AMERICA'S ECONOMY PERFORMS BETTER UNDER DEMOCRATS

Imagine having invested $10,000 in the stock market in 1949. Now imagine that your initial investment has grown in value to $15,000,000 by 2016. Not only that, but the America you live in has seen its economy add 153 million jobs and grow to $31.1 trillion. Over the same period, wages have increased 329%, after inflation. This isn't some far-fetched vision. It's what our economy would look like in 2016 if Democratic presidents' performance in the White House carried over the entire past sixty-eight years, from Truman to Obama.

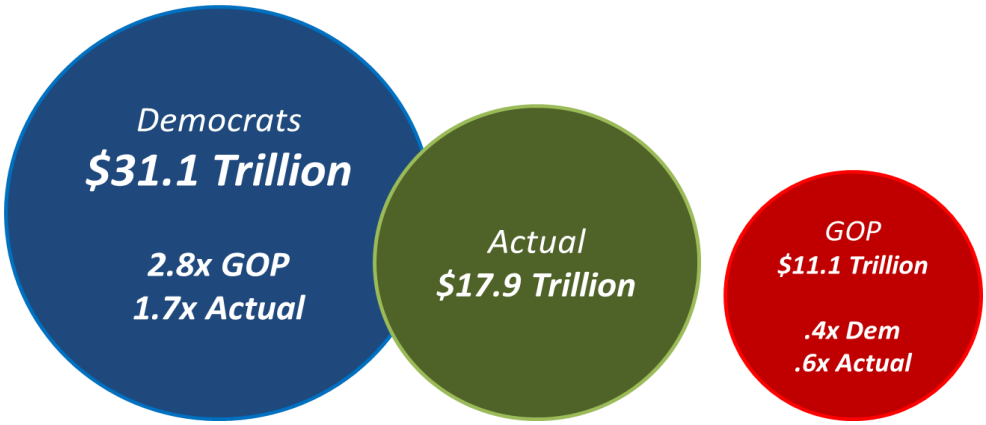
Now let's consider what our country might look like if only Republicans' performance in the Oval Office applied over the same period. That same $10,000 investment today would only be worth $231,000. Wages would have grown 71 percentage points less and our economy would be $11.1 trillion – less than 2/3 our actual GDP today.

The reality, of course, is somewhere in between. Many factors contribute to real world economic outcomes, and it would be hard to imagine a world with this kind of sustained growth over such a long period. Our nation has been led by both Democratic and Republican presidents since 1949, and we've experienced economic ups and downs under both. In some cases, Democratic presidents benefited from the relatively poor performances of their predecessors, gaining back ground lost during Republican administrations. Others are influenced by financial crises, military conflicts, international oil shortages, or efforts to curtail inflation.

***But in the end the data do not lie; taking every bust and boom into account, our economy has performed far better under Democratic administrations than Republican ones** on the most important economic measures, from GDP to jobs and from stock market returns to take home wages. These statistics show a stark contrast in what our country might have looked like had the policies of one party or the other held sway continuously throughout the post-war period.*

