

## Presidential Economics Report Card

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There are a lot of different ways to measure the economy and a lot of people try to evaluate it around a major election. I'm an economist, so why not me too! One can toss around a variety of different numbers to bolster our claims. Here I will look at some of the facts. Most importantly, it's good to compare across many presidencies and to recognize that frankly, the President has only limited power to make the economy do what he wants.

There are three important employment measures: employment growth, wage growth and disposable income growth. Table 1 compares these measures (actually two different employment measures) across 14 presidential terms (only 10 in the case of real wage growth). The best president for Employment growth is either Reagan (2.8 point increase in percent of population employed during his second term) or Carter (10.9% increase in total employed. (Carter had the benefit of many "baby boomers" entering the labor market; he's even second in terms of growth in % employed). George W. Bush, by either measure is the worst. During his presidency employment only grew 1.5% and fell by 2.10 points as a percentage of total population.

However, being employed is not the only measure of the labor market. These data have only been reliably measured since the mid 1960's, so our series here only covers 10 presidential terms. How much one earns is crucial. Here are two important measures. The first is real wage growth. In this measure the best president was Nixon during his first term with real wage growth of 7.7%. The worst was Carter with a real wage decline of 8% (Along with the benefit of Baby Boomers making his employment growth numbers look good, their entry into the market helped depress real wages). George W. Bush ranks 4<sup>th</sup> out of the 10 presidents. Real wages have grown 1.5% since January of 2001. Only Nixon, Johnson and Clinton did better.

The other income measure is Real Disposable income. This is actually a very good summary measure because it includes three distinct elements: employment, earnings and tax burden (disposable income is income minus taxes). It also includes income from other sources. The best presidential term here was the Kennedy/Johnson term. During their term, real disposable income rose 23%. The worst is Eisenhower's second term where it only rose by 9%. George W. Bush is tied with the Nixon/Ford period for 11<sup>th</sup>. Only 5 of the last 14 presidential terms have seen this amount grow by less than 10%.

**Table 1: Employment and Earnings**

President	Years	Employment Growth	Employment to Population growth	Real Wage Growth	Real Disposable Income Growth
Truman II	49-52	4.8%	0.70		19.9%
Eisenhower I	53-56	4.8%	0.20		17.4%
Eisenhower II	57-60	2.9%	-1.40		9.0%
Kennedy/Johnson I	61-64	6.1%	-0.40		23.2%
Johnson II	65-68	10.0%	1.80	5.9%	20.5%
Nixon I	69-72	8.6%	-0.50	7.7%	21.5%
Nixon II/Ford	73-76	7.7%	-0.20	-4.9%	9.4%
Carter	77-80	10.9%	2.40	-8.0%	12.9%
Reagan I	81-84	6.6%	0.30	-1.0%	16.9%
Reagan II	85-88	9.3%	2.80	-2.6%	12.3%
HW Bush	89-92	2.5%	-0.80	-3.7%	9.1%
Clinton I	93-96	7.4%	1.70	0.6%	9.3%
Clinton II	97-00	7.6%	1.20	6.3%	18.2%
W. Bush	01-04	1.5%	-2.10	1.5%	9.4%
Number Evaluated		14	14	10	14
Best		Carter	Reagan II	Nixon I	Kennedy/Johnson I
Worst		W. Bush	W. Bush	Carter	Eisenhower II
W. Bush Rank		14th	14th	4th	Tied for 11/12 with Nixon

The second measures are the traditional macro economic measures: Real GDP Growth, CPI Growth (which is bad, low is good) and growth in the stock market (DJIA). Table 2 presents these three measures for 14 presidential terms. We begin with the stock market measure. The best presidential term was Clinton's first, which saw a 95% growth in the DJIA. The worst was Carter who saw a 4% decline. George W. Bush ranks 13<sup>th</sup>, being only one of three presidents who saw a decline in the DJIA.

Real GDP is often used as the bellwether of the economy. It is, in many ways the single most important summary statistic of the macro economy. The best presidential period was Truman's second term with a stunning 25% growth. The second best was the Kennedy/Johnson I term with 22.5% growth. The worst was (surprisingly) Eisenhower's second term. (Even Carter had 13% growth!). George W. Bush is 13<sup>th</sup> on this list with a with a very sluggish 8.9% growth.

The final traditional macro statistic is inflation as measured by the Consumer Price Index (CPI). Here, large numbers represent inflation and are bad news for the economy, while small numbers represent slow price growth and are considered good. One must caution that large negative numbers would be very bad, and many consider moderate growth (2-4% per year or 8-17% for a 4 year term) as being a sign of healthy growth overall. Here, the best term was Eisenhower's first term with only 3.4% price

growth. The worst was Carter with 48% growth in the price index. George W. Bush rates 4<sup>th</sup> of all presidential terms in this important measure, only falling behind Eisenhower's terms and the Kennedy/Johnson I term. He is just in front of Clinton II, Truman II and Clinton I who rank 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup>, and are well within the "moderate growth" range.

