

The President's Economy: Parity in Presidential Party Performance

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Have Democratic presidents since World War II had economic records that were superior to those of their Republican counterparts? In a previous study, I reported findings that there were no significant differences between the economic records of the presidential parties once the conditions of the economy they inherited from their predecessor were taken into account. Comiskey and Marsh challenged this finding with an analysis that controlled for business cycle effects. This article reexamines the issue and Comiskey and Marsh's analysis. The reexamination reaffirms my earlier findings that the presidential parties have not significantly differed in their economic records once the effects of inherited economic conditions are taken into account.

Have Democratic presidents had significantly better economic records than their Republican counterparts in the post–World War II era? Some conclude that they have (Alesina and Rosenthal 1995; Hibbs 1987). More recently, in his highly controversial study *Unequal Democracy*, Larry Bartels (2008) finds that economic growth has been stronger, unemployment lower, and incomes less unequal when Democrats occupy the White House. Taking these findings as a jumping off point, he then explores possible reasons why Democrats have not enjoyed the same success in elections that they apparently have had in economics.

Although Bartels probed his findings carefully, I probed them further and concluded that they were incorrect (Campbell 2011). There have been, in fact, no significant presidential party differences in economic growth rates, unemployment rates, or in the income gaps between the rich and the poor—*once the economic conditions inherited by new presidential parties are properly taken into account*. The apparent differences in the economic records of the parties are not the result of Democrats pursuing more successful policies, as Bartels supposes, but the result of the parties inheriting economies from their predecessors that were in very different conditions.

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Responding to this dispute, Comiskey and Marsh (2012) have continued the exploration of the possible party differences. After taking into account the peaks and troughs of the business cycle as well as the effects of oil prices and wars, they find real gross domestic product (GDP) growth has been greater and unemployment lower under Democrats. They find no significant party difference, however, in the real growth of disposable personal income. Aside from this exception, they concur with Bartels.

Is there or is there not a presidential party difference in economic performance? In this brief article, I revisit this question. First, I reevaluate the evidence that there has been a difference between the presidential parties in the economy's rate of growth. My findings are unchanged. There is no significant difference in the economic records of the presidential parties. Second, I suggest several problems with Comiskey and Marsh's study that may have led to their erroneous conclusion that there has been a significant party difference.

The Illusion of a Partisan Difference

In my original analysis, I examined each of the economic indicators on which Bartels found a presidential party difference—real gross national product per capita, unemployment rates, and income growth rates at different income levels. In each instance, party differences were evident in a bivariate analysis but disappeared when prior economic conditions were taken into account. A similar analysis of quarterly real GDP growth, the growth measure used by Comiskey and Marsh (2012, 52), is reported in Table 1. The data are from the Bureau of Economic Analysis (2012) and cover the period from 1948 through 2011. The president's responsibility for the economy is coded as a dummy variable and is lagged by one year. New presidents are not deemed to be

TABLE 1
The Effect of Presidential Parties on Economic Growth, 1948-2011

<i>Dependent variable: Real GDP Growth (%) quarterly data</i>		
<i>Independent Variables</i>	<i>(1.)</i>	<i>(2.)</i>
Democratic President (one-year lag)	.96*	.43
	(.52)	(.49)
Real GDP growth (%) (one-quarter lag)	–	.37**
		(.06)
Constant	2.86	1.89
N	256	256
Adjusted R ²	.01	.14
Standard Error of Estimate	4.10	3.82

Note: Standard errors are in parentheses. Quarters in which a Democratic president is accountable for economic conditions are scored one and years in which a Republican president is accountable is scored zero. Presidents are counted as being responsible for the economy one year after they become president and one year after they leave office (Bartels 2008, 33; Campbell 2011, 4; Comiskey and Marsh 2012, 47).