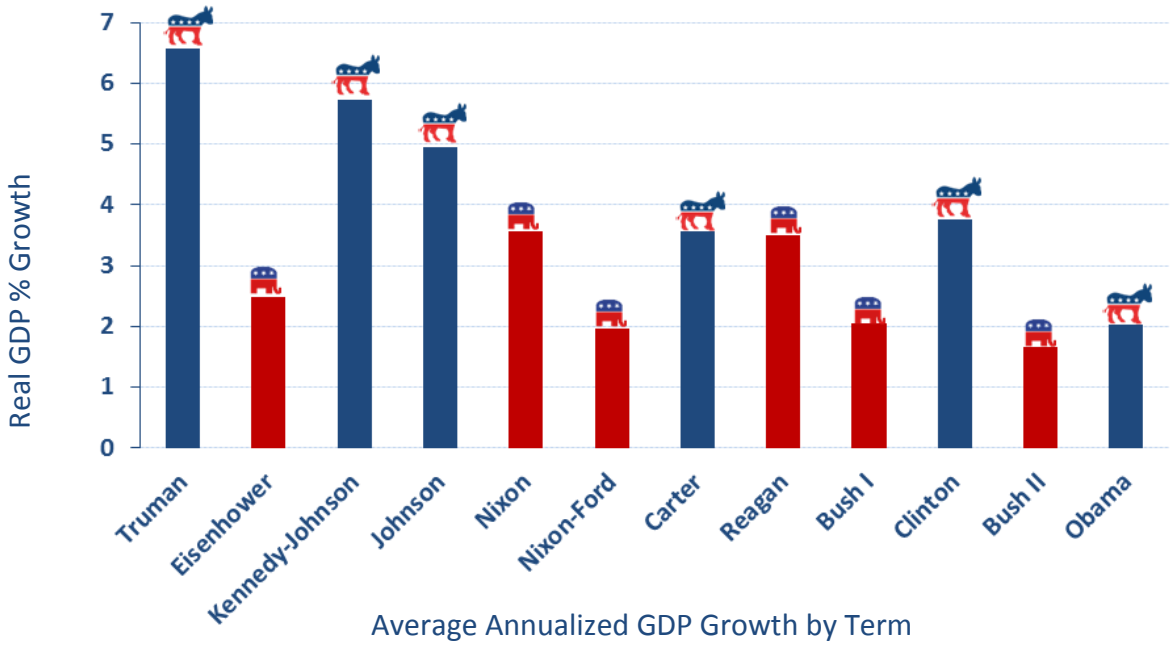
Economic Growth

Real Gross Domestic Product growth is our broadest indicator of economic health. At the end of 2015, the United States economy stood at $17.9 trillion, having grown an average of 3.3% after inflation since 1949. However, taking into account only the 4.8% rate of growth during years that Democratic presidents were in office and applying that average over the entire period, our economy would have grown to $31.1 trillion. In contrast, applying the same analysis over the years in which Republicans held the White House shows our economy would have grown at a much lower 2.5% to only $11.1 trillion.



Hypothetical GDP under Average Growth Rates for Respective Parties, 1949-2015

This overwhelmingly one sided comparison isn't based in fantasy, even if the results seem too good to be true. Going back to 1949, every Democratic president to follow a Republican has presided over an increase in the pace of economic growth, while every Republican president to follow a Democrat has seen economic growth slow. Certainly a lot has gone on over these sixty-eight years unrelated to decisions made inside the White House, but any pattern that repeats itself over such a long horizon demands our attention.



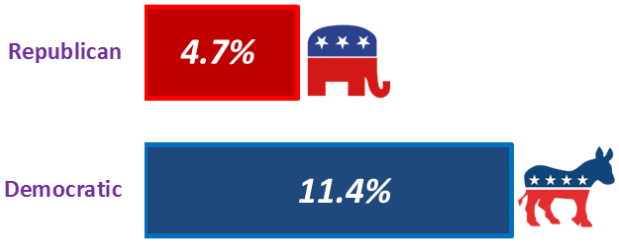
Average Annualized GDP Growth by Term

Investment

A major component of the American Dream has always been the ability to save for a secure retirement, often by investing in the stock market through an IRA or 401k account. Every day, millions of workers and retirees keep track of their stock portfolios to make sure that the average annual growth is enough to outpace inflation and build a nest egg that will provide a suitable retirement income in one's golden years.

