

The U.S. is currently engaged in a landmark debate over what role government should play in confronting our economic crisis and in shaping the future. Too much of the discourse by politicians and pundits seem woefully ill-informed about the historical record and is tragically misguided about Democratic and Republican policies. The charts below contrast the economic policies of Republican and Democratic Presidents since World War II. These tables yield a clear consistent and graphic picture of the effects party leaders have had on many of *the* most important indicators of economic well-being.

I hope the charts and brief commentaries can be valuable to citizens and political elites. Taken together the graphics tell a surprising story about the relationship between equity and economic well-being. The evidence and conclusions presented presuppose a democratic government, a market economy, and the continuation of both. Hopefully this information will provide new insights into those policies which best address current challenges and can promote discussions can undo the price we pay when leaders and citizens rely on time-worn slogans that have little relation to actual facts.

Joseph Wagner, Prof of Posc, Colgate University

As a scholar, my primary interests concern the philosophy, psychology and politics as they relate to morality and justice. I am not an economist, but for 30 years have tracked government data on how well we as a nation are doing, both materially and (by extension) morally. The data here does not employ complicated economic models. It is a straightforward historical presentation organized around the Presidential election cycle and the party identity of the President. Surprisingly clear patterns emerge and manifest with surprising consistency.

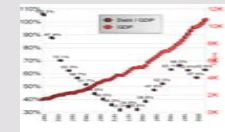
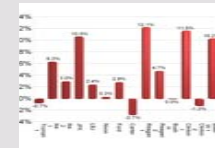
3 Parts of Each Graphic Page

My chief objective is to make clear visual presentations that can be read by anyone. Almost all the pages have a colored graphic that depicts surprising patterns in the period from 1948 to present. Each page includes 3 components.

1. **Header** consisting of

- a. A **bolded initial question** on a black surface: **Who Runs Up Larger Deficits?**
- b. A **brief description** of the content in the graphic below.
- c. Included in **Red Letters** is a **simple box score** summary of the difference between the parties.

2. **Graphic representation**, e.g., a bar chart, showing chronological changes across 4 year Presidential cycle.



3. **Brief commentary** explaining the meaning and significance of the content.

3 Ways to Read this Document

- *The Quickest Read* is to read the **bolded question** and the **box score**.
- *A Middle Way*. For those comfortable with **graphics** – each one is self-explanatory. Have fun with them.
- *In Depth Read*. Begin with the **Final Reflections** at the end of the document. Then go through each **graphic and the accompanying commentary**.

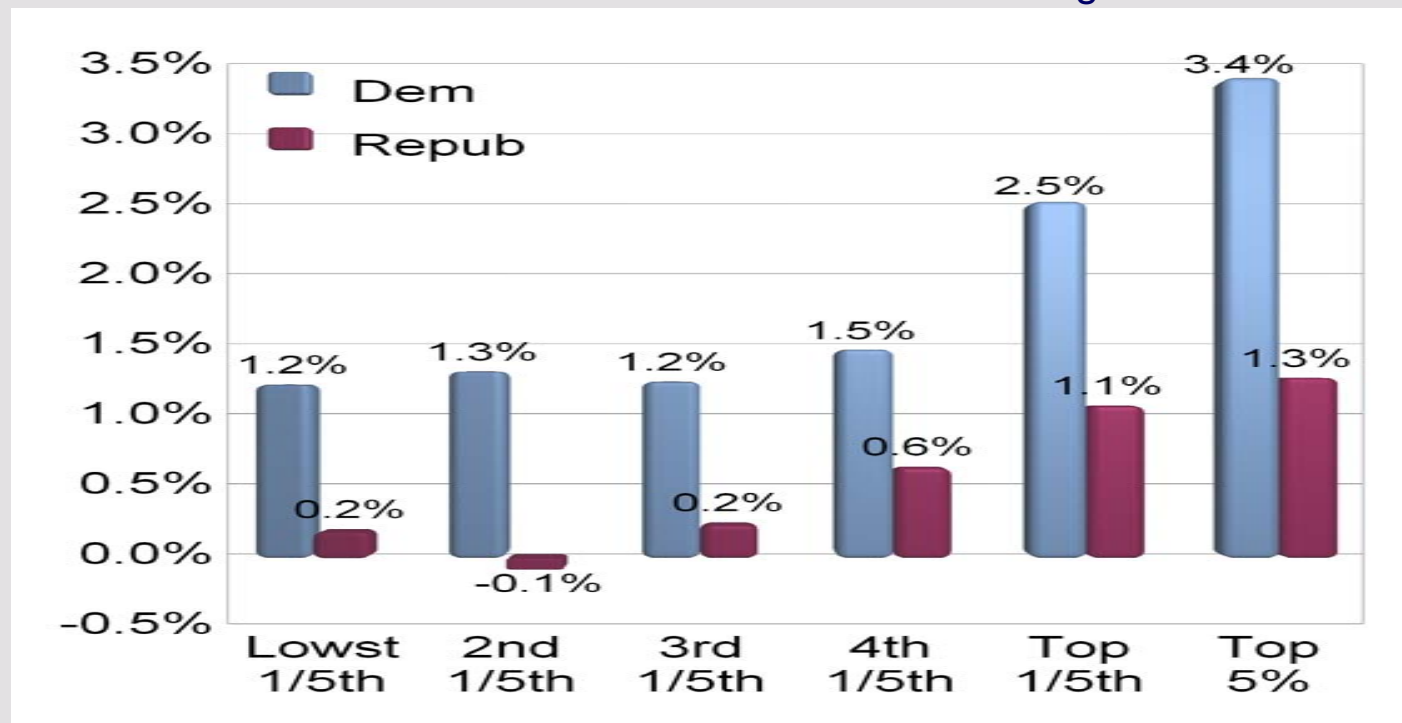
Fig 1

From the Best off to the Worst Off Whose Policies are More Fair?

**Percentage Increase in Average Annual Income
Measured for Each Income Fifth by Dem & Repub Presidents,
Controlled for Inflation 1968 – 2004**

Average Across Groups - Dem 1.5% Repub 0.5%

Data Excludes GW's 2nd term to avoid overstating the difference



Available data series
begins in 1968

This table shows that the rich gain more when the benefits of economic growth are distributed fairly across all income strata, than they do from trickle down policies that decrease tax rates to benefit upper income groups. The pattern above does not reflect business cycles!. Whatever the condition of the economy, the only concern is how Dem. & Rep. policies a) grow the economy & b) slice the available economic pie.

