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The Economics of the Political Parties: A Comparison of Economic Performance Under Conservatives and Liberals

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TABLE OF CONTENTS

Abstract	v
Introduction	1
Controlling Parties: 1949-2015	6
Senate and House of Representatives Majorities	6
Political Parties of the Presidents	7
Major Economic Legislation	9
Employment Act of 1946	9
Revenue Act of 1964	10
Full Employment and Balanced Growth Act of 1978	10
Economic Recovery Tax Act of 1981	10
Omnibus Budget Reconciliation Act of 1993	11
Financial Services Modernization Act	12
EGTRRA and JGTRRA	12
American Recovery and Reinvestment Act of 2009	13
GDP Comparison: 1950-2015	14
Republican and Democrat GDP Gap	14
Policy Implications on GDP	16
Unemployment Comparison: 1950-2015	21
Republican and Democrat Unemployment Gap	21
Policy Implications on Unemployment	22
Inflation Comparison: 1950-2014	26
Republican and Democrat Inflation Gap	26
Policy Implications on Inflation	28

Disposable Income Comparison: 1959-2014.....	33
Republican and Democrat Disposable Income Gap.....	34
Policy Implications on Disposable Income.....	34
Budget Deficits and National Debt: 1950-2014	38
Republican and Democrat Deficit Gap	38
Policy Implications on the Deficit.....	39
Conclusions.....	43
Results	43
Today's Implications.....	44
Works Cited	48
Appendix A	52
Appendix B	63

ABSTRACT

A topic that has long been a subject of debate is which party in America's two-party political system has better economic policies. Democrats tout strong economic records, boasting of their tried and true Keynesian principles. Republicans point to the accomplishments of recent presidents in combating recessions with supply-side ideals. This project attempts to look at the actual performance of the economy under Republican and Democratic presidents since 1950, and come to an unbiased conclusion on whose policies really do work better.

This project looks at GDP growth, inflation, unemployment, disposable income, and budget deficits to determine which party's policies help the economy the most. Overall, it seems as though Democrats have a stronger record in all of the areas researched, with the exception of budget deficits. GDP growth is higher, inflation is lower, disposable income increases more quickly, and unemployment rates are lower when there is a Democrat in the White House. The only place where Republican presidents outperform Democrat presidents is in the area of deficits, where Democrats have had higher deficits, on average, than Republicans. However, every time power transitioned from a Democratic president to a Republican president, the economy went into a recession within the first year of the Republican's term, before their policies could be realistically blamed for the change in the economy. This trend in inherited conditions may account for some of the differences seen in the data. Along with this, the strongest performing economies, among both Democratic presidents and Republican presidents, do not seem to have occurred as a result

of typical tax and spend liberalism, but rather as a result of tax cuts and balanced budgets. Due to this fact, it is not necessarily supply-side or demand-side economics that has a stronger effect on the economy, but rather the way in which these theories are realized. Lower taxes and balanced budgets seem to have done more to bring about stronger periods of growth than increased spending and increased taxes have since 1950.

Keywords: economy, Republican, Democrat, conservative, liberal, taxes, Keynes, inflation, GDP, unemployment, recession

INTRODUCTION

Politicians constantly argue over which party in America's system of government has the best ideas to increase economic productivity and prosperity in the nation. Democrats criticize Republicans for catering to the rich, while Republicans condemn Democrats for wasteful spending on expensive social programs. While both parties can make a good case for their own brand of economic theory, one must undoubtedly be better at creating lasting economic strength than the other. This project will attempt to come to an unbiased conclusion as to which party's policies really create a stronger, lasting economy.

Republican economics consist of a largely free-market approach. They lobby for ideas including minimal government intervention and spending, larger tax cuts, and the reduction of unemployment by letting businesses to run as they please, allowing them to hire or fire workers in order to meet changing demand. They believe that in order to increase economic growth, it is the employers who must grow and the supply that must increase.

Democrats, on the other hand, encourage government involvement in the economy. Aligning themselves with Keynesian economic ideals, they believe that while the economy should operate as a mostly free-market system, this alone will not encourage the growth that is needed. Liberals, therefore, seek to increase demand and government spending in order to increase output and stabilize the economy. Both supply-side and demand-side economics have many adherents across the world, and since 1950 the United States has seen different Presidents and Congresses attempt to

implement either one theory or the other in order to spur and maintain growth and prosperity.

This project will review the major economic policies implemented since 1950 and their effects on the economy, attempting to link said effects to the President and Congress that passed them, and the political party that they were affiliated with. Obviously, every law passed has some effect on the economy. For this project, only laws passed as an attempt to spur a struggling economy or dramatically change the economy will be considered. This includes laws such as the Revenue act of 1964, the Economic Recovery Tax Act of 1981, the Economic Growth and Tax Relief Reconciliation Act of 2001, and the American Recovery and Reinvestment Act of 2009 and others. The project will not include laws such as the Patient Protection and Affordable Care Act, which microeconomic in nature, and may have widespread effects on the economy in the future, but are still too new to see any real effects.

To date, studies such as this have not been widely attempted. While economists can look back over the history of the United States of America and see when the economy peaked, dipped, and plateaued, it is much more difficult to attempt to see why these changes occurred, especially when it comes to specific laws and policy decisions. There is also a great deal of bias that accompanies any economic outlook. Conservatives are more likely to look favorably on the days of the Reagan administration and his economic policies—often called Reaganomics—pointing to them as proof that Republican economics are the stronger of the two. Liberals however, will look to the Great Depression and remember that Franklin Roosevelt was president

when it finally ended, supporting their belief that their economic strategy is more successful. However, it is difficult to determine whether it was the strategies presented by the President, the House of Representatives, and the Senate that brought the United States out of the Great Depression and the Reagan era Recession, or some other factor.

One similar study that has been undertaken, "Presidents and the Economy: A Forensic Investigation", was completed by Alan S. Blinder and Mark W. Watson of the Woodrow Wilson School and Department of Economics at Princeton. They attempted to link economic growth to presidents and their parties by looking at gross domestic product and unemployment. They come to the conclusion that because Democratic presidents have a higher GDP growth than Republican presidents as well as lower unemployment numbers, the economy performs better under Democrats. Blinder and Watson were careful to say, however, that they believed the differences in growth and other indicators was largely due to both good policy and good luck. This project, however, will not only look into presidents and the GDP during their presidency, but also at unemployment rates, inflation, government spending, and a number of other factors, and come to a conclusion based on as many pieces of information regarding the economy as possible, not just one or two.

James E. Campbell of the Department of Political Science at the University at Buffalo, notes in his study entitled "The Economic Records of the Presidents: Party Differences and Inherited Economic Conditions", that multiple studies have shown that "Democratic presidents in the post-WWII

era have had stronger economic records than their Republican counterparts" (Campbell 1). He then goes on to dispute the validity of these results by calling into question the inherited economic conditions of the presidents. Campbell comes to the conclusion that "Republican presidents who succeeded Democrats consistently faced the problem of bringing the economy out of a hole," and that they therefore "should not be blamed" for the poor economic conditions that they inherited (Campbell 3). Campbell ends the report by writing, "the claim that Democratic presidents have had a significantly better record of economic achievement than Republican presidents is not supported by the evidence" (Campbell 28). These two studies alone show the vast differences in opinion that many economists have regarding which policies are superior.

Obviously, the Federal Reserve also plays a large part in the economy as it attempts to follow its dual mandate of controlling inflation and maximizing employment. However, their actions will not be examined in this project. This project will attempt to take an unbiased look at the policies passed over the past 65 years, and determine which party's policies really are more helpful to the economy.

Finally, it is obviously impossible to prove that any of the changes seen in economic indicators changed solely, primarily, or partially as a result of any policy decision made by the President, the House of Representatives, or the Senate. This project will look at said indicators, and attempt to link them to specific major policies that have been passed. I understand, however, that the possibility exists that my assumptions regarding causation

could be incorrect, and encourage future researchers to question my ideas and come to different conclusions considering factors that I may not have looked at. The more we look at this issue, the better understanding we will have as a whole, and may eventually come to a solution that will allow America's economy to prosper many years into the future.

CONTROLLING PARTIES: 1949-2015

While many may pin the state of the economy upon the President in office at the time, most people understand that the President actually has limited power over the economic policies implemented by Congress. While the President can veto or sign into law any bill passed by both Houses of Congress, these houses are the bodies who actually write, edit, and vote on these bills. Therefore, it is important to note the composition of the House of Representatives and the Senate when attempting to decide which party's policies may have had a stronger positive effect on the economy. The following paragraphs attempt to highlight the differences in influence each party has had over time. Independents are not included in the following data, even though right or left leaning Independents can swing votes on pivotal legislation, this project focuses solely on Republicans and Democrats, and purposefully leaves out Independents. The data included in this section can be seen in Appendix A in Figures 1 and 2, and in Table 4 ("Party Division in the Senate, 1789-Present"; "Party Divisions of the House of Representatives").

Senate and House of Representatives Majorities

Since 1949, Democrats have held the majority (often by a large margin) in the Senate a total of forty-five years, Republicans have held the majority a total of eighteen years, and an even split has existed for a total of four years, as seen in Figure 1 of Appendix A ("Party Division in the Senate, 1789-Present"). Similarly, Democrats have held the majority in the House of Representatives (often by a large margin) for a total of forty-eight years

since 1949, while Republicans have had the majority for a meager nineteen years, as can be seen in Figure 2 of Appendix A ("Party Divisions of the House of Representatives"). Democrats held the majority in both the House of Representatives and the Senate for a total of forty years. Republicans held the majority in both Houses of Congress for only twelve years, with ten of those years occurring between 1995 and 2006. This vast difference calls into question the ability of Republicans over the long term to implement and continue meaningful economic reform compared to the ability that would have been afforded to Democrats, who often had the majority in both arms of Congress. However, it is also important to note that the ideological composition of Democrats in Congress was much more diverse during many of those years than it is today, making the opposition Republicans faced in passing legislation less intense than it is currently.

Political Parties of the Presidents

The number of presidents from both parties, however, is a much more even number. Since 1949, the United States has had a Republican president for a total of thirty-six years, and a Democratic president for thirty-one years, as can be seen in Table 4 of Appendix A (Freidel; "Party Divisions of the House of Representatives"; "Party Division in the Senate, 1789-Present"). This comes to a nearly even spread of presidential election wins for both Republicans and Democrats, at nine and eight respectively. However, it should again be noted that Republican presidents only saw a majority made up of their own party members in both the House of Representatives and the Senate for six of these thirty-six years. These six

years spanned the terms of Presidents Eisenhower and George W. Bush.