** $p < .01$, * $p < .05$, one-tailed.

responsible for the economy until they have been in office for one year and have had time to put their policies in place. By the same token, a president is considered to be responsible for the economy for one year after leaving office, since the effects of his policies do not abruptly end when a successor takes the oath. The one-year lag in presidential responsibility was assumed by Bartels (2008, 33) and accepted in my earlier analysis (Campbell 2011, 4) and by Comiskey and Marsh (2012, 47), though I will have more to say shortly about their adherence to this assumption. Lagged economic growth is also included in the analysis since economic conditions are not neatly packaged into quarters. Since the economy is continuously in motion, the condition of the economy at time t should be expected to have an effect on the economy at $t+1$.¹

Table 1 confirms my original findings. If we do not take into account prior economic conditions (equation 1), Democratic presidents appear to have been more successful in facilitating economic growth by an average of about one percentage point, though the amount of variance accounted for by the presidential party is minuscule and might alone explain why voters would not react to this.² Once the lagged effects of the economy are taken into account (equation 2), however, there is no evidence of a significant party difference.³ The reason that taking the lagged effects of the economy into account makes a difference is that the economic conditions inherited by the parties have been quite different.

While political economy econometric models can get quite sophisticated and complicated and may entail a wide variety of not so obvious and not so realistic assumptions, the inheritance explanation of apparent party differences can be boiled down to adding together two indisputable and simple points. The first, already noted, is that there is a lag in the economy. The economy does not close the books at the end of one quarter or year and start with a fresh set of books in the next quarter or year. One weak (strong) quarter tends to lead to another weak (strong) quarter. There is an inertia or continuity

1. Comiskey and Marsh mistakenly report that I assumed a one-year lag in presidential responsibility but claim a two quarter lag for the prior year "in later years" (2012, 42). To clarify, I assume a one-year lag in *presidential party responsibility* and lagged *economic effects* from the prior one or two quarters in the analysis of annual data *for all years*.

2. This apparent party difference is also quite fragile. It is very sensitive to a few cases. Its estimated effect fails to reach conventional significance levels ($p < .05$, one-tailed) when only two of the 256 quarters are set aside. The economy in the first three quarters of 1950 under Harry Truman during the Korean War grew at rates of between 13 and 17%. Median growth across the series is about 3%. Even without controls for the lagged economy, party differences fail to reach conventional significance levels when just two of these three quarters are excluded.

3. Two methodological issues should be noted about the use of the lagged dependent variable. The first is the possibility of endogeneity. The impact of the presidential party may be funneled through the lagged economic variable. Since this would make no substantive difference during the continuous tenure of a presidential party, the issue is only important when responsibility for the economy changes partisan hands. In these transitions, there are two possibilities. Either the *prior* presidential party was responsible for the lagged economy or it was not. If the lagged economy was in recession, it was either due to something the prior presidential party did or it was independent of what it did. In either case, the new presidential party was *not* responsible for the recession under way *before* its tenure of responsibility commenced. The bottom line is that the possibility of endogeneity is not a threat to the findings. The second concern is of possibly controlling for the dependent variable itself (Comiskey and Marsh 2012, 44). I do not consider this a real concern since the lagged measure is arrived at independently and is of economic activity over a nonoverlapping and significantly long period of time.

TABLE 2
Economic Conditions Inherited by New Presidential Parties, 1948-2011

<i>Incoming Party, President, and Year</i>	<i>Real GDP Growth in Quarters of the Year Prior to a New Presidential Party's Responsibility</i>				<i>Negative Quarters</i>	<i>Inherited Economy in Recession in Last 2 Quarters</i>
	<i>Quarter 1</i>	<i>Quarter 2</i>	<i>Quarter 3</i>	<i>Quarter 4</i>		
<i>Republicans</i>						
Eisenhower, 1953	7.7	3.1	-2.4*	-6.2	2	Yes
Nixon, 1969	6.5	1.2	2.6	-1.9*	1	Yes
Reagan, 1981	8.6	-3.2	4.9*	-4.9	2	Yes
G. W. Bush, 2001	-1.3*	2.6	-1.1	1.4	2	Yes
<i>Democrats</i>						
Kennedy, 1961	2.4	7.7	6.6	8.4	0	No
Carter, 1977	4.7	8.2	7.3	-1	1	No
Clinton, 1993	.7	2.6	2.1	5.4	0	No
Obama, 2009	-4.9	-7	1.6	5.0	2	No

Note: The year prior to a new president's responsibility is the first year of a new president's term. An asterisk marks the official onset of a recession as defined by the National Bureau of Economic Research ([NBER]; 2012). The real GDP data are from Bureau of Economic Analysis's National Economic Accounts. The data are chained 2005 dollars and were recorded on March 31, 2012. 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.

in the economy that carries forward across quarters. This simple fact of economic life must be taken into account.