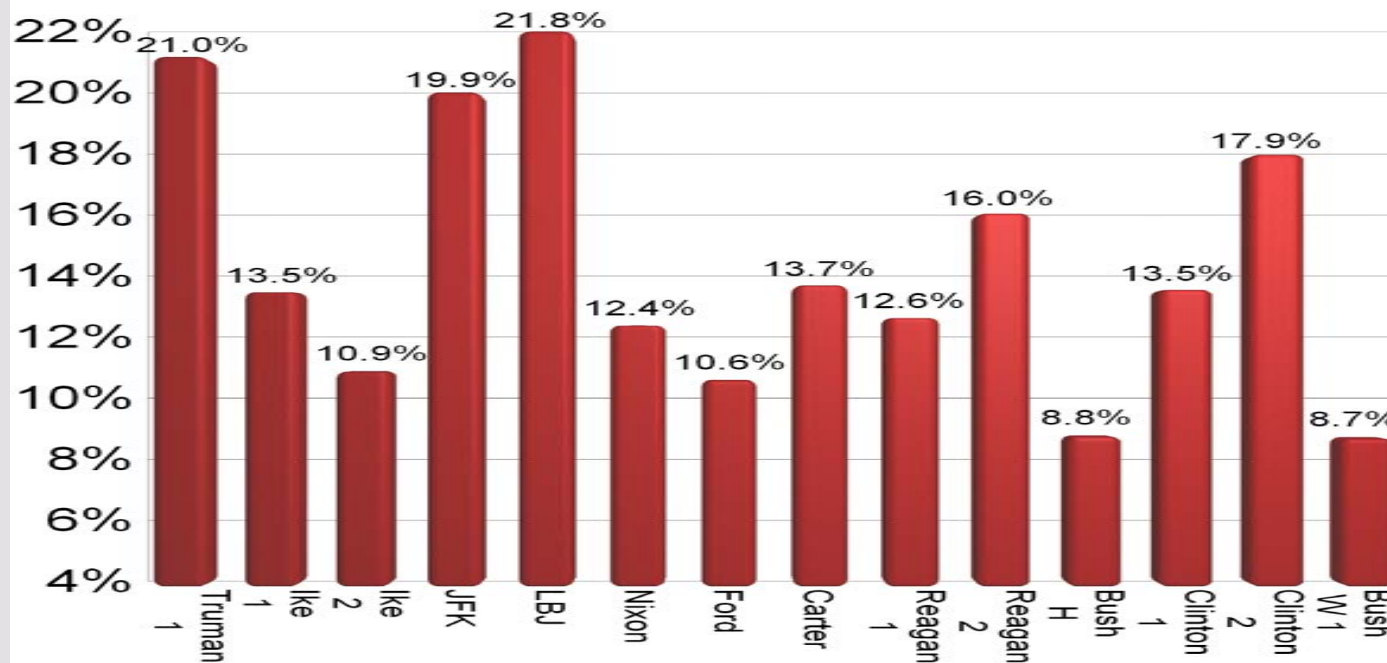
Fig 2

Who is Better for Economic Growth?

Four Year Average Growth of the Economy (GDP)
By Dem & Repub Presidents, Controlled for Inflation 1948-2004

Dem 18.0% Repub 11.7%

Excludes GW's 2nd term to avoid overstating the difference.



GDP is the broadest measure of productivity. Fig 2 shows that since 1948 the rate of economic growth under Democratic Presidents is nearly 60% higher than under Republicans. One implication of the first two graphs together is that better economic performance may be related to a broader distribution of growth's benefits across all income levels. This occurs not by direct handouts, but thru more jobs, opportunities and a slightly more progressive tax structure. This is plausible if one recognizes that the U.S. economy is increasingly consumer driven, and growth depends on consumption.

Fig 3

How Does Business Fair Under Each Party?

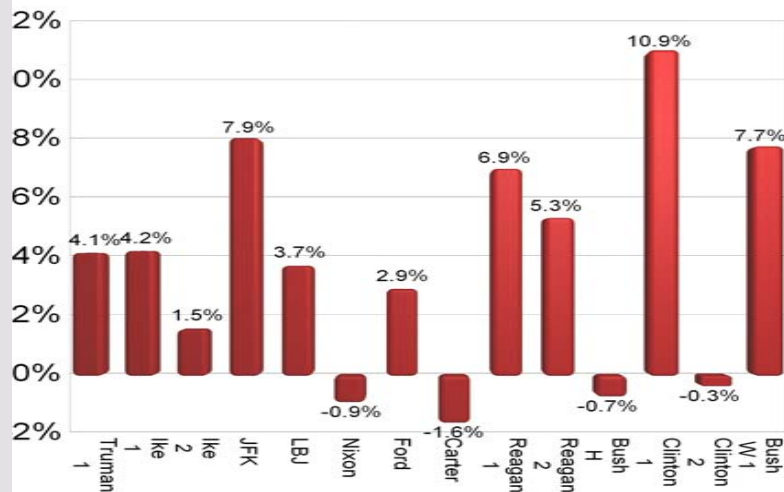
Average Year over Year Increase in Real Corporate Profits Under Dem. & Repub. Presidents from 1948-2004 Controlled for Inflation

Excludes GW's 2nd term to avoid overstating the difference

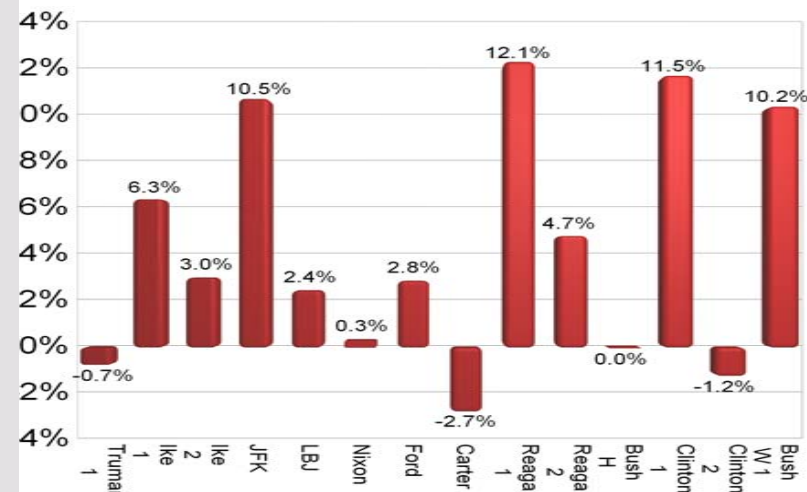
Before Tax Dem 9.2% Repub 5.2%

After Tax Dem 3.3% Repub 5.1%

3a



3b



Before Tax Profits are higher under Dems, but *After Tax Profits* are higher under Republicans. The relationship between business taxes and profitability is obviously not simple. Two issues are central to how one understands them. 1) If the choice is not whether govt. must pay its bills, but how taxes should be apportioned between businesses and individuals, then if one pays less the other pays more. 2) The more fundamental issues then is whether govt should do more or less or more realistically whether the govt policies of Dem's or Repub's are more beneficial to economic growth, business profitability, reduction of debt, and the financial, physical, environmental and moral health of US citizens. But even if the question is simply the amount of money in people's pockets the answer is clear. Not only does the economy and personal income grow faster under Dem. Presidents, but so do business profits. Why? Because the GDP pie grows faster under Dem's and as the next tables show so do conditions for business measured in a wide variety of ways.