Democratic presidents, on the other hand, worked with their own party as the majority in both houses for twenty of their thirty-one years. These years spanned the terms of Presidents Truman, Kennedy, Johnson, Carter, Clinton, and Obama. Due to this vast difference, it is not unreasonable to assume that Democrats have been able to pass legislation fitting both their social and economic agendas with much less effort than Republicans have over the past 65 years.

MAJOR ECONOMIC LEGISLATION

Obviously, both Republican and Democratic presidents have signed multiple pieces of legislation that they believe to be extremely important to the economy of the United States. In the interest of discerning which had the largest influence on the economy, this project will be limited in the amount of laws it discusses. This is not to presume that these are the only laws that had a major effect on the economy, but to make the statement that these did have large effects over the years following their passing.

Employment Act of 1946

When beginning to think about the impact of legislation on unemployment, it is important to first mention the Employment Act of 1946. Though it was enacted before the 1950's, it had lasting effects into the time-frame that this project covers. This act was signed into law by President Truman, with the intent of helping "promote maximum employment, production, and purchasing power" ("Employment Act of 1946"). This act established the Council of Economic Advisers that offer advice to the president on issues regarding economic policy, and requires the president to issue an Economic Report of the President each year. This law, while not necessarily calling upon the government to perform any specific actions to reduce unemployment, served as a sort of guideline for future policy, paving the way for laws such as President Carter's Full Employment and Balanced Growth Act.

Revenue Act of 1964

The Revenue Act of 1964 was passed by both a Democrat controlled House of Representatives and Senate, and signed by President Johnson in 1964. This act cut the top individual tax rates by 21% and slightly cut corporate taxes (Entin 4). This act did so with the intent of increasing consumption and demand in order to improve the economy. This law was seen by many as the first widespread application of Keynesian economic theory, and impacted unemployment, inflation, and growth at the time.

Full Employment and Balanced Growth Act of 1978

The Full Employment and Balanced Growth Act was one of the laws which followed in the vein of the Employment Act of 1946. It was passed by both a Democrat controlled Senate and House of Representatives, and was signed into law by President Carter in 1978. This bill, as opposed to the bill set forth in 1946, set specific goals for the United States regarding unemployment, inflation and other economic factors. This law did not achieve what it had hoped to accomplish, however.

Economic Recovery Tax Act of 1981

This act, signed by President Reagan after being passed by a Republican controlled Senate and Democrat controlled House of Representatives, aimed to reduce unemployment and improve the economy by cutting taxes. While similar to the Revenue Act of 1964, this act focused on cutting taxes for businesses and the wealthy more than to consumers. This was done with the hope that increased revenues would lead to increased investment, production, and jobs. With this law, the top tax rate was cut

from 70% to about 50%, and the brackets were indexed for inflation, keeping people from being pushed into a higher bracket due to inflation ("Economic Recovery Tax Act of 1981"). The bottom rate dropped as well, though not to such a large degree. This law was one of the first trials of supply-side economics, and had large impacts on unemployment, GDP, and the federal budget. President Reagan signed another tax cut into law in 1986, titled The Tax Reform Act of 1986, which further cut tax rates (Baugman).

Omnibus Budget Reconciliation Act of 1993

The Omnibus Budget Reconciliation Act was President Clinton's first budget. It focused on reducing the budget deficit and ultimately lowering the national debt left by Presidents Reagan and H.W. Bush. The Omnibus passed with a very narrow margin, with Vice President Gore casting the tie-breaking vote in the Senate. The Omnibus set out to accomplish this by cutting spending and slightly increasing taxes. Reduced budget deficits, a usually conservative idea, would allow for increased growth in the future. The top tax rate was increased from 31% to 36% with an added 10% tax for citizens earning over \$250,000 per year. Corporate taxes were also increased from 34% to 36% ("Omnibus Budget Reconciliation Act of 1993"). These tax increases, while large, still did not move taxes back into the range they were before, the Economic Recovery Tax Act of 1981. While these increases in taxes helped to reduce the national debt, they seem to have been unpopular. The Democratic majority in both the House of Representatives and Senate turned into a Republican majority following the next election.

Financial Services Modernization Act

The Financial Services Modernization Act was passed by a House of Representatives and Senate with a Republican majority, and signed by President Clinton in 1999. This law loosened restrictions on the financial services industry, specifically removing some of the restrictions that kept a financial institution from engaging in other types of services. With the passing of this law, financial institutions could offer services usually left to insurance companies, investment banks, and commercial banks. They were also subject to less regulation. This law is cited by some as one of the root causes for the 2008 financial crisis and resulting recession (Grant). It is important to note, however, that Senator Phil Gramm, and Representatives Jim Leach and Thomas Bliley, Jr. were all republicans, and that in the Senate, only one of the 45 Democrats in office at the time voted to pass the bill ("U.S. Senate Roll Call Votes 106th Congress - 1st Session"). Due to this fact, it is impossible to label the Financial Services Modernization Act as a Democrat bill, and it is difficult to blame President Clinton for its passing.

EGTRRA and JGTRRA

President George W. Bush signed these acts after they were passed by a Republican majority. Building on each other, they were officially titled the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Jobs and Growth Tax Relief Reconciliation Act of 2003. These acts were put into effect following the 2001 recession that President Bush dealt with, and have been strongly debated in their effectiveness. These acts lowered tax rates, brought about a series of tax rebates, and changed various other areas of the internal

revenue code. An example of the changes implemented by EGTRRA and JGTRRA was the fact that a “10% tax rate was introduced and the 28% and 31% tax rates were reduced to 25% and 28% respectively,” and the marriage penalty and long-term capital gains tax rate was also reduced (Hunderford 6).

American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 was passed by a House of Representatives and Senate which, at that time, both had a Democratic majority. This act may be one of the most controversial pieces of economic legislation in recent history. Often called the stimulus bill or stimulus package, this act focused on increasing government spending in order to prime and stimulate the economy. This act pumped \$830 billion into various sectors of the economy in an attempt to promote growth in an economy lagging after the financial crisis. This implementation of Keynesian economics was vastly different than the Revenue Act of 1964, and had impacts on unemployment, GDP, inflation, and the deficit.

GDP COMPARISON: 1950-2015

Gross domestic product is one of the most commonly used indicators of economic prosperity. If an economy is growing at a steady pace, it is seen as strong. If an economy is growing slowly, lessening in growth, or even shrinking, it is viewed as weak. This project will look at GDP from the perspective of chained 2009 dollars, so that there is a consistent comparison across the board, regardless of inflation. Currently, the U.S. economy is seeing growth of about 2% following the 2007 recession caused by the financial crisis. The highest GDP growth since 1950 was in 1950, at 8.7%, while the lowest was in 2009 at -2.8%. The data discussed in this section can be found in Appendix A in Figure 3 and Table 1 ("National Economic Accounts").

Republican and Democrat GDP Gap

Republican presidents have seen an average growth in GDP of 2.79% from 1950-2014. While this growth is reasonable, it is by no means spectacular. Democrats have seen stronger increases in GDP, which has grown at an average of about 3.87%. This growth rate is over 1% greater than the growth seen under Republican presidents. While one may look at this fact and assume, as Hillary Clinton did in a recent speech on her 2016 campaign trail, "the economy does better when you have a Democrat in the White House," it is important to look at these findings in context (Washington Post Staff). When viewed in context, this difference is not as surprising, as Republican presidents have consistently inherited worse economies than their Democratic counterparts. They have also consistently had less influence in

both the House of Representatives and Senate in order to reverse these weakening economies.

While some of these economic conditions may not seem as though they are inherited, when one looks closely at the timeframe in which recessions occurred, it can be reasonably assumed that they were, in fact, due to inherited conditions. For example, it would not be accurate to fault a President for a recession that began less than one year into his presidency. The policies that he, his new administration, and the newly elected House of Representative and Senate members have put into action will not yet have had the time to impact the economy in any way meaningful way. This is called, by Campbell, the Lag Year (Campbell 17). In the four transitions from Democratic to Republican presidents, starting in 1953 with President Eisenhower, each president has experienced a recession in the last half of the Lag Year. Democratic presidents, on the other hand, have not had to deal with recessions in the last half of the Lag Year following transitions from Republican to Democratic administrations. Even President Barak Obama, who inherited a sputtering economy from President George W. Bush, did not have a technical recession to deal with in the second half of his Lag Year.

This calls into question the idea that the economy does better as a result of the policies of Democrats when looking at GDP alone. Were the policies of Democrats significantly better than those of their Republican counterparts, one would expect to see strong growth throughout Democratic presidencies, followed by a steadily (or sharply) slowing or negative growth under Republican presidents. This would be followed by Democratic

presidents coming back into office and turning things around. However, the data does not convey this idea, as can be seen in Figure 3. The economy does not turn quickly. It stands to reason, therefore, that Republican presidents inheriting both slowing economies and Democrat led legislative bodies may have had slightly lower growth rates than Democrats inheriting both growing economies and legislative bodies made up of legislators with similar values and ideas.

Policy Implications on GDP

Obviously, policy can effect GDP growth either positively or negatively. In essence, every policy passed can have some impact on the GDP of a nation. However, when GDP is measured in trillions of dollars, most laws do not carry enough weight to meaningfully change the GDP. Because of this fact, this project focuses only on the laws that have been previously mentioned, as their effects on the economy have been notable wide reaching. This section will not discuss, however, trade deals such as the North American Free Trade Agreement. While deals such as these can greatly impact the composition of a nation's GDP, this project focuses solely on laws, and therefore will be limited to laws that are passed by the Senate and House of Representatives, not deals approved solely by the President.

The Revenue Act of 1964 was followed by some of the fastest GDP growth in recent history, easily outstripping the average growth under President Eisenhower. Between 1964 and 1968, the GDP of the United States grew at an average of 5.3% in chained 2009 dollars. The tax reductions put forth first by President Kennedy and passed into law under President Johnson

allowed consumers to purchase and invest more with their hard earned capital, and brought about strong production growth in America. However, in the late 1960's, growth began to decline, dropping to 2.7% in 1967.

President Nixon inherited a fairly weak economy from President Johnson, but did not enact the typical supply-side economics ideals that are typically seen from Republican presidents. Instead, he opted for a Keynesian approach, increasing government spending and the deficit in order to spur greater growth. However, the effects of the 1970's recession were felt for many years, and the economy did not fully recover until the middle of President Reagan's presidency.

Following Nixon's Keynesian approach, President Carter's Full Employment and Balanced Growth Act aimed at putting more Americans to work, another implementation of demand-side economics. This plan had little positive effect on the GDP growth of the nation, which decreased from 5.6% in 1978 when the law was enacted, to -.2% in 1980 when President Carter left office.