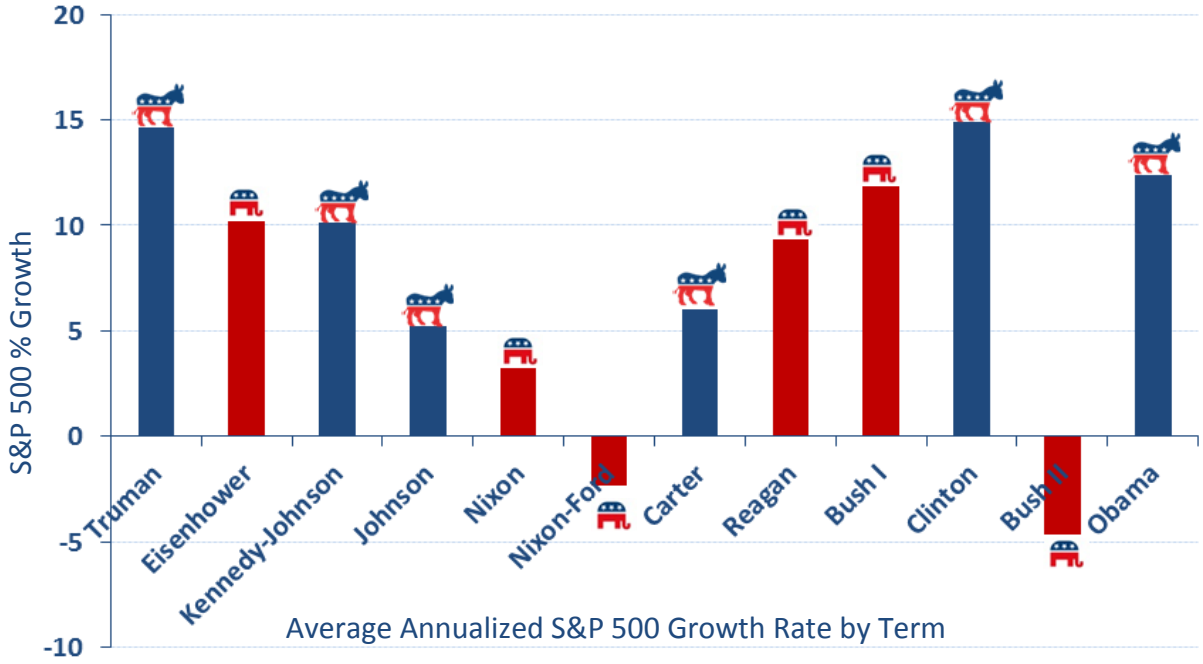
For Democratic presidential terms, the average annualized rate of growth in the S&P 500 has been 11.4%. If that average is applied from 1949 all the way through 2015 – as though Democrats controlled the White House for the entire period – an initial investment of $10,000 would have grown to more than $15 million today.

For Republican presidential terms, the average annual growth rate has only been 4.7%. If we extrapolate that for the entire period and assume that only Republicans had been in office from 1949-2015, an initial $10,000 investment would only be $231,000 today. Another way to look at this is to think of someone in 1949 choosing only to invest during Democratic or Republican administrations, and taking money out of the market during the other. Investing only under Democrats would yield $269,000 at the end of 2015, versus $49,000 under only Republicans.



Avg Annualized S&P 500 Return, 1949-2015

Democrats' rate of return would have produced retirement portfolios sixty-six times larger than Republicans' under that first scenario, and the S&P 500 – which closed last year at 2,044 – would be more than ten times larger than it is in reality.

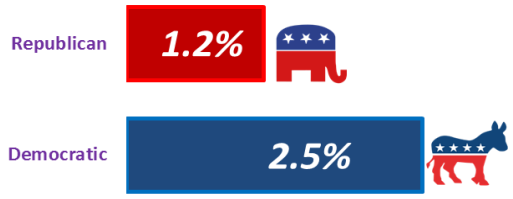


Average Annualized S&P 500 Growth Rate by Term

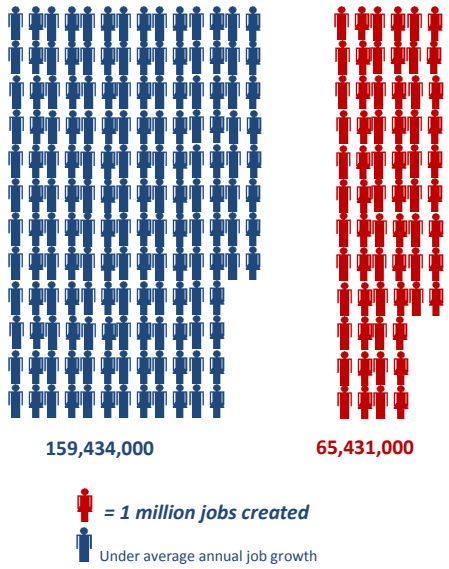
Job Growth

Since President Obama took office in 2009, our economy has created 14 million new jobs, more than enough to erase the losses of the Great Recession. Such high job growth mirrors gains during other Democratic administrations, under which jobs have been added at a 1.3% faster annualized quarterly rate than under Republican ones. Over the entire period from 1949-2015, 159,434,000 jobs would have been created if the rate under Democratic presidents had

held constant. By comparison, only 65,431,000 jobs would have been added had Republicans' rate been the norm. That comes out to 94 million more jobs that would have been created had Democrats held the White House throughout the post-war period than if Republicans had.



