



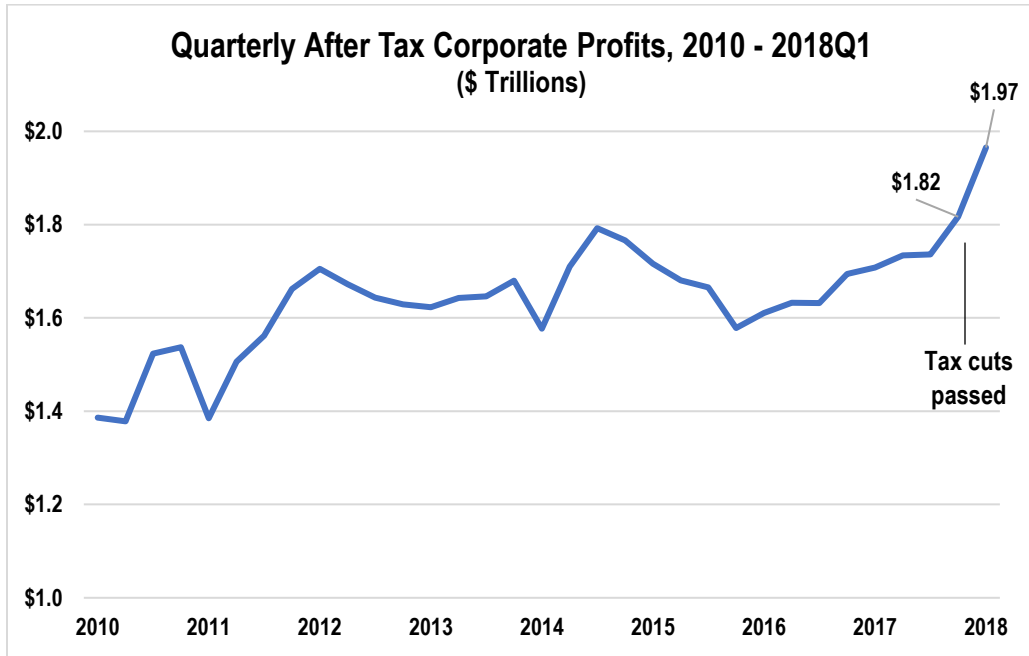
NO EVIDENCE TRUMP-GOP TAX CUTS ARE IMPROVING THE ECONOMY

August 3, 2018

Seven months since the tax cuts were passed in December 2017, here's what the data show:

- **Corporate after-tax profits have surged (Figure 1):** Corporate profits after taxes jumped by 8.2% between the last quarter of 2017 and the first quarter of 2018, reaching nearly \$2 trillion and reflecting who most benefits from the tax cuts.
- **Corporate tax revenues have plummeted (Figure 2):** After the Trump-GOP tax cuts went into effect, federal receipts from corporate income taxes plunged nearly 44%—from \$264 billion in the last quarter of 2017 to \$149 billion in the first quarter of 2018.
- **Real wage growth has stagnated after the tax cuts (Figure 3):** Real (inflation-adjusted) wages were unchanged for all employees (private non-farm) from June 2017 to June 2018. For production and nonsupervisory employees, who make up more than four-fifths of the workforce, earnings *decreased* by 0.2% over this same period.
- **Job creation under Trump is below Obama record (Figure 4):** Since passage of the tax cuts, job creation has averaged 215,000 per month, and 194,000 a month since President Trump began his term. Job creation averaged 224,000 per month during Obama's final three years in office. Trump inherited an economy that was already going strong, which is reflected in job growth after tax cuts.
- **Unemployment rates were already very low, don't seem impacted by tax cuts (Figure 5):** Unemployment has been on a steady downward trend since the end of the Great Recession, dropping from 9.8% in January 2010 to 4.8% when Obama left office. Under Trump it has continued the gradual decline to 3.9%. There's no evidence of a sharp drop in unemployment attributable to the tax cuts.
- **Gross domestic product (GDP) growth since tax cuts has been mixed (Figure 6):** There was strong economic growth, as measured by real GDP, of 4.1% in the 2nd quarter of 2018, up from 2.2% in the first quarter. However, quarterly GDP growth is volatile—one quarter's strong growth does not indicate an uptick in long-term growth. Moreover, real GDP growth exceeded 4% in three quarters since 2010 during the Obama presidency.
- **No evidence of an investment boom since the Trump tax cuts (Figure 7):** After two quarters in 2018, there has been no significant spike in non-residential investment since the tax cuts were passed.
- **Few employers have announced raises or one-time bonuses or new investments (Figure 8):** Only 4.3% of workers (6.7 million out of 155 million) have been promised wage increases or one-time bonuses related to the tax cuts. Just 409 of 5.9 million employers have announced such worker benefits. Only 102 of 5.9 million employers have announced new investments related to the tax cuts.
- **Corporate tax cuts are going mostly to wealthy shareholders and CEOs through stock buybacks (Figure 9):** So far, 157 corporations are projected to save \$80 billion in tax cuts in 2018. That's 11 times more than the \$7 billion corporations have promised workers through one-time bonuses and wage hikes. Since the tax cuts were passed, more than 370 corporations have announced stock buybacks of \$681 billion—96 times more than what corporations have promised workers in pay hikes. Buybacks mostly benefit the wealthy, who own most corporate stock.