Reagan's policies seem to have positively affected GDP. The transition from demand-side Keynesian economics to supply-side economics seems to have made a difference in GDP growth. The tax cuts signed by Reagan coincided with an increase in GDP from 2.6% in 1981 to 4.2% in 1988, with an average growth of 3.5% per year. If one were to remove the first two years due to the Lag Year effect and recession inherited from President Carter, average GDP growth increases by 1.05% to 4.55%. This conquering

of the 1980's recession, as well as the subsequent growth is impressive, and not something seen in much of this data.

During the early 1990's, growth again slowed as a short recession hit. The nation's GDP rebounded quickly, however, even though employment did not. Because of this President Clinton inherited a recovering economy, and kept growth stable throughout his presidency, choosing to push for a balanced budget. President Clinton's Omnibus Budget Reconciliation Act of 1993 helped to set the stage for the strong GDP growth that was seen during his presidency. In fact, this additional responsibility on the part of the government may have actually encouraged investors and businesses, and allowed for increased business expansion.

President Bush, however, received an economy that suddenly plunged into a short recession as a result of the bursting of the dot-com bubble and the 9/11 terror attacks, and needed to quickly turn the economy around. To do this, he implemented two tax acts, the Economic Growth and Tax Relief Reconciliation Act of 2001, or EGTRRA and the Jobs and Growth Tax Relief Reconciliation Act of 2003, or JGTRRA. The implementation of these tax breaks coincides with the consistent increase in GDP growth seen from 2001 to 2004 in Figure 3. However, the 2007 recession saw growth begin to fall due to the financial crisis caused by deregulation of the financial sector through mostly Republican led laws such as the Financial Services Modernization Act.

Some may attribute the end of the Great Recession in June of 2009 to the American Recovery and Reinvestment Act of 2009 which was signed into

law in February of that year. The Great Recession had ended by the end of the Lag Year following President Obama's election, however, and it would be presumptuous to assume that such a large amount of money going to so many programs would have had such an immediate effect, and that within four months, it had ended the recession. President Obama was left to deal with a somewhat stagnant economy, but not one of negative growth.

President Obama's policies have been implemented in order to stimulate the economy and raise growth to the levels seen in the late '90's. The American Recovery and Reinvestment Act of 2009 has led to limited success in raising GDP overall, however. The largest boost in GDP came in the year following the Lag Year left by President Bush, in which the GDP went from -2.8% in 2009, to 2.5% in 2010, the highest it has been since President Obama was elected. This lack of increased and sustained growth is somewhat surprising to many, considering the fact that such a large amount was spent in order to turn the economy around quickly. When looking at the failure of the stimulus bill to unleash rapid, long term, large scale economic growth, it becomes reasonable to question the Keynesian idea of increased government spending as a means of helping the economy.

Some argue that the recession would have been much worse without the stimulus package, which is possible, but difficult to determine. Others argue that it is possible that the stimulus package has not had enough time to make a noticeable impact on the economy of the United States over the long term. If this is the case however, and this law is still effecting the economy more than seven years after it was passed and the money was

spent, there can be no way of determining when the influence of any law meant to stimulate the economy ends and when the influence of another begins. This alone would call into question the validity of any argument for or against a certain president or party and their economic policies, as these policies could be said to impact the economy forever – from the moment they were passed until the United States collapses. For the sake of this project, therefore, we must assume that there is a limit to the effects any economic bill that is signed in to law has on the economy over time.

UNEMPLOYMENT COMPARISON: 1950-2015

Unemployment is another strong indicator of where the economy rests, and where it is headed. The unemployment rate takes into account the number of people currently looking for a job compared to the total number of people in the workforce. Where unemployment numbers gain criticism, however, is in the fact that they do not include part time workers, people who are employed below their skill level, and people who have given up looking for a job. The way unemployment is calculated is also determined by the President and his administration, so it can vary over time. Despite these shortcomings, this project will refer solely to the numbers reported by the federal government each year. The data discussed in the following sections can be found in Appendix A in Figure 4 and Table 2 ("Unemployment Percentages from 1947-2013").

Republican and Democrat Unemployment Gap

Another gap between Republicans and Democrats can be seen in the area of unemployment. During the years between 1950 and 2015 that the United States had a Republican president, unemployment has been, on average, 5.92%. During the years that the United States had a Democratic president, however, the unemployment rate has been about 5.78%. This gap is extremely slight, standing at .14%. However, as previously mentioned, it is important to look at these numbers in context. Due to the fact that many of these Republicans inherited weakening economies, their unemployment numbers have been slightly larger than those of Democrats. Once the economy begins trending in the wrong direction, it takes a large amount of

time and effort to force it back into place. An example of this can be seen in President Reagan's first three years as President, in which he inherited a recession from President Carter. The unemployment rate climbed from 7.6% to 9.7% before beginning to drop, reaching 5.5% by the final year of his presidency. Much of this may be due to the actions of the Federal Reserve. However, while the Federal Reserve does take steps to keep unemployment low as part of their dual mandate, this project does not take into account Federal Reserve policy, and instead focuses solely on policies implemented by Congress and the President, therefore their actions will not be discussed.

Policy Implications on Unemployment

The implications of policy on unemployment are extremely important. Many policies enacted during times of slow growth are created in order to spur employment specifically. This can be seen by merely reading the titles of laws such as the Full Employment and Balanced Growth Act.

Unemployment is something that the government has often attempted to influence through regulation. Due to this fact, it is slightly easier to see some of the effects that certain legislation had on unemployment.

The Revenue Act of 1964 helped to lead to a reduction in the unemployment rate from 5.2% in 1964 to 3.5% in 1969, a total reduction of 1.7%. This decrease helps to show the value of Keynesian economic ideas, specifically in the form of tax cuts. Both Presidents Kennedy and Johnson, and the Congresses they served with, realized that the top tax bracket of 91% was too high to efficiently promote economic growth. They understood the value of allowing consumers to keep more of their money, and demand

more goods in return. The idea of implementing Keynesian economic ideals through tax breaks, however, seems to have been forgotten by more recent Democratic presidents and candidates, who advocate for higher taxes and government spending as a way to increase economic growth.

One policy concerned primarily with reducing a high unemployment rate was President Carter's Full Employment and Balanced Growth Act. The law stated that its main goal lay in "reducing the rate of unemployment...to not more than 3 per centum among individuals aged twenty and over and 4 per centum among individuals aged sixteen and over" within five years ("Full Employment and Balanced Growth Act of 1978"). This act, while noble in its goals, attempted to achieve them through increased government involvement. Using Keynesian economics, the government would be required to pump money into the economy in order to increase demand, and thus, increase employment. To the extent that businesses would not hire new employees to meet this demand, the government would be responsible for creating public sector jobs in order to reach the law's employment goals. However, the government found that it was not able to legislate the nation into reaching the goals that they had set for themselves. This law, therefore, failed to produce its desired results, and while unemployment was reduced between 1977 and 1979, it rose again to its original level in 1980, as can be seen in Figure 4.

As a result of the failure of the Full Employment and Balanced Growth Act, President Reagan inherited a sputtering economy. He responded to the high rate of unemployment with the Economic Recovery Tax Act of 1981.

These tax cuts were followed by increasing unemployment in 1982 and 1983, but finally led to falling unemployment rates in 1984. It is difficult to discern whether the reduction in unemployment that then began was the result of delayed effects of this act, or for some other reason, such as the actions of the Federal Reserve. The fact remains, however, that unemployment continued to drop until the 1990, when the United States saw a short recession. Though the 1990 recession was short, employment struggled to recover the way the rest of the economy did.

Two more tax cut plans that were implemented in order to help boost employment were EGTRRA and JGTRRA. These plans were implemented in order to deal with the recession left by the bursting of the dot-com bubble. While EGTRRA had little immediate effect, when combined with JGTRRA in 2003, unemployment began to drop as the economy began to recover. Unemployment decreased from 6.0% in 2003 to 4.6% in 2007, when the financial crisis caused unemployment to hit an average of 5.8% in 2008.

The recession caused by the financial crisis ended during President Obama's first year as president, a year in which unemployment was still at an astounding 9.3% in 2009. President Obama and the Democrat run House of Representatives and Senate decided the best way to kick-start the economy and promote job growth would be through a stimulus package, known as the American Recovery and Reinvestment Act of 2009. This package, according to the data, seems to have had little effect in the way of unemployment, as over the next four years, unemployment only dropped from 9.3% to 8.1% in 2012. Unemployment dropped to 6.2% in 2014, and is

trending lower in 2015, with some economists predicting that the United States will reach full employment soon. However, it is unclear how much of this reduction has taken place due to the stimulus bill, and how much is the result of measures taken by the Federal Reserve to push interest rates lower.

Overall, both parties have seen success in lowering the unemployment rate during times of economic unrest. While Democrats may have had lower unemployment numbers overall, Republicans have dealt with seemingly much more difficult circumstances. While the data seems to favor Democrats in this area, it seems as though the greatest reductions in unemployment have been achieved through tax reductions and an increase in private sector spending and consumption, not fiscal stimulus. While this does not necessarily point to supply-side or demand-side economics giving a better solution to unemployment, it does suggest that perhaps both are efficient at reducing unemployment when enacted in a certain way.

INFLATION COMPARISON: 1950-2014

Inflation is another indicator that is important to look at when comparing the performance of the economy over time. It can help economists to understand how much the purchasing power of the dollar decreases year over year. This decrease in value can be both a blessing and a curse. Inflation that is too high will render a currency worthless, while deflation hurts debt holders within a country, as well as corporations trying to sell goods and services. While there are obviously many factors that contribute to inflation, including the Federal Reserve's actions to fulfill its dual mandate, the laws that are passed by the government every year also have some effect on inflation. In fact, it is often the laws that are passed which cause the problems the Federal Reserve attempts to avoid and combat. As the Federal Reserve aims to keep inflation at 2%, it will also be important to find which party helps them to meet these goals more consistently. The data discussed in the following sections can be found in Appendix A in Figure 5 and Table 3 ("US Consumer Price Index for All Urban Consumers").

Republican and Democrat Inflation Gap

Similarly to both GDP and unemployment, we see a gap between the average inflation under Democratic presidents and the average inflation under Republican presidents. Democratic presidents, since 1950 have had an average inflation rate of 3.35% per year. Under Republican presidents, inflation has risen at a slightly higher rate of 3.86%. When adjusted for Lag Years, however, the average rate of inflation stands much closer, at 3.67% for Democratic presidents, and 3.61% for Republican presidents. This again

calls into question the inherited conditions of each president. For example, in 1960, President Eisenhower's last year in office, inflation was 1.5%, and in the Lag Year inherited by President Kennedy, inflation was 1.1%. However, by the end of President Johnson's term in office in 1968, inflation had increased to 4.3%, and in the Lag Year inherited by President Nixon, inflation was 5.5%, as can be seen in Table 3. The same can be seen to a much greater extent in the Lag Year inflation rate of 6.5% left by President Ford for President Carter. President Carter, in turn, left President Reagan a Lag Year rate of 10.3% (with the preceding year reaching 13.5%). By 1993, when President Clinton took office, inflation had again dropped to 3%.