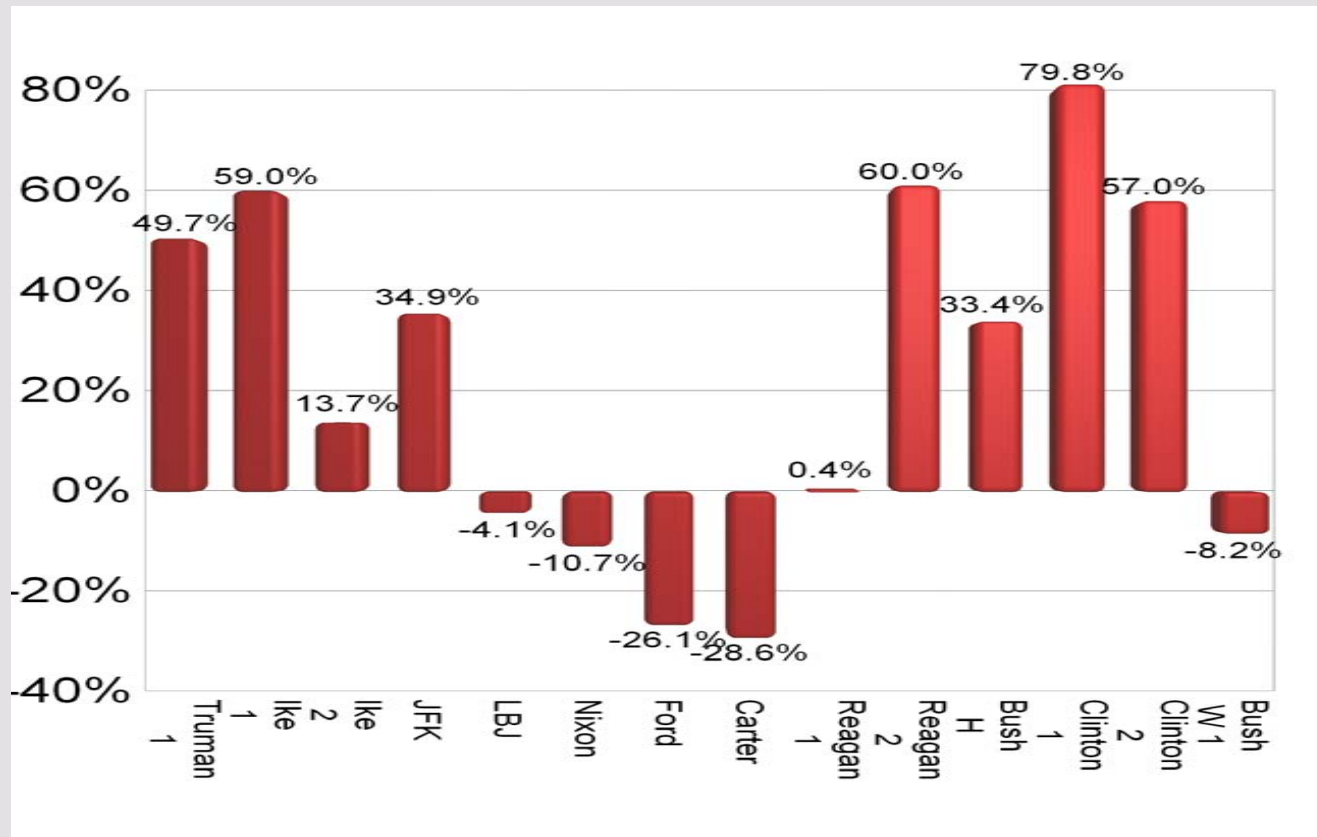
Fig 4

Which Party is Better for the Stock Market?

**Average Four Year Increase in the Dow Jones
By Dem & Repub Presidents, Controlled for Inflation 1948-2004**

Dem 31.4% Repub 15.2%

Excludes GW's 2nd term to avoid overstating the difference. Imagine if it were included.



Stock Market Growth is twice as high under Democrats as under Republicans. Why? In a consumer society, when rich *and* poor do well, so does the economy and so too do business profits and stock prices. All do worse under trickle down economic policies of cutting taxes for business and for the wealthy. Dropping Bush's 1st term, real \$ Dow growth under Repub's is still only 18.5%. Including GW Bush's 2nd term, it is 10.4%.

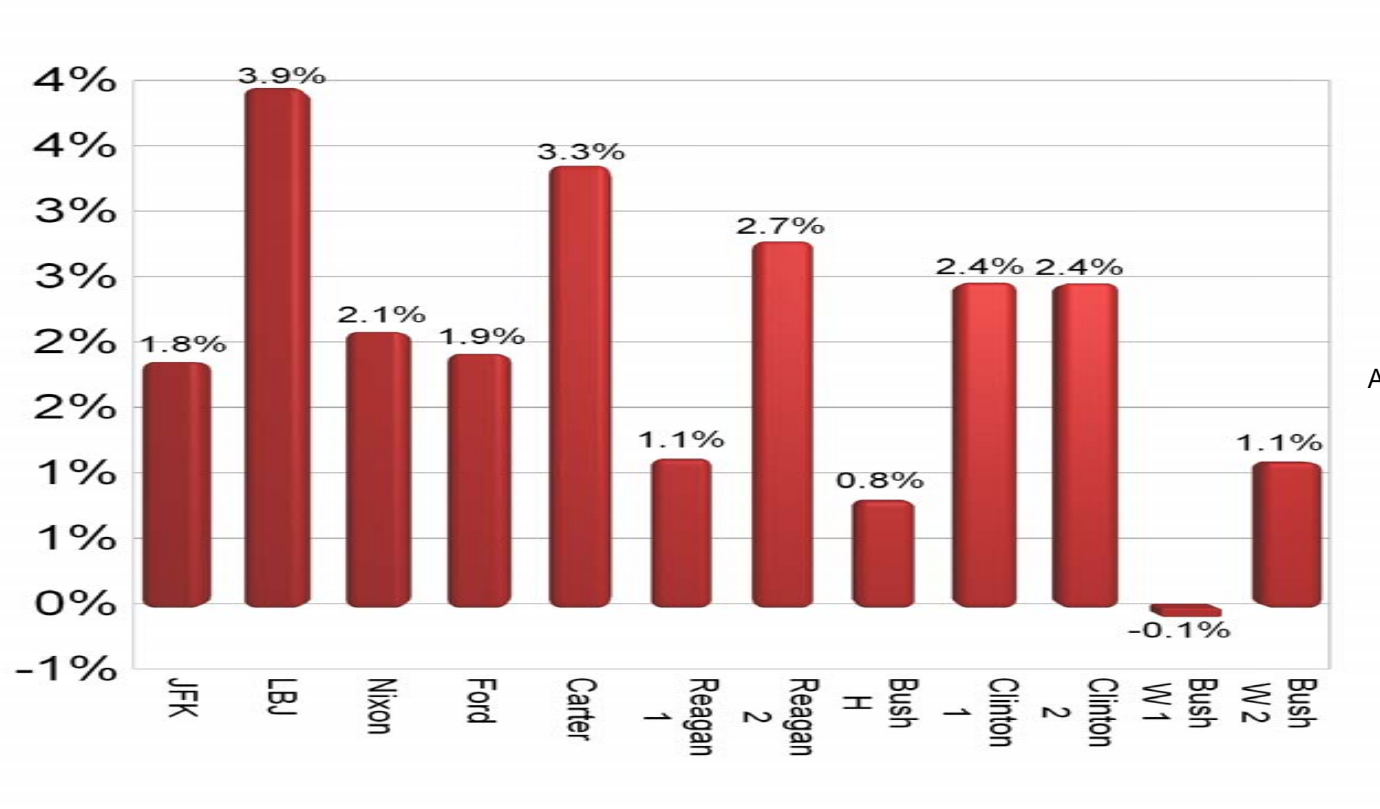
Fig 5

Who Creates More Jobs?

