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# The Economic Records of the Presidents: Party Differences and Inherited Economic Conditions

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## Abstract

Several studies of the post-war American political economy find that Democratic presidents have been more successful than Republicans. Most recently, Bartels (2008) found that economic growth had been greater and that unemployment and income inequality had been lower under Democratic presidents since 1948. If true, these findings combined with the frequent success of Republicans in presidential elections pose a challenge to theories of retrospective voting and responsible party government. This reexamination of these findings indicates that they are an artifact of specification error. Previous estimates did not properly take into account the lagged effects of the economy. Once lagged economic effects are taken into account, party differences in economic performance are shown to be the effects of economic conditions inherited from the previous president and not the consequence of real policy differences. Specifically, the economy was in recession when Republican presidents became responsible for the economy in each of the four post-1948 transitions from Democratic to Republican presidents. This was not the case for the transitions from Republicans to Democrats. When economic conditions leading into a year are taken into account, there are no presidential party differences with respect to growth, unemployment, or income inequality.

**KEYWORDS:** economy, economic growth, inequality, political economy, presidential parties, president, recessions, unemployment

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According to several studies of the American political economy, Democratic presidents have had stronger economic records than their Republican counterparts in the post-WWII era. Douglas Hibbs found that economic output from 1953 to 1983 was greater, unemployment lower, and income inequality reduced under Democratic presidents (1987, 226 and 241, 242). Alberto Alesina and Howard Rosenthal (1995, 181) corroborated those findings. Most recently, in an impressively straightforward and extended analysis of economic performance under Democratic and Republican presidents from 1948 to 2005, Larry Bartels in *Unequal Democracy* (2008), like those before him, found significant differences between the economic records of the presidential parties. By his estimates, economic growth rates have been higher, unemployment rates lower, and incomes more evenly distributed under the Democrats. "Real income growth has historically been much stronger under Democratic presidents than under Republican presidents, especially for middle-class and poor people," according to Bartels (2008, 64).

This partisan performance difference should have had important electoral implications. It stands to reason that the superior performance of the economy under Democratic presidents, presumably indicative of superior economic policies, when coupled with the importance of the economy to voters, would have produced a Democratic "lock" on the White House. By both the theories of retrospective voting and responsible party government, Democrats should have been rewarded by the electorate for the better economies over which they presided, and Republicans should have been rebuked for the weaker economies on their watch. If, as Harry Truman said and as a generation of retrospective voting research attests (Fiorina 1981, Kiewiet and Rivers 1984, Erikson 1989, Lewis-Beck and Stegmaier 2000, Nadeau and Lewis-Beck 2001, Norpoth 2002), "the buck" stops with the president, the economic powerhouse Democrats should have dominated presidential elections.

But they have not. In fact, between 1948 and 2005, Republicans held the presidency more often than Democrats (33 years to 25 years). This disconnect between economic records and electoral outcomes for the presidential parties is the conundrum that motivated Bartels to examine several hypotheses for why Democrats failed to achieve the political dominance warranted by the superiority of their economic record.

This analysis reexamines the findings that provide the foundation for Bartels' analysis. The question addressed here is whether the empirical premise of Bartels' study is solid. Have Democratic presidents since 1948 pursued policies that produced better economic conditions for Americans? Specifically, have the policies of Democratic presidents actually led to greater economic growth, lower unemployment, and smaller income differences between those at the bottom and top of the income distribution?

The reexamination of Bartels' principal findings is organized in five sections. The first discusses the parameters, assumptions, and data sources common to both the original study and this reanalysis. Both studies limit their focus to the immediate economic conditions of a president's tenure in office. Neither considers the possible longer-term economic consequences of a presidency. Both studies also assume a definite time-lag between when a president takes office and when he can be reasonably said to be responsible for national economic conditions, as much as any president can ever be held accountable for those conditions. A president's economic policies cannot reasonably be expected to have an immediate impact on the economy the day after he is sworn in, and whatever impact a president's policies may have had are not instantaneously terminated when he hands over the reigns of power to his successor.

The second section replicates and updates Bartels' study by adding four additional years of data to the analysis. The data now extend from 1948 to 2009. In all cases, the data sources and estimation methods are identical to those used in the original analysis. The updated findings corroborate those of the original study. By these estimates, Democratic presidents have presided over significantly stronger and more equitable economies than Republican presidents since the late-1940s.

The third section reexamines these findings to determine whether they might have been the product of a specification error. The reexamination concludes that the findings of a presidential party difference in economic records was the result of not properly taking into account the effects of the prior economy on later economic conditions and of the much weaker economic conditions inherited by Republican presidents from their Democratic predecessors. In other words, the difference in the economic records of the parties did not result from a difference in the success of their respective economic policies, but from the two parties inheriting economies in very different conditions. Republican presidents since 1948 inherited from their Democratic predecessors economies that were badly slumping and going into recession as they took office. This has not been the case in the transitions from Republican to Democratic presidents. When the lagged effects of the inherited economy are properly taken into account, the records of Democratic and Republican presidents since 1948 do not significantly differ with respect to economic growth, unemployment, or income inequality.

The fourth section of the analysis explores in greater depth the four transitions from Democratic to Republican presidents. This is where the action is—or, more accurately, when the action was, according to the reanalysis of lagged economic effects. In reexamining the record, it is clear that (for whatever reason) in the four transitions from Democrats to Republicans since 1948 (Truman to Eisenhower, Johnson to Nixon, Carter to Reagan, and Clinton to

Bush) the economy was in trouble before the new president could have reasonably been held responsible for the economy.

The fifth section reevaluates Bartels' "honeymoon" hypothesis. This is the suggestion that the economic records of the presidential parties particularly differed in the second year of a new president's term because it followed a "honeymoon" year in which new presidents are especially successful in moving public policy. The reevaluation finds that the parties' records were about the same in producing second-year *change* from the economic conditions that the presidential parties' inherited. Party differences in the second-year records of the presidential parties are better understood as reflecting differences in the economic conditions that each party inherited rather than differences in the success of the macroeconomic policies that each party advanced in its "honeymoon" years.

## Parameters, Assumptions, and Data

Both Bartels' original study and this reanalysis are bounded with respect to what they regard as the economic records of the presidents. Neither study accepts the monumental challenge of measuring the economic impact of presidential policies beyond the immediate terms of a presidency, though many policies admittedly have economic consequences that extend well beyond a president's tenure (Grafstein 2008). For example, the Federal-Aid Highway Act of 1956 enacted during Eisenhower's presidency created the interstate highway system, which affected the economy for many decades after Eisenhower left office. Many other policies have undoubtedly also had long-lasting economic consequences, for better or for worse. Neither the original study nor this reanalysis attempts to disentangle the web of policy influences over time; they are content, as most voters seem to be, to assess the more limited and proximate records of the presidents around their time in office.

Even this more limited assessment of presidential records during their time in office entails a controversial assumption about when a president's responsibility for the economy begins and ends. There is some lag between when a president takes office and when he can reasonably be held responsible for the economy. It takes time to get an administrative team in place, to prepare legislation or regulations (or de-regulations), for the legislative process to work through presidential proposals, and for executive departments and agencies to implement the policies (Hibbs 1987, 220-1). Once implemented, it takes time for these new policies to have an effect, and their full effect (second- and third-order multiplier effects) may not be felt for some time. To some degree, these policy effects may be accelerated, as portions of the public anticipate likely effects and act accordingly. Even so, it generally takes a good deal of time for the impact of policies to be realized.