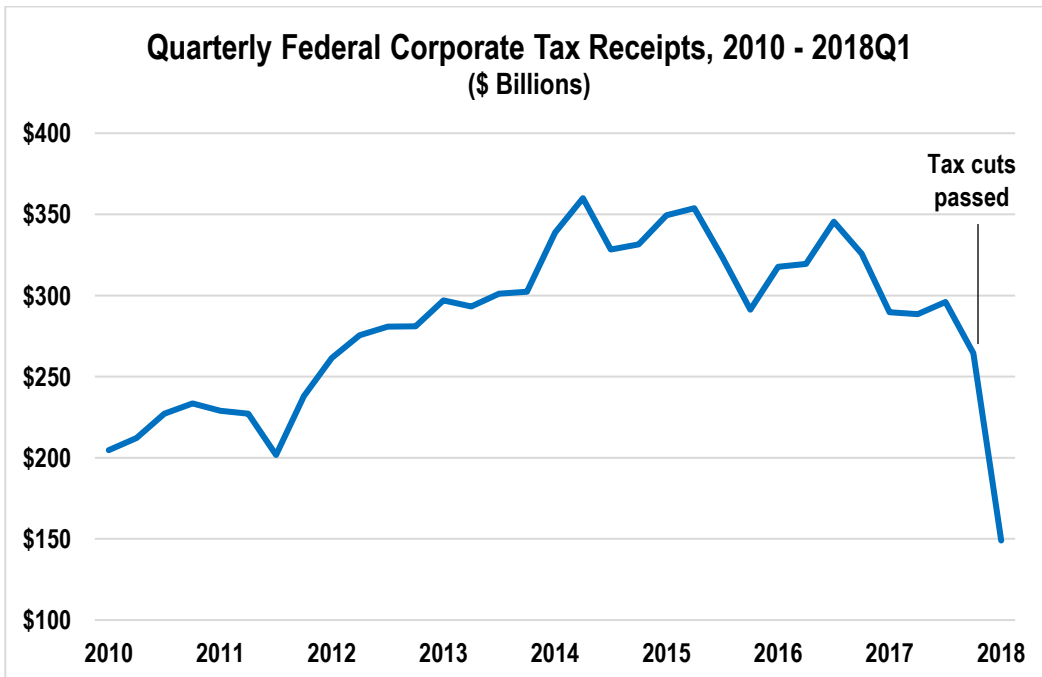
Figure 1. Corporate Profits Have Surged



Source: Bureau of Economic Analysis, retrieved from [FRED](#) on July 30, 2018

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Figure 2. Corporate Tax Revenues Have Plummeted