Democratic presidents have also presided over inflationary values that are within 1% of the Federal Reserve's 2% target rate much more often than Republican presidents have. They have seen nine years in which their rate of inflation was more than 1% higher or lower than the target rate, while Republican presidents have seen twenty-five. The highest rate of inflation, however, came during President Carter's term in 1980. That year, the rate of inflation stood at 13.5%. This left President Reagan with an extremely high inflation rate to deal with, which was reduced to 6.1% by 1982, and 1.9% by 1986.

One final note regarding the basic track records of inflation, is the fact that during the time between when Democratic presidents took office and when the next Republican president took office, the inflation rate consistently went up. This increase in inflation resulted in a total of 13.8% increase – an average of 2.76% per cycle. On the other hand, during the years between

when a Republican president took over the office from a Democratic president, and when the next Democratic president took office, the inflation rate decreased a total of -5.4% - an average of -1.35% per cycle.

Policy Implications on Inflation

As previously mentioned, policy decisions made by elected officials are not the only factor that impacts inflation. However, the same can be said of each of the economic indicators discussed in this project. The actions of the President and Congress often influences the monetary policy actions that the Federal Reserve takes. It is, therefore, undeniable that fiscal policy does affect inflation, and therefore should be considered.

The Revenue Act of 1964 was passed during a time when inflation was fairly low. After its passing, however, inflation slowly started rising from 1.3% in 1964 to 4.3% in 1968, President Johnson's last year in office. While this rise in inflation cannot be entirely attributed to this act, it should be noted that the St. Louis Federal Reserve states that this inflation was "generated by an excessive demand for goods and services" – the exact goal of the Revenue Act of 1964 (Bowsher 3). As demand outstripped production, and spending growth accelerated, suppliers had trouble producing quickly enough, and raised prices.

Much of the increased inflation that was seen under Nixon is attributed to both the high budget deficit which helped to finance the Vietnam War, as well as the Federal Reserve's actions during that time. One important event that occurred during that time that was directly linked to inflation and the policies of the president was the removal of the gold standard by President

Nixon. After this move in 1971, which many saw as necessary, the value of the dollar decreased. It was also during this time that the old Phillips Curve model which assumed that unemployment and inflation were inversely related was called into question, as the United States experienced both high inflation and high unemployment.

The high inflation of the 1970's continued into President Carter's term in office, and the Full Employment and Balanced Growth Act attempted to curb the massive inflation that was being seen. It mandated that inflation should be reduced to 3% or less, and that by 1988 inflation should be 0%, as long as this objective did not interfere with the unemployment goals laid out by the law ("Full Employment and Balanced Growth Act of 1978"). The law further stated that improved government policies would be necessary to combat inflation, and that reform and correction would be important. However, it did not outline any specific reforms that would be made as a result of the law. It was merely passed in order to "improve the coordination and integration of the policies and programs of the Federal Government" ("Full Employment and Balanced Growth Act of 1978"). President Carter was required to initiate changes to combat inflation, but could ultimately only make suggestions to Congress, which they could then decide whether or not to act upon. Obviously the reduction in inflation that was mandated did not occur. President Carter's suggestions were either not implemented by a House of Representatives and Senate made up of a majority of his fellow Democrats, or his policies were not effective. One credit to President Carter is the fact that the intention behind the law was good, however, the law was

watered down in order to pass it, leaving it few ways to effectively improve the situation.

President Reagan's tax cuts through the Economic Recovery Tax Act of 1981 seem to have helped reverse the increase in inflation seen under President Carter. As opposed to the tax cuts implemented in 1964 by President Johnson, which focused on increasing demand, and thus helped to increase inflation, President Reagan's cuts were focused on increasing supply and helping the rich and their corporations, so that they would create more jobs. This increase in productivity, President Reagan argued, would correspond with a decline in the inflation rate. While this data was not necessarily supported by research at the time, with a researcher at the Minneapolis Federal Reserve writing that data from multiple countries shows that, "if there is any relationship between productivity growth and inflation, it is positive, not negative" (Supel 11). However, this risky move seems to have paid off. It is not unreasonable to assume that as supply increased, the prices could be reduced, leading to deflation. This supply side approach seemed to work well with the Federal Reserve's policies at that time and helped contribute to lowering inflation.

Under President Clinton, inflation remained fairly low. Decreases in government spending and increases in tax rates resulting in reductions of the deficit and national debt under President Clinton as a result of his Omnibus Act of 1993 likely helped in this. Following President Clinton's second term, inflation stayed reasonably low until 2009, with only slight spikes in various years.

In 2009, however, in the Lag Year left behind by President George W. Bush, deflation occurred, with the rate of inflation at $-.4\%$. One of the possible results that were hoped for from the Quantitative Easing the Federal Reserve started, was for inflation to once again come back into a safer range. Others, however, thought that too much easing could lead to higher inflation, or even hyper-inflation. On top of this, many Republicans viewed President Obama's American Recovery and Reinvestment Act of 2009 as an action that would that would join QE in pumping too much money into the economy, creating massive amounts of inflation (Melloan). This high inflation has yet to be seen, however, as in 2014, it was still at 1.6% , below the Federal Reserve's 2% target. It is doubtful that inflation will really increase as a result of those policies.

Overall, the effects that policy seems to have had on inflation in recent history is rather minimal, with the majority of the effects on inflation coming from the Federal Reserve's actions. The president appoints governors to the Board of Governors in the Federal Reserve System, however, so at least some of the blame for inflation can be placed upon the presidents. However, once they are on the Board of Governors, the President, Senate, and House of Representatives have no control over how they act or what policy they implement. The largest changes in the inflation rate occurred between 1970 and 1983, with both Democratic and Republican presidents bearing some of the blame. It should be noted, however, that during that time the largest increases in the average rate of inflation occurred under Keynesian Economic

principles, while decreases in the average rate of inflation occurred under supply-side principles.

DISPOSABLE INCOME COMPARISON: 1959-2014

Disposable income can give a strong indication of how the economy is performing, specifically as it relates to everyday Americans. Every President is elected by average middle-class and low-income Americans, and tailor their policy in order to help these Americans become more economically sound than they were before their Presidency. This is not only to solidify their own legacies, but to keep their party in power for as long as possible. Both parties go about this in very different ways, however. Presidents like Ronald Reagan and George W. Bush attempted to boost the position of the middle class by further empowering the upper class to create more jobs, and offering tax breaks. Presidents like Bill Clinton and Barak Obama, on the other hand, look to increase the wellbeing of everyday Americans by increasing taxes on the wealthy, so that they government can better work to help these people. Presidential Candidate Bernie Sanders is taking this idea to the extreme by proposing a 54.2% tax rate on the highest tax bracket, as well as a tax increase on most others (Cole).

The data provided by the Federal Reserve Bank of St. Louis regarding disposable income only goes back to 1959. While this is a slightly shorter period than has been reviewed in other sections of this project, it still encompasses most of the major policy decisions that have been researched and discussed. The data reviewed in the following section can be found in Appendix A in Figure 6 and Table 5 ("Real Disposable Personal Income").

Republican and Democrat Disposable Income Gap

When the country has been led by a Democratic president, it has historically seen a higher increase in disposable income. The average percent increase in disposable income under Democrats is 3.32% since 1959. Under Republican leadership, this increase has averaged at 3.13%. This difference is barely noticeable at .19%, but is a difference nonetheless. This continues the trend of stronger growth under Democratic presidents. When Lag Years are factored in, the difference increases slightly. It is possible that Republican efforts were focused more on the economy as a whole, and on factors such as unemployment and GDP. They would have focused on these factors when attempting to reverse, or at least reduce the impact of, the recessions that they inherited. This would have left Democratic presidents to focus on working to increase the wealth and wellbeing of the people, as they would not have had to focus as strongly on these other large factors.

Policy Implications on Disposable Income

Disposable income is an area that is likely most largely affected by changes in the tax code. This trend can be seen in the period immediately following the Revenue Act of 1964. Due to the fact that this Act largely affected everyday individuals, and not the rich or corporations, it can be expected that immediate effects in disposable income would be seen. In 1964, the year the act was passed and taxes were lowered, the average increase was 7.1%, 3.34% higher than the increase in 1963. The increase in disposable income the following year was still strong at 6.21%. The average increase in disposable income was 5.5% during President Johnson's term

following the signing of this bill, and did not dip below 4.3% during the rest of his Presidency.

During President Nixon's term in office, disposable income grew at an average of 3.48% per year, despite the economic turmoil he presided over. The change in the tax rate that was implemented by Johnson also seems to have helped to keep disposable income growing steadily during President Nixon's term. Had Nixon cut taxes in the way Johnson and Reagan did, perhaps he would have seen a larger increase in this indicator.

President Carter, on the other hand, saw an average increase in disposable income of only 2.6% per year, with 1980 bringing only a .69% increase over the previous year. President Carter's Full Employment Act was ultimately unable to bring disposable income up to the levels seen following the tax cuts made by President Johnson.

President Reagan's Economic Recovery Tax Act of 1981, similarly to President Johnson's Tax Act, increased disposable income by lowering taxes. The average growth in disposable income under President Reagan is 3.6%. This average is obviously higher than that of Presidents Carter, Nixon, and Ford, but lower than that of President Johnson. There are two main possibilities that may have caused this fact. The first, is the possibility that the recession President Reagan inherited from President Carter did not allow for him to focus on disposable income growth, but rather caused him to focus on other indicators. The recession may have also made it difficult for incomes to rise at the rate they should have. The second possibility, lies in the fact that President Reagan's tax cuts were meant to help the more affluent, which

would allow the wealth and opportunity to transfer to the less affluent. Perhaps, the wealth did not trickle down as he had hoped, and caused disposable income to only increase slightly more than it had under the previous Republican presidents. It is also possible, however, that the trickle-down effect he had been looking for was merely delayed, and can be seen in 1984's disposable income growth of 6.89%. From 1984 on, President Reagan's average growth in disposable income is 4.13%, closer to President Johnson's average.