One needs only to look at the federal government's budget cycle to gain some appreciation of the lag. There is about a nine-month long process between the proposal of the president's budget in late January and the beginning of the new fiscal year in October.[1] Quite often, Congress has not completed its work on the appropriations bills by the beginning of the fiscal year and must pass continuing resolutions as stop-gap measures until the spending bills are passed and signed. So for at least the first ten months of a new president's term, the spending priorities of the federal government largely reflect presidential and congressional spending priorities set before the president took office. These spending priorities, of course, continue to have economic effects for some months after the end of the fiscal year. While not all policies with economic consequences are part of the budget process, and new presidents may propose and get Congress to act on legislation outside of the normal budget process, most federal spending is part of this normal process, and the time line involved provides a sense of how long policy change takes to work through the legislative process.

The issue of the appropriate lag is further complicated in two ways. First, it is unrealistic to assume that all policies take the same amount of time from proposal to effect. Both differences in political circumstances and types of economic policies create different lags between the proposal of a policy and its economic impact. Second, there is some period in which the effects of a current president considerably overlap with those of his predecessor. Economic policies are not like a light switch that can be turned off and on. Still, even with these complications, voters and political observers must be able to say at some point that the sitting president is reasonably accountable for economic conditions in the nation, at least in as far as any president can be said to be responsible for the economy.

Noting the general "macroeconomic evidence regarding the timing of economic responses to monetary and fiscal changes" as well as the fit of the data, Bartels (2008, 33) specified a *one-year lag* between a president taking office and being politically responsible for the economy.[2] The same one-year lag in political responsibility is accepted here and used in both updating and reexamining the original analysis.[3]

The reanalysis also draws from the same data sources as those used by Bartels (2008, 48). In examining each of the three metrics of economic growth, unemployment, and income inequality, the analysis covers the 62-year period from 1948 to 2009. The measure of growth is the annual change in the real gross

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[1] Prior to fiscal year 1977, the federal government's fiscal year began on July 1. The Congressional Budget Act of 1974 changed the start of the fiscal year to October 1 (Heniff 2003).
[2] Hibbs (1987, 223) used only a one quarter lag for presidential responsibility.
[3] Using the assumed one-year lag for presidential responsibility, Democrats were responsible for the economy in 26 years and Republicans in 36 years.

national product (GNP) per capita, and these data were obtained from the National Income and Product Accounts of the Bureau of Economic Analysis (2010). Beyond the annual data examined by Bartels, annualized quarterly data from the same source are also examined. With respect to unemployment, as in the original analysis, the updated data are the annual average unemployment rates in the civilian labor force reported by the Bureau of Labor Statistics (2010). Finally, as in the original study, the presidential party records on levels of income inequality are assessed using data from the U.S. Census Bureau (2011). Income inequality is measured by the amount of family income required to be at the top of the twentieth, fortieth, sixtieth, eightieth, and ninety-fifth percentiles of family income. Income inequality is reduced when there are smaller differences between income thresholds at the lower and higher levels of income distribution. If lower income thresholds (the income necessary to be at the twentieth or fortieth percentiles) increase at a higher rate over time, income inequality is decreasing. On the other hand, if higher income thresholds (the income necessary to be at the eightieth or ninety-fifth percentiles) increase at a higher rate over time, then income inequality is increasing. With the common analytic and data bases of both the original and this study established, we can now turn to the updated analysis.

## The Update

An updating of Bartels' analysis of the presidential party records on economic growth, unemployment, and income inequality corroborates the original findings across the board. Equation 1 in Table 1 reports the simple regression analysis of the effect of the president's party on real GNP per capita growth from 1948 to 2009. The coefficient for the presidential-party dummy variable indicates that the expected growth under Democratic administrations (lagged one year) was generally about 1.4 percentage points higher than it was under Republican administrations. Real GNP per capita growth under Republicans was typically less than 1.5 percent, compared to a typical growth rate of more than 2.8 percent when Democrats were at the helm. This is very close to the figures that Bartels reported in his Table 2.4 (2008, 48). Though the presidential-party difference by itself accounts for only seven percent of variance in annual economic growth rates, the difference is statistically significant ($p<.02$, one-tailed).

The updated analysis of partisan differences in unemployment rates similarly corroborates Bartels' findings. Equation 2 in Table 1 presents the regression.[4] Unemployment rates have typically been about 1.4 percentage points

[4] Because of significant serial correlation (reflected in the significant Durbin-Watson value), a Cochrane–Orcutt estimation was also conducted, and this confirms the significance of the party-difference coefficient. The partial-differencing weight used was .75. The coefficient for the party-difference variable is the same in OLS and Cochrane–Orcutt estimations.

**Table 1. Economic Growth and Unemployment Rates under Democratic and Republican Presidents, 1948-2009**

| | *Dependent Variable:* | |
|---|---|---|
| *Independent Variable* | *Real GNP per capita Growth (%) (1.)* | *Unemployment Rate (%) (2.)* |
| Democratic President (lagged one year) | 1.39* (0.60) | −1.40** (0.35) |
| Constant | 1.45 | 6.24 |
| N | 62 | 62 |
| Adjusted $R^2$ | .07 | .20 |
| Standard Error of Estimate | 2.31 | 1.36 |
| Durbin-Watson | 1.86 | .54 |

**p<.01, *p<.05, one-tailed. Note: Standard errors are in parentheses. Years in which a Democratic president is accountable for economic conditions are scored one and years in which a Republican president is accountable are scored zero. As in Bartels (2008, 33), presidents are counted as being responsible for the economy one year after they become president and one year after they leave office. For example, Eisenhower was sworn into office in 1953 and was not accountable for the economy until 1954 and then did not relinquish responsibility until after 1961. The D-W statistic is significant in equation 2, indicating serial correlation. A Cochrane-Orcutt partial differencing correction was used and reaffirmed the significant effects.
Data Sources: Bureau of Economic Analysis (2010) and Bureau of Labor Statistics (2010).

lower under post-1948 Democratic presidents. The difference is statistically significant (p<.01, one-tailed) and accounts for about 20 percent of the variance in annual unemployment rates from 1948 to 2009. Unemployment averaged about 6.2 percent under Republicans and about 4.8 percent under Democrats.

The third metric on which Bartels finds Democrats to have outperformed Republicans is the reduction of income inequality (2008, 32-34). The assessment of income inequality involved examining average annual growth rates for real income under Democratic and Republican presidents for those with incomes at the twentieth, fortieth, sixtieth, eightieth, and ninety-fifth percentiles. The five regression results of the updated analysis in Table 2 indicate that presidential-party differences were statistically significant, with income growth being greater under the Democrats, in every income category except at the very highest level (the 95$^{th}$ percentile). The coefficients for the party difference variable in the

updated analysis correspond closely to Bartels' estimates in his Table 2.1 (2008, 32). Income growth was significantly greater under Democrats at every income level except the very highest. Most notably, party differences in income growth rates were somewhat larger at lower income levels than they were at higher levels. This translates into lower levels of income inequality under Democrats than under Republicans.[5] Average growth rates for real income at each income level under each party's administrations are displayed in Figure 1. The figure again corresponds quite closely to that of the original study (2008, 33, Figure 2.1).