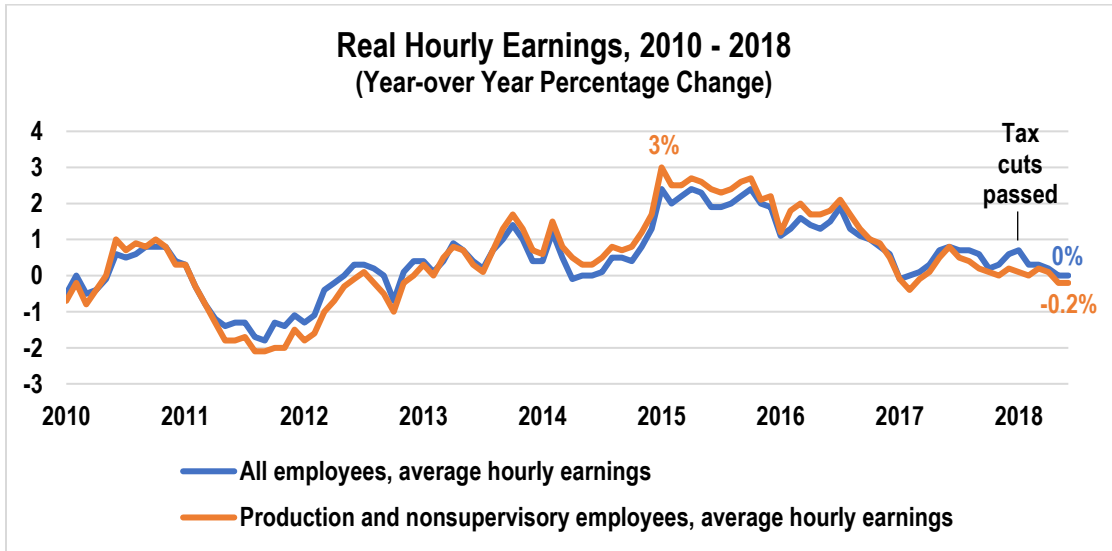


Source: Bureau of Economic Analysis, retrieved from [FRED](#) on July 30, 2018

Note: These numbers have been updated from a previous version of this report, as the Bureau of Economic Analysis on July 27, 2018 released its 15th comprehensive update of the National Income and Product Accounts, which incorporates methodology updates.

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Figure 3. Real Wage Growth Has Stagnated After the Tax Cuts

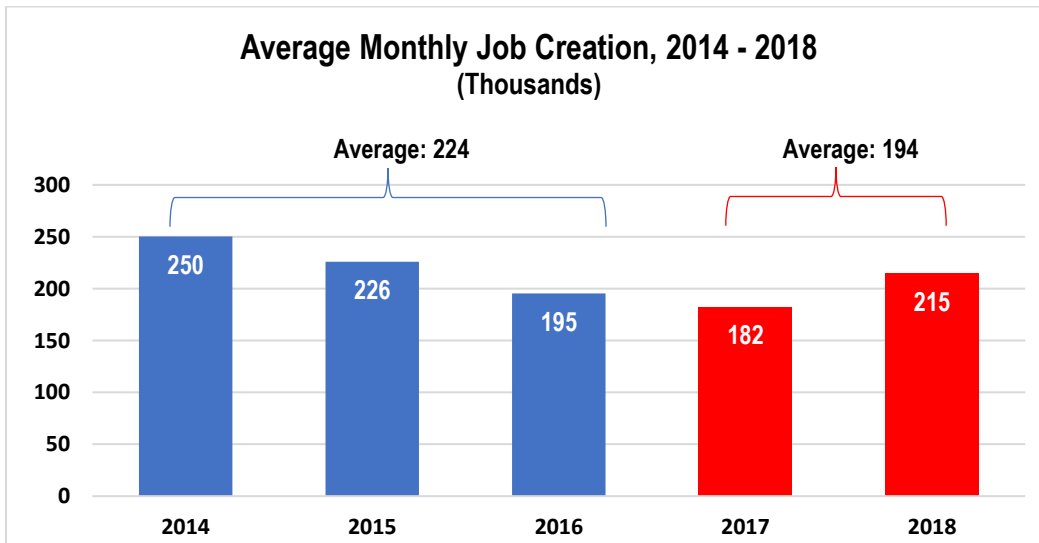


Source: Bureau of Labor Statistics, [June 18, 2018](#) and [July 12, 2018](#)

