Trump Administration

To provide a quantitative insight into how some of these policies might have affected the economy, a descriptive statistical analysis was conducted. The descriptive statistical analysis illustrates results of the Trump administration's policies on some of the most important economic indicators (FINRA, 2016).

The economic indicators used are: GDP Growth rate (comparison of GDP growth rate with the rest of the world, and percentage change in comparison to the year prior), Manufacturing (comparison of manufacturing output as a level of GDP in percentage compared with the rest of the world), Inflation rate (comparison of the inflation rate in percentages with the rest of the world, and percentage change in comparison to the year prior), and Unemployment rate (comparison of the unemployment rate in percentage compared to the rest of the world, and percentage change in comparison to the year prior).

These indicators are closely related to what the Trump administration talked about changes in their initial campaigning, as well as throughout their mandate.

The time span used in this analysis was from 2008 to 2019. This allows to better portray a bigger picture of how the United States was doing in the years after the big economic crash of 2008. and leading up to the presidential election of Trump. Data for 2020 were omitted as it would skew the results due to the Coronavirus pandemic.

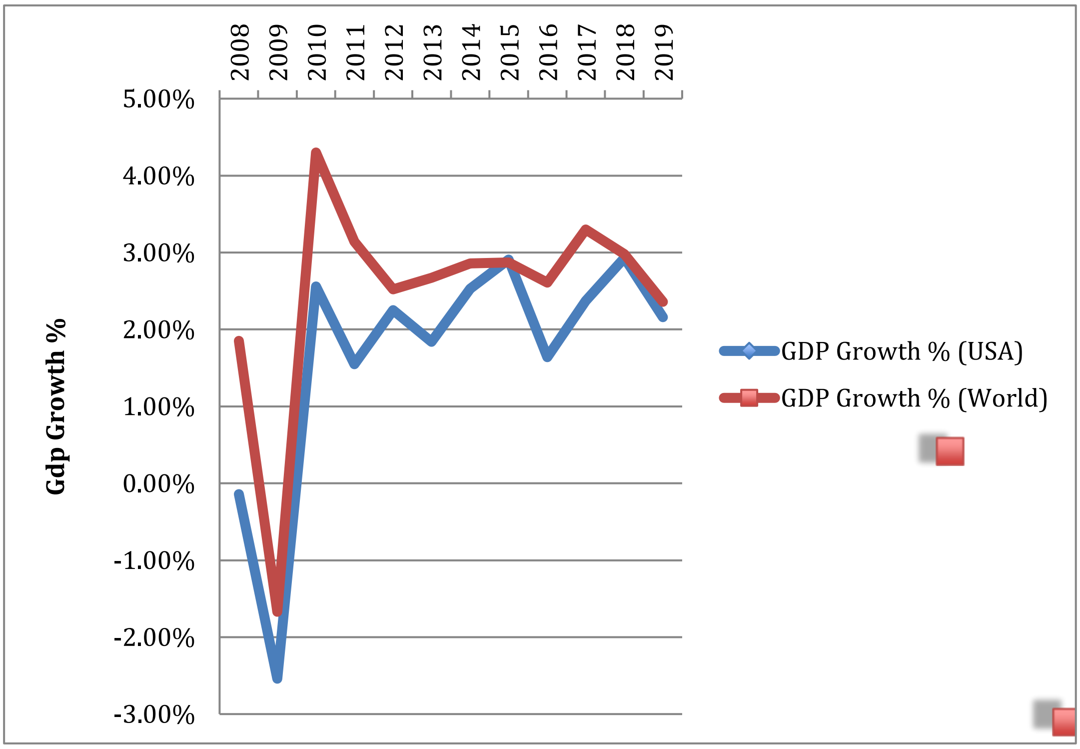
5.1. GDP Growth Rate

The GDP growth rate is one of the most important economic indicators (International Monetary Fund, 2020). It essentially measures how fast an economy is growing. The annual GDP growth rate compares the growth in the current year with that of the year prior. It can paint a very realistic picture of the size of the economy itself, and how it is performing compared to the year prior.