Four Year Average Growth in Total Employment
By Dem & Repub Presidents 1961-2008

Dem 9.7% Repub 5.6%

G. W. Bush's 2nd term is included because his only job growth occurred in this term.



Tax & spend epithets have very little relation to facts. Not only is total civilian employment (government and private jobs) higher under Dem's, but looking only at private sector job growth, the difference is even greater with **9.8% under Dem's vs 5.5% under Republican**, p/4 year average. Job recovery under GW was the slowest and worst after any recession since WWII, and despite the massive downturn in the last 3 months of 2008, the term was his best, but it does not change the 60 year pattern.

Fig 6

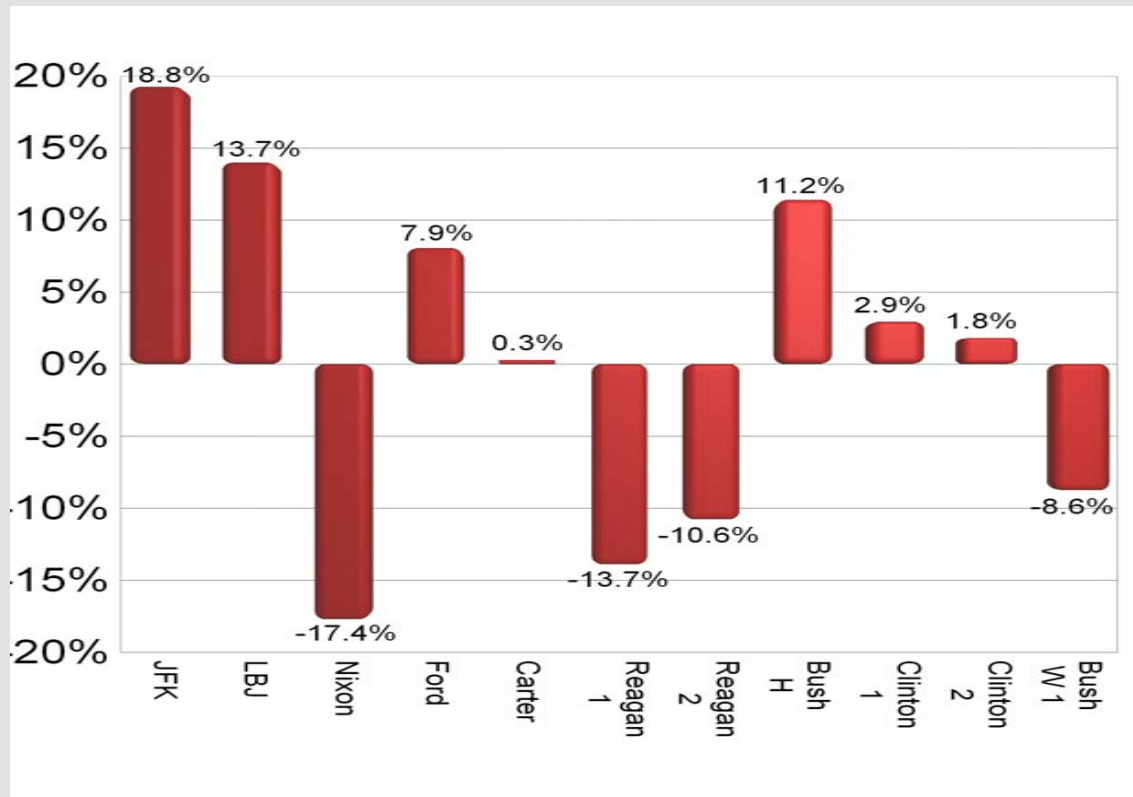
Who is Concerned about the Lowest Wage-Workers?

Average 4 Year Increase in the Minimum Wage Rate

Under Dem & Repub Presidents, Controlled for Inflation

Dem 7.5% **Repub -5.2%**

1960-2004 - Excludes GW's 2nd term
(to avoid overstating the difference)



Available data series begins in 1959

One of the most striking differences between parties is the concern for the worst off. The common complaint that raising the minimum wage will hurt the economy is clearly wrong, at least in conjunction with policies that encourage faster economic growth, create more equitable income opportunities and simulate higher levels of job creation.

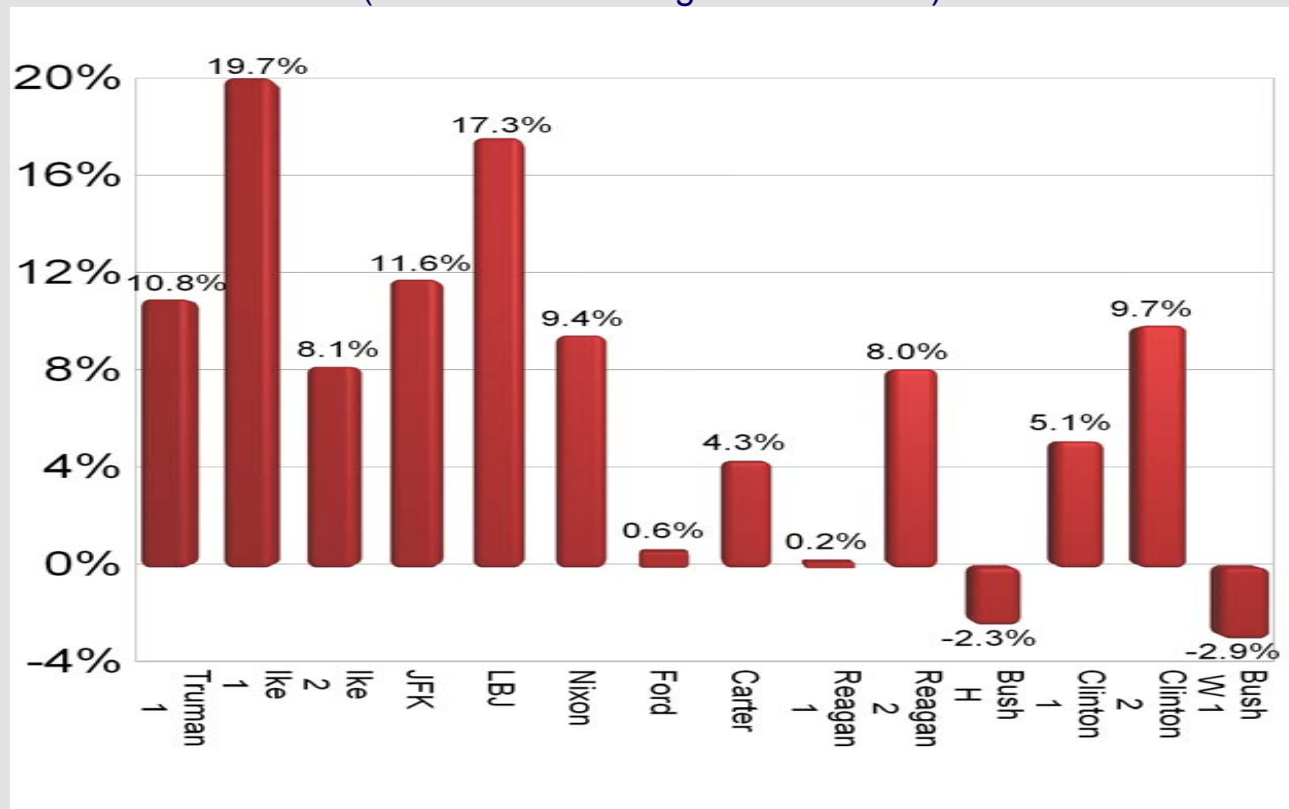
Fig 7

Which Party is Concerned for the Average Family?

