

Untruthful Hyperbole: Trump vs. Facts on Jobs and the Economy



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“The final key to the way I promote is bravado. I play to people’s fantasies. People may not think big of themselves, but they can still get very excited by those who do. That’s why a little hyperbole never hurts. People want to believe something is the biggest and the greatest and the most spectacular. I call it truthful hyperbole... it’s a very effective form of promotion.”

—Donald Trump, *The Art of the Deal*

Whether it’s through the narrative he perpetuates about the health of the economy or the promise he makes about the success of his policies, Trump is consistently at odds with the facts. Here is a breakdown of six of Trump’s most fact-free statements on jobs and the economy.

Trump: I can bring U.S. GDP growth from 1% to 4% annually over a 10 year period. I think we can go to 5% or 6%.

Fact: Growth that high is virtually impossible for large, advanced economies.

First, Trump is lowballing current U.S. growth. While GDP reports vary from quarter to quarter, annual averages have fallen between 1.6% and 2.5% since 2010. There's no argument that this pace is low relative to the 1980s and 1990s. Or that it's low relative to China and India today. But the latter is an absurd comparison.¹

China and India should grow at faster rates than advanced economies, because they are starting from a far lower point. China and India's GDP per capita are \$14,300 and \$6,200 respectively. The United States' GDP per capita is \$56,100. China and India are simply so far behind the U.S. in productivity—still—that the simplest improvements like mechanized agriculture allow them larger gains.

When you look at the U.S. and its G-7 peers, 5% growth occurs extremely rarely. In these nations' collective 245 years of recorded growth since 1980, only 11 times has growth clocked in above 5%—less than 5% of the time. Nine of those outliers were in the 1980s, and none came after 2000. What about the idea that a rich country can average 4% over ten years? The last time it happened was Japan in the 1980s, and that was fueled by an asset price bubble which, once it popped, led to Japan's infamous "Lost Decade" of practically zero growth.

Of course, raising growth above its current level should be a central economic policy goal. Not only is Trump's talk of 5-6% pure fantasy, but his policies would lead us in the opposite direction.

Trump: My policies would create 25 million new jobs

Fact: A neutral economic analysis projected Trump's policies will result in a net loss of 3.5 million jobs.

Donald Trump promises that his economic policies would create 25 million new jobs. Yet objective economic analyses from reputable sources show Trump's agenda would have the reverse effect. [Moody's Analytics](#) determined that if Congress

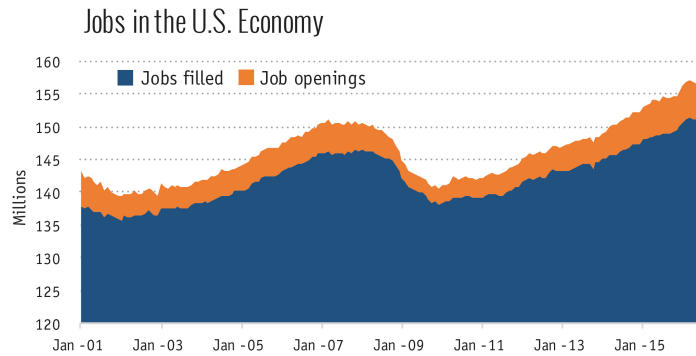
were to implement Trump's economic plan—including tax and spending proposals—with no changes, the American economy will become far less global, high income individuals will see a generous tax break, deficits and debt will skyrocket, and the economy will suffer a recession by the end of the first term. This recession will cost 3.5 million jobs and bring the unemployment rate to 7%. Average incomes would stagnate, while stock prices and real house prices decline.

The [Peterson Institute for International Economics](#) also released a report extending the Moody's model to break down the macroeconomic effects of Trump's trade proposals. They project three different scenarios, none of which are good. In the most optimistic scenario, in which China and Mexico give in to Trump's threats on tariffs, his economic policies still cost the U.S. 1.3 million jobs because of their disruption to global supply chains and ensuing turmoil in the financial markets. In the most extreme scenario, a full trade war, 4.8 million jobs will be shed by 2019.

