

STANFORD
25 February 2017

MEMORANDUM FOR A MEMBER OF CONGRESS

FROM: KEITH HENNESSEY

SUBJECT: THE PRESIDENT'S DEBT TWEET

You asked whether you should echo or retweet President Trump's tweet about declining debt.



In a word, no.

It appears the president was repeating something Herman Cain said this morning on *Fox & Friends Weekend*. We know the president watches this show and his tweet appeared shortly after Mr. Cain was on-air.

The numbers are technically correct.

- Debt held by the public declined \$19.6 B from January 20, 2017 to February 23, 2017, the most recent day for which data is available.
- In 2009 the same measure increased \$222.6 B (more than the “\$200 billion” the president cited) over the same timeframe.

But government cash flows are lumpy, leading to big daily fluctuations in government debt.

- Had the president / Mr. Cain ended his timeframe one day earlier this tweet would have been invalid and debt would have increased (by just \$1 B) in “the first month.”
- This is why analysts look at debt on an annual basis rather than daily/weekly/monthly.

Neither president affected government borrowing in his first month.

- Government borrowing in January and February is the byproduct of spending and tax policies set by Congress the year before. President Obama signed the fiscal stimulus law on February 17, 2009, but it took months before that began to change government cash flows and borrowing requirements. President Trump has so far not measurably affected fiscal policy in general or government borrowing in specific.
- It's unfair to assign any responsibility for borrowing in the first month to either president.

The big difference between early 2009 and now is the health of the economy.

- GDP was plummeting when President Obama took office. Tax revenues were down, automatic stabilizer payments (e.g., unemployment insurance and safety net spending) were up, and funds were being spent from the Troubled Asset Relief Program (TARP). In early 2009 government was borrowing a lot because the economy was weak, not because of President Obama's policies.
- In contrast, the U.S. economy is now growing. The smaller borrowing requirement for this month is mostly a result of this economic difference, and may also in part be simply an artifact of choosing such a short timeframe for comparison.

Recommendation

Because of his unique communications advantages, President Trump may be able to get away with making an argument with such a weak foundation. You cannot, and you should not place yourself in the position of having to address the intellectual weaknesses described above.

More concerning, this tweet shows the president continues to rely on TV rather than his advisors for numbers and policy substance. Until his staff figure out a way to ensure he doesn't make such easily rebutted claims, you should not echo the president's economic arguments or claims without first verifying both their accuracy and substantive merit. This is particularly true of his early morning and late night tweets, when he's probably in the residence and away from his staff. This unfortunate situation will persist as long as President Trump continues to take his numbers and policy arguments from TV pundits rather than from Mr. Cohn, Director Mulvaney, and Secretary Mnuchin.