Percent Change in Median Family Income over 4 Years By Dem & Repub Presidents, Controlled for Inflation

Dem 9.8% **Repub 4.8%**

1948-2004 - Excludes GW's 2nd term
(to avoid overstating the difference)



Median family income is the best indicator of the financial well-being of a typical family. By this measure, growth of family income is almost twice as great under Democratic Presidents, indicating that Republican policies of cutting taxes do not benefit average families.

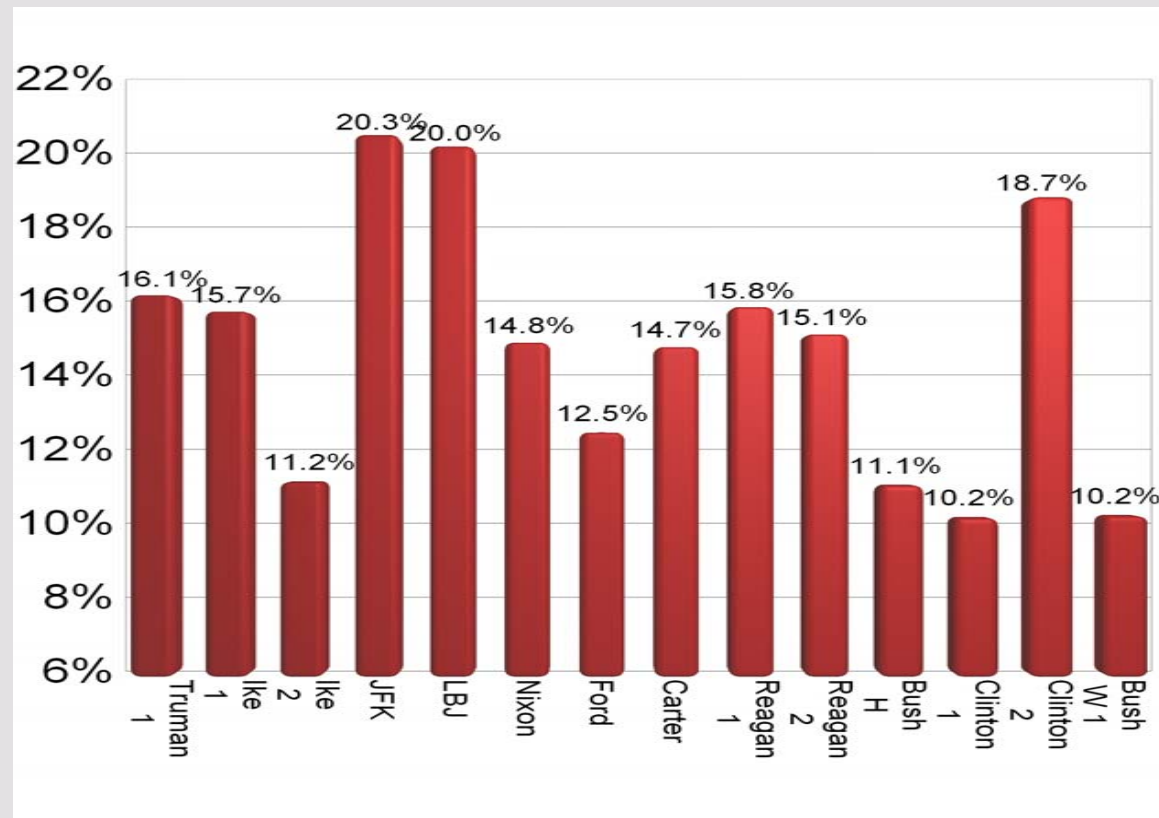
Fig 8

How Do Taxes Affect Spendable Income?

Change in Personal Disposable Income After Taxes (PDI) During a 4 Year Presidential Term, Controlled for Inflation 1948-2004

Dem 16.7% **Repub 13.3%**

Excludes GW's 2nd term to avoid overstating the difference.



PDI is the amount of spendable income after taxes available to individuals. The predominant concern about the new stimulus package repeats claims about “tax and spend Democratic policies.” But individuals and families have nearly 4% more spendable income under Democratic Presidents than they do under Republicans.

Fig 9

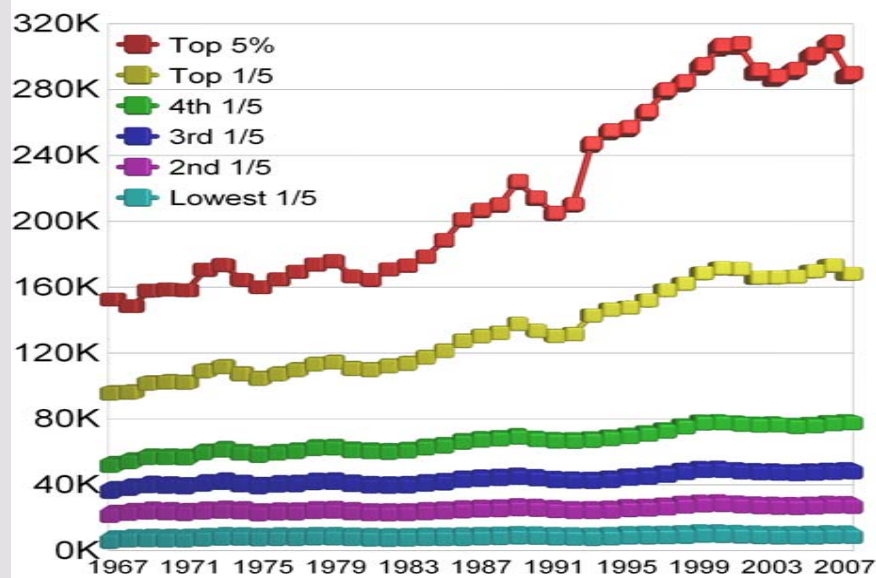
How Unequal Are We, And How Much Inequality is Tolerable?