Trump: “Our jobs are fleeing the country. They’re going to Mexico, they’re going to many other countries.”

Fact: There’s a record high in the number of jobs and job openings in the U.S.

This was Trump's first sentence at the first presidential debate. It couldn't be further from the truth. As of August 2016, there were 5.9 million job openings, one million more than the pre-recession high of 4.8 million in April 2007. When you combine the number of jobs currently filled—now at a record high of 151.6 million—with those positions available, the U.S. economy has far and away more jobs than ever before. ²



Source: Bureau of Labor Statistics

That doesn't mean there aren't problems with our labor markets. For one, yes, outsourcing and offshoring has led to acute job losses in particular industries and in particular regions. Determining how to employ those workers most affected by these trends to their fullest potential is an urgent, ongoing policy challenge. But these trends haven't stopped new jobs from being created.

And many of the new jobs are good ones. 19 of the 30 fastest growing occupations in the United States will require some form of post-secondary education. Currently, only 58% of the workforce has some college education. By 2020, 65% of all jobs will require some college education. Others still will require some form of technical training. If governments, businesses and educational institutions can work together to equip workers with the right skills, we can fill jobs that already exist and are expanding right here in America.

Trump: The “real unemployment rate” is 42%.

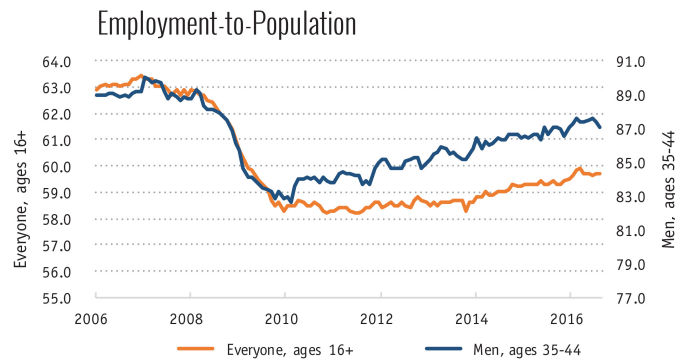
Fact: The jobs market has vastly recovered, but still has room to improve.

Donald Trump has been exaggerating the weakness in the labor market throughout the campaign. He told a room of New Hampshire primary voters in February that the unemployment rate is probably 42%. In reality, the unemployment rate is 5.0% as of September 2016. The broader, alternative measure of the unemployment rate (U6) is 9.7%. That measure includes discouraged workers who

have left the labor force, workers who have looked for a job in the past year but not the past month, and workers who work part time but would like to work full time. Again, that's not even close to 42%. And when you compare the current U6 rate to the pre-recession low of 7.9%, it's clear we are close to a healthy economy with full employment, but still have work to do.

So where does Trump's 42% figure come from? It's probably from the employment-to-population ratio four years ago. In August 2012, if you took the total number of Americans with a job and divided that by the total number of Americans ages 16 and over, you would get 58.4%. There is no economist anywhere that would tell you this meant 41.6% were *unemployed*. That's because we're talking about the entire 16-and-over population. So by Trump's definition, a 98-year old retiree, a high school sophomore, a full-time college student, a person unable to work due to disability, and a stay-at-home parent are all unemployed.

It's worth noting that today, the employment-to-population ratio has climbed to 59.7%, which doesn't sound like a great improvement. But that has more to do with demographics than economics. As baby boomers age, we simply have a larger share of retired people. And, as more Americans spend more time educating themselves, people in their teens, twenties, and older are more likely to be out-of-work by choice. When you look specifically at the employment-to-population ratio of the group most likely to want work—middle-aged men—you see a more positive, but still imperfect picture. The U.S. had 90% of its 35-44 year-old men employed before the Great Recession hit. That group hit bottom in 2010 when 82.6% had jobs. As of August, this group was back up to 87.1% employment.³



Source: Bureau of Labor Statistics

Trump: “We have to renegotiate our trade deals...they’re taking our jobs.”

Fact: Donald Trump’s trade policies will only weaken the economy.