**Table 2. Real Income Growth Rates by Income Level and Presidential Partisanship, 1948-2009**

| *Dependent variable: Average annual real pre-tax income growth (%) for families at various percentiles of the income distribution* | | | | | |
|---|---|---|---|---|---|
| | *Income Percentile* | | | | |
| *Independent variable* | *20th* | *40th* | *60th* | *80th* | *95th* |
| Democratic President (lagged one year) | 2.29** (.93) | 1.75** (.73) | 1.43* (.66) | 1.07* (.62) | .37 (.73) |
| Constant | .25 | .61 | .94 | 1.21 | 1.64 |
| N | 62 | 62 | 62 | 62 | 62 |
| Adjusted $R^2$ | .08 | .07 | .06 | .03 | .00 |
| Std. Error of Estimate | 3.61 | 2.82 | 2.56 | 2.42 | 2.85 |
| Durbin-Watson | 1.52 | 1.60 | 1.43 | 1.43 | 1.69 |

**p<.01, *p<.05, one-tailed. Data Source: United States Census Bureau (2011).

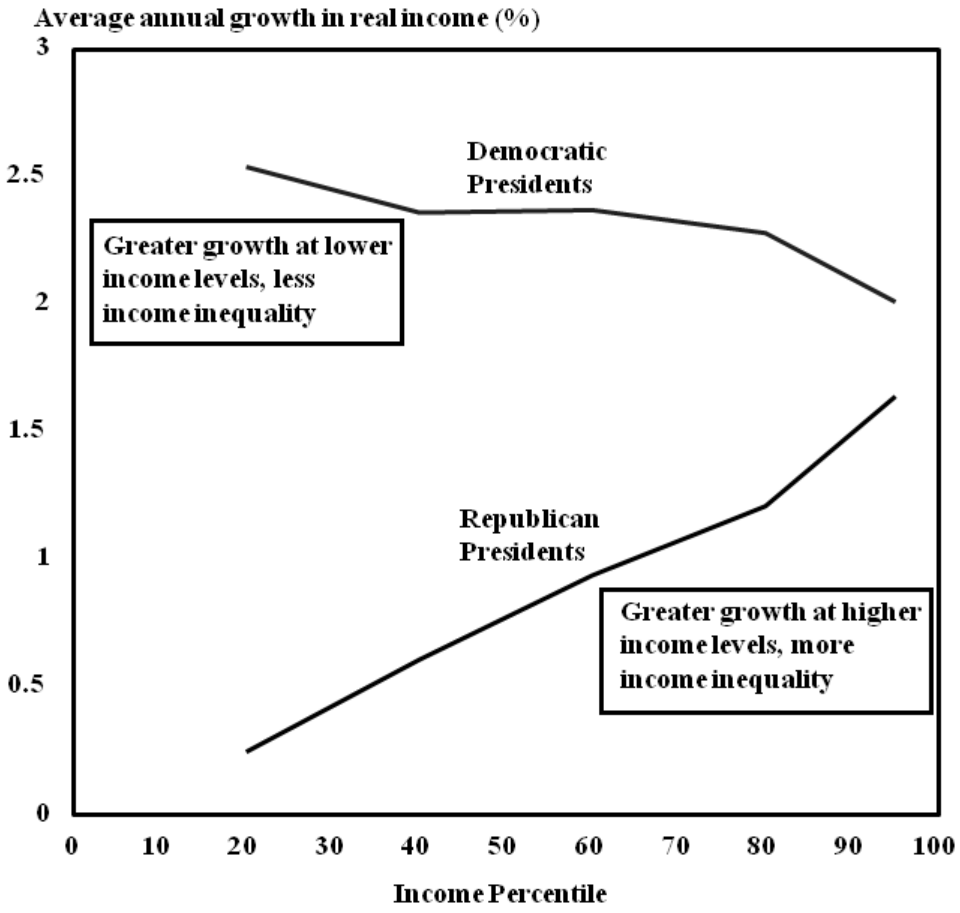
## Reexamining Partisan Differences

Apart from their theoretical interest and the electoral puzzle these findings spawned, it is difficult to imagine a set of more controversially partisan findings than these. Though previous work by Hibbs (1987) and Alesina and Rosenthal (1995) had arrived at essentially the same conclusions, Bartels focused more sharply on the partisan implications of these differences and presented evidence

[5] The test for a party effect in reducing income inequality entails determining whether the party coefficients were significantly different from each other in the five equations, not whether they were significantly different from zero. The party difference coefficient for the 20th percentile growth rates was only significantly greater than those at the 95th percentile in Table 2.

on their behalf in a particularly straightforward, accessible, and compelling way. Democrats could hardly have been more pleased by the findings that their presidents and policies had significantly and consistently produced better economic results in both a growth and distributional sense. No less than former President Bill Clinton and President Barack Obama publicly praised the study (The Daily Beast 2008, Pellian 2008). To the extent that Republicans pay attention to research coming out of the notoriously liberal social sciences, they could not have been happy about the findings.

**Figure 1. Income Growth by Income Level under Democratic and Republican Presidents, 1948-2009**




Since these findings have such starkly partisan implications, it is especially important to determine whether we are certain that they are true. To his credit, Bartels carefully probed the robustness of his findings (2008, 38-42, 51). After checking for the impact of a wide variety of "historical trends or current

economic circumstances" on his income inequality estimates, he concluded that there was "strong evidence that the striking differences in the economic fortunes of rich and poor families under Democratic and Republican administrations are not an artifact of the different conditions under which Democrats and Republicans have happened to hold the reins of government, but a reflection of the fundamental significance of partisan politics in the political economy of the post-war United States" (2008, 42).

### *Economic Growth*

The question remains, however, whether these probes into the robustness of the controversial findings went far enough. This reanalysis indicates that they did not. It finds, instead, that the weaker economic records under Republican presidents were not the result of policy differences with Democrats, but the result of Republicans inheriting economies going into recession from their Democratic predecessors. Bartels' analysis did not detect this inheritance effect, because it did not examine the correctly specified lagged effects of the economy on later economic growth, unemployment, and income inequality.

Again to his credit, Bartels tested the lagged effects of both real GNP growth and income change in the growth and income inequality analyses (2008, 39, 50). The inclusion of these lagged annual economic conditions, however, left both partisan difference findings intact.[6] After taking the lagged effect of the previous year's income growth into account, as well as several other possible influences on the income growth rates, incomes grew at a stronger clip under Democratic presidents at every income level except that of the most well-off (the top five percent of family incomes).

Table 3 extends the examination of lagged effects to general economic growth rates. In Equation 1, presidential-party differences in economic growth are examined in the context of economic growth in the previous year. In comparing the party difference effects in Equation 1 in both Tables 1 and 3, it is clear that taking into account the lagged effect of economic growth in the prior year leaves the estimated party difference undisturbed. Whether the previous year's economic growth is considered or not, by these estimates, the economy as measured by real GNP per capita typically grew about 1.4 percentage points more under Democratic presidencies than under Republican presidencies.

[6] The coefficient for a lag in annual income growth was actually negative (2008, 42). Bartels did not report the effects of including a lag in annual economic growth (real GNP per capita growth). The "lagged growth" variable in his tables 2.3, 2.5, and 2.8 refer to income growth at a particular income percentile, not to general growth in the economy. He also examined contemporary (not lagged) GNP growth in his Table 2.5.