Real (inflation-adjusted) wages were unchanged for all employees (private non-farm) from June 2017 to June 2018. For production and nonsupervisory employees, who make up [more than four-fifths](#) of the workforce, earnings *decreased* by 0.2% over this same period. [\[Bureau of Labor Statistics\]](#) So most regular workers haven't seen any real increase in take-home pay resulting from the corporate tax cuts and have less buying power now than they did last summer due to inflation.

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Figure 4. Job Creation Under Trump Is Below Obama Record

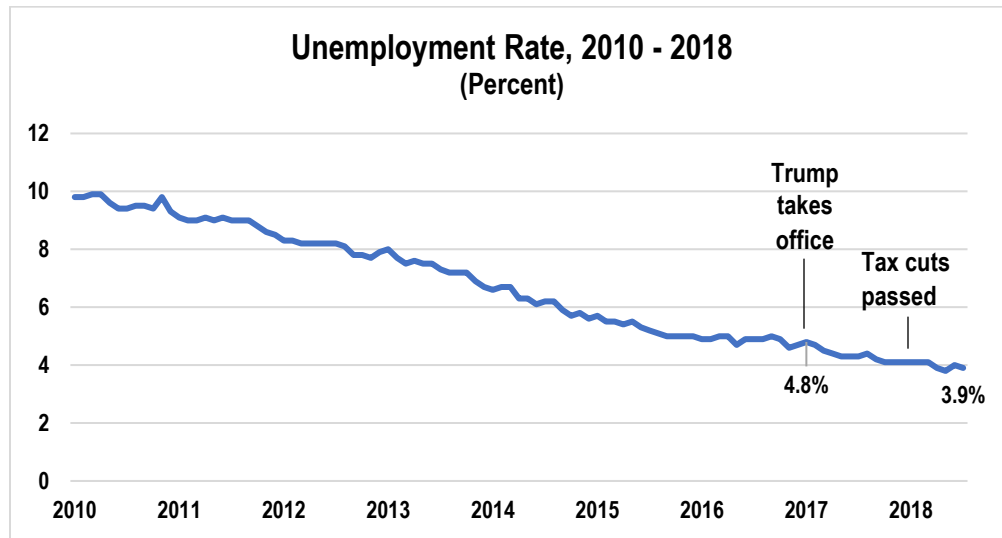


Source: [Bureau of Labor Statistics](#), as of July 31, 2018

Since passage of the tax cuts, job creation has averaged 215,000 per month, and 194,000 a month since President Trump began his term. Job creation averaged 224,000 per month during President Obama's final three years in office. Trump inherited an economy that was already going strong, which is reflected in the job growth after the tax cuts.

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Figure 5. Unemployment Rates Already Very Low, Don't Seem Impacted by Tax Cuts

