

FEATURED POSTS · THE WIRE

Clinton: Economy Better Under Democrats

By *Robert Farley* Posted on October 20, 2015

Hillary Clinton says the U.S. economy does better with a Democrat in the White House, citing research by two Princeton economists. **But the authors of that report do not credit Democratic fiscal policies for the economic growth.**

In fact, the authors say “our empirical analysis does not attribute any of the partisan growth gap to fiscal or monetary policy.”

Clinton has made the claim **numerous times** in recent weeks — usually in the context of her **economic plan**, as she did during the first **Democratic debate**.

Clinton, Oct. 13: I have a five-point economic plan, because this inequality challenge we face, we have faced it at other points. It's absolutely right. It hasn't been this bad since the 1920s. But if you look at the Republicans versus the Democrats when it comes to economic policy, there is no comparison. The economy does better when you have a Democrat in the White House and that's why we need to have a Democrat in the White House in January 2017.

Clinton expounded on that talking point the following day during **a speech** in Las Vegas. (starting around the 1:30 mark)

Clinton, Oct. 14: I think it's important to just kind of get rid of some of the myths that you hear from the other side. Starting with a fact that our economy and our country does better when we have a Democrat in the White House. ... There's a lot of evidence that when we have a Democrat in the White House, unemployment is lower, income is higher, and even the stock market is higher. But when you have a Republican in the White House you are four times more likely to have a recession.

When we asked for backup, the Clinton campaign pointed us to academic research by two Princeton economists titled, “Presidents and the U.S. Economy: An Econometric Exploration.” The authors, Alan S. Blinder and Mark W. Watson, concluded after researching an array of economic statistics that the economy has performed “much better when a Democrat is

president than when a Republican is.”

The researchers attempted to find out why and concluded, in a [version of their research updated](#) in July 2015 “It appears that the Democratic edge stems mainly from more benign oil shocks, superior [productivity] performance, and perhaps greater defense spending and faster growth abroad.”

The Democrat-Republican ‘Gap’

The paper looks at macroeconomic performance based on various economic outcomes and concludes, “The answer, while hardly a secret, is not nearly as widely known as it should be. The U.S. economy performs much better when a Democrat is president than when a Republican is.”

The analysis considered a 64-year period beginning with President Harry Truman and ending with President Barack Obama. In all, that takes in the complete presidencies of seven complete Democratic terms and nine Republican terms. Here are the findings on several economic indicators, and, in some cases, how they match up with Clinton’s claims:

Gross Domestic Product

The analysis found that under Democratic presidents the gross domestic product rose at an average rate of 4.33 percent, compared with a rate of 2.54 percent under Republicans. That translates to a 1.79 percentage point gap in favor of the economy under Democrats. That means that the U.S. economy grew by an average of 18.5 percent during the typical four-year presidency of a Democrat versus a 10.6 percent gain under a Republican.

Unemployment

The average unemployment rate was lower under Democrats, 5.64 percent, compared with 6.01 percent under Republican presidents, though the authors called that difference “small and not statistically significant.”

However, they said, there is “a very large and statistically significant difference in the change in the unemployment rate, computed as the average unemployment rate in the final year of the term minus the average value in the final year of the previous term. During Democratic presidential terms, the unemployment rate fell by 0.8 percentage points, on average, while it rose by 1.1 percentage points, on average, during Republican terms — yielding a large D-R gap of -1.9 percentage points.”

Income

Real wages, compensation per hour in the nonfarm business sector, increased slightly faster under Democratic presidents, they found. But the gap was not statistically significant, the authors said, despite Clinton’s claim that “income is higher” when a Democrat is in the White House.

Stock market

Annualized stock market returns for firms in the S&P 500 Index were 5.65 percentage points higher under Democratic presidents (the returns under Democratic presidents increased 8.35 percent compared with 2.7 percent under Republican presidents).

“Though business votes Republican,” the authors wrote, “it prospers more under Democrats.”

However, the report states, “given the extreme volatility of stock prices, even differences that large are statistically significant at only the 15 percent level.” That tempers Clinton’s claim that under Democratic presidents “even the stock market is higher.”