The GDP growth rate for the US and the rest of the World for the period of interest is presented in Figure 2. The chart starts with 2008, and the great recession of 2007 – 2009. A decline in GDP growth in the United States can already be observed, with a -0.14% change. As the recession originated in the United States, it had not yet affected the rest of the World, as evident from the positive 1.85% annual GDP growth in 2008 for the rest of the World. The upcoming 2009 continued in a negative trend with the United States and the rest of the World having a negative annual change of GDP growth at -2.54% and -1.67%, respectively. The global economy started to show signs of recovery in 2010 and held a consistent annual percentage GDP growth. It can be concluded that the United States had a sluggish 2016, mainly caused by the historically low oil prices and a halt to the expansion of the US energy sector (Stocker, Baffes, and Vorisek, 2018).

Years during the Trump administration had results quite comparable to those of the global economy. In 2017 the United States had a 2.37% annual GDP growth (still recovering from the slow 2016), while the World had an annual GDP growth rate of 3.30%. In 2018 and 2019 the United States had very similar GDP growth rates as the rest of the World, 2.93% in 2018 (compared to 2.98% in the rest of the World), and 2.16% in 2019 (compared to 2.36% in the rest of the World).

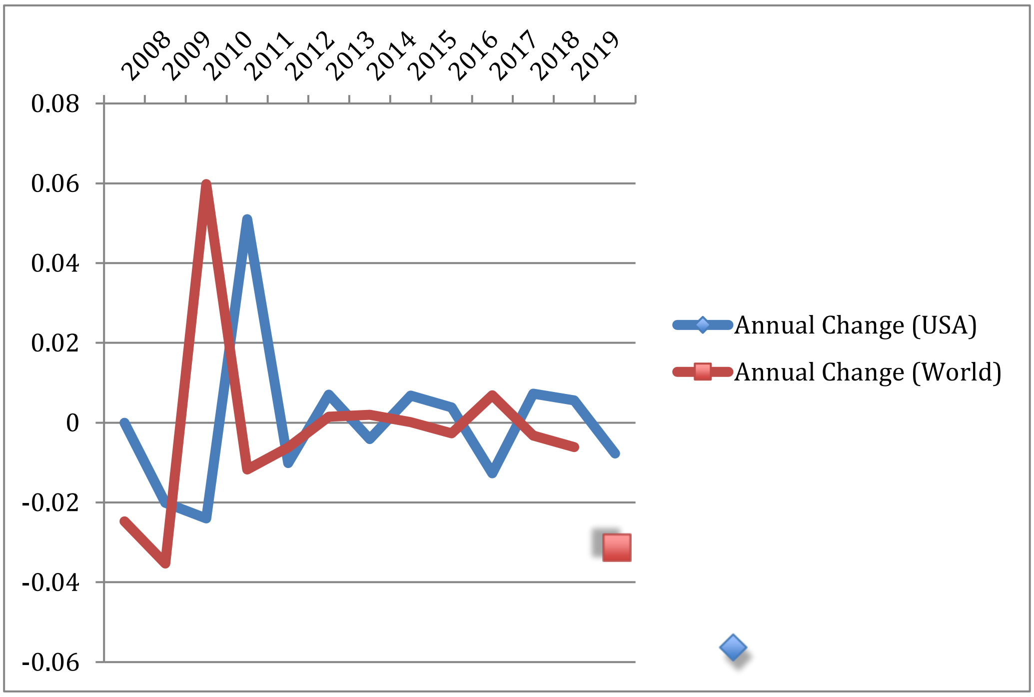
Figure 2 Annual GDP growth chart for the period of 2008 to 2019



Source: Student work according to data from Macrotrends.net

The annual change, shown in Figure 3, provides a net percentage change in the GDP growth rate over the prior year. It paints the same picture as the graph of annual GDP growth.