Avg Annualized Payroll Employment Growth, 1949-2015



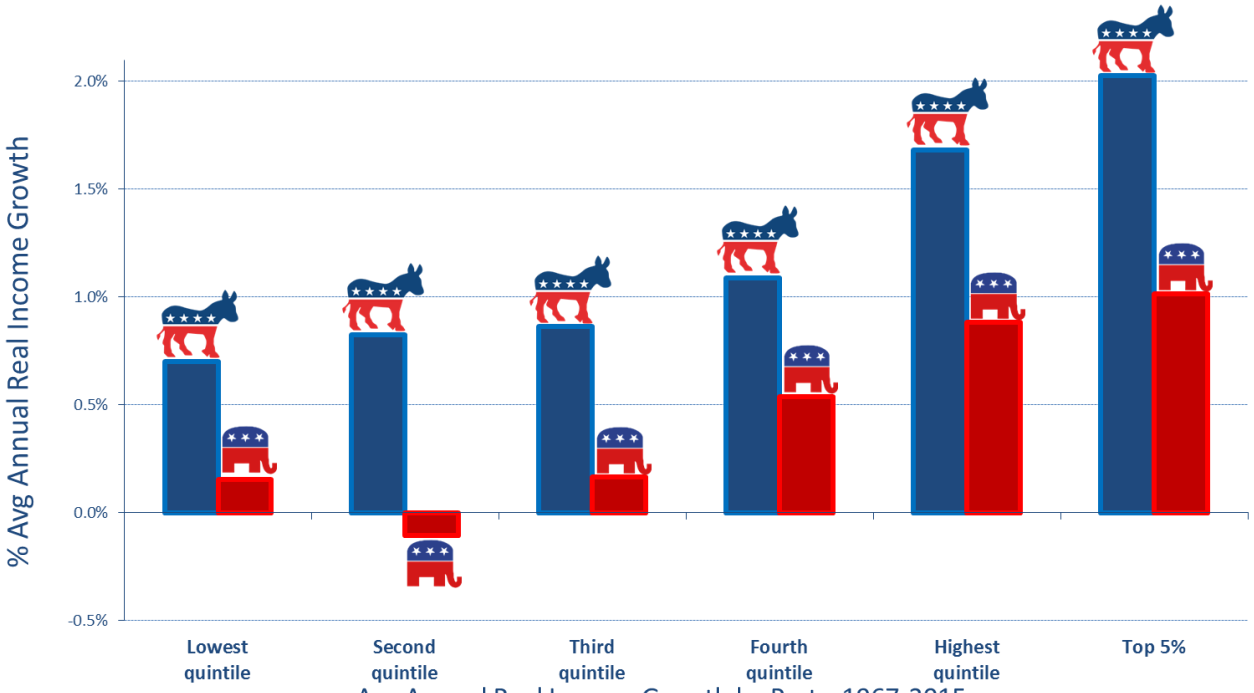
The performance of Democratic presidents on job creation is so strong that this much job growth would exceed the working age population of the country, a fact that further illuminates just how much Democrats' economic performance dominates their Republican counterparts.

Wages

Even with jobs growing, too many Americans have been left behind by wage stagnation, with incomes failing to rise fast enough to match a growing cost of living in some years. However, even accounting for stagnation in recent decades, real wages have grown far faster under Democratic presidents since 1949 than under Republican ones. In fact, Democratic administrations have performed better for every income group when it comes to wage growth.

Using 2015 dollars to account for true buying power, the 1949 equivalent of a $10.00 an hour wage (about $1.00) would have grown to $32.90 an hour under the average rate of growth in only Democratic presidential terms. Meanwhile, that same $10.00 wage would only have risen to $25.80 an hour today under the average rate of growth measured during Republican terms. That $7.10 gap translates to an extra $14,818 in buying power for a full-time worker over the course of a year. Moreover, Democratic administrations have seen a rise in the mean income of every income group, from the lowest earners all the way up to the top 5%.

Under Republican administrations, real wage gains have been restricted to only the highest earners and haven't moved a dime for those at lower incomes. In fact, many in the middle class – Americans in the second quintile of income – actually saw their real wages decrease when the White House was in Republican hands. This isn't class warfare. Everyone does better under Democratic presidents.