President Clinton's average was similar to that of both President Reagan and President Nixon, at 3.6%. This is somewhat surprising, considering the fact that his Omnibus Act increased taxes, which one would assume would lead to less disposable income. This expected trend can be seen in 1993, the year the Omnibus Act was passed, when the increase in disposable income dropped from 4.29% in 1992 to 1.63%. However, it steadily increased from this point on, reaching 5.9% in 1998, and 5% in 2000. This could be due to the fact that many of the bills passed during President Clinton's term were aimed at helping the middle class, especially in the way of creating loan terms that were more favorable. This could have led to this increase shown in the data, but also helped lead to the mortgage crisis in 2007.

At 2.67%, the average increase in disposable under President Bush is closer to the average seen under President Carter than those of his Republican predecessors. Much of the difference between President Clinton's final year in office and President Bush's first can likely be attributed to the

recession he inherited. In fact, the year after both of his tax cuts, the increase in disposable income was above 3%. Perhaps these tax breaks were not large enough to increase disposable income in the way that President Reagan and President Johnson did. One can only lower taxes so far, however, before the lost governmental revenues outweigh larger economic the rewards.

President Obama, however, shows the lowest average increase in disposable income out of all of the presidents in the time period researched at 1.57%. Some of this poor performance can be blamed on the slow recovery he inherited from President Bush. However, President Obama's Keynesian approach seen in the American Recovery and Reinvestment Act of 2009 has seemed to bring about little in the way of results for increases in disposable income. This, in my mind, calls into question the typical spending mindset of Keynesians, as none of the Democratic presidents with strong growth in disposable income actually increased spending to achieve it.

BUDGET DEFICITS AND NATIONAL DEBT: 1950-2014

While not necessarily an economic indicator, the budget deficits run each year and the resulting national debt can have long-lasting impacts on the economy, and can hurt consumer sentiment. While the United States has not yet run into a problem, the national debt, now at 19 trillion dollars, which is slightly more than the GDP, is seen by many as a large problem and possible indication of more trouble to come in the future ("US Debt Clock"). For the purpose of this project, the deficit will be discussed in chained 2009 dollars, so as to draw the strongest comparison possible between today and the past. The data discussed in the following section can be seen in Appendix A in Figure 7 and Table 6 ("Historical Tables").

Republican and Democrat Deficit Gap

The budget deficit is actually one area in which Republicans seem to have a better record than Democrats, despite the fact that President Clinton balanced the budget during his term. Since 1950, Democratic presidents have presided over deficits averaging 261.63 billion dollars per year in chained 2009 dollars. Republican presidents have overseen deficits averaging 197.18 billion dollars per year. This is likely due in part to the fact that Republicans tend to favor balanced budget and reduced spending, whereas Democrats tend to favor increased government spending. It should be noted, however, that President Obama has run very high deficits during his years in office, likely as a result of the attempted recovery from the financial crisis. If President Obama was not included in the calculations, Democratic presidents have only ran deficits of 65.95 billion dollars per year – a massive difference

that would put them ahead of the average of Republican presidents. As it stands, however, President Obama seems to have added much to the debt, while bringing little economic growth.

Policy Implications on the Deficit

Policy affects spending and taxes, trade and wars, expansion and reduction, all of which increase or decrease the deficit or surplus in some way. Economic policies especially have large implications on the federal deficit. If one were to increase spending in order to stimulate the economy, for example, deficits would increase in the short run. In the same way, if one were to decrease taxes, the government would take in fewer revenues, leading to a larger deficit. Both of these strategies are often used to boost the economy.

The Revenue Act of 1964 was an example of one of these strategies. This tax cut meant to stimulate consumer demand actually coincided with a deficit reduction from -38.6 billion dollars in 1964 to -9.1 billion in 1965. The reason that the deficit did not increase was due in part to the fact that tax revenue actually increased from 1964 to 1965, and also to the fact that the budget was cut during Johnson's presidency. Deficits did begin increasing in 1966, however, when spending for the Vietnam War and the Great Society began to ramp up. By 1968 the deficit had reached -148.7 billion dollars, the highest seen since 1946.

One president that draws some of the most criticism for his increase of the deficit is President Reagan. His tax cuts that came in the form of the Economic Recovery Tax Act of 1981 resulted in large deficit increases.

However, it wasn't only the lower taxes that caused the increased deficits – increased government spending, including defense spending, is partially to blame. The fact is, that government revenues only decreased for three years. By President Reagan's last year in office, government receipts were at an all-time high of 1558.2 billion chained 2009 dollars, as seen in Table 6.

Therefore, if revenues weren't the main issue that led to higher deficits during President Reagan's time in office, spending must have been. President Reagan faced a difficult time in history, not only because of the Recession he inherited from President Carter, but also because of the threat of all-out war with Russia, and the ending of the long-lasting Cold War. As the Cold War ended, however, President Reagan began decreasing the deficit, and other Presidents followed this lead. Spending on entitlement programs, however, were not reduced.

One of President Clinton's most famous accomplishments is his balancing of the Federal budget. While this is truly impressive, especially in an age of overspending, total outlays did not actually decrease in chained 2009 dollars – the pace of receipts merely outgrew the pace of outlays. This may be due, at least in part, to the fact that President Clinton's Omnibus raised taxes slightly. This increase in taxation caused government receipts to quickly increase from their stagnant levels during President George H.W. Bush's term.

Following President Clinton's balanced budget, President Bush's budgets followed the long-running tradition of running a budget deficit. This was due to many problems besides simply economic policy. President Bush

not only needed to deal with two recessions during his time in office, but also with multiple wars. His tax cuts may have had something to do with the decreases in government receipts (2432.9 billion to 2141.6 billion) and increase in the deficit (156.7 billion dollar surplus to -470.1 billion dollar deficit) from 2001 to 2004.

President Obama's reactions to the economy have caused the largest deficits on record. Not only did government receipts drop in 2009 by 423.8 billion chained dollars, spending increased by 529.5 billion chained dollars as a result of the American Recovery and Reinvestment Act of 2009. This brought the total deficit to 1412.7 billion dollars – more than any other president from 1950 to 2016. While the deficit is currently beginning to decrease, government receipts reached pre-recession levels only by 2013, and government spending remains higher than it was during the pre-recession era. Despite all of this spending to boost the economy, growth is still slow. When compared to the Reagan era recession and the growth that accompanied the increased deficits, Obama's record seems to be much poorer. What ultimately makes a deficit comparison between Republican and Democratic presidents and Congresses difficult is the fact that many Republicans inherited suffering economies. Under the watch of Republican presidents, potential crises appear to have been averted, or at least minimized. President Obama is the single Democratic president, besides possibly President Carter (who also had a poor economic record) who inherited a truly slow economy. In the end, his policies – liberal policies – have done little to really boost growth. Now, whether it is a result of bad

policy, or long-run structural changes, 2% growth is considered the new normal (Woodward).

CONCLUSIONS

Obviously, the data that has been discussed in this project is really only the tip of the proverbial iceberg. So many different indicators can be used to compare economic performance. For this project, however, I chose data that I knew would be important, especially in today's discussion on economic policy. While I know there are some that will disagree with my conclusions, I hope that they will look at the data for themselves and perhaps attempt to build upon my research, so that we can eventually fully understand what economic policies can help America, the land of opportunity, prosper for generations to come.

Results

The data collected showed that, undoubtedly, the economy has had more success when Democrats have been in office. Whether it is in GDP growth, unemployment, inflation, or disposable income, Democratic presidents have better economic records as a whole since 1950. The main clarification I feel that I must make, however, is the fact that these results do not seem to be due to the typical Keynesian ideas that are used by Democrats today. According to the data, tax and spend liberalism, as it is sometimes called, does not seem to be what made Democratic presidents, Senates, and Houses of Representatives successful. Instead, it was policy such as the moderate budgets put forward by President Johnson and President Clinton, and in policies such as the tax cuts enacted by President Johnson. In fact, when spending was increased specifically to stimulate the

economy and demand, the only thing that actually seems to have changed quickly was the deficit.

Republicans, meanwhile, did not have terrible results in the data, even if their numbers are less spectacular than their political rivals. In fact, in many indicators, they were very close to their Democrat equivalents, even holding a better overall record in the area of budget deficits. It does not seem to be the tax reductions that are the main cause the criticism of their policy in the area of debt increase, but rather the increase in government spending that came with them for various reasons. Despite the fact that Republican presidents often worked with a Senate and House of Representatives made up of their political opposites, they have still managed to turn the economy around multiple times. The years in which Republicans fared the worst in the data were during the years containing recessions that they inherited. Not only this, but the years in which Republican presidents implemented some sort of Keynesian economic policy, like President Nixon, were also plagued by poorer performance. Overall, when Republican presidents and Congresses followed conservative economic ideals of lower spending and lower taxes, the economy has been better than when Republicans have followed liberal ones.

Today's Implications

Obviously, this research has implications in the current election cycle that America is going through currently. Two main Democrat candidates, Hillary Clinton and Bernie Sanders are in the running. Four Republican candidates, Donald Trump, Ted Cruz, Marco Rubio, and John Kasich are still

looking for the nomination from their party. By the time this project is completed and has been presented, the field may have very well narrowed further. Obviously, each of these candidates have differing ideas on what kind of economic policy will need to be implemented over the next four years.

Senator Bernie Sanders seems to support increased federal spending, as well as high taxes, especially on the rich. While the increased spending on social programs Senator Sanders is proposing seem beneficial to many, the fact is that his plans will not only increase the national debt, but also put strain on the market that it cannot handle, reducing GDP and incomes (Cole). According to this research, the higher taxes will result in not only a decrease in supply, but also a decrease in demand, as the personal incomes of everyday Americans decrease along with the incomes of corporations and the wealthy. Obviously, higher taxes during a time of already fairly slow growth are not the best way to stimulate the economy.

Senator Hillary Clinton's proposals are much the same. She hopes for increased spending by the government on various social programs which would be paid for by higher taxes. The top tax bracket, for example, would be raised to 43.6%. This would result in decreased GDP, employment, capital investment, and wages, though not to the extent of Senator Sanders's plan (Pomerleau, "Details and Analysis of Hillary Clinton's Tax Proposals").

Ultimately, both of these plans are fundamentally different than those that were implemented during the most successful years of Democratic presidents. In fact, they seem more like the policies President Obama has

implemented, which has ultimately resulted in little change, other than an increased national debt. Gone are the days of Democrats who proposed any sort of decrease in taxes and spending in order to stimulate the economy. Democrats lowered taxes in the 60's, and Democrats balanced the budget in the 90's, but today, Democrats seem to look to travel down a different path. It is due to this fact that I am hesitant to say that Democratic economic policy works better than that of Republicans. In a short time, the Democratic view of the economy has dramatically shifted, and it may take time to see what sort of real changes this new shift will bring.