Figure 3 Annual GDP growth rate change for the period of 2008 to 2019



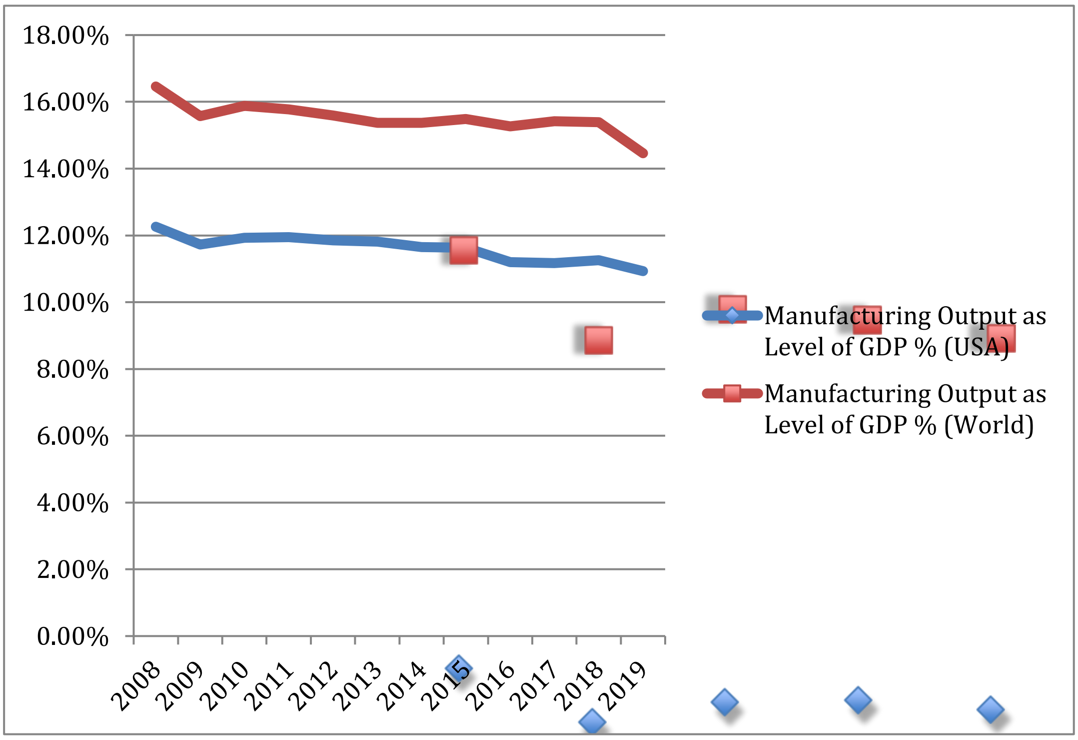
Source: Student work according to data from Macrotrends.net

5.2. Manufacturing

The second macroeconomic indicator used to evaluate the Trump administration is manufacturing. While it may not be one of the four most important macroeconomic indicators in general, it is closely related to the goals of the Trump administration.

The metric used here is the manufacturing output as the level of percentage of GDP. It can be observed right away (Figure 4) that compared to the World; the United States have a lower manufacturing output. It can also be noted that, in the bigger picture, the manufacturing output of both the United States and the World has been in a steady decline since the economic recession of 2008. The manufacturing output of the United States accounted for 12.26% of total GDP, compared to 16.46% in the rest of the World. As mentioned previously, the years to follow either continued the negative trend or showed only minor improvements in manufacturing output. The manufacturing rate as a percentage of GDP remained between 11 and 12% for the United States, and between 15 and 16% for the rest of the World.

Figure 4 Manufacturing output as level of GDP



Source: Student work according to data from Macrotrends.net

The years during the Trump administration however showed another decrease in manufacturing output. In 2015 the manufacturing output of the World was at 15.49% of the GDP, while in the United States it accounted for 11.63%. In 2016, a drop in manufacturing outputs was seen both in the United States and the World, reduced to 11.20% in the United States, and 15.27% in the rest of the World. The United States continued with a negative trend in 2017 with the manufacturing output dropping yet again, this time it accounted for 11.17% of the total GDP. The rest of the World managed to recover and had an improvement of the previous year with a 15.42% rate of manufacturing output. In 2018 the United States managed to have an increase in manufacturing output which now accounted for 11.26% of the total GDP. The manufacturing rate of the rest of the World dropped to 15.39%. However, the United States still did not manage to get back to the rate they had in 2015, while the rest of the World did. In 2019, the last observed year showed quite a decline in manufacturing output as a percentage of GDP both in the United States and the rest of the World. The rate amounted to 10.93% of total GDP in the United States, and 14.46% in the rest of the World.