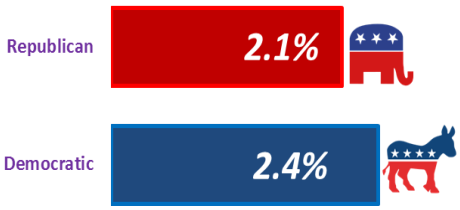


Avg Annual Real Income Growth by Party, 1967-2015
(Census CPS income data in quintiles begins 1967)

Productivity

During the period from 1949-2015, the rate of average annualized quarterly growth in nonfarm real output per hour – commonly the measure of worker productivity – grew at a higher rate under Democratic administrations than it did under Republican ones. While the average during Democratic years was 2.4% growth, productivity only averaged 2.1% growth in years when Republicans held the presidency. Even such a small difference adds up.

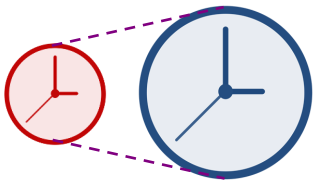
If productivity had grown at the average rate under Democratic presidents for the entire period, worker output per hour would be 371% higher today than in 1949. Had it grown only at the lower rate under Republican presidents, we would only have experienced 281% growth in productivity over the sixty-seven-year period. The result: workers producing 1.2 times more under Democrats.



Avg Annualized Productivity Growth by Party, 1949-2015

Full-Time Employment

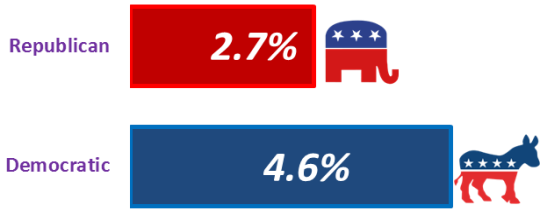
More American workers have also been employed full-time during Democratic years. This is evident from the growth in productive hours worked across the economy, which rose 2.2% under Democratic presidents and just 0.6% under Republican ones. If productive hours had grown at the Democratic rate from 1949 to 2015, they would have expanded 2.9 times more than they would have if the Republican rate had been the norm.



Growth in Productive Hours in Economy by Party, 1949-2015

Business Output

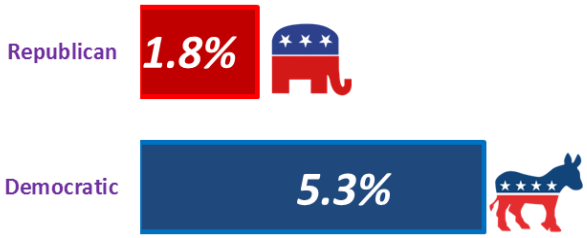
For further evidence of how our economy performs better under Democrats, we can look to data on private sector growth. Business output increased during every presidential administration since Truman's, but this growth was uneven. During Democratic terms, the average annualized quarterly growth rate was 4.6%, while during Republican terms it was 2.7%. If the private sector grew at Democrats' 4.6% rate each year from 1949 to 2015, it would have increased 3.6 times more than the rate under Republican administrations. Under Republicans, the private sector would only be 60% of what it is today.



Avg Annualized Output Growth, 1949-2015

Industrial Growth

America's manufacturing sector also follows the same pattern. When we look at the growth rate for industrial production since 1949 only for Democratic administrations, manufacturing grew at an average annualized quarterly rate of 5.3%. However, during Republican years, that figure falls to just 1.8%. If manufacturing had grown at the same rate it did during years in which Democrats controlled the White House for the entire period, manufacturing production would be 340% higher than it is today and 940% higher than it would be at the growth rate under Republicans.



Avg Annualized Industrial Production Growth, 1949-2015

A Pattern Emerges

Extrapolating out each party's averages for these important economic metrics across the entire 1949-2015 period is, of course, a thought experiment. No one can predict with certainty what might have happened had history been different. But the hard data demonstrate a very clear pattern: when Democratic presidents are in office, our economy performs better in nearly every way.

That is an important lesson, both with regard to the policies we choose and the politicians we choose to execute them. The next president's party affiliation won't destine millions in retirement savings for all. But Democratic leadership has proven to be more consistent in delivering the economic returns that will continue to make America so great.

Sources: Alan S. Binder & Mark W. Watson, "Presidents and the U.S. Economy: An Econometric Exploration," *American Economic Review*, American Economic Association, Vol. 106 (4), pp. 1015-1045, April 2016.
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