Table 2: Traditional Macro Measures

President	Years	DJIA Growth	Real GDP Growth	CPI Growth
Truman II	49-52	64.6%	25.1%	10.8%
Eisenhower I	53-56	71.1%	11.9%	3.4%
Eisenhower II	57-60	23.3%	8.3%	8.0%
Kennedy/Johnson I	61-64	41.9%	22.5%	4.7%
Johnson II	65-68	8.0%	21.7%	13.8%
Nixon I	69-72	8.1%	13.7%	19.7%
Nixon II/Ford	73-76	-1.5%	9.2%	36.9%
Carter	77-80	-4.0%	13.5%	48.3%
Reagan I	81-84	25.7%	13.5%	22.0%
Reagan II	85-88	87.5%	16.0%	14.4%
HW Bush	89-92	45.3%	8.8%	17.8%
Clinton I	93-96	95.3%	13.7%	11.8%
Clinton II	97-00	67.3%	16.7%	9.7%
W. Bush	01- 04	-3.1%	8.9%	8.9%
Number Evaluated		14	14	14
Best		Clinton I	Truman II	Eisenhower I
Worst		Carter	Eisenhower II	Carter
W. Bush Rank		13th	12th	4th

The third measures are two measures of consumer sentiment. The first measure is consumer expenditures. It is believed that growth in consumer expenditures implies that consumers see the future as rosy with low risk. The second is the University of Michigan's consumer confidence index. The first measure has the longer series, spanning 14 presidential terms. The Michigan Consumer confidence only spans the last 7 presidential terms.

The Real Consumer Expenditure should closely track the disposable income measure, but also contains information about savings habits. A larger increase in this compared to disposable income would signal dis-savings, while a smaller increase would signal cautionary savings. Overall, the best presidential term was Johnson's second term, with a 22.5% growth. The worst was George H.W. Bush with only 8.6% growth. The George W. Bush presidency is tied for 11<sup>th</sup> (12<sup>th</sup>) with the Nixon II/Ford term. The largest cautionary savings period was Kennedy/Johnson (with income growth outpacing expenditure growth by 3%), while the period representing the most dis-saving is Reagan

II (with expenditure outpacing income by 5%. Neither extreme is good, as it represents an economy in disequilibrium. The George W. Bush presidency is in the middle (ranked 7<sup>th</sup> out of 14) on the relative growth scale.

Consumer confidence measures how consumers are viewing the future. It is quite important since the engine of economic growth and stability is consumer spending. The Consumer confidence measure is only available since the 1970's and so only 7 terms can be ranked. The best during this period was Reagan I which saw consumer confidence sour by 28 points. The worst was Carter which saw consumer confidence plummet by 19 points. George W. Bush is 6<sup>th</sup> out of 7 (only Carter was worse) with a decline of 2.5 points.

Table 3: Consumer Sentiment

President	Years	Real Consumer Expenditure Growth	Consumer Confidence
Truman II	49-52	17.1%	
Eisenhower I	53-56	15.6%	
Eisenhower II	57-60	10.9%	
Kennedy/Johnson I	61-64	19.9%	
Johnson II	65-68	22.5%	
Nixon I	69-72	18.4%	
Nixon II/Ford	73-76	11.0%	
Carter	77-80	10.3%	-19.2%
Reagan I	81-84	15.4%	28.4%
Reagan II	85-88	17.4%	-1.0%
HW Bush	89-92	8.6%	-0.9%
Clinton I	93-96	13.5%	5.9%
Clinton II	97-00	20.0%	1.5%
W. Bush	0 -04	11.0%	-2.5%
Number Evaluated		14	7
Best		Johnson II	Reagan I
Worst		HW Bush	Carter
W. Bush Rank		tied for 11/12 with Nixon II/Ford	
			6th

A final set of measures I'm including are far less clear: measures of government debt. I want to begin by saying that not all debt is bad. Indeed, it's quite good for the government to run a deficit (increase debt) during a recession. The idea then would be to run a surplus (decrease debt) during an expansion. So, by itself, debt is probably not a very clear measure. I'm also including measures of how much of that debt is held by foreign interests. Again, it's not clear that a high or low number is particularly desirable. On the one hand, a high number can be an indication that U.S. federal debt is considered secure and a good return on investment. That's a good thing. On the other hand, that is debt that ultimately we will have to repay to someone other than ourselves. When U.S. citizens hold the debt, we are borrowing from ourselves and promise to pay it back to our

selves. But when we borrow abroad, we have to pay it back to someone else, so the question of the value we receive from that borrowing becomes far more important. (e.g. was it used for a long term improvement). In general though, it seems that it is likely to be better to have lower debt to GDP growth and less debt held by foreign interests.

