



Written by [Bob Adelman](#) on August 29, 2018

Economy Booming: Could We See Trump's Claimed 5% GDP Growth?

Forecasters watching the economy expected that the blowout number in the second quarter for the country's Gross Domestic Product would have to be revised downward on Wednesday. Once again, their expectations failed to reflect the real economy: That blowout number of 4.1 percent growth, instead of being revised lower to a predicted 4.0 percent, [was revised upward](#) to 4.2 percent GDP growth.



Those same economists, who simply can't get their heads around the new Trump economy, are predicting that third-quarter GDP growth will come in around three percent. But the Atlanta Fed's GDPNow model for the third quarter was just revised *upward*, from 4.3 percent to 4.6 percent growth, perilously close to that "impossible" number: five-percent GDP growth that the president said was not only possible, but likely.

As the expression has it, when business owners and their workers are happy, then consumers are happy. Part of the reason the 2Q GDP number was higher than expected by the experts was because those business owners were investing vast sums, principally in software, to help their employees become more efficient and therefore more profitable. Add in wage growth, and those workers' job satisfaction continues to improve.

Speaking of those workers, 1,500 of them were asked by the Conference Board last year how they liked their work. The questionnaire covered 23 different areas from paychecks to commute time, from relations with their colleagues to interest in their work, from their supervisors to their workspaces. More than half of them said they were satisfied, the highest percentage since 2005. But that was a full year ago, and the economy is even stronger now.

The Conference Board learned that the more people earned the happier they were, which almost falls into the "of course, naturally, what would you think?" category. Even those considered "lower-paid" (under \$75,000 a year) were happier than they've been in years.

The Conference Board then focused its attention on the consumer, learning that the average American consumer's confidence rose in August to the highest level in nearly 18 years, along with his expectations for the future.

Most of this, according to those experts, is due to the tax-reform bill passed by Congress late last year, which was just beginning to kick in during the second quarter. But those experts continue to underestimate the power, not only of those tax cuts and the reduction in regulations contained in that bill, but of the tsunami of overseas profits pouring into the economy from abroad. The tax reform allows "repatriation" at a tax rate of just 15.5 percent, and billions of the estimated \$3 trillion in profits being kept overseas is already at work, funding increases in worker productivity and satisfaction that is just now starting to show up in the American workplace and flowing out to the American consumer.



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Reuters just reported that massive drops in cash balances and U.S. Treasuries held abroad by American companies are reflecting that repatriation. Instead of lying stagnant in zero-interest savings accounts or low-interest Treasury securities, those funds are finding their way to much more profitable use, and the results are becoming apparent, according to the reports coming from groups such as the Conference Board, and estimates from the Atlanta Fed with its GDPNow forecasts.

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