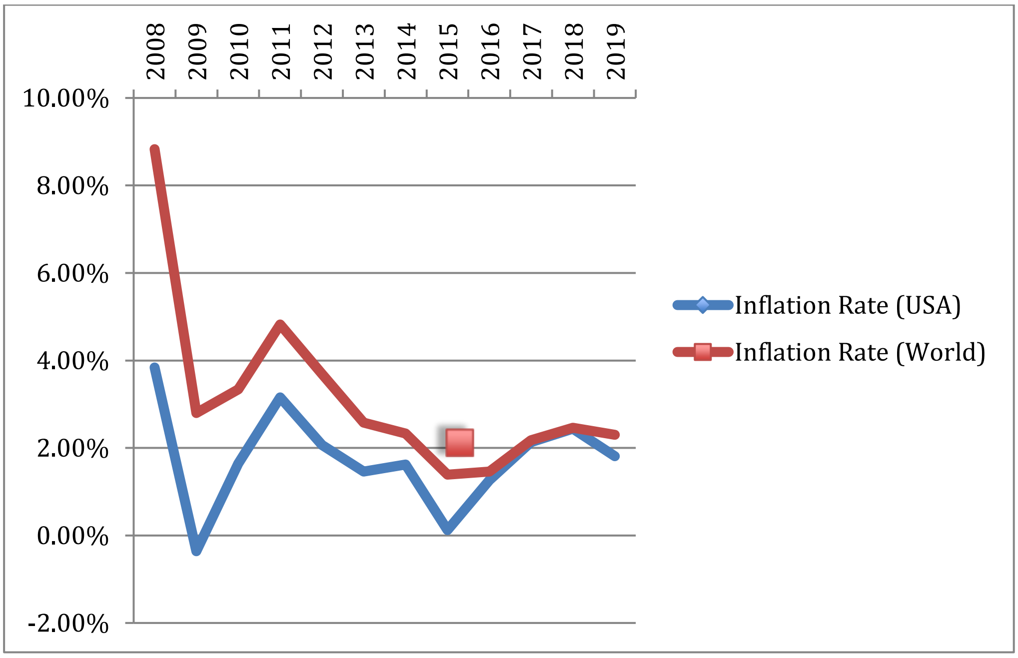
5.3. Inflation Rate

Economic indicators help us judge the overall quality of the economy as well as help us predict how an economy might do in the future. Inflation might just be one of the most important economic indicators. Even though the inflation rate is not directly related to GDP, it certainly helps us in determining the state of the economy (Öner, 2020). Essentially inflation is created when the money supply is bigger than the money demand. It can be seen that in 2008, the year recession broke out because of the collapse of the housing market and because gas prices were spinning out of control, the FED managed to react well and kept the inflation rate at 3.84% compared to the 8.83% in the rest of the World. Their policies resulted in deflation in 2009 at a -0.36% rate, while the rest of the World dropped to 2.80% inflation rate (Figure 5).

Both the inflation rate and annual change charts illustrate that the FED and ECB adopt similar policies or at least policies with similar results for the inflation rate. The inflation rate is closely related to the global economy as well so that doesn't come as too much of a surprise. Up until 2016 the inflation rate in the United States tended to be around one percentage point less than in the rest of the World. A shift in policy brought the inflation rates closer since that year. In 2016 the inflation rate in the United States amounted to 1.26%, while the rest of the World had an inflation rate of 2.18%. The annual change was much bigger that year for the United States since they almost brought inflation to 0% in 2015 with a 0.12% inflation rate, while the rest of the World had a 1.39% inflation rate.