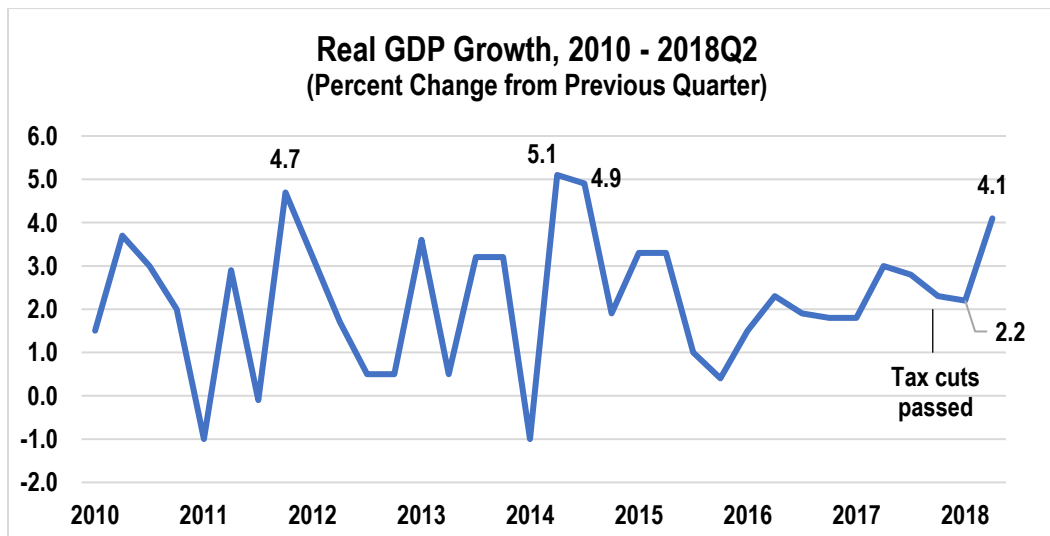


Source: [Bureau of Labor Statistics](#), as of August 3, 2018

Unemployment has been on a steady downward trend since the end of the Great Recession, dropping from 9.8% in January 2010 to 4.8% when Obama left office. Under Trump it has continued the gradual decline to 3.9%. There's no evidence of a sharp drop in unemployment attributable to the tax cuts.

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Figure 6. Gross Domestic Product Growth Since Tax Cuts Has Been Mixed

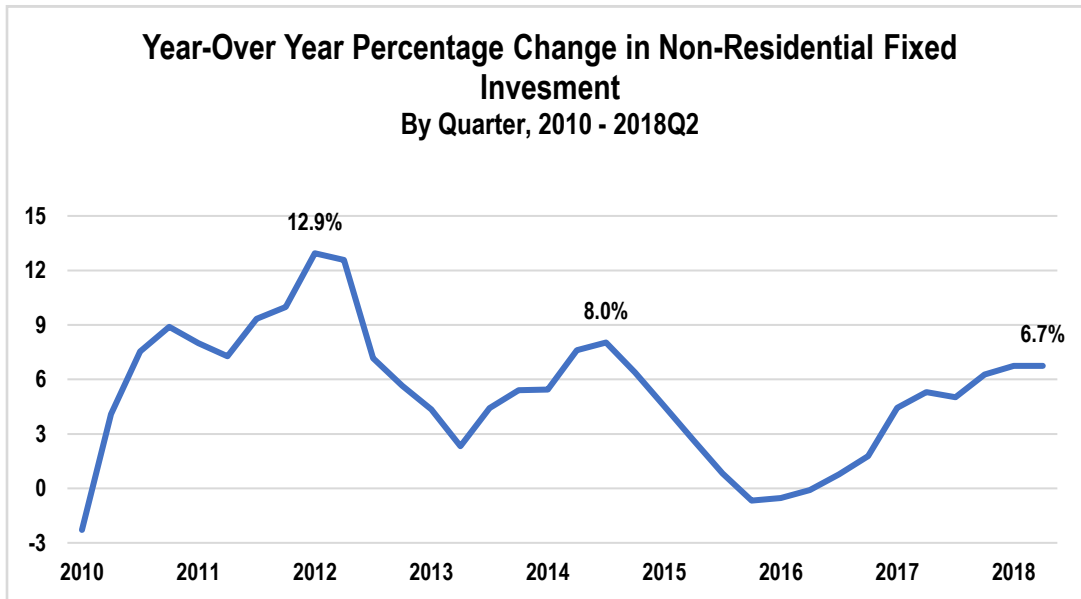


Source: [Bureau of Economic Analysis](#)

There was strong economic growth, as measured by real GDP, of 4.1% in the 2nd quarter of 2018, up from 2.2% in the first quarter. However, quarterly GDP growth is volatile—one quarter's strong growth [does not indicate](#) an uptick in long-term growth. Moreover, real GDP growth exceeded 4% in three quarters since 2010 under President Obama.