**Table 3. Economic Performance Differences between the Presidential Parties Controlling for Lagged Economic Conditions, 1948-2009**

| *Dependent variable: Real GNP per capita growth (%) annual data* | | | |
|---|---|---|---|
| | *Included Lagged GNP* | | |
| *Independent Variables* | *Prior Year (1.)* | *Prior 4th Qtr (2.)* | *Prior 3rd & 4th Qtr (3.)* |
| Democratic President (lagged one year) | 1.42* (.62) | .76 (.53) | .42 (.47) |
| Lagged Real GNP per capita growth, prior year | −.02 (.13) | – | – |
| Lagged Real GNP per capita growth, 4th quarter | – | .31** (.06) | .23** (.06) |
| Lagged Real GNP per capita growth, 3rd quarter | – | – | .30** (.07) |
| Constant | 1.81 | 1.26 | .91 |
| N | 62 | 62 | 62 |
| Adjusted $R^2$ | .06 | .31 | .46 |
| Standard Error of Estimate | 2.33 | 1.98 | 1.76 |
| Durbin-Watson | NA | 1.58 | 2.18 |

**p<.01, *p<.05, one-tailed. Data Source: Bureau of Economic Analysis (2010).

While one would naturally focus in Equation 1 of Table 3 on the presidential-party difference variable and its similarity to the earlier estimate, the real clue to the party difference conundrum is not in the coefficient for the presidential-party variable, but in the coefficient for the lagged economic growth variable. It is surprisingly *not* statistically significant. It is essentially zero. This is "the dog that didn't bark." The lack of a lagged effect in the economy is, frankly, unbelievable. The lack of a lagged effect of the economy on subsequent economic conditions amounts to claiming that the economy begins anew on New Year's Day. Are we to believe that the books are closed on one year and a new year starts with a clean slate? The non-effect of the previous economy implies that there is no difference in economic growth in a year following a recession and in a year following an economic boom.

The lack of a lagged effect of the economy on the condition of the next year's economy is simply not plausible. Generally speaking, there is continuity to

economic activity. We would naturally expect that if the economy is bad (good) in one quarter, then the odds are that it will be weak (strong) in the next. Rather than accepting an implausible finding of a lack of lagged economic effects, it seems much more likely that the lagged effects of the economy were inaccurately specified. Perhaps what happened a full year ago or nine months ago does not matter to economic growth today, but economic conditions in the preceding couple of quarters might well be important to current economic conditions.[7]

The possibility of lagged economic effects being short of a full year is examined in Equations 2 and 3 of Table 3.[8] In Equation 2, economic growth in a year is specified as being affected by the state of the economy in the final quarter of the previous year. Unlike the annual lag of economic growth, the fourth quarter economy lag has a significant positive effect and there is no longer a significant presidential-party difference. The economic growth in the third quarter of the prior year is included along with the fourth-quarter lag in Equation 3. Both economic growth lags have significant effects of similar magnitudes on the next year's economic conditions. The economy in the full twelve months before a year does not affect the next year's economic growth, but the economy in the six months before the next year does matter. Most importantly, *once the impact of economic conditions in the second half of the prior year is taken into account, there are no significant general differences between economic growth rates under Democratic and Republican presidents.*

A companion analysis examining quarterly change in real GNP per capita was also conducted to probe the robustness of these findings. It reaffirms that the economic records of the presidential parties (lagged four quarters) are not significantly different once lagged economic effects are considered. Moreover, once the lagged economy is considered, there were no significant party differences even when presidential responsibility was assigned after only the third quarter (rather than fourth quarter) in office. Finally, if the lag in presidential responsibility is increased by just one quarter (from four to five quarters), party differences disappear even when lagged economic effects are not taken into account. The details of this analysis are presented in Appendix Table A.1.

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[7] It might be argued that adding the lagged economy is essentially including another measure of the dependent variable to "explain" itself, thus preventing us from seeing the effects of truly independent variables. While this may be a reasonable criticism in some circumstances, it is not here. First, the lagged GNP data encompass a half-year of independently measured economic activity. Second, the correlations between these lagged GNP quarters and the following annual GNP measure indicates a fair degree of independence. Real GNP per capita growth in a year is correlated at .56 with the prior year's fourth quarter growth and .58 with the prior year's third quarter growth. The correlation between the two quarters of the prior year is .35.

[8] Bartels did not report examining lagged effects of GNP growth and looked instead at lagged effects of income growth at different percentiles. While quarterly GNP data are available, income growth by percentiles are only reported annually.

### *Unemployment*

If there are no significant differences in the economic growth records of the presidential parties once the lagged effects of the economy in the prior half-year are taken into account, are the alleged differences in their unemployment records similarly an artifact of not taking into account the effects of earlier economic conditions? They are, though there is one complication in the analysis of unemployment compared to that of general economic growth. As both the serial correlation found in the bivariate analysis (see Note 4) and recent experience with persistently high unemployment rates suggest, there is a great deal of "stickiness" or inertia in unemployment. Firings and hirings involve commitments that are a good deal less casual than most other economic decisions. To control for this, the lagged value of unemployment is introduced in Equation 1 of Table 4.[9] The estimation indicates that there is, indeed, a lagged effect of unemployment from one year to the next. About two-thirds of the unemployment rate is carried over from year to year. While the expected direct party difference is reduced from 1.4 percentage points (equation 2 in table 1) to .8 percentage points in Equation 1's specification, assuming that presidents inherit average unemployment from their predecessor (5.65%), the average unemployment under a Democratic president would be nearly 1.5 percentage points less than under a Republican president.[10]

The lagged effects of the economy as measured by per capita growth rates for real GNP in the last two quarters of the previous year are introduced into the unemployment analysis in Equation 2. As in the economic growth analysis, economic growth in the two quarters leading into a year significantly affects unemployment in the next year. The stronger the economy coming into a year, the lower unemployment tends to be during that year. Most importantly from the standpoint of determining differences in the parties' presidential records, as in the case of economic growth, *there are essentially no differences in the unemployment records of the presidential parties once the inherited economy is taken into account.* Since there is no significant direct effect of the presidential party, there is also no carryover of a party effect from one year to the next as there was in Equation 1.

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[9] Bartels also examined lagged unemployment effects (2008, 50).

[10] The average expected party difference in unemployment is greater than the directly expected party difference since part of a party difference in Year 1 carries forward to later years because of the lagged unemployment effect. By the fourth year of a presidential term, the expected party difference in Equation 1's estimates are nearly two percentage points. This, however, assumes that the parties inherited average unemployment rates from their predecessors and does not take into account the economic growth conditions inherited from the previous president.