The current Republican candidates, however, all have similar views on the economy. They support sometimes support more free trade, and have all proposed to lower taxes. Some, like Ted Cruz, have even proposed a flat tax, and have made it their mission to simplify the tax code. The flat tax Senator Cruz has suggested will increase the GDP, capital investment, wages, and employment, but leave the government with less revenues overall (Pomerleau, "Details and Analysis of Senator Ted Cruz's Tax Plan"). Republicans today also encourage balanced budgets, and candidates like John Kasich have run on the platform of hoping to balance it. The combination of tax cuts along with a balanced budget may be just what the economy needs to get started. If tax cuts really do provide the stimulus it seems to in the data, then solving the budgetary problems that go along with them should provide even more fuel for the economy. Overall, Republicans today seem to be in favor of the strategies that the most successful Democratic and Republican presidents, economically speaking, implemented.

Therefore, even though historically Democratic presidents have presided over the strongest economies, if Democrats continue to hold the views they currently espouse, and Republicans hold the views they proclaim, Republicans may ultimately hold the key to economic growth. Ultimately, it does not seem to be a matter of supply-side or demand-side economics, Republican or Democratic economics. Both seem to work well in boosting the economy with a mix of good policy and good luck. As far as policy is concerned, however, it is a matter of taxes and spending. Increasing either supply or demand seems to have worked in the past, as either will move to catch up to the one that is changed. The government must go about increasing them in the correct way. Increased spending alone will not jumpstart massive growth in the economy. Tax reductions and breaks, as well as a balanced budget will be necessary for economic growth in the future, whether they are aimed at suppliers, or those who demand goods and services. Working to balance the budget may be the most reasonable next step in attempting to increase economic growth. While taxes are already fairly low, lowering the taxes on corporations to help eliminate corporate inversions may be a strong step in modifying the tax code to better serve the United States and its population. Overall, actions such as this have seemed to work well in the past, and whether it is based in Republican or Democratic theory may be irrelevant, as long as the proper steps are taken to keep the economy strong.

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APPENDIX A

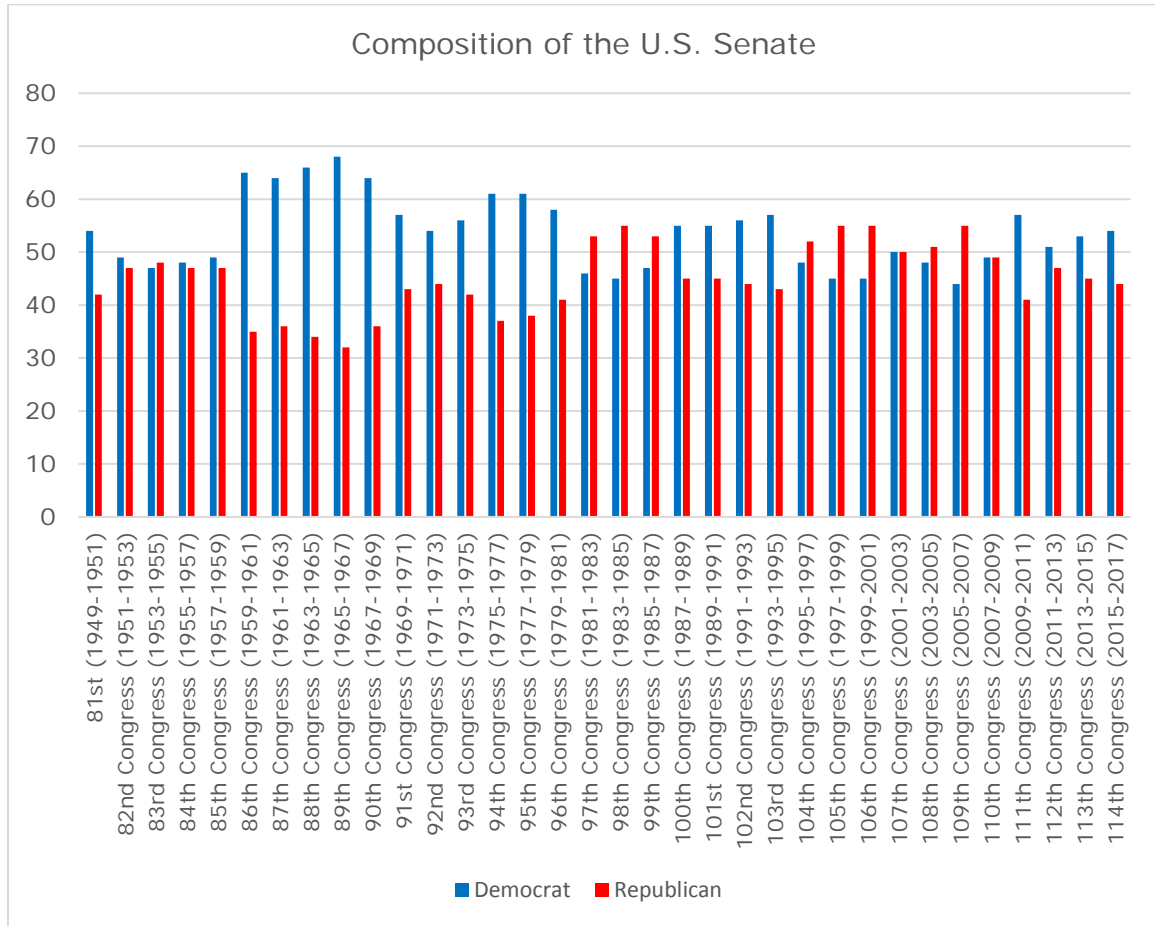


Figure 1

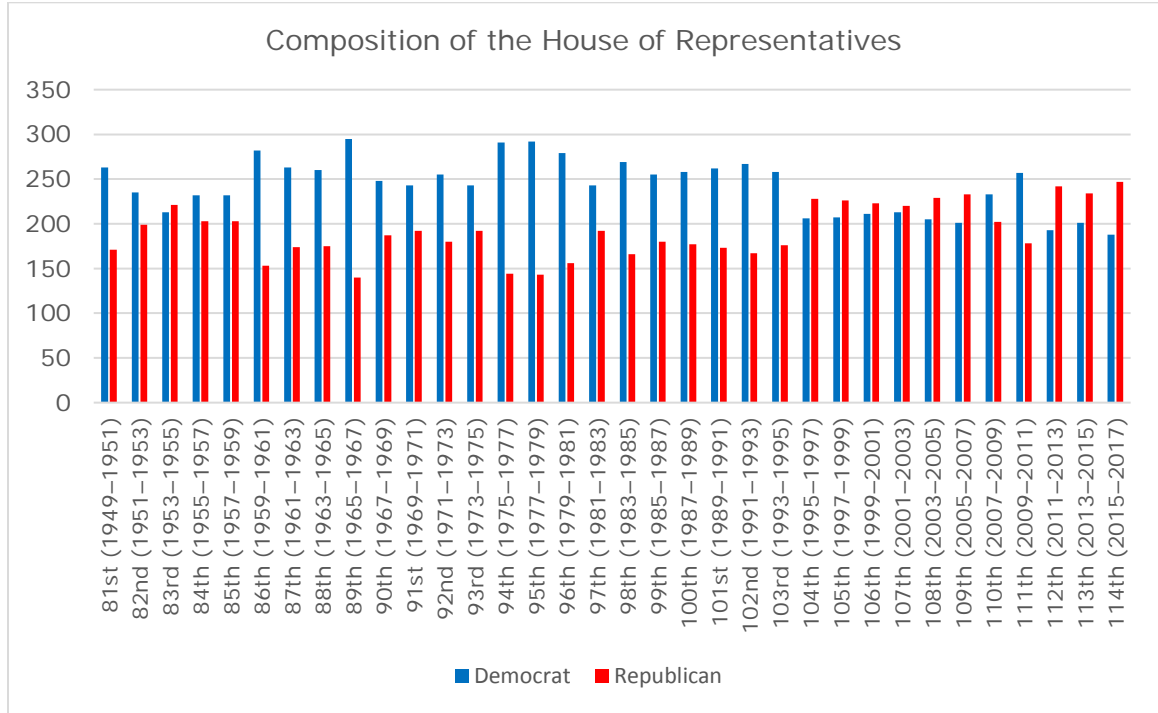


Figure 2

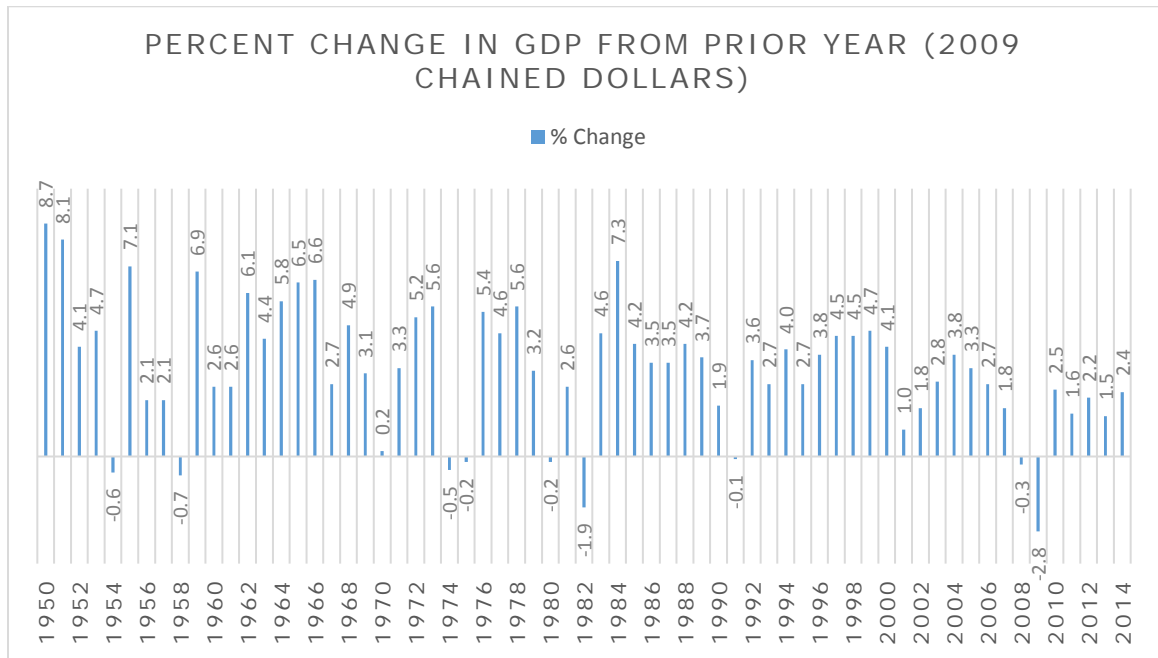


Figure 3

Table 1: Percent Change in GDP from Prior Year

Year	Percent	Year	Percent	Year	Percent
1950	8.7%	1971	3.3%	1993	2.7%
1951	8.1%	1972	5.2%	1994	4.0%
1952	4.1%	1973	5.6%	1995	2.7%
1953	4.7%	1974	-0.5%	1996	3.8%
1954	-0.6%	1975	-0.2%	1997	4.5%
1955	7.1%	1976	5.4%	1998	4.5%
1956	2.1%	1977	4.6%	1999	4.7%
1957	2.1%	1978	5.6%	2000	4.1%
1958	-0.7%	1979	3.2%	2001	1.0%
1959	6.9%	1980	-0.2%	2002	1.8%
1960	2.6%	1981	2.6%	2003	2.8%
1961	2.6%	1982	-1.9%	2004	3.8%
1962	6.1%	1983	4.6%	2005	3.3%
1963	4.4%	1984	7.3%	2006	2.7%
1964	5.8%	1985	4.2%	2007	1.8%
1965	6.5%	1986	3.5%	2008	-0.3%
1966	6.6%	1987	3.5%	2009	-2.8%
1967	2.7%	1988	4.2%	2010	2.5%
1968	4.9%	1989	3.7%	2011	1.6%
1969	3.1%	1990	1.9%	2012	2.2%
1970	0.2%	1991	-0.1%	2013	1.5%
		1992	3.6%	2014	2.4%