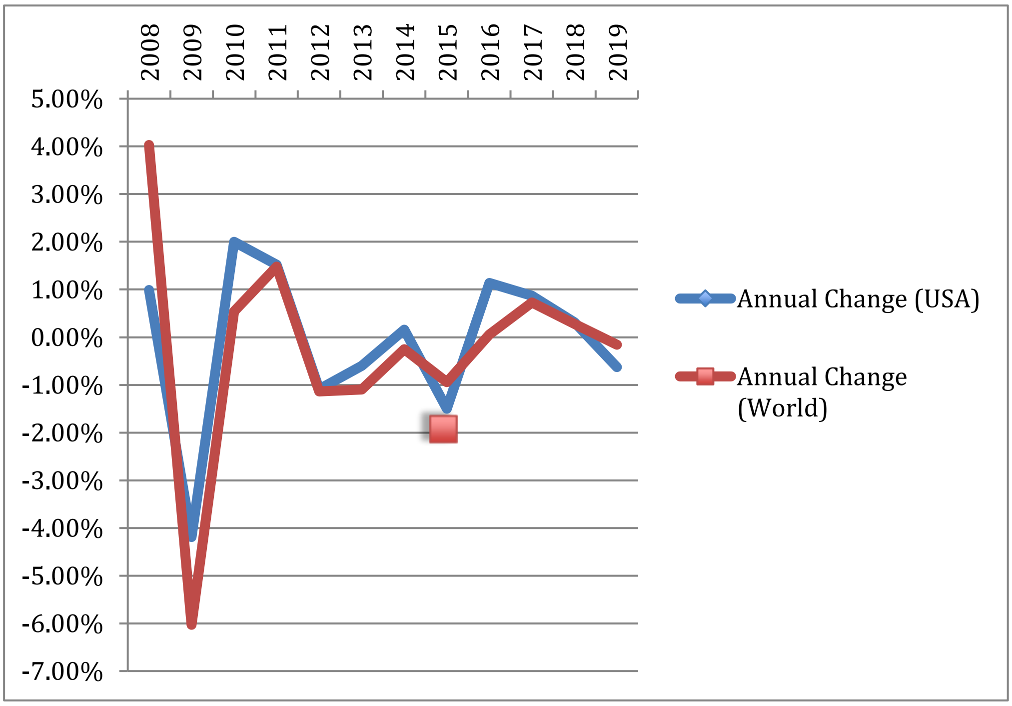
While inflation can indeed be positive by boosting consumption and driving economic growth, it can be quite negative as well if it spirals out of control. That's why having a central bank that creates timely and well-adjusted changes in policy is quite important (Öner, 2020). In recent years, the FED kept good control over inflation in the United States by influencing interest rates. In 2017, the United States had a 2.13% inflation rate compared to 2.18% in the rest of the World. The year 2018 was quite similar with an inflation rate of 2.44% in the United States, and 2.46% in the rest of the World. In 2019 another shift in policy of the FED can be seen, which brought the inflation down to 1.81%, while the rest of the World followed previous trends with a 2.30% inflation rate.

Figure 5 Inflation rate



Source: Student work according to data from Macrotrends.net

Figure 6 Annual change in inflation rate



Source: Student work according to data from Macrotrends.ne

5.4. Unemployment Rate

The unemployment rate is one of the best macro indicators of the economy (Picardo, 2022), and it was a key point for the Trump administration both during the campaign and during their tenure. The 2008-2019 unemployment rates and annual change for the US and the rest of the World are given in Figure 7 and Figure 8, respectively. It is estimated that only in 2008 more than 2.6 million lost their jobs in the United States due to the financial and economic downturn. Because of the great recession, a total of 8.8 million jobs were lost (Bureau of Labor Statistics, 2012). The unemployment rate in the United States was 5.78% compared to that of 5.35% in the rest of the World. Many argue that the sweet spot for the unemployment rate is between 4 and 5%, as this represents a natural rate that doesn't have a major effect on inflation.

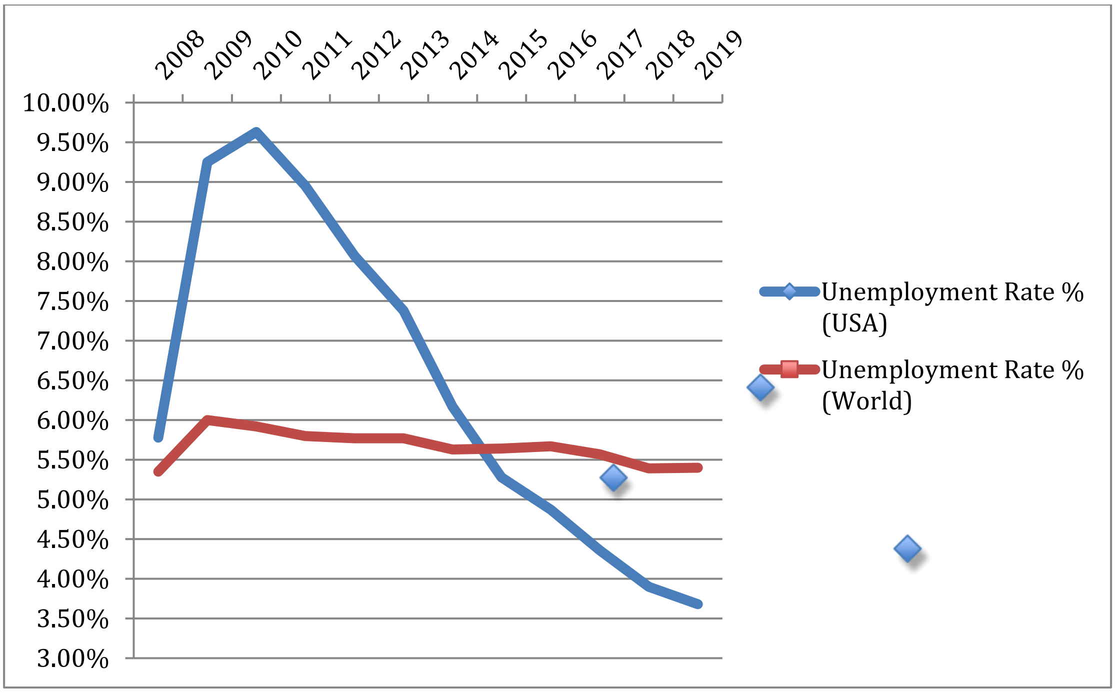
The 2009 metrics paint a picture of how much the great recession impacted the unemployment rates in the United States. They had a 9.25% unemployment rate while the rest of the World had been affected at a much lower rate, having a combined unemployment rate of 6%. While the European unemployment rate drastically increased in 2009 as well because of the economic downturn, the global rate was kept down because many lesser developed countries didn't see major layoffs due to the financial crisis.