**Table 4. Unemployment under Democratic and Republican Presidents, 1948-2009**

| *Dependent variable: Unemployment (%) annual data* | | |
|---|---|---|
| *Independent Variables* | *(1.)* | *(2.)* |
| Democratic President (lagged one year) | −.82** (.27) | −.21 (.19) |
| Lagged Unemployment | .67** (.09) | .82** (.06) |
| Lagged Real GNP per capita growth, 4th qtr | – | −.13** (.02) |
| Lagged Real GNP per capita growth, 3rd qtr | – | −.13** (.03) |
| Constant | 2.26 | 1.63 |
| N | 62 | 62 |
| Adjusted $R^2$ | .58 | .81 |
| Standard Error of Estimate | .99 | .65 |

**p<.01, *p<.05, one-tailed. Data Source: Bureau of Labor Statistics (2010).

### *Income Inequality*

The third strike against Republicans in Bartels' analysis was their poor performance in reducing income inequality between the "haves" and the "have-nots." As we have seen with respect to both general economic growth and unemployment, the growth of incomes in a year depends, in part, on the condition of the economy leading up to that year. The growth in real GNP per capita in the third and fourth quarters of the previous year are included in income inequality analysis at the five income levels in the equations estimated in Table 5. When the state of the economy in the quarters immediately preceding a year are taken into account, there are no significant differences between the parties in the growth of incomes at any income level and, therefore, no significant differences between party effects at the low and high ends on the income spectrum. In short, *once inherited economic conditions are taken into account, there is no significant evidence that the presidential parties have had distinctly different records of increasing or diminishing income disparities.*

**Table 5. Real Income Growth Rates by Income Level, Presidential Partisanship, and Lagged GNP Growth, 1948-2009**

| *Dependent variable: Average annual real pre-tax income growth (%) for families at various percentiles of the income distribution* | | | | | |
|---|---|---|---|---|---|
| | *Income Percentile* | | | | |
| *Independent variable* | *20th* | *40th* | *60th* | *80th* | *95th* |
| Democratic President (lagged one year) | .99 (.80) | .86 (.67) | .74 (.63) | .52 (.61) | .09 (.77) |
| Lagged Real GNP per capita growth, 4th qtr | .20* (.10) | .19* (.08) | .13 (.08) | .07 (.08) | −.01 (.10) |
| Lagged Real GNP per capita growth, 3rd qtr | .53** (.12) | .30** (.10) | .26** (.10) | .25** (.10) | .18 (.12) |
| Constant | −.57 | .10 | .52 | .84 | 1.41 |
| N | 62 | 62 | 62 | 62 | 62 |
| Adjusted $R^2$ | .38 | .28 | .21 | .15 | .00 |
| Standard error of estimate | 2.96 | 2.48 | 2.34 | 2.26 | 2.84 |
| Durbin-Watson | 1.65 | 1.69 | 1.63 | 1.60 | 1.82 |

**p<.01, * p < .05, one-tailed. Data Source: United States Census Bureau (2011).

As the estimates in Table 5 indicate, the state of the economy leading into a year matters most to those at lower income levels. The effects of the lagged effects of both the prior year's third and fourth quarters are statistically significant for income growth only at the two lowest income levels, and neither lagged quarter significantly affects income growth for those in the top five percent of incomes. This is consistent with Bartels' finding that "unemployment and GNP growth have substantial effects on income growth rates for poor and middle-class families, but very little impact of the families near the top of the income distribution" (2008, 50).

The greater effect of lagged economic growth for those at lower incomes levels has two interesting implications. First, it explains why there appeared to be party differences in income growth rates at the lowest income levels when the health of the prior economy was not taken into account. Since economic growth was incorrectly attributed to party differences, income growth rates for those at the lower end of the income distribution would also be incorrectly attributed to party differences. Second, the fact that general economic growth is of greater help

to those at the lower end of the economic spectrum than it is to the well-off provides support for the familiar conservative contention that "a rising tide lifts all boats" and challenges the derisive label of "trickle-down economics" frequently applied by critics of this perspective.[11] In one sense, this should not be surprising. If the poor are the must vulnerable to economic downturns, it would stand to reason that they would also be most helped by economic upturns. Those at the upper end of the income scale are better positioned to insulate themselves from the general booms and busts of the economy.

## Party Transitions and Inherited Economies

A reanalysis of the post-war American political economy indicates that Democratic presidents have *not* generally outperformed Republican presidents on the economy, once the lagged effects of the economy are considered. Instead, once the lagged effects of the economy in the six months leading into a year are taken into account, there are no significant differences in the records of Democratic and Republican presidents with respect to economic growth, unemployment, or income inequality. The question remains, however, as to why taking into account these lagged economic effects eliminated the apparent party differences? The answer is that each of the economies inherited by Republican presidents from their Democratic predecessors were going into recession when the Republican took office (Keech 1995, 73). In contrast, none of the Democratic presidents in this era inherited recessions from their Republican predecessors.

Table 6 presents the economic growth rates for the periods in which there was a change in the party of the president. The table presents the quarterly real GNP per capita growth rates (annualized) for the year of the election, the lagged year (the first year of a presidential term), and the transition year (the second year of the presidential term). By Bartels' assumption and that used here, the departing president was responsible for the first two years in each of the three-year series in the table. These include the last year of the departing president's official term and the first year of his successor's year, in which the lag of presidential responsibility assigns the year to the departed president. The table also takes note of the growth rates in the critical two quarters immediately before a transition to a new presidential party and of whether the National Bureau of Economic Research (NBER) classified the economy as in recession during these quarters, the ones at

[11] Bartels (2008, 41-2) specifies the "trickle down" phenomena as the lagged effect of the income growth rate for those in the top five percent of incomes. He found a statistically significant "trickle down" effect with this specification. This lagged income growth rate for those in the highest income category was also added to the lower income growth equations in table 5. It proved to be significant for income growth at the very lowest level, but not for those at the fortieth percentile.

the tail-end of the departing president's watch.[12] Growth rates in italics are quarters in which the economy was officially in recession. The first set of columns presents the four transitions in this period that involved a change from a Democratic to a Republican president. The second set presents the same economic data for the transitions from a Republican to a Democratic president. The data for the George W. Bush to Barack Obama transition extends through 2009.[13]

### *Democratic to Republican Transitions*

As Table 6 indicates, in the four transitions from Democrats to Republicans, the economies went into recession in the year in which each new Republican president took office.[14] To the extent that these economies were affected by the policies of any president, they were affected by the policies of the departing Democrat, not the incoming Republican. At some point during their first year in office, well before they could be reasonably held responsible for the economy, the economy went into recession for Eisenhower early in the third quarter of 1953, for Nixon in the fourth quarter of 1969, for Reagan early in the third quarter of 1981, and for Bush in the first quarter of 2001 (National Bureau of Economic Research 2010). In reviewing the history of these periods, one is hard-pressed to find any policy change made by these presidents in such a short period of time that would have precipitated a recession in an otherwise healthy economy. These four recessions clearly took form on the watches of Democratic presidents Truman, Johnson, Carter, and Clinton.

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[12] The NBER does not define a recession as two consecutive quarters of declining real GNP. It defines a recession as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales" (National Bureau of Economic Research 2010).

[13] Data for 2010 are available at this writing for real GNP per capita and unemployment, but not for the income inequality analysis. Because of this, 2009 was maintained as a consistent end point for the series.

[14] Alesina and Rosenthal (1995, 180) also observed the presidential-party association with recessions early in terms. As of their writing, "every Republican administration since the Second World War, until the second Reagan administration, had a recession that began within the first year of the term." They, however, did not link these recessions with inherited economies in transitions and seemed to attribute them to the newly installed president.