The second point is that the economies inherited by each of the new Republican presidents from their Democratic predecessors in this era had gone into recession within the year leading up to the parties' change in stewardship (National Bureau of Economic Research [NBER] 2012). Table 2 provides the raw facts about the big differences in the economies that the new presidential parties inherited. New Republican presidents inherited economies that were in terrible shape long before they could have been reasonably held accountable for them. Recessions began during the year prior to the responsibility of each of the new Republican presidents. In three of the four cases, a recession had begun within two quarters of the new Republican president's watch, and the economy in all cases was still in recession as the new president's watch began. Since the average length of a recession since 1945 has been about 11 months (NBER 2012), it is little wonder that the economy was weak when Republican presidents took the helm and in the early months of their tenure.

In contrast, as Table 2 documents, Democratic presidents generally inherited economies in better shape. None were in recession as new Democratic presidents took responsibility. Even in the case of President Barack Obama inheriting a recession from President George W. Bush, the recession was over (at least by NBER's assessment) in June of Obama's first year in office, more than half a year before his economic watch started. President Obama had to contend with a period of slow recovery, but he did not face the early stages of ongoing recessions that confronted new Republican presidents in this era.

The bottom line is that (1) there must be a lagged effect in the economy and (2) the economic conditions that preceded new Republican presidents were miserable compared to those that preceded new Democratic presidents. These are indisputable facts that, when combined, lead to the conclusion that the record of Democrats on the economy has appeared stronger than the record of Republicans (largely or entirely) because of the differences in the economies each party inherited from the other. Equation 2 in Table 1 indicates that inheritance explanation accounts for the appearance of a party difference in its entirety.

The Comiskey and Marsh Study

So how is it that Comiskey and Marsh find a presidential party difference? There are two principal problems with their analysis. The first concerns their presidential party variable. Though they write that “presidents cannot normally be expected to influence the economy in their first year in office” and that “we attribute all of a president’s first-year record to his predecessor” (Comiskey and Marsh 2012, 47, 49), their presidential party variable nevertheless partially credits (blames) new presidents for the economic conditions of their first year in office. The second problem is that they fail to take into account adequately the lagged effect of the economy from one quarter to the next. They note that “the analysis must include some control for the phase of economic activity” (Comiskey and Marsh 2012, 43), but their controls for the business cycle fall well short of taking prior economic conditions into account.

The problem with the presidential party variable begins with Comiskey and Marsh’s aggregation of the quarterly economic data into overlapping “observations” of four quarters and their decision to assign parties “intermediate values during transitional periods” (Comiskey and Marsh 2012, 48).⁴ As a consequence, it would appear that responsibility for economic quarters around presidential party transitions are assigned differently between the parties in different “observations.” As a consequence of this coding scheme, an outgoing president is accorded some responsibility for the economy through the third quarter of the second year of the next president’s term, virtually to the midterm election. But what is more problematic is that new presidents are assigned some responsibility for economic conditions in the second quarter of their first year in office, within a couple of months of their inauguration and in violation of the one-year lag in responsibility that Comiskey and Marsh said that they accepted (2012, 47).

Table 3 illustrates how Comiskey and Marsh’s operationalization of presidential party responsibility differs dramatically from both Bartels’ study and my own. It also violates their own assumption of a one-year lag in presidential responsibility. Their coding scheme is reconstructed from their Table 2 (Comiskey and Marsh 2012, 48). As

4. This approach builds into their data a substantial amount of autocorrelation. While Comiskey and Marsh note that “each quarterly datum is used only twice, as the end point of one period and the start point of another” (Comiskey and Marsh 2012, 46n5) they appear to look past the fact that the same economic activity of a quarter is actually a component in four “observations” whether that quarter is at the beginning, ending, or in the middle of a case. As a result, these are by definition and design not independent observations.

TABLE 3
Coding of the Presidential Party Variables

Study	Initial Quarters of a Presidential Term							
	First Year				Second Year			
	1	2	3	4	5	6	7	8
Bartels	0	0	0	0	1	1	1	1
Campbell	0	0	0	0	1	1	1	1
Comiskey & Marsh								
Case 1	0	.25	.25	.25	.25	1	1	1
Case 2	0	0	.50	.50	.50	.50	1	1
Case 3	0	0	0	.75	.75	.75	.75	1
Case 4	0	0	0	0	1	1	1	1

Note: This example is of a transition from a Republican to a Democratic president with Republicans scored 0 and Democrats scored 1. The first .25 in case 1 of Comiskey and Marsh's coding indicates that the outgoing Republican is assigned 75 percent and the new Democrat 25% of the economic record in the second quarter of the new Democrat's first year in office.