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Figure 7: No Evidence of an Investment Boom Since the Trump Tax Cuts

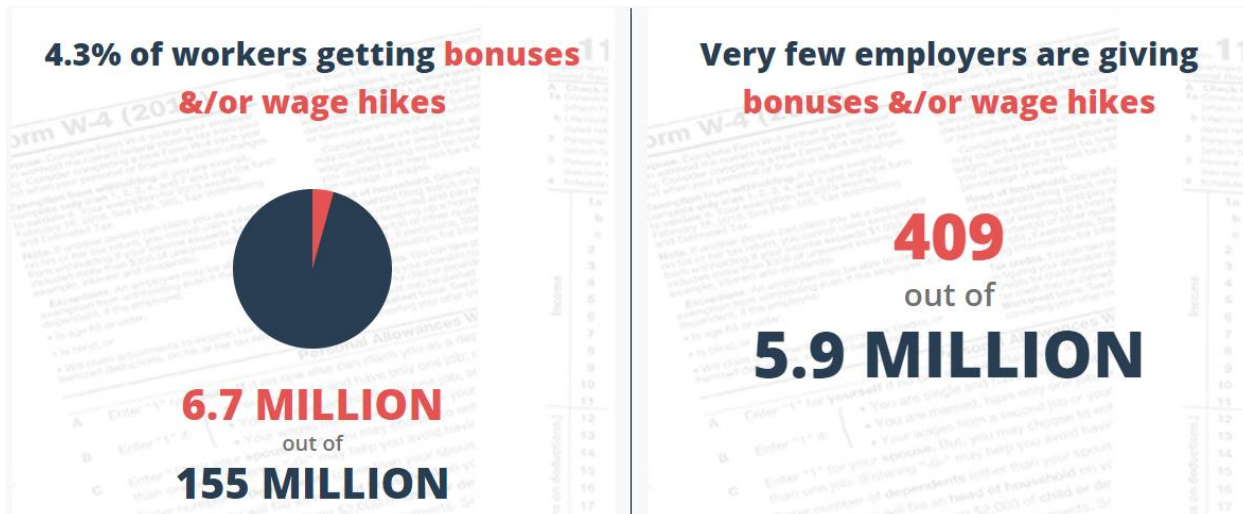


Sources: ATF analysis of [Bureau of Economic Analysis](#) (National Income and Product Accounts Table 1.1.3)

Real non-residential fixed investment increased by 6.7% in the 1st and 2nd quarters of 2018 on a year-over-year basis. Year-over-year investment growth reached 8% in the 3rd quarter of 2014 and 12.9% in the 1st quarter of 2012. There's no evidence of an investment boom since the tax cuts were signed into law. Even new [capital goods orders](#) (orders placed with U.S. factories for nondefense business equipment) are lower than levels reached during the Obama recovery.

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Figure 8: Few Employers Have Announced Raises or One-Time Bonuses



Americans for Tax Fairness estimates that only [4.3% of workers](#) (6.7 million out of 155 million) have been promised wage increases or one-time bonuses related to the tax cuts. Just 409 of 5.9 million employers have announced such worker benefits. And only 102 of 5.9 million employers have announced new investments related to the tax cuts.

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Figure 9. Corporate Tax Cuts Going Mostly to Wealthy Shareholders and CEOs



So far, 157 corporations are projected to [save \\$80 billion in tax cuts](#) in 2018. That's [11 times more than the \\$7 billion](#) corporations have promised workers through one-time bonuses and wage hikes. Since the tax cuts were passed, more than 370 corporations have announced stock buybacks of [\\$681 billion](#)—96 times more than what corporations have promised workers in pay hikes. Buybacks [mostly benefit the wealthy](#), who own most corporate stock.

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