**Table 6. Quarterly Change in Real GNP Per Capita (annualized) in Presidential Party Transitions, 1948 to 2009**

| | | *Democratic to Republican Presidents* | | | | *Republican to Democratic Presidents* | | | |
|---|---|---|---|---|---|---|---|---|---|
| ***Political Timing from Election Year*** | ***Qtr*** | ***Truman to Eisenhower, 1952-54*** | ***Johnson to Nixon, 1968-70*** | ***Carter to Reagan, 1980-82*** | ***Clinton to Bush, 2000-02*** | ***Eisenhower to Kennedy, 1960-62*** | ***Ford to Carter, 1976-78*** | ***G.H.W. Bush to Clinton, 1992-94*** | ***G.W. Bush to Obama, 2008-10*** |
| Pre-campaign | 1st | 2.2 | 7.6 | *0.2** | −0.2 | 5.7 | 8.2 | 3.2 | *−1.9* |
| | 2nd | −1.1 | 6.0 | *−9.3* | 7.1 | *−3.2** | 2.3 | 2.9 | *−0.6* |
| Campaign | 3rd | 0.9 | 1.7 | *−2.2* | −0.9 | *−0.9* | 0.9 | 2.4 | *−2.8* |
| **Election** | 4th | 11.7 | 0.6 | 5.4 | 2.3 | *−6.6* | 1.9 | 2.9 | *−7.6* |
| Inauguration | 1st | 6.0 | 5.6 | 7.9 | *−2.8** | *1.0* | 4.3 | 0.0 | *−7.3* |
| Lag Year | 2nd | 1.7 | 0.1 | −4.2 | *2.0* | 5.8 | 7.0 | 0.9 | *−1.8* |
| | **3rd** | *−4.4** | 1.3 | *4.0** | *−3.0* | 4.9 | 6.0 | 1.1 | 2.1 |
| | **4th** | *−7.9* | *−3.0** | *−5.3* | *2.8* | 6.6 | −1.7 | 3.1 | 4.1 |
| Transition Year | 1st | *−3.3* | *−1.5* | *−7.4* | 1.0 | 5.8 | 1.0 | 3.2 | – |
| | 2nd | *−1.1* | *−0.4* | *1.8* | 0.5 | 3.3 | 14.5 | 4.1 | – |
| | 3rd | 2.7 | *2.2* | *−3.3* | 1.5 | 2.2 | 3.1 | 1.1 | – |
| | 4th | 6.4 | *−5.7* | *−0.8* | −0.2 | −0.2 | 4.7 | 3.2 | – |
| Negative Quarters in Last Half of the Lag Year | | 2 | 1 | 1 | 1 | 0 | 1 | 0 | 0 |
| In Recession in Last Half of the Lag Year? | | Yes | Yes | Yes | Yes | No | No | No | No |

***** The official onset of a recession is defined by the National Bureau of Economic Research (2010). The real GNP per capita data are from BEA's National Income and Products Accounts table 7.1. The data are chained 2005 dollars, last revised on May 27, 2010. The 1980-81 recession was a double-dip recession. NBER indicates a recession began in 12/07 and ended in 6/09. Italics indicates quarters during a recession. The Transition Year is the second year of the new president's term and the first year of his responsibility for the economy.

In the transition from Truman to Eisenhower, the economy went into recession in the summer of 1953. This recession had its roots in the Truman presidency. Before Eisenhower took command of the economy, it had been battered by the fallout from a major steel strike in the summer of 1952, a significant tax increase (as a share of GDP) in 1952, the ending of the Korean War, and the aftermath of Truman's wage and price controls in 1951 and 1952 (Tax Policy Center 2009, Hickman 1958, *Time* 1953). The economy sputtered a bit in the second and third quarters of the election year of 1952 and then overheated in the fourth quarter with a growth rate of nearly 12 percent. By July of 1953, only six months into Eisenhower's presidency, the economy was officially in a recession that would extend half-way into 1954, the first year of Eisenhower's responsibility for the economy.

In the Johnson to Nixon transition, the 1969 recession had its roots in attempts to control inflationary pressures that mounted under the Johnson administration's "guns and butter" policy of the Vietnam War and the Great Society. As *Time* magazine reported at the time, "During 1968, more than in any other year since the early 1950s, the joys of expansion were shaken and weakened by the jolts of inflation" (Time 1968). The economy showed signs of weakness in the last half of 1968, rebounded a bit in the first quarter of 1969, and then slid into a recession that officially began in the fourth quarter of 1969 and extended throughout 1970, the first year of Nixon's responsibility for economic conditions.

In the Carter to Reagan transition, the 1981 recession clearly had its roots in the array of severe economic problems at the end of President Carter's term (Keech 1995, 80). These problems were perhaps best conveyed in what became popularly known as "the misery index," the sum of the unemployment and inflation rates. The misery index under President Carter reached a peak of 22 percentage points in June of 1980 (U.S. Misery Index 2009). It has rarely been over twelve percentage points since the mid-1980s. Along with extremely high unemployment and inflation rates, President Reagan inherited an economy from President Carter with sky-high interest rates. At the time of the 1980 presidential election, the average fixed-rate conventional thirty-year mortgage was over fourteen percent and on its way up (Federal Reserve Bank of St. Louis 2009). Saddled with this economic mess upon taking office, it makes no sense to attribute the 1981 recession and its aftermath to President Reagan. The economy went into a recession in 1980 and then again in the second quarter of 1981. The recession begun on President Carter's watch extended officially throughout the full first year in which President Reagan was assigned responsibility.

Finally, the economy was sputtering in 2001 when President George W. Bush succeeded President Clinton. Though there were not two consecutive quarters of negative change in real GNP per capita in 2000 and 2001, neither were there two consecutive quarters of positive growth in those years. NBER

concluded that the economy started its contraction in March of 2001, within two months of Bush being sworn into office, and hit bottom in November of that year. This was the period in which the so-called "dot.com" bubble or internet speculation burst. As in the three previous Democratic to Republican transitions, President George W. Bush in 2001 inherited a faltering economy not of his making.

The record of recessions indicates that they take some time to bottom out, and that recovery takes time as well. In the eleven NBER-designated recessions from 1948 to 2009, the recession itself typically lasted four to five quarters, and it typically took about seven or eight quarters (from the start of the recession) before the economy recovered to the point of producing consecutive quarters with real GNP per capita growth of at least two percent.[15] With the onset of recessions within months of new Republican presidents taking office, it is hardly surprising that the economy would still be struggling to recover during the second year of their terms.

Presidents Eisenhower, Nixon, Reagan, and (George W.) Bush began their terms having to deal with the serious economic problems left to them by their predecessors. As the analysis of the previous section showed, the third and fourth quarters of the prior year significantly affect general economic growth, unemployment, and income growth rates for those with lower and middle-class incomes in the following year. In six of the eight critical quarters leading up to a new Republican president's assuming economic responsibility, the economy was actually shrinking. In seven of these eight quarters, the economy was officially in recession. With the economy having lagged effects, being left with the economy in bad shape made it extremely difficult to get off to a good start.[16] That is the injury dealt to these Republican presidents. It would be adding insult to injury to then blame them for the weak economic outcomes made inevitable by the weak economies they inherited. These Republican presidents were no more responsible for the economic recessions that they inherited than Franklin Roosevelt was responsible for the Great Depression or, for that matter, than Barack Obama was responsible for the Great Recession.