Sources: Bartels (2008, 33), Campbell (2011, 4), and constructed from Comiskey and Marsh (2012, 48).

Table 3 indicates, Comiskey and Marsh assign considerable responsibility for the economy to new presidents in their first year in office.

Case 1 assigns one quarter of the responsibility for the economic conditions in the second, third, and fourth quarters of the president's inauguration year. Case 2 assigns half of the responsibility for the third and fourth quarters of that year to the new president, and Case 3 assigns three-quarters of responsibility for the first year's fourth quarter to the new president. Though Comiskey and Marsh agreed that "new Republican presidents bore little responsibility for the recessions that followed quickly upon their inaugurations" (2012, 44), they nevertheless adopted a coding scheme that assigned significant responsibility for the recessions that quickly confronted Presidents Dwight Eisenhower, Richard Nixon, Ronald Reagan, and George W. Bush within months of their being sworn into office. Their erroneous conclusion of a party difference can be traced, at least in part, to this coding scheme.

A second reason why a party difference finding persists in Comiskey and Marsh's analysis is that they failed to control properly for the lagged effects of the economy. Fearing that the lagged economy would essentially control for the dependent variable (despite the fact that prior economic conditions are independently measured economic activity over a discrete and well-defined prior period of time), they instead control for expansions and contractions in the business cycle in two different ways.⁵ These controls for the business cycle (along with controls for oil prices, wars, and election years) are

5. Comiskey and Marsh (2012, 45) objected to the inclusion of the lagged economic variable because the dependent economic variable and the lagged economy were *not* independent of one another and are correlated to one another. My contention is that they are *analytically* independent of one another, but they are *empirically* related to one another. Their empirical relationship is the critical reason why they should be included in the analysis. I should also note that the lagged economic growth variables were used in the examination of unemployment and income inequality in my original analysis. This further strains any claim that the inclusion of lagged economic growth is effectively controlling for the dependent variable itself.

certainly *not* the equivalent of controls for lagged economic conditions. Moreover, the effects of economic contractions and expansions are quite likely to be endogenous. If the presidential parties can make a difference to the economy, they can affect the duration and severity of recessions as well as the robustness and length of recoveries—yet they are treated by Comiskey and Marsh as though no one had any responsibility for them. We have already seen that Democrats left Republicans with economies in the early stages of recessions, as Comisky and Marsh have constructed their analysis, the consequences of these inherited recessions go unnoticed as unmeasured indirect effects of the presidential parties on economic contractions and expansions.⁶

The Nonconundrum

The alleged difference between the economic records of the presidential parties was raised originally as the premise for investigating why Democrats had not had greater success in winning the presidency. How does the reanalysis of party differences affect the conundrum explored by Bartels? My analysis shows that there was no conundrum to begin with. Republicans fared about as well as Democrats in presidential elections because the economic records of Republican presidents were about equal to those of Democratic presidents once inherited economic conditions are taken into account.

Even if one were to (wrongly) cling to the party difference conclusion, there is no conundrum as to why voters would not reward Democrats for their (illusory) superior economic record. As Table 1 shows, the bivariate party difference is small and accounts for only a tiny portion of the variance in economic growth, a portion so small that voters would not notice. Moreover, even with respect to Comiskey and Marsh's (flawed) findings, the conundrum disappears. If it takes a complex spline regression analysis with an array of as many as 22 business cycle variables (not to mention oil price, war, and election year variables) to estimate a small party performance difference (and even then, not with respect to a difference in real disposable income), then it is probably safe to conclude that the alleged difference would go undetected by even the most discerning and informed voters.

References

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6. Comiskey and Marsh also compared mean economic growth in Republican second-term years to other means and found growth rates to be about one to 1.5 percentage points lower in Republican terms (2012, 50, 51). I compared economic growth rates for quarters after the first two years of Republicans taking the presidency and through the first year after their relinquishing control (the one year lag) to growth in all other quarters. The mean growth rate in the Republican quarters was 3.1% (median of 3.2%) and in other quarters was 3.4% (median of 3.1%). The difference was not statistically significant ($p > .20$, one-tailed).

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