The negative trend continued in The United States in 2010 as well, with a 9.63% unemployment rate, while the rest of the World started seeing a positive trend and the unemployment rate decreased to 5.92%.

In years since, the World has kept the unemployment rate between 5 and 6%, while the unemployment rate of the United States kept decreasing. A trend that started with an 8.95% unemployment rate in 2011 and ended in 2019 with a 3.68% unemployment rate in the United States (compared to 5.40% in the rest of the World).

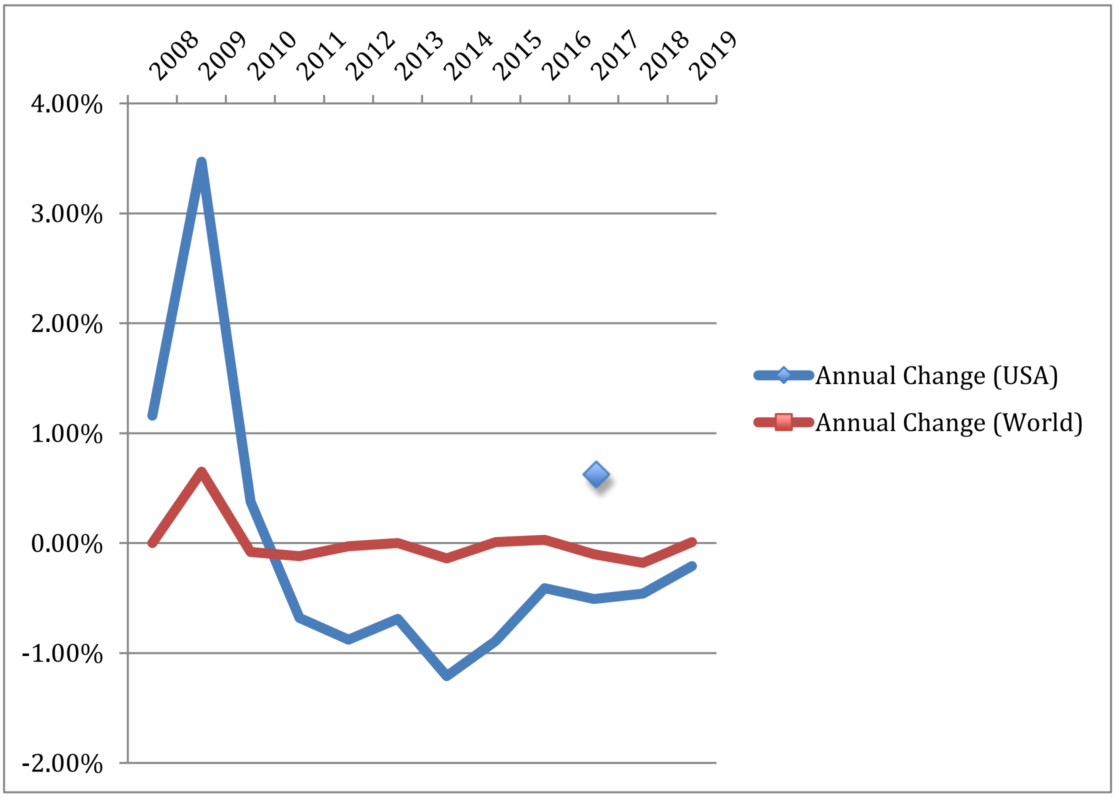
The COVID crisis ruined the positive trend of lowering the unemployment rate in the United States (Klein and Smith, 2021). While the magnitudes are still not completely clear many argue that they could result in similar unemployment rates to those during the financial crisis.