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[15] Three of the recessions lasted six or seven quarters, and three took more than eight quarters before the recovery generated consecutive quarters of over two-percent growth.

[16] The recession economies in the lag year combined with the estimated coefficients in Equation 3 of Table 3 explain the weak economies in the second year of Republican terms. The mean growth rate of real GNP per capita in the four Democratic to Republican transitions was −.5 percent in the third quarter of the lag year (the first year of a new president's term) and −3.4 percent in the fourth quarter. Since the average growth rate overall was 2.1 percentage points, the quarters leading up to the transition years were 2.6 and 5.5 percentage points below average. Using the coefficients for the effects of the lagged economy, this translates into an expected shortfall in real GNP growth in the Republicans' transition year of two percentage points.

### *Republican to Democratic Transitions*

The four columns on the right side of Table 6 present economic growth rates during each of the three-year periods of Republican to Democratic presidential transitions. Unlike the Democratic to Republican transitions, with the notable exception of the current Bush to Obama case, Republican presidents left their Democratic successors with fairly healthy economies. The recession at the end of President Eisenhower's administration occurred early enough (to Vice President Nixon's detriment) that it could not be mistaken for President Kennedy's problem, and the economy was already into recovery within the first quarter of Kennedy's first year in office. Economic growth was positive throughout the first year (1961) of Kennedy's term. The economy in the Ford to Carter transition was reasonably good, though economic growth dipped into negative territory for one quarter at the end of 1977. While there was great hand-wringing about the economy near the end of the George H.W. Bush presidency (recall the "it's the economy, stupid" mantra of the Clinton campaign), and while there was one quarter of no growth and two quarters of sluggish growth in the first year of the Clinton presidency, there was not a single quarter of economic contraction in 1992 or in the first year of the Clinton presidency.

In the four transitions from Republican to Democratic presidents, only the most recent one (Bush to Obama) involved a recession, and it officially ended within six months of President Obama taking office. Of the eight quarters that would have lagged effects on the first year of a new Democratic president's record, only one (the fourth quarter of 1977) had a negative growth rate that would have dampened growth on a newly elected Democrat's watch (compared to six of eight for new Republican presidents). While the economy was in recession during seven of the eight quarters affecting the economy when Republicans took over responsibility, this was not the case in any of the eight quarters leading up to the Democrats taking charge.

### An Inheritance or "Honeymoon" Difference?

Bartels (2008, 52-3) as well as his predecessors (Hibbs 1987, 229, Alesina and Rosenthal 1995, 180-1) observed that the greatest differences in the parties' economic records appeared early in their administrations. There is general agreement that, as Bartels put it, "the largest partisan differences by far appear in the second year of each administration—the first year in which the president's policies could be expected to have a significant economic effect" (2008, 52). Bartels attributes the large partisan differences in the second year of presidential terms to a presidential "honeymoon" effect. As he put it: "Presidents have their greatest influence over policy in the first year of each new administration—the

'honeymoon' period immediately following election or reelection; the effects of that influence are felt one year later, in the second year of each four-year term" (2008, 52).

It is thus in the second-year of presidential terms, according to Bartels, that we should expect to see the real consequences of the two parties' policies. Again, in his words, "Democratic presidents have routinely used these periods to produce vibrant economic growth for families in every part of the income distribution; in contrast, Republicans have routinely presided over economic contractions and declining incomes for middle-class and poor families" (2008 53-4). Before examining the empirical evidence of the honeymoon explanation of the second year difference, however, there are *a priori* reasons to question its plausibility.

First, though the claim is made that party differences should appear most clearly in the second year of a presidency, one might suppose that just the opposite would be the case: that the consequences of the policies of the prior administration would be mixed together with those of the new president in the first years of a presidency. It seems more plausible that whatever effect a presidency might have on an economy would be more clearly in evidence (and less intermingled with a predecessor's effects) near the end of a second term rather than the beginning of a first term. Second, as stated, the honeymoon effect of a presidency applies after a president is elected *or reelected*. The idea of a honeymoon effect is that Congress and the public are more inclined to wish a new president well and to give him a chance to succeed. This hardly applies to a reelected president (Bond and Fleisher 1990, 211-3, Brody 1991, 32).[17] The consequence of this is that several of the years that had been used in examining a post-honeymoon effect were not really post-honeymoon years.

While there are reasons to be skeptical of the honeymoon hypothesis, the principal reason to reject it is the same as the principal reason to reject the broader notion that there have been significant differences in the economic records of presidential parties owing to their policy differences: the economy in the second year of a new presidential party's term is likely to have been influenced by the economic conditions inherited from the departing presidential party. Once inherited economic conditions are taken into account, there is just no significant evidence that the parties have had different economic records.

The different conditions inherited by the presidential parties accounts for why the economy *continued* to prosper in the second years of newly elected Democratic presidents and why the economy *continued* to languish in the second

[17] While Mayhew (2005, 176-7) did not find a "honeymoon" effect *per se*, he did find a significant effect of the first two years of a presidency (a pre-midterm) on enactment of important laws from 1946 to 1990. Based on these findings, though, one might expect party-economic differences to be greatest in the second and third years of a presidency, not just in second years.

years of newly elected Republican presidents. It was not that Democratic policies quickly produced "vibrant" economic results or that Republican policies quickly plunged the poor and middle class into hard times. Like a gigantic ocean liner, an economy the size of the U.S. economy does not turn on a dime. If a president inherits a weak economy, it takes time even with an aggressive policy to turn it around a bit. Conversely, if a president inherits a strong economy, it takes time before even wrong-headed policies would cause a downturn. What was interpreted as a second year "honeymoon" effect is actually the *continuity* of an inherited economy rather than *change* produced by policy differences.

The economic records of Democratic and Republican presidents are evaluated in Table 7, both for all years following the first year "honeymoon" of new presidents (the second year of their term) and for those that followed partisan turnovers in the presidency (the second year of a term following a presidential party change). In terms of differences in annual growth rates of real GNP per capita, Bartels is clearly correct. In all post-honeymoon years, there has been nearly a five percentage-point difference in growth rates between the parties, whether considering all post-honeymoon years or only those following a party change. However, when these growth rates are compared to where the economy had been in the last half of the previous year, party differences virtually disappear in both circumstances.

**Table 7. Presidential Parties and Economic Growth in "Honeymoon" and Party Transition Years, 1948-2009**

| | *Mean Growth in Real GNP per capita in second years of a presidential term* | | | |
|---|---|---|---|---|
| | *All Post-Honeymoon Years* | | *Party Transition Years* | |
| *President's Party* | *Annual Growth* | *Change from Last Half of Prior Year* | *Annual Growth* | *Change from Last Half of Prior Year* |
| Democrats | 3.86 | .56 | 3.86 | .56 |
| Republicans | −.89 | .46 | −1.33 | .66 |
| Difference | 4.75* | .10 | 5.19* | −.11 |

*p < .05, one-tailed. For "honeymoon" years (a new president), there were 3 years for Democratic presidents (1962, 1978, and 1994) and 5 years for Republican presidents (1954, 1970, 1982, 1990, and 2002). For transition years (a new presidential party), there were 3 years for Democratic presidents (same as above) and 4 years for Republican presidents (same except 1990).

