Economists Say President Donald Trump’s Agenda Would Boost Growth — a Little

The WSJ’s monthly survey of economists gauges the impact of a fully implemented Trump plan

Job seekers during a job fair in Marion, Ind., in April. If President Donald Trump’s agenda were enacted, forecasters on average think long-run GDP growth could rise to 2.3% and unemployment would average 4.4%.

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By

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52 COMMENTS

One of the most-watched economic forecasts in Washington will come later this month when the White House releases its budget.

Here is what it would look like if done by economists surveyed by The Wall Street Journal.

Over the course of the next decade, the estimated cost of many items on President Donald Trump’s wish list will depend critically on his own team’s projections for economic growth, unemployment and interest rates.

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Per the longstanding custom, however, the White House budget differs from most economic forecasts in one crucial way. Most forecasters estimate the path for the economy they believe is most likely, taking into account that many political promises will never come to fruition. But White House forecasts are an estimate of what the economy would be like if the president’s full agenda were implemented.

To establish a baseline of what a reasonable forecast might look like under Mr. Trump, respondents to The Wall Street Journal’s monthly survey of forecasters provided their own estimates of the economy if all of Mr. Trump’s initiatives were enacted.

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If the president’s agenda were enacted, forecasters on average think long-run gross domestic product growth could rise to 2.3%, an 0.3 percentage point increase from their 2% baseline. Unemployment would average 4.4% under this scenario, instead of 4.5%. Interest rates set by the Federal Reserve would be about a quarter-point higher. Short-term rates would be about 3.1%.

So an improvement, but a modest one.

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Early on, White House officials have reportedly considered penciling in growth rates as high as 3.2% a year. But the respondents to the Journal’s survey—a mix of academic, financial and business economists who regularly produce professional forecasts—say numbers so high will be hard to attain, because the policies under consideration just might not pack that punch.

Key Trump initiatives, which face a challenging road through Congress, include overhauling the health-care system, simplifying the corporate tax code, cutting income taxes, rewriting regulation and investing in the nation’s infrastructure.

“If you were to assume that such initiatives get passed later this year, there should be positive economic benefits, especially for 2018,” said Chad Moutray, chief economist of the National Association of Manufacturers.

Over the course of a decade, 3.2% growth would leave the economy nearly $2 trillion larger than 2.3% growth. So the lower estimates of economists are significant.

“Fewer regulations may raise long-term growth 0.1% to 0.2% by stimulating productivity growth,” said Nariman Behravesh of IHS Markit Economics. “It should have hardly any effect on the long-term unemployment rate and inflation rates.”

It is “hard to quantify, but measures would not boost long-term productivity,” said Ian Shepherdson of Pantheon Macroeconomics. “But they probably would push up both short and long-term interest rates.”

The White House always has some incentive to put forth overly optimistic numbers. For one thing, the White House staff generally believe in the wisdom and benefits of the president’s agenda. And if growth rates are boosted and unemployment comes down, it does wonders for budget projections. Tax revenue climbs and spending on programs such as unemployment or Medicaid may dwindle.

In recent months, economists’ forecasts for the coming year haven’t changed much. They expect growth for this year of 2.2%, down from 2.4% in the March survey. They place the odds of recession in the next year at just 15%, compared with 20% at this time a year ago.

For now, many are waiting to see more detail in Mr. Trump’s agenda and retain doubts about how much he will be able to accomplish.

“Infrastructure spending is great, but it has to be paid for and that creates drag at some point,” said Amy Crews Cutts, the chief economist of Equifax. “The proposed tax breaks won’t stimulate the economy nearly enough to pay for themselves let alone fund other new initiatives, which leads to deep cuts in the long run."

The survey of 59 economists was conducted from May 5 to May 9. Not every economist answered every question.

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