Figure 7 Unemployment rate for the US and the rest of the World



Source: Student work according to data from Macrotrends.net

Figure 8 Annual change in unemployment rate



Source: Student work according to data from Macrotrends.net

6. Discussion and Conclusions

To evaluate the outcome of the Trump administration policies, two things have been considered: results of the policies compared to the initial goals set for them, and how these policies impacted the United States economy on a macroeconomic level.

The main reason for making this a two-tiered observation is that macroeconomic indicators often take time to show the effects of a previously created policy (Investopedia, 2022). Many times, policies are changed in accordance with economic developments and therefore create a hard task of distinguishing what the initial policy achieved.

The first of the major policies discussed will be Tax Cuts. The initial economic plan presented by the Trump administration and their economics team included creating a completely new tax bracket system, cutting the prior 7 tax brackets into newly formed 3 tax brackets. That plan was soon scrapped, with TCJA becoming the compromise. The main goals of the TCJA were to lower the tax burden for lower-earning households, as well as slash corporate tax rates to promote investments and growth. The final form of the TCJA was expected to raise income of 80.4% of households in 2018, however, it was not distributed evenly and would result in bigger tax cuts for higher-earning individuals. They predicted that 93.7% of taxpayers in the highest-earning quintile would receive tax breaks, but only 53.9% of taxpayers in the lowest-earning quintile would receive them as well. This holds ground only for the first phase of the TCJA, as when the tax breaks expire in 2025., an estimated 53.4% of taxpayers will pay more in taxes. Again, this will hit the lower and middle classes the most (Tax Policy Center, 2020).

While the TCJA had some quite controversial measures that seemed to mostly favor companies and higher-earning individuals, it did in fact provide a tax break for most American taxpayers, at least in the short term. 65% of Americans enjoyed lower tax rates with the average tax cut being around $1.200 (Tax Policy Center, 2020).

The initial promises and outcomes for the TCJA were however not met. The second portion of the Trump administration plan was deregulation, and they were adamant about it. As mentioned previously, deregulation is often as complicated as regulation.

All the changes must go through similar procedures and take a long time to be reversed as they must go through judiciary procedures (Størkersen, 2020). The Trump administration was faced with heavy opposition, especially during these judiciary procedures, however, this did not manage to deter them from trying to change many of them.

The Trump administration tried to alter or remove a total of 37 cases, three of those were completely unsuccessful, 7 cases were partially successful, and in 27 cases the Trump administration was completely successful. When it comes to new rules, the Trump administration tried to implement 44 of them. These attempts were a complete failure in 6 cases, partial implementation was achieved with 4 cases, and 34 cases were a complete success. Many of these cases would then again be further appealed and sent for a second judicial opinion (Wallach and Kennedy, 2022).

It is hard to conclude whether this was a success for the Trump administration and the economy or not. Even though regulation and deregulation implementation are a complex process, each new administration will push their agenda, and it can be expected that most of these cases will again be repealed during the Biden administration mandate.

The part of Trump's initial economic plan that turned out to be one of the biggest failures was the revitalization and new investments into the infrastructure. The initial campaign promise was to invest $1 trillion in infrastructure. Soon that was restructured to $200 billion at the federal level, which was hoped to be followed by around $1 trillion in investments into infrastructure by local and private investors. The grants that were offered heavily favored rural areas, and some of the smaller projects were completed, however, most of the bigger projects were a complete failure and a bill was never passed, making this a missed opportunity for the Trump administration (Bliss, 2020).

The last major overhaul the Trump administration had their eye on was renegotiating old trade contracts and creating new ones that will be more favorable to the United States. They argued that the current trade contracts and agreements were unfair to the United States and that they were the reason for many manufacturing job losses in the United States. During their mandate, the Trump administration made many adjustments to the trade deals, at one point even imposing tariffs on products supplied by US allies.