Mean Household Income by Income Fifths

1967 to 2007

Reported in 2007 Real \$

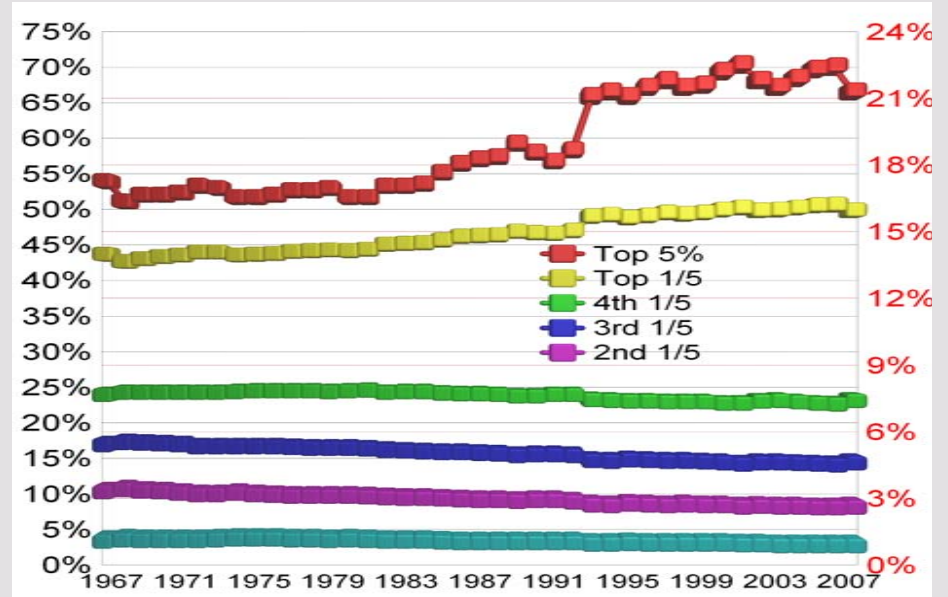
9a



Share of Total Income to Income Fifths

1967 to 2007

9b



As the economy improves the benefits are divided very unequally. Figure 9a shows the purchasing power of the lowest 60% of Americans is very little improved in 2007 than it was in 1968. After 40 years, income for lowest 20% of changed from \$8.7K to \$11.5, while household income for the top 5% went from \$152.6 to \$287.2.

Table 9b shows that households from the 1st to the 80th percentile, their share of total income declined an average of 1.5% for each group. But the top income quintile went from 43% of total income to 50%. Two-thirds of that change in that group went to the richest 5%. This may be just, but the evidence suggests more equal growth makes those who are best off even richer.

Fig 10

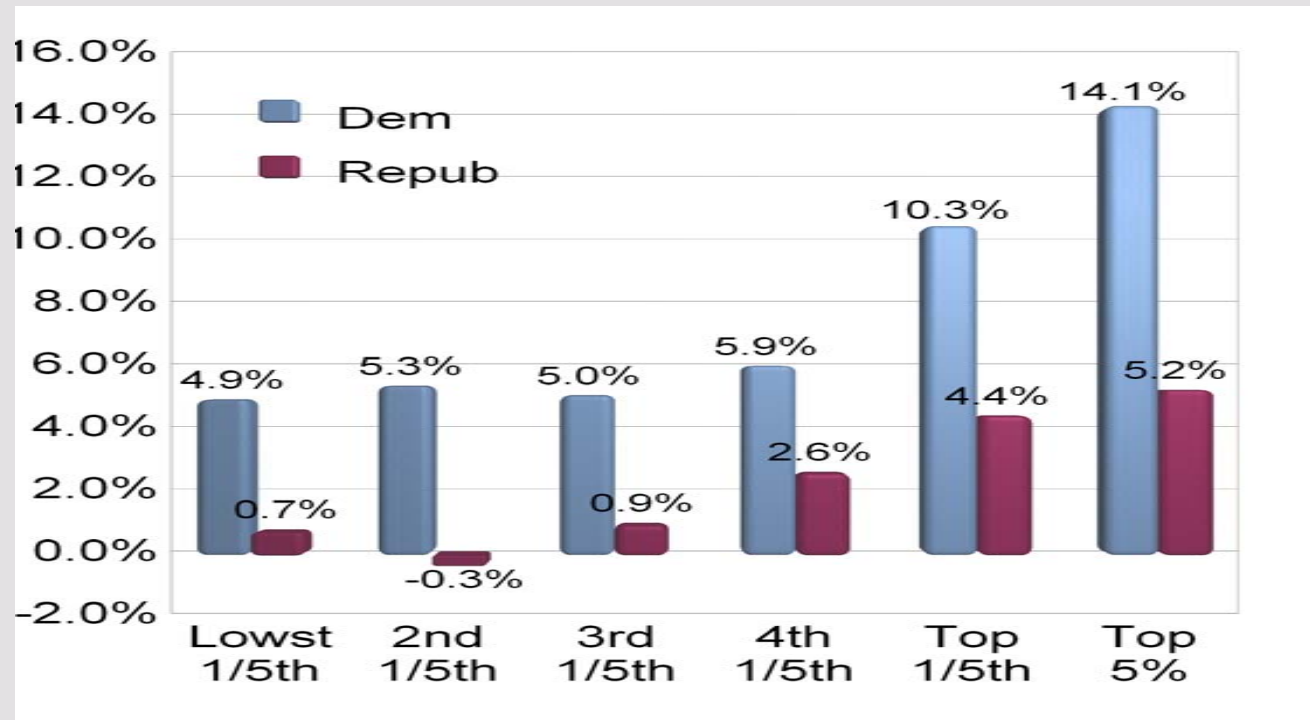
How Parties Divide the Income Pie Among the Worst and Best Off?

Change over 4 Years in the Mean Income by Quintiles

Under Dem & Repub Presidents: Controlled for Inflation 1968 - 2004

Dem 8.2% Repub 1.7%

Excluding GW's 2nd term



Same as data as Figure Modified to show 4 year change instead of annual.

If the top 40% of income earners seek greater income inequality, they have to keep incomes of the lowest 60% from growing. The price of obtaining this psychic advantage is substantially lower income growth for themselves. Why the highest income earners vote Republican is a mystery. It's no less mysterious why middle & wkg-class citizens vote against their own economic self-interest. For in a free market economy, greater fairness serves the economic self-interest of even the wealthiest. Yet the fear of losing out to those below, apparently overwhelms the truth that everyone, even the rich, would be much better off, if all income classes participated more fully in economic progress. What does this say about the moral psychology of trickle down economics and the political culture of our country?

