

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

| <i>Dependent variable: Real GNP per capita growth (%) annual data</i> | | | |
|---|----------------------------|--|---|
| <i>Independent Variables</i> | <i>Included Lagged GNP</i> | | |
| | <i>Prior Year (1.)</i> | <i>Prior 4th Qtr (2.)</i> | <i>Prior 3rd & 4th Qtr (3.)</i> |
| 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, 4 th quarter | – | .31** (.06) | .23** (.06) |
| Lagged Real GNP per capita growth, 3 rd 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