ECONOMY COMMENTARY

SOTU: The Economy Is Improving for Americans

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The American economy is strong. That sounds simple, but in the current political climate, simple truths have a way of getting buried under argument and qualification.

So, it’s worth saying plainly: by most meaningful measures, the first year of President Donald Trump’s second term has been good for the economy. The numbers say so. The markets say so. And for millions of ordinary Americans checking their retirement accounts, grocery bills, and paychecks, the feeling is sinking in.

Start with the markets. Since the inauguration, the S&P 500 has climbed between 13 and 16%, touching an all-time high of over 7,000 earlier this year. The Dow Jones Industrial Average crossed 50,000 this month for the first time.

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enterprise to grow.

Inflation, meanwhile, has cooled. Annual inflation, as measured by the consumer price index (CPI), for the twelve months ending in January came in at 2.4%, down from 2.7% and far removed from the Biden 9.1% peak of June 2022 (the highest reading in more than four decades).

Because inflation outpaced wage growth under Biden, the average weekly paycheck bought 4% less when he left office, despite the paycheck being 17% larger. For the millions of households whose purchasing power was quietly eroded by Bidenflation, the recent drop in inflation is much-needed relief. The average weekly paycheck now buys 2% more than when Trump took office.

Retirement savers have felt it, too. Average 401(k) balances have reached record levels, rising about 17% since the first quarter of 2025. One analysis found aggregate averages across multiple accounts are around $340,000. This is what compounded confidence looks like in practice.

The legislative cornerstone of this economic moment is the One Big Beautiful Bill Act, signed into law by President Trump on July 4, 2025. Without it, Americans were facing what would have been the largest tax hike in history: more than $4 trillion hitting in 2026 when the 2017 Trump tax cuts expired. The OBBBA prevented that, making those rates permanent and expanding on them.

According to the House Ways and Means Committee, the OBBB leaves the average family about $1,700 better off each year, while a median-income household with two children can expect an increase in take-home pay of roughly $4,000 to $5,000.

Taken together, the OBBBA is less a collection of line items than a statement of priorities: that tax policy should reward work, support families, and create the conditions for broadly shared growth, not fund an ever-expanding federal bureaucracy.

One of the less-discussed drivers of this moment is a quieter shift in regulatory philosophy—specifically, the restoration of a simple principle: that financial regulation should concern itself with financial materiality.

The Biden administration's SEC finalized sweeping climate-disclosure rules in March 2024, formally titled "The Enhancement and Standardization of Climate-Related Disclosures for Investors." Public companies would have been required to report material climate-related risks, greenhouse gas emissions, and elaborate governance strategies tied to environmental metrics.

The rules were challenged in court immediately and stayed. In March 2025, the Commission voted to withdraw its defense of the rules entirely, and without agency support, the regime has effectively collapsed. The Eighth Circuit suspended proceedings. What remained was a signal: disclosures should be rooted in what is financially material, not in what is ideologically fashionable.

Trump reinforced that signal on his first day back in office, revoking Executive Order 14030, the 2021 Biden directive that had commanded federal agencies to integrate climate-risk assessments and net-zero ambitions into financial oversight.

In the retirement space, the Department of Labor has been unwinding the Biden-era rule known as "Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights," which permitted ERISA fiduciaries to weigh ESG factors when selecting investments.

In May 2025, the Department abandoned its defense of the rule in litigation and announced plans to replace it with guidance centered on financial considerations. The savings of teachers, machinists, and nurses, the argument goes, should be managed for return, not for left-wing signaling. Securities regulators exist to ensure transparency and market integrity, not to conscript balance sheets into ideological projects.

None of this means deregulation alone explains what is happening. The American economy is vast and resilient and does not require a single cause. But incentives matter, and so does clarity. When disclosure mandates are untethered from financial reality, capital flows less efficiently. When retirement managers are tasked with pursuing returns rather than righteousness, savers benefit. When inflation recedes, long-term planning becomes possible again.

At the end of the day, economies run on confidence. Not on speeches or executive orders or regulatory rollbacks alone, but on the quiet, cumulative belief that the environment is stable enough to take a risk, hire someone, save for the future. That belief has been returning. You can see it in the data, like with investment rising 3.8%, and increasingly, people can feel it in their lives.

That's not a political talking point. It's just what a good economy looks like.

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