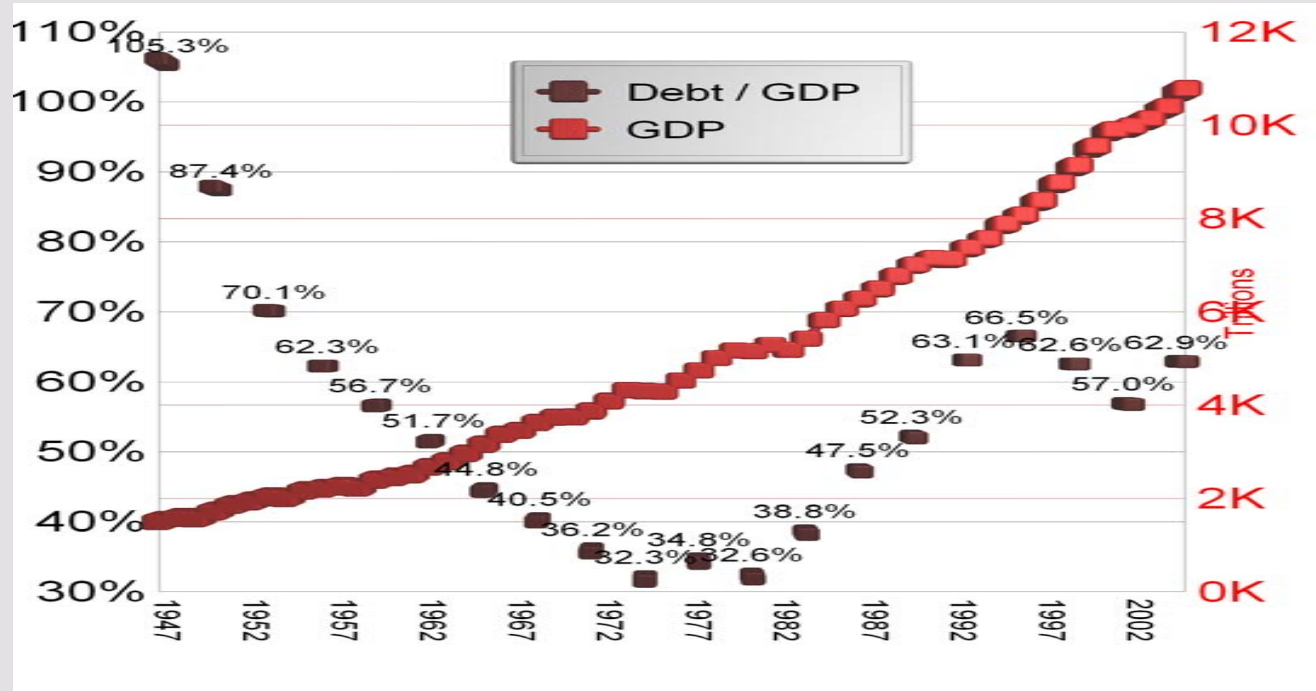
Fig 11

Can we Afford the Stimulus Package? Which Party Leaves More Debt for Future Generations?

**Four Year Reduction in Percent of Federal Debt Relative GDP
Plotted Against Real GDP 1947-2003**

Dem 10.9% Rep -5.4%

A negative # means increase in relative debt load



The historical lesson is clear. *Debt as a percentage of GDP decreases 10.9% on average during 4 years under a Dem. President, but gets 5.4% worse under a Repub.* In 1947 Federal debt was 105.3% of the GDP, and in 1952 Truman increased federal outlays by 48.8%. No subsequent annual increase is even ½ that size. But from Truman to Carter, the debt was steadily reduced to 32.4% of GDP in 1979. Debt (the black data points above) begins to grow again under Reagan. The only post 1980 decrease is under Clinton. Debt in absolute term (i.e., not relative to GDP) grows 4.9% in 4 years of a Dem President vs 17.5% for a Repub. Republican claims about not taking money out of people’s pockets and not burdening future generations is just what their policies do. Their beliefs about what works are radically disconnected from the historical record. The U.S. can afford a big stimulus package because it will grow the economy in ways that benefit everyone, and increased revenues plus a fair tax policy will pay it down.

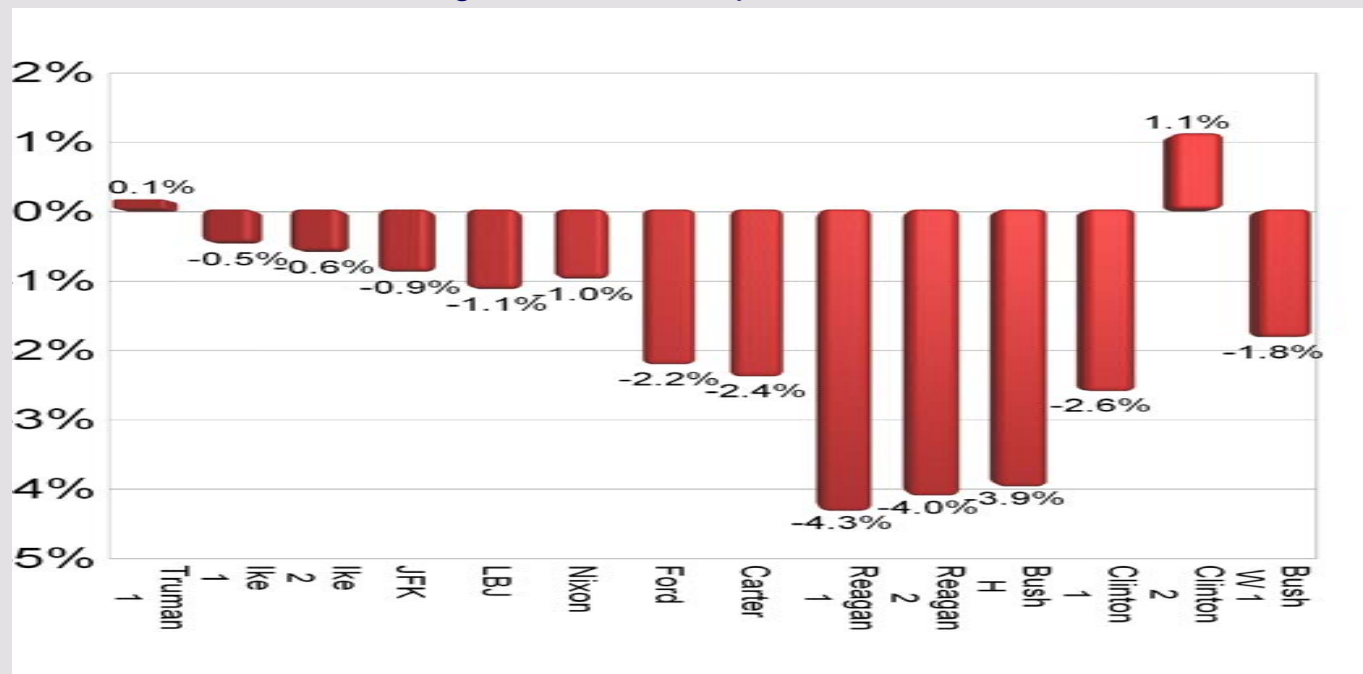
Fig 12

Who Runs Up Larger Deficits Democrats or Republicans?