Most of these countries were soon exempt from these tariffs but the imposed sanctions did not amount to any major changes in the economy. The biggest trade dispute during the Trump administration was that with China. Heavy sanctions were imposed against Chinese imports, at one point China even agreed to import more American goods in order for the sanctions to be dropped (even though it was not explicitly said in the $200 billion import pledge by China). This agreement unfortunately fell through due to COVID and was never completed (Bown, 2022).

The Trump administration was successful in bridging the trade gap with China, and they managed to lower the trade deficit from $419 billion in 2018 to $311 billion in 2020. They were however unable to lower the overall trade deficit. The overall trade deficit in 2016, the year before Trump’s election amounted to $481 billion, in 2020 the deficit rose to $916 billion (Bureau of Economic Analysis, 2021). While it is normal for trade deficits to increase with time as overall trade increases, it is important to mention that during the Trump administration the deficit kept rising while the overall trade did not.

The overall conclusion regarding the Trump administration is that they merely continued positive trends set before them. Many of the initial policies were unrealistic and never even reached the US Senate for passing. A portion of them was modified to fit the realistic needs of the United States and had some limited success. The descriptive statistical analysis of the major economic indicators in the United States during the Trump administration showed that the United States did not achieve any extraordinary economic advancements during the mandate. The Trump administration's response to the COVID outbreak is still hard to assess as many of the needed economic indicators have not yet been discussed nor published.

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List of Figures

CV

PERSONAL INFORMATION

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Sex Male | Date of birth 27/05/1997 | Nationality Croatian

WORK EXPERIENCE

KitMaker Network Social Media Manager – 2014 – 2019

NOSS sales assistant (part time student job) - April - August 2018

Dietpharm Digital Marketing (summer internship) - June-July 2019

BIRD Incubator (Internship) – June 2021 – July 2022

BIRD Incubator (Junior Project Manager) – July 2022 – present

Vendue Tech (Advisor) – July 2022 - present

EDUCATION AND TRAINING

University of Zagreb, Faculty of Economics and Business – Bachelor Degree Program in Business 2016- present

IESEG Business & Management Paris 2018-2019 (inter-university exchange program)

Buffalo High School 2014-2015, Buffalo, MN, USA (foreign student exchange)

Private Classical Gymnasium 2012-2016, Zagreb

PERSONAL SKILLS

Mother tongue(s) Croatian

Other language(s)

	UNDERSTANDING		SPEAKING		WRITING
	Listening	Reading	Spoken interaction	Spoken production	
English	C2	C2	C2	C2	C2
German	B1	B1	B1	B1	B1

Levels: A1/A2: Basic user - B1/B2: Independent user - C1/C2 Proficient user
Common European Framework of Reference for Languages

Communication skills
- excellent communication skills gained through my participation in high school and university exchange programs

Organisational / managerial skills
- leadership (class president during my senior year of high school)
- managed various projects at BIRD Incubator, Vendue Tech, and my own company (web development, pop up shop, workshops, process implementation)

Job-related skills
- highly driven and motivated to learn, creative thinking

Digital skills

SELF-ASSESSMENT				
Information processing	Communication	Content creation	Safety	Problem solving
Proficient user	Proficient user	Independent user	Independent user	Proficient user

Levels: Basic user - Independent user - Proficient user
Digital competences - Self-assessment grid

- good command of Adobe digital manipulation software (photo editing/graphic design)
- good command and understaind of Adwords, Google Analytics, Facebook Analytics, and other social media analytics tools
- good command of Mailchimp
- good understanding of computer software and hardware
- basic web design and programming knowledge
- management of social media (managed social media for a plastic modelling publisher, a pharma company, and an IT startup incubator)
- Hubspot CRM, Apollo.IO

Other skills
- photography
- sports (football, skiing, tennis)
- building scale models
- entrepreneurship
- brand creation; product design and development, web page design; marketing and sales

ADDITIONAL INFORMATION

Publications: Published reviews/articles for a renowned online plastic modelling publisher

References: Available on request

Courses:
Oxford Summer School (Molecular Medicine Course) 2015
German language Summer School (Vienna) 2013
Lingua English School
Selected for participation in EU youth project «Self Employement Skills For Unemployed Youth» (Athens) March 2019