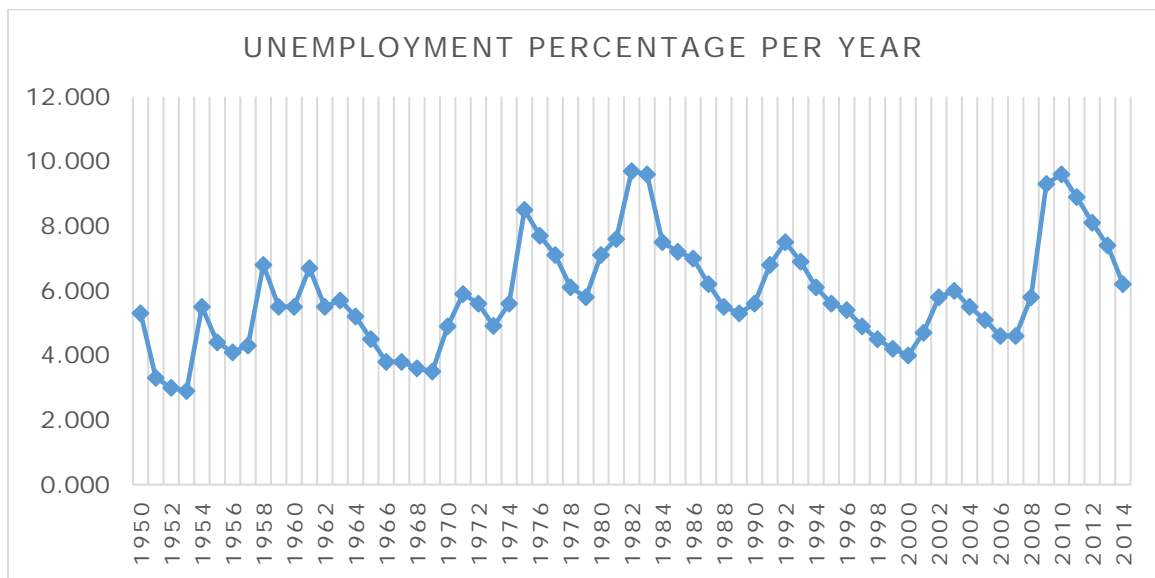
*Figure 4*

Table 2: Unemployment Percentage Per Year

Year	Percent	Year	Percent	Year	Percent
1950	5.30%	1971	5.90%	1993	6.90%
1951	3.30%	1972	5.60%	1994	6.10%
1952	3.00%	1973	4.90%	1995	5.60%
1953	2.90%	1974	5.60%	1996	5.40%
1954	5.50%	1975	8.50%	1997	4.90%
1955	4.40%	1976	7.70%	1998	4.50%
1956	4.10%	1977	7.10%	1999	4.20%
1957	4.30%	1978	6.10%	2000	4.00%
1958	6.80%	1979	5.80%	2001	4.70%
1959	5.50%	1980	7.10%	2002	5.80%
1960	5.50%	1981	7.60%	2003	6.00%
1961	6.70%	1982	9.70%	2004	5.50%
1962	5.50%	1983	9.60%	2005	5.10%
1963	5.70%	1984	7.50%	2006	4.60%
1964	5.20%	1985	7.20%	2007	4.60%
1965	4.50%	1986	7.00%	2008	5.80%
1966	3.80%	1987	6.20%	2009	9.30%
1967	3.80%	1988	5.50%	2010	9.60%
1968	3.60%	1989	5.30%	2011	8.90%
1969	3.50%	1990	5.60%	2012	8.10%
1970	4.90%	1991	6.80%	2013	7.40%
		1992	7.50%	2014	6.20%

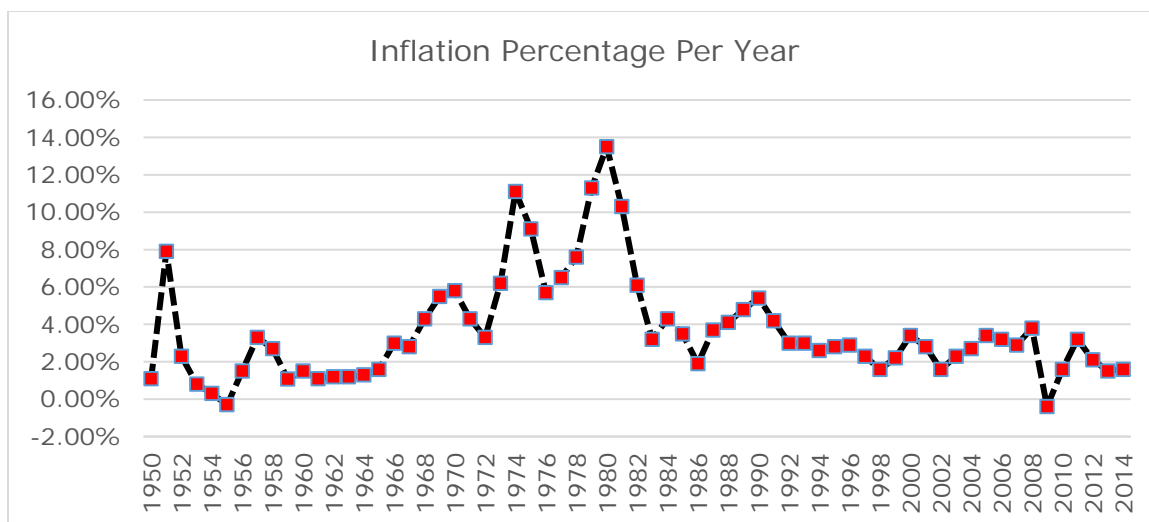


Figure 5

Table 3: Inflation Percentage Per Year

Year	Percent	Year	Percent	Year	Percent
1950	1.10%	1973	6.20%	1996	2.90%
1951	7.90%	1974	11.10%	1997	2.30%
1952	2.30%	1975	9.10%	1998	1.60%
1953	0.80%	1976	5.70%	1999	2.20%
1954	0.30%	1977	6.50%	2000	3.40%
1955	-0.30%	1978	7.60%	2001	2.80%
1956	1.50%	1979	11.30%	2002	1.60%
1957	3.30%	1980	13.50%	2003	2.30%
1958	2.70%	1981	10.30%	2004	2.70%
1959	1.08%	1982	6.10%	2005	3.40%
1960	1.50%	1983	3.20%	2006	3.20%
1961	1.10%	1984	4.30%	2007	2.90%
1962	1.20%	1985	3.50%	2008	3.80%
1963	1.20%	1986	1.90%	2009	-0.40%
1964	1.30%	1987	3.70%	2010	1.60%
1965	1.60%	1988	4.10%	2011	3.20%
1966	3.00%	1989	4.80%	2012	2.10%
1967	2.80%	1990	5.40%	2013	1.50%
1968	4.30%	1991	4.20%	2014	1.60%
1969	5.50%	1992	3.00%		
1970	5.80%	1993	3.00%		
1971	4.30%	1994	2.60%		
1972	3.30%	1995	2.80%		

Table 4: Party Majorities

Year	Senate	House	President
1949	Dem	Dem	Dem
1950	Dem	Dem	Dem
1951	Dem	Dem	Dem
1952	Dem	Dem	Dem
1953	Rep	Rep	Rep
1954	Rep	Rep	Rep
1955	Dem	Dem	Rep
1956	Dem	Dem	Rep
1957	Dem	Dem	Rep
1958	Dem	Dem	Rep
1959	Dem	Dem	Rep
1960	Dem	Dem	Rep
1961	Dem	Dem	Dem
1962	Dem	Dem	Dem
1963	Dem	Dem	Dem
1964	Dem	Dem	Dem
1965	Dem	Dem	Dem
1966	Dem	Dem	Dem
1967	Dem	Dem	Dem
1968	Dem	Dem	Dem
1969	Dem	Dem	Rep
1970	Dem	Dem	Rep
1971	Dem	Dem	Rep
1972	Dem	Dem	Rep
1973	Dem	Dem	Rep
1974	Dem	Dem	Rep
1975	Dem	Dem	Rep
1976	Dem	Dem	Rep
1977	Dem	Dem	Dem
1978	Dem	Dem	Dem
1979	Dem	Dem	Dem
1980	Dem	Dem	Dem
1981	Rep	Dem	Rep
1982	Rep	Dem	Rep
1983	Rep	Dem	Rep
1984	Rep	Dem	Rep
1985	Rep	Dem	Rep

1986	Rep	Dem	Rep
1987	Dem	Dem	Rep
1988	Dem	Dem	Rep
1989	Dem	Dem	Rep
1990	Dem	Dem	Rep
1991	Dem	Dem	Rep
1992	Dem	Dem	Rep
1993	Dem	Dem	Dem
1994	Dem	Dem	Dem
1995	Rep	Rep	Dem
1996	Rep	Rep	Dem
1997	Rep	Rep	Dem
1998	Rep	Rep	Dem
1999	Rep	Rep	Dem
2000	Rep	Rep	Dem
2001	Equal	Rep	Rep
2002	Equal	Rep	Rep
2003	Rep	Rep	Rep
2004	Rep	Rep	Rep
2005	Rep	Rep	Rep
2006	Rep	Rep	Rep
2007	Equal	Dem	Rep
2008	Equal	Dem	Rep
2009	Dem	Dem	Dem
2010	Dem	Dem	Dem
2011	Dem	Rep	Dem
2012	Dem	Rep	Dem
2013	Dem	Rep	Dem
2014	Dem	Rep	Dem
2015	Dem	Rep	Dem