Table 4 presents 3 measures: The growth in government debt to GDP, the percentage of debt held by foreign agents (at the end of the presidency), the real growth in Government debt held by Foreign Agents.

Table 4: Measures of Government Debt

President	Years	Federal Gov't Debt to GDP Growth	Gov't Debt Held by Foreign agents (at end of period)	Real Growth in Gov' Debt Held by Foreign agents
Truman II	49-52			
Eisenhower I	53-56			
Eisenhower II	57-60			
Kennedy/Johnson I	61-64			
Johnson II	65-68	-19.1%		
Nixon I	69-72	-8.4%	12.1%	
Nixon II/Ford	73-76	-0.4%	12.0%	4.8%
Carter	77-80	-8.0%	13.9%	12.0%
Reagan I	81-84	29.2%	11.6%	21.9%
Reagan II	85-88	24.0%	13.5%	64.1%
HW Bush	89-92	26.1%	13.8%	35.2%
Clinton I	93-96	3.3%	20.7%	71.0%
Clinton II	97-00	-14.5%	18.3%	-14.5%
W. Bush	01-04	9.8%	24.2%	56.2%
Number Evaluated		10	9	8
Best		Johnson II	Reagan I	Clinton II
Worst		Reagan I	W. Bush	Clinton I
W. Bush Rank		7th	9th	6th

Taking the fact that changes in debt to GDP are not a clear “good/bad” kind of thing, I will still attempt to rank the president here. We note that in half of the presidential terms for which we have data, we saw an increase in debt to GDP. Johnson II had the largest decrease in Debt to GDP, which was largely driven by rapidly growing GDP, not retirement of debt. The Clinton II administration had the second largest decrease which was a combination of retirement of debt and rapid GDP growth. Reagan’s first term saw the largest run up in government debt (of the period evaluated, I believe the Second World War is still the largest). This actually does not bother me very much, since that was a recessionary period. More worrisome was Reagan’s second term with a very large increase in debt during an expansion. George W. Bush ranks seventh on the list, with a relatively modest increase of 9.8%. This occurred during a

recessionary period and so I personally do not see this as particularly alarming. Although, I must admit, that I am very puzzled by the Republican claim that they are in favor of small government, yet they run up the 4 largest debts in post war history (while the democrats, even Carter, largely saw declines).

We turn next to who holds the debt. As I've said, it's not clear that we should worry if foreign agents hold our debt (by the way, agent just means person or organization, it's not some nefarious "secret agent" or something bad). I chose two measures of this: level at end of term and growth. This is a case where the growth could be small, but the level could remain high. Or the growth could be large, but the level could be small. Here we see that at the end of his time in office George W. Bush is the president with the largest portion of our federal debt held by foreign agents. While Reagan I has the lowest portion. There does seem to have been a major shift in this number around Clinton's first term. Prior to that, the percentage held by foreign agents hovered around 11 to 13%. Beginning with Clinton we see this number hovering around 20%.

We can look at changes in foreign held debt as well. The Clinton I administration had the largest increase in the percent of debt held by foreign agents: a 71% increase. What's fascinating is that Clinton's second term has the largest decline in debt held by foreign interests: a 14% decline. (these numbers don't strictly "add" because of a different base, but the overall was clearly an increase). The second largest increase in this number was Reagan II. George W. Bush is the third largest increase with a 56% increase.

So, how has the economy fared during the George W. Bush presidency? Not very well. In table 1 we see that employment growth is low and disposable income growth is low too. This is reflected in Table 3 with low consumer expenditure growth and a decline in consumer confidence. In Table 2 we see a more mixed story: low economic growth, but at least low inflation. Table 4 is difficult to put a ranking on, and so in summarizing I won't. The only good news from the current presidency is the low inflation. In every other measure the last four years are near or at the bottom of the list.

The problem is that we can't really tell if it's the president's fault, or just pure bad luck. Of course, one could say the same about Carter: certainly the Oil shocks were not his fault and were at least as damaging to the economy as the 9/11 disaster (indeed, far more damaging). As long as you are consistent in your evaluation, that's fair. Either you blame the president, or you don't. If we attach economic performance to the president, then Reagan and Clinton were two of the best and W. Bush and Carter are two of the worst. If we believe that largely the president has little impact on the economy, then we must evaluate the president on other matters.