

# Why Trump is wrong about the 'greatest economy' in history

**Rick Newman**  
Columnist

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As is often the case, President Trump is half-right.

He has been more strident than usual lately about “record setting economic numbers” and the strong job market. Fair enough: The unemployment rate, at 3.8%, is at the lowest level in 18 years, and growth might hit or exceed 3% this year.

But he’s going way overboard when he insists that, “in many ways this is the greatest economy in the history of America.” It’s not, and the reasons why matter—because they might be the rumblings of the next recession.

Yahoo Finance has been grading the Trump economy on a monthly basis for the last year, using data provided by Moody’s Analytics. Our current grade on the Trumponomics report card is a solid B. Since Trump is claiming historical superiority, we’ll tell you exactly where he stands, because we measure the Trump economy relative to prior presidents going back to Richard Nixon in the 1970s, at the same point in their first term. Here’s a breakdown:

**Total employment:** Trump ranks 3rd highest among seven presidents on overall job creation, going back to Nixon. Job creation was stronger under Jimmy Carter and Bill Clinton at the same point in their presidencies.

**Manufacturing employment:** Trump ranks second in the number of manufacturing jobs created since he became president, trailing only Carter. This is his highest mark.

**Growth in average hourly earnings:** Trump ranks third, behind Carter and George W. Bush.

**Exports:** This data only goes back to 1992, but since then, Trump ranks third out of four presidents, behind Clinton and Barack Obama. This is his lowest mark.

**The S&P 500 stock index.** Trump is third again. Stocks did better under Obama and George H.W. Bush during their first 16 months.

**Real GDP per capita.** Third again, behind Carter and Clinton once more.

If the economy continues to improve under Trump, his Trumponomics grade will go higher. He'll also benefit by comparison to some of the other presidents. Jimmy Carter, for instance, came into office as a recovery from recession was gaining steam. But the recovery petered out by his fourth year in office, when a fresh recession began.

It's not obvious, however, that the Trump economy will continue to improve. Goldman Sachs, for instance, forecasts GDP growth of 2.9% in 2018, in part because the tax cuts Trump signed in December will stimulate spending—for a while. But Goldman's growth forecasts for the next three years fall to 2.2%, 1.5%, and 1.3%. If that's how it plays out, growth for Trump's first term would average just 2.2%—barely better than the 2% growth of the prior four years under Obama.

The last time the unemployment rate was at 3.8%, as it is now, was in 2000. But back then, a combination of strong growth, low unemployment and solid earnings produced a federal budget surplus for four years in a row, from 1998 through 2001. The annual surplus peaked in 2000 at \$236 billion.

There are no surpluses now, which suggests the Trump economy might have a hollow core. The federal deficit this year will hit around \$800 billion, up from \$665 billion last year and \$585 billion in Obama's final year. And the Congressional Budget Office expects deficits to rise to more than \$1 trillion per year by 2020, and go nowhere but up.

That's one big reason some economists think strong numbers on jobs and growth won't last.

“These solid numbers look increasingly illusory,” **Bernard Baumohl, chief global economist of the Economic Outlook Group**, wrote in a recent note to clients. “A healthy economy does not generate historic deficits.” He places the odds of a recession in 2019 at 55%. That's a reminder that you only know how strong or weak the economy is with a few years of hindsight.

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