

ECONOMICS: The Myths vs the Reality

- The Myth of Republican Fiscal Responsibility (A Look at Historical Reality)
- A look at Trump Economics and the real numbers

A lot of statistics and information are in this whitepaper. Bottom Line, the economy by any measure has under modern history done better under Democratic administrations. The perception, because of great marketing and poor Democratic messaging, among a general public differs from actual data and facts.

It's no surprise that false perception continues to benefit Trump. Between the American public's lack of a long-term memory, a general misunderstanding of economic policy, and Trump's blustering, it is not surprising that Trump gets an unearned boost in economic confidence from voters.

But here are the facts – not so short or sweet – but the facts non the less.

THE MYTH: THE US ECONOMY DOES BETTER UNDER REPUBLICANS

THE ANSWER: FALSE

The evidence strongly indicates that the US economy has performed better under Democratic presidents compared to Republican presidents since World War II.

While presidents do not have total control over economic outcomes, the consistent pattern of stronger economic performance under Democratic administrations across multiple metrics is striking. However, public perception often does not align with these economic realities, with many voters rating Republicans more highly on economic management.

THE HISTORICAL PERSPECTIVE:

Key findings

- Since 1949, there has been a Democratic advantage in the average performance of key macroeconomic indicators measuring economic