This Trump remark at the first presidential debate blames our economic problems on international trade. While it’s true that competition from emerging economies has cost US jobs in certain industries, that competition would exist even without trade deals. Plus, research has shown that modern trade agreements, by boosting the volume of US-made goods and services sold abroad, have had a net-positive impact on US employment.

Trump has proposed to withdraw from NAFTA and impose tariffs on any country that “cheats.” In particular, Trump has called for 45% tariffs on Chinese imports and 35% tariffs on Mexican imports. These proposals would completely disrupt global supply chains and wreak havoc for working-class Americans. For example, American auto manufacturers move parts north and south of the border throughout the production process. The Ram 1500 truck is assembled in Mexico but uses parts made in the United States. A 35% tariff on the truck will cause its base price to jump by \$9,000. The Ford F-150, America’s most popular truck, is produced in America but uses an engine made in Mexico. Taxing the engine as it moves from Mexico to the United States will undoubtedly increase the price of the truck because one of its key inputs would become more expensive.

Donald Trump portrays a fantasy to voters: a return to the time when America was the only major manufacturing power in the world, and when manufacturing could provide a majority of the middle-class jobs our country needs. All we have to do is start “winning” on trade, he says. But in a globalized economy, that’s just not how it works. In real life, trade wars would raise prices for consumers across the board, and cost American jobs through lower growth and lower exports.

Trump: “I will bring back jobs. You can’t bring back jobs.”

Fact: Trump’s policies would slash job-promoting investments

Trump presents himself as more capable of creating jobs than Hillary Clinton, whose jobs-related proposals include ideas in infrastructure, taxes, business lending, higher education, and workforce development. Nowhere on the website of Donald Trump is there mention of worker training programs. He seems to have given no consideration to how the United States will prepare workers for the jobs actually available. In fact, investment in American workers would decline under his watch. We know, because Trump plans to increase spending in all major categories of government spending—except for the one containing federal investments: ⁴

- Mandatory spending (63% of outlays) is comprised mostly Social Security and Medicare. Trump says he will make no changes to these programs, allowing spending to continue upward as our population ages and health costs rise.
- Interest expense (6% of outlays) would necessarily rise, as Trump’s sweeping tax cuts, primarily for the wealthy, would increase deficits and require more borrowing.
- Defense spending (15% of outlays) would be increased by at least \$50 billion per year as Trump has pledged to end the sequester and grow the size of the military and weapons purchases.

- Non-defense discretionary spending (16% of outlays) Trump would cut by 1% per year. These programs include all federal investments, including workforce training, highway and bridge construction projects, cancer research, clean energy innovation, Pre-K funding, education grants, NASA, and so on. To boot, he would eliminate the Department of Education altogether.

Donald Trump talks about big spending on infrastructure, but when he's proposing to shrink the relatively small portion of the budget that funds these projects—while cutting taxes and increase spending on everything else—it's hard to see how that actually happens.

Conclusion

Donald Trump's economic statements and ideas on the economy are more than just hyperbole. They're fantasies. When Trump talks about the state of the U.S. labor market, he grossly overstates our economic woes by abusing the data. And he fails to see where the future of jobs actually is: not in bullying China and Mexico to give back jobs from the old economy, but in investing in American workers and businesses so they can take full advantage of the new economy.

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END NOTES

1. For statistics in this section, see: International Monetary Fund, "IMF Data Mapper," World Economic Outlook October 2016. Accessed October 20, 2016. Available at: <http://www.imf.org/external/datamapper/index.php>. Also see: The World Bank, "World Development Indicators." Accessed October 20, 2016. Available at: <http://databank.worldbank.org/data/>.

- 2.** United States, Bureau of Labor Statistics, Department of Labor, “Databases, Tables & Calculators: Unemployment” October 7th, 2016. Accessed October 7th, 2016. Available at:
<http://www.bls.gov/data/#unemployment>.
- 3.** United States, Bureau of Labor Statistics, Department of Labor, “Databases, Tables & Calculators: Unemployment” October 7th, 2016. Accessed October 7th, 2016. Available at:
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