Whether examining post-honeymoon years generally or those following a party change at the White House, neither party had a significantly better record than the other in improving upon the economic growth that they inherited. Second-year growth rates under Republicans were weak, because the economies that they inherited were weak. Second -year growth rates under Democrats were stronger, because the economies that they inherited were stronger.

## Discussion

Early in the second chapter of *Unequal Democracy*, Bartels writes that presidential-party differences in their economic records "would seem to be of immense economic and political significance–if they are real" (2008, 34). After a careful probing of the records, he concludes that "the superior historical performance of Democratic presidents in generating income growth for middle-class and poor families over the past half-century" (295) are real and "are not an artifact of the different conditions under which Democrats and Republicans have happened to hold the reins of government, but a reflection of the fundamental significance of partisan politics in the political economy of the post-war United States" (42).

### *Two Key Findings*

Despite Bartels' careful probing of the record, this reanalysis has produced incontrovertible evidence that the findings of partisan differences are, in fact, artifacts of the conditions under which the two parties have assumed the presidency. Once the lagged effects of the general economic growth from the last two quarters of the prior year are taken into account (and Bartels examined only an annual lag in income growth for particular income levels), there are no significant differences between the presidential parties in terms of economic growth, unemployment, or income inequality. The reason for this is that in the four transitions from a Democratic to a Republican president since 1948, the economy went into recession in the first year in office in which the newly elected president took office, well *before* the new president could be held responsible for the economy. New Republican presidents spent the early part of their terms trying to pull the economy out of the recessions that they inherited. This was not true for the transitions from Republican to Democratic presidents.

Like Bartels' finding itself, this refutation of the partisan difference finding is of immense political importance and is likely to draw intense scrutiny. As the study of political economy often can dissolve into a methodological quagmire, the two central findings of this analysis should be kept in mind in any further investigation of the question: 1) prior economic conditions, particularly

those in the prior half-year, affect later economic conditions, and 2) in each transition of the presidency between the parties since 1948, Republican presidents inherited economies in recession and their Democratic counterparts did not.

This solves the apparent conundrum of a significant difference on the economic record that failed to produce a Democratic electoral lock on the presidency. Since there is no significant policy-based difference of the economic records, there is no disconnect between economic performance records and electoral outcomes. And if later research reasserts a partisan difference on the economic records through a more methodologically complicated analysis, the conundrum should still be considered solved. This is the case since any performance difference requiring a complex statistical analysis is unlikely to be recognized by voters and they cannot very well be expected to reward a party for a performance difference that they cannot detect. They clearly, on the other hand, understand the inheritance of economic problems from the previous president.[18]

### *Why the Inheritance Difference?*

The differences in the economies that each party inherited explain why it *appeared* that Democrats have had greater success in managing economic growth and reducing income disparities. But why is it that Democrats left their Republican successors with such weak economies, while Republicans did not leave their Democratic successors with such problems? We can only speculate at this point about the answer to the inherited economy question. The difference in inherited economies may be simply a matter of chance, bad luck for Republican presidents and good luck for Democratic presidents. In the 62 years from 1948 to 2009, there have been eleven recessions and seven full transitions (eight through the lag year).[19] There is some possibility, though the odds would seem to be remote, that all four of the Republican transitions simply overlapped with four of the eleven recessions.[20]

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[18] There is an abundance of evidence that voters understand the consequences of an inherited economy. For example, according to reporter Sean Lengell (2011), as late as February of 2011, more than two years after President Obama's election, a Rasmussen survey showed "that 52 percent of likely voters say the nation's current economic problems are due to the recession which began under the administration of President George W. Bush. . ."

[19] Based on National Bureau of Economic Research (2010) designations of recessions, these recessions (year and quarter) were in 1948 (4), 1953 (3), 1957 (3), 1960 (2), 1969 (4), 1973 (4), 1980 (1), 1981 (3), 1990 (3), 2001 (1), and 2007 (4).

[20] A related possibility is that six of the party changes may be related to recessions (the four Democratic-to-Republican changes plus the Kennedy election of 1960 and the Obama election of 2008), and that Republicans were simply unlucky in that these recessions did not begin until just after the Democrats left office, while the recessions were over fairly soon after Democrats took office (February of 1961 and June of 2009).

Perhaps a more plausible explanation is that the inherited economy effect is a selection effect related to partisanship. Throughout much of the post-WWII period, Democrats were clearly the majority party. In order for Republicans to win the White House, Democratic presidents had to have failed in some important way. A seriously weakening economy is obviously an important issue that might have caused voters to reject Democrats from continuing in office. Republicans may have been able to win the presidency in a Democratic era *only when* Democratic presidents had presided over economies on the brink of recessions (or failed in some other major way). By the time that the newly elected Republican was in office for a year, the economy had slipped into recession. In contrast, as the minority party during most of this period, Republicans were vulnerable to Democrats even when the economy under their watch was in relatively good shape.

Another possible explanation concerns differences in the timing of the costs and benefits of the parties' economic policies. Traditional conservative economic policies of "sound money" and lower deficits, though not practiced regularly by Republicans in recent years, may pay their costs of weaker growth up-front and enjoy their benefits of stronger growth in later years. Traditional liberal economic policies such as stimulus-spending programs, on the other hand, may produce their economic benefits more quickly, while their costs (overheated economy, inflation, etc.) may be paid much later. This "later" may be around the time they are leaving office or even shortly after they have left office to a Republican successor.

While these scenarios are matters of speculation, what is not speculation is that the economies inherited by new Republican presidents were weak and that those inherited by Democrats were not. By not taking the lagged effects of the economy properly into account, Bartels reached an incorrect conclusion that policy differences between the parties had produced significantly stronger economic records for Democratic presidents compared to their Republican counterparts.

The parties are different in many important ways and may well have important long-term economic differences between them, but the economic outcomes that the presidential parties have presided over during the tenure of their administrations have not been significantly different once the economic conditions that they inherited are considered. The claim that Democratic presidents and policies have produced significantly greater economic growth, lower unemployment, and more equal distributions of income than Republican presidents and policies is not supported by the evidence.

## Appendix

### Table A.1. Economic Performance Differences with Different Lags for Presidential Responsibility and Lagged Economic Conditions, 1948-2009

| *Dependent variable: Real GNP per capita Growth (%) quarterly data* | | | | | | |
|---|---|---|---|---|---|---|
| | *First Quarter of Term in which the President is Held Accountable for Economic Conditions* | | | | | |
| | *3rd Quarter* | | *4th Quarter* | | *5th Quarter* | |
| *Independent Variables* | *(1.)* | *(2.)* | *(3.)* | *(4.)* | *(5.)* | *(6.)* |
| Democratic President (lag as indicated) | 1.34* (0.52) | .79 (0.50) | .92* (.52) | .45 (.50) | .53 (.52) | .19 (.49) |
| Lagged Real GNP per capita growth, prior qtr | – | .34** (0.06) | – | .35** (.06) | – | .36** (.06) |
| Constant | 1.54 | 1.05 | 1.71 | 1.17 | 1.87 | 1.26 |
| N | 248 | 248 | 248 | 248 | 248 | 248 |
| Adjusted $R^2$ | .02 | .13 | .01 | .13 | .00 | .12 |
| Std. Error of Estimate | 4.03 | 3.79 | 4.05 | 3.80 | 4.07 | 3.81 |

**p<.01, * p < .05, one-tailed. Data Source: Bureau of Economic Analysis (2010).

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