Recessions

The report found that the country was more likely to be in recession while a Republican president was in office. While Republicans occupied the White House for 144 quarters in the study period compared with 112 quarters for Democrats, 41 of the 49 quarters that the National Bureau of Economic Research classified as being in recession occurred with a Republican in the White House.

Inflation

The one notable exception to the Democratic advantage on economic indicators, the authors said, was inflation. On that count, “the economy fares about equally well under presidents of either party.”

Summing up, the authors concluded there is “a systematic and large gap between the US economy’s performance when a Democrat is President of the United States versus when a Republican is. Democrats do better on almost every criteria.”

Or as one of the authors, Watson, told us in a phone interview, the difference is “large and statistically significant, regardless of how you look at it.”

“The superiority of economic performance under Democrats rather than Republicans is nearly ubiquitous; it holds almost regardless of how you define success,” the authors stated in their report. “By many measures, the performance gap is startlingly large — so large, in fact, that it strains credulity, given how little influence over the economy most economists (or the Constitution, for that matter) assign to the President of the United States.”

The authors said the evidence for better economic performance under Democrats remained even when factoring in such variables as the majority party in Congress and whether Democrats inherited “superior initial conditions.”

So what *was* the reason for the gap?

“We spent a lot of time trying to figure out why,” Watson said. “And we had limited success.”

Causation?

Specifically, the authors cautioned Democrats not to take a bow for their fiscal policies.

“Democrats would probably like to attribute a large portion of the D-R growth gap to better fiscal (and perhaps monetary) policies, but the data do not support such a claim,” the authors concluded. “If anything, and we would not make much of such small differences, both fiscal and monetary policy actions seem to be a bit more pro-growth when a Republican is president — even though GDP grows significantly faster under Federal Reserve chairmen appointed by Democrats than by Republicans.”

Rather, the authors said there were factors independent of presidential fiscal policy driving the gap.

Shocks in oil prices, changes in productivity levels, growth in defense spending (wartime defense spending is generally good for the economy), foreign economic growth and differences

in consumer expectations account for “as much as 70% of the partisan gap,” the authors wrote. “Some, maybe all, of these might be considered blends of good policy and good luck. But our empirical analysis does not attribute *any* of the partisan growth gap to fiscal or monetary policy.”

As for the other unexplained 30 percent? “The rest remains, for now, a mystery of the still mostly-unexplored continent,” the authors state.

The authors both told us Clinton was “100 percent accurate” with her claim that the economy does better under Democratic presidents, based on their research (which Blinder said has been thoroughly peer-reviewed and is set to be published in the *American Economic Review*). Blinder served on President Bill Clinton’s Council of Economic Advisers, and he was an economic adviser to the presidential campaigns of Democrats Al Gore and John Kerry.

The authors in their 2014 paper talked about factors that might be attributed to “just good luck,” while the 2015 report refers to “blends of good policy and good luck.” Blinder told us via email that they avoided the term “just good luck” in the 2015 paper for two reasons.

“One reason for superior performance under Democratic presidents is that oil prices go up less (on average),” Blinder stated. “Is that just luck? Well, the fact that we entered several wars in the gulf area (the latest in 2003) under Republican presidents, thereby driving up oil prices, was not just luck — it was policy, though not economic policy.”

“The second main factor underpinning Democratic superiority is that productivity has risen faster under Democrats,” Blinder said. “Well, productivity growth depends on many things, including luck, but also including a myriad of policies.”

In other words, there may very well be policies from Democratic presidents that have led to better economic performance. But the authors were unable to pinpoint what those policies were.

We have no doubt economists from either side of the partisan divide would have differences of opinion about what those policies might be, or whether the gap was entirely due to factors outside a president’s control. That’s a political debate that cannot be settled in a fact-check. Specifically, though, while Clinton recites the economic statistics as a reason for electing a Democratic president, there is no evidence in the Blinder and Watson research to conclude that a Democratic president’s economic policy would necessarily lead to a healthier economy.

Categories: [Featured Posts](#) and [The Wire](#)

Tags: [Presidential Election 2016](#)

Locations: [National](#)

People: [Hillary Clinton](#)

Issues: economy , gross domestic product , productivity , recession , and Unemployment