Average Deficit as Percent of GDP
By Dem & Repub Presidents 1947-2004

Dem 3.8% **Repub 9.1%**

Annual Percentage Increase Compounded to Reflect 4 Year Term



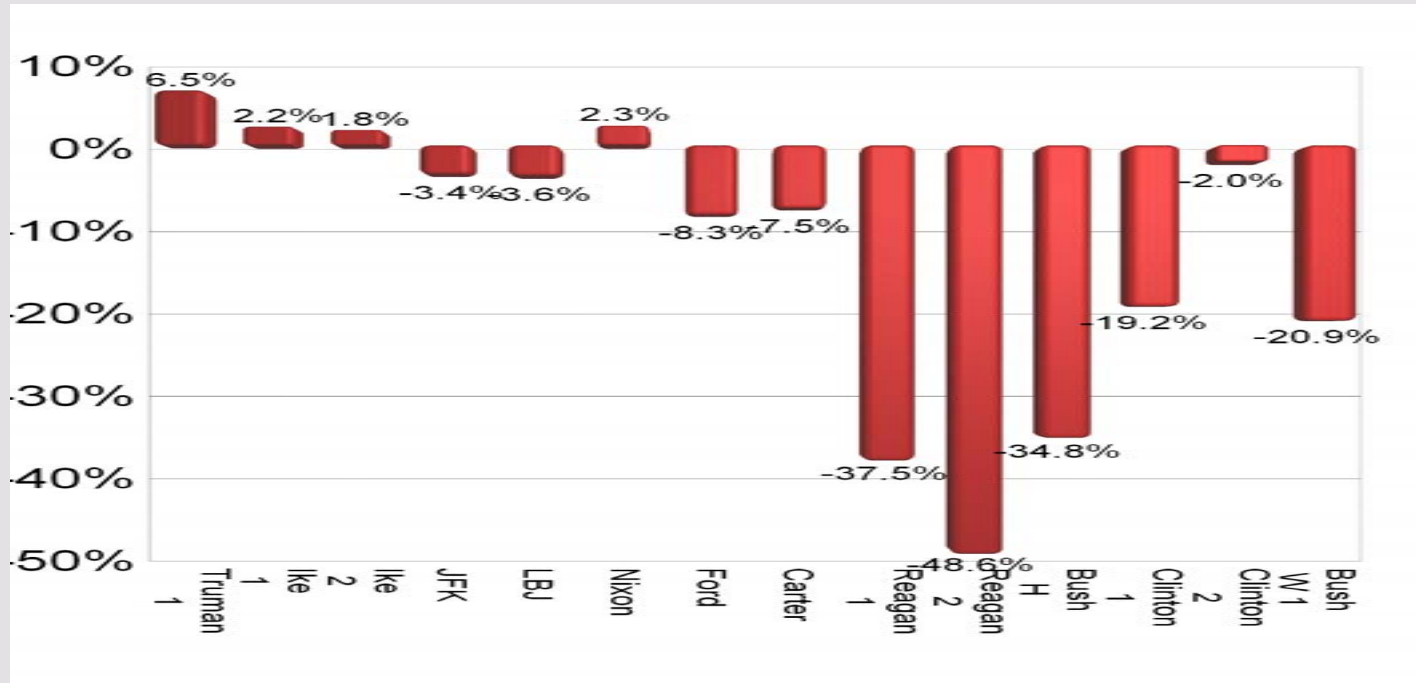
The cost of debt and spending is relative to the size of the economy. Lower deficits under Dem's occur because Dem's pay for the cost of government with policies that increase the incomes at every level, stimulate consumption, improve the economy, add to job growth and thus help to reduce govt. debt. Given the consistency of better economic performance under Democratic policies, more effective deficit and debt reduction, more money in pockets of rich, poor and middle-classes both before & after taxes, then why would Repub policies of tax cuts for businesses and the wealthy, slower growth, & increases in the federal debt burden appeal to anyone?

Fig 13

Who Increases the Federal Debt More Democrats or Republicans?

Average 4 Year Increase in Federal Debt
By Dem & Repub Presidents 1947-2004

Measured in Constant \$'s **Dem 4.7%** **Repub 17.1%**



A Final Reflection

The information presented here should be surprising in a number of ways. At least it seems especially startling to me, though I have been tracking this information for 30 years. One of the most striking features is the extraordinary disjunction between the rhetoric of the Republican party and effects of their party policy when they are in power. Ironically the very criticisms they employ to denigrate Democratic policies apply with much greater force to themselves. The economic performance of Republican Presidents is remarkably contrary to the objectives and ends they proclaim. Three features are most troublesome.

First, despite all the Republican talking points about the costs of Dem programs, Fig's 11 & 12 show that Republican Presidents produced annual deficits 1.5 times larger than Democrats, 2.4 times larger when compounded over 4 years. When it comes to increasing Federal Debt the disparity is even greater. After 4 years in office the size of the debt load increases 18% on average under Repub. Pres's compared to 4.8% under a Dem. Dem's simply do a better job paying for their policies. It's equally disturbing that Repub tax and program cuts are not a case of choosing short term benefits over long-term costs, because they come with an unsuspected price tag.

Second, it's true that taxes under Dem's increase in current and real dollars more than they do under Repub Presidents. But the actual tax burden on households decreases, because the GDP grows 1.5 times faster under Dem's than under Repub's, jobs increase, businesses do better and so does the stock market (Fig's 2-5). Most of all, under Dem Presidents people have more spendable income in their pockets, more people are employed, minimum wage keeps pace with the economy, and citizens in all income quintiles gain a benefit from economic growth (Fig's 6-10).

A Final Reflection cont'd

Third, Republican program cuts make relative (sometime absolute) decreases in spending for education, research and innovation, environment, unemployment, minimum wage, retraining and health care as well as relative cuts in oversight and regulations of banks, security exchanges, civil rights, etc. have a long-term and indirect costs. Many of these activities are stimulative contributing to present and future economic growth. It seems not to matter that the Repub record of cutting these programs and providing tax cuts has repeatedly proven less effective and disparagingly contrary to conservative pretensions. That this goes unrecognized is the most troubling feature of our current debate.

In no way am I suggesting that increased taxes or larger government programs automatically yield growth. The hypothesis I'm offering is that the reason Dem policies benefit have significant benefits for the economy is that they improve human capital by investing in all Americans. In contrast 80% of President Bush's tax cuts of \$1 trillion over ten years went to the the highest income earners in America and like Republican policies in general they have increased income inequality by stifling income growth for the lowest 60-80% of Americans (Fig's 9, 10). By helping those who are most disadvantaged, by investing in education and training, by showing greater concern for prevention of disease, environmental challenges, class, racial, ethnic and gender inequities, Dem programs help to prepare the country for the future. Dem programs are full of imperfections. Criticisms are needed to make them better. But what is incontestable is are the economic effects of the differences in party policies.

This explanation I offer is only an hypothesis. Even if it is not right, the effects of changing the party status of the President are dramatic and indelible. If conservatives are going to effectively contribute to the current debate, they must begin by coming to grips the evidence here and the extensive implications it has.

A Final Reflection cont'd

Finally, it is the natural tendency of human beings to close our ears to uncomfortable truths and to our reduce adversaries to stereotypes. As J. S. Mill observes, "He who knows only his own side of the case, knows little of that. His reasons may be good, and [to his mind] no one may have been able to refute them. But if he is equally unable to refute the reasons on the opposite side; if he does not so much as know what they are, he has no ground for preferring either opinion" (On Liberty). Given the long history of human experiences, assuming any of us can help the currency of politics come closer to actual truths is a slim hope, but it is a hope well worth having.

Joe Wagner

A Note on Sources

All data come from executive branch agencies and was issued during the Presidency of George W. Bush. In the PowerPoint version of this presentation footnotes for each slide indicate data sources.

All the data used are available online courtesy of the US government, and predominantly come from the Statistical Abstract of the US, And the Bureau of Economic Analysis.

Most graphs in this presentation use data series that begin in 1947 or '48. Whenever a series is shorter, it is because the longer series is not available.