



U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

134 Cannon House Office Building, Washington, D.C. 20515 ★ (202) 226-7200 ★ democrats-budget.house.gov

John Yarmuth
Ranking Democrat

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GOP Economic Policies Contribute Little to the Paychecks of Most American Families

The U.S. economy is strong, with a historic bull market and solid economic indicators. However, many middle- and working-class Americans are benefitting little from the strong economy as their wage gains are being wiped out by inflation. [According to a recent report by the Department of Labor, the cost of living increased by 2.9 percent from July 2017 to July 2018, outstripping a 2.7 percent increase in wages over the same period.](#) While President Trump and Republicans continue to tout their tax cut's impact on the economy and claim its supposed benefits for working-class families, the evidence proves otherwise. The GOP tax cut has helped corporate profits soar and fueled record stock buybacks, mostly benefitting wealthy CEOs and investors. Nonpartisan analyses continue to show the GOP tax cut mainly benefits the wealthy, does nothing to address working-class wage stagnation, and provides temporary economic growth while adding trillions of dollars to the nation's debt, threatening our long-term fiscal and economic health. Many economic indicators also show that current economic trends are a continuation of the economic expansion that began seven years before President Trump took office. The GOP tax cut did not change the trajectory of economic trends that began well before it became law.

GOP Tax Cut Mostly Benefits the Wealthy

- [The Urban-Brookings Tax Policy Center reports](#) the GOP tax cut will make the distribution of after-tax income more unequal, raise federal debt, and impose burdens on future generations. Over time, benefits from the tax cut become more skewed to the wealthy. By 2027, 83 percent of total benefits go to the richest 1 percent.
- Economic data shows the GOP tax cut [boosted stock buybacks and corporate profits, fueling a historic bull market for stocks, benefitting wealthy CEOs and investors. About 80 percent of the stock market is held by the wealthiest 10 percent of households, and about half of households own no stock at all.](#)
- The Securities and Exchange Commission filings show [corporate executives have been profiting handsomely by selling shares since the GOP tax cut became law, enriching themselves](#) in the short term while yielding less clear long-term benefits for workers.
- [A recent report by TrimTabs Investment Research notes](#), "Stock buyback announcements in the U.S. have swelled to the highest levels on record in the wake of last year's corporate tax cut," and "Corporate America's actions suggest that most of the benefits of

the corporate tax cut will flow to investors in general and top corporate executives in particular.”

- House Republicans aren’t stopping at the giveaway to the rich enacted last year. On September 13, the Ways and Means Committee reported another deficit-financed “tax cut 2.0” package, which again favors the wealthiest. [Tax cut 2.0, which may be considered on the House floor later this week, once again delivers most benefit to high-income households, adds trillions of dollars to the nation’s long-term fiscal challenges, and creates more opportunities for tax gaming and avoidance by wealthy filers.](#)

GOP Tax Cut Does Nothing to Address Working-Class Wage Stagnation

- The most notable outcome of the GOP tax cut is [companies buying back their own stock, expected to reach a record \\$1 trillion this year, benefitting wealthy CEOs and investors. They do little for workers](#), most of whom own little or no stock.
- According to economist Jared Bernstein, [the real hourly wage for blue-collar and non-managerial workers \(82 percent of the workforce\) rose by half a percent, an extra 11 cents per hour, since President Trump took office.](#)
- The Economic Policy Institute’s report shows that [from 2009 to 2017, the average wages and benefits for a typical American worker rose by \\$1,200, while average pay for the nation’s CEOs jumped by \\$7.8 million or 6,500 times more than a typical worker.](#) The GOP tax cut worsens this inequality.
- [If energy prices come down and unemployment continues to fall, real wage growth for mid-wage workers will improve, but their wage gains will probably be nothing close to the wage gains promised by the Trump administration. Their promise of the tax cut adding at least \\$4,000 to annual earnings within a few years would require about 3 percent real annual wage growth, and they are not even in the ballpark to achieve this.](#)

GOP Tax Cut’s Growth Effects are Not Sustainable

- [The Urban-Brookings Tax Policy Center reports many studies find the GOP tax cut will raise GDP in the short term \(ranging between 0.3 and 0.9 percent on average over the first 3 years\) with the effects declining in the later years](#) due to crowding out of investment caused by higher interest rates.
- [The Congressional Budget Office’s latest long-term budget outlook](#) estimates the GOP tax cut will boost real GDP by 0.7 percent on average through 2028 and continue to boost real GDP on net for a few years thereafter; however, over the longer term, the economic effects of various provisions are expected to be modest and the direction of the combined effect is uncertain.
- [Economic indicators show there is no evidence of an investment boom](#), which is a key GOP promise to create long-term economic growth. This suggests the GOP’s deficit-financed tax cut will provide a temporary boost, not long-term sustainable growth.

- [Economic data shows a modest increase in investment this year compared to recent quarters, but this uptick began in early 2017, before the GOP tax cut.](#) Furthermore, the level of investment as a percentage of economic output this year (17.7 percent in the first quarter and 17.6 in the second) is far below the nearly 20 percent reached in 2006 before the recession.

Positive Economic Trends Started Before President Trump Took Office

- [President Trump took office in the 8th year of a solid economic expansion](#) and is benefitting from the continuation of that expansion.
- [The economy created more jobs in every year of Obama's second term than it did last year or is likely to do this year. According to the Bureau of Labor Statistics, the U.S. economy added 2.2 million jobs in 2017 \(Trump's first year in office\) and 1.3 million jobs so far in 2018.](#)
- [The unemployment rate is the best it has been in a decade, holding steady at 3.9 percent in August. However, the unemployment rate has been on a declining path since 2009, well before President Trump took office.](#)
- [The percentage of people employed during their prime working years is another indicator of the health of the economy. While 2018 is on track to be the best year in a decade, the yearly average was on a steadily rising trend since 2011, well before President Trump took office.](#)
- GDP growth was positive when President Trump took office. [While the GOP tax cut boosted short-term GDP growth, most forecasters did not raise their long-run growth projection after passage of the tax cut.](#)
- [Business investment has continued to climb since its low point in the fourth quarter of 2015, part of an ongoing trend before President Trump took office.](#)