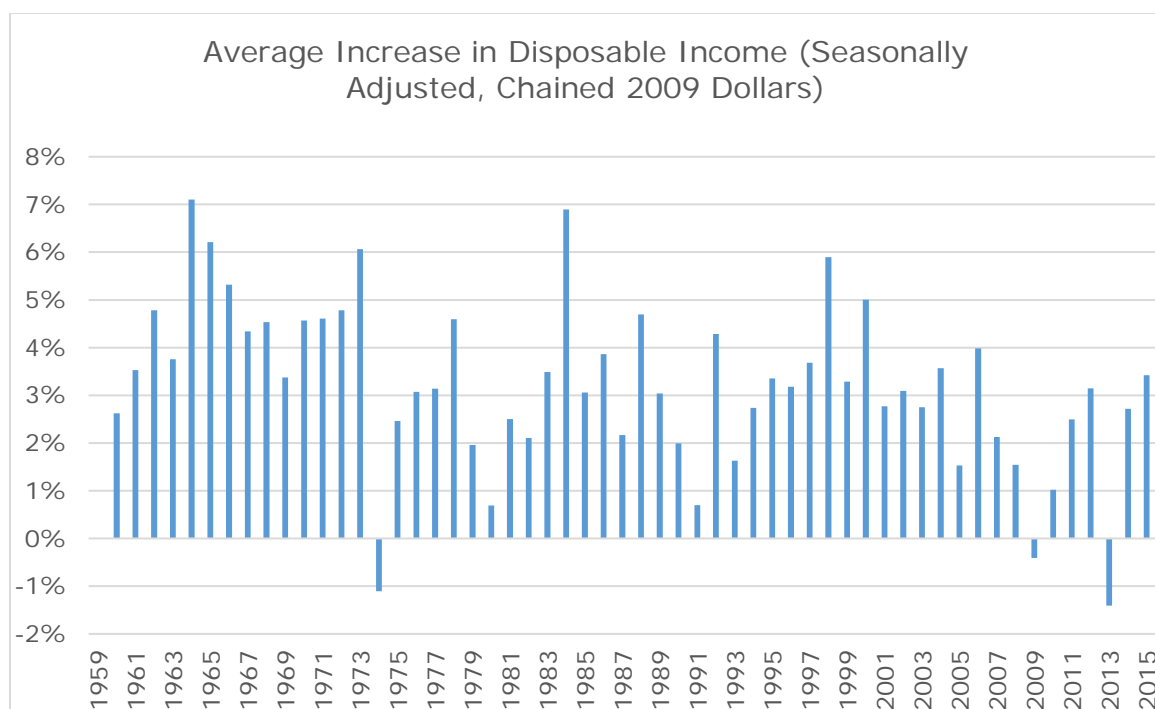


Figure 6

Table 5: Percent Increase in Disposable Income

Year	Percent	Year	Percent	Year	Percent
1960	2.62%	1978	4.60%	1997	3.68%
1961	3.53%	1979	1.96%	1998	5.90%
1962	4.79%	1980	0.69%	1999	3.29%
1963	3.76%	1981	2.50%	2000	5.00%
1964	7.10%	1982	2.10%	2001	2.77%
1965	6.21%	1983	3.49%	2002	3.09%
1966	5.32%	1984	6.89%	2003	2.75%
1967	4.34%	1985	3.06%	2004	3.57%
1968	4.53%	1986	3.86%	2005	1.53%
1969	3.37%	1987	2.16%	2006	3.98%
1970	4.57%	1988	4.69%	2007	2.13%
1971	4.61%	1989	3.04%	2008	1.54%
1972	4.78%	1990	1.99%	2009	-0.41%
1973	6.06%	1991	0.70%	2010	1.02%
1974	-1.11%	1992	4.29%	2011	2.50%
1975	2.46%	1993	1.63%	2012	3.15%
1976	3.07%	1994	2.74%	2013	-1.41%
1977	3.14%	1995	3.36%	2014	2.72%
		1996	3.18%	2015	3.42%

Table 6: Receipts, Outlays, and Surplus/Deficits

Fiscal Year	In Constant (FY 2009) Dollars		
	Receipts	Outlays	Surplus or Deficit (–)
1950	392.5	423.5	-31.0
1951	511.6	451.1	60.5
1952	657.7	672.8	-15.1
1953	644.5	704.6	-60.1
1954	626.2	636.6	-10.4
1955	568.6	594.6	-26.0
1956	620.5	587.7	32.8
1957	634.3	607.3	27.1
1958	596.1	616.8	-20.7
1959	569.7	662.1	-92.4
1960	655.5	653.4	2.1
1961	654.1	677.2	-23.1
1962	689.3	738.7	-49.4
1963	707.1	738.7	-31.6
1964	735.6	774.2	-38.6
1965	752.2	761.3	-9.1
1966	819.8	842.9	-23.2
1967	911.9	964.9	-53.0
1968	904.1	1,052.8	-148.7
1969	1,039.4	1,021.4	18.0
1970	1,015.3	1,030.3	-15.0
1971	921.4	1,034.8	-113.4
1972	957.1	1,065.0	-107.9
1973	1,018.1	1,083.8	-65.8
1974	1,072.2	1,097.2	-25.0
1975	1,035.2	1,232.7	-197.5
1976	1,031.3	1,286.5	-255.1
1977	1,147.3	1,320.5	-173.2
1978	1,213.0	1,392.7	-179.7
1979	1,294.9	1,408.7	-113.8
1980	1,308.2	1,494.9	-186.8
1981	1,364.2	1,543.9	-179.8
1982	1,308.3	1,579.3	-271.0
1983	1,211.3	1,630.4	-419.1
1984	1,285.3	1,642.8	-357.5
1985	1,366.2	1,761.3	-395.1
1986	1,401.8	1,805.0	-403.2
1987	1,513.6	1,778.9	-265.3
1988	1,558.2	1,824.2	-265.9
1989	1,635.8	1,887.7	-251.9

1990	1,654.3	2,008.6	-354.3
1991	1,616.3	2,028.8	-412.5
1992	1,611.4	2,040.1	-428.7
1993	1,655.4	2,021.2	-365.8
1994	1,772.6	2,058.8	-286.2
1995	1,850.0	2,074.4	-224.4
1996	1,947.8	2,091.8	-144.0
1997	2,074.7	2,103.4	-28.7
1998	2,241.5	2,151.4	90.2
1999	2,349.5	2,188.0	161.5
2000	2,540.7	2,244.3	296.4
2001	2,432.9	2,276.2	156.7
2002	2,227.3	2,416.9	-189.6
2003	2,083.4	2,524.7	-441.4
2004	2,141.6	2,611.7	-470.1
2005	2,371.0	2,721.5	-350.5
2006	2,561.6	2,825.7	-264.1
2007	2,662.8	2,829.4	-166.6
2008	2,528.8	2,988.2	-459.4
2009	2,105.0	3,517.7	-1,412.7
2010	2,137.3	3,416.4	-1,279.2
2011	2,232.5	3,492.0	-1,259.5
2012	2,330.7	3,364.7	-1,034.0
2013	2,603.5	3,241.1	-637.5
2014	2,791.2	3,238.9	-447.7

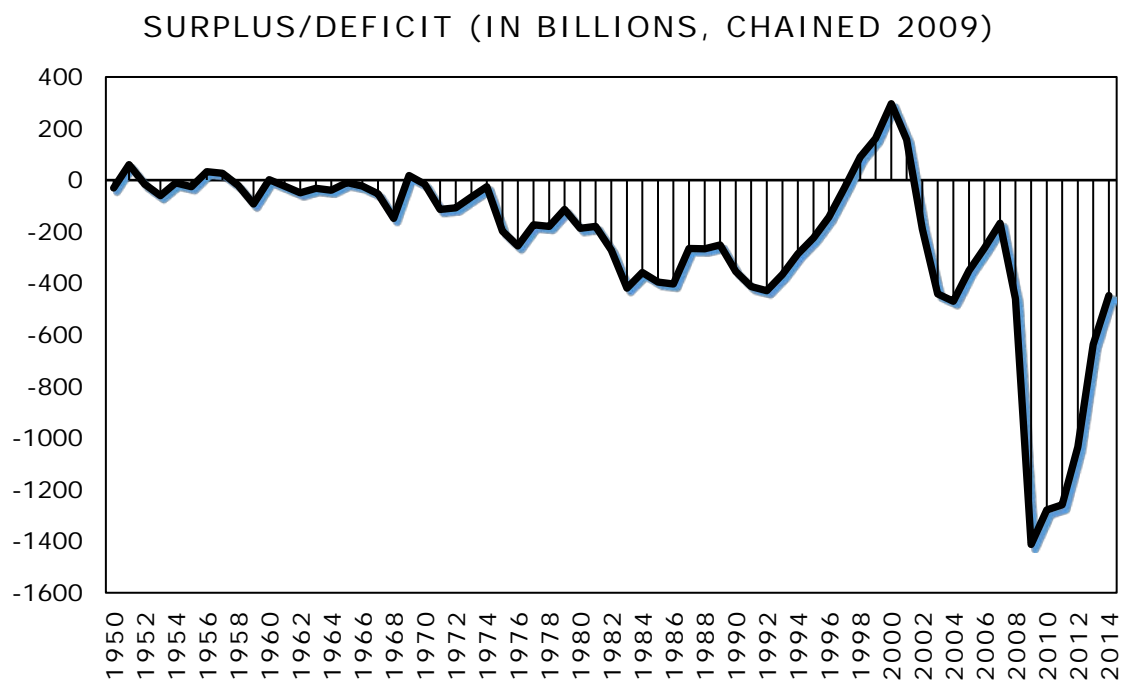


Figure 7

APPENDIX B

This project will be presented at two venues, one off-campus, and one on-campus, in accordance with the requirements set by Olivet Nazarene University's Honors Program. The on-campus venue will be at Olivet Nazarene University during Scholar Week, an event hosted every year for students and professors to present research that they have been conducting. I am scheduled to present on Friday, April 22, 2016 from 4:30 to 4:50 PM. The off-campus venue will, I expect, be conducted at the ACCA – Associated Colleges of the Chicago Area Student Symposium. Each year ACCA hosts this student research symposium, and encourages students to present the results of their research projects either as a poster, or in an oral presentation. I have not yet finalized the details of this presentation, but I will likely present this project as either a poster or an oral presentation during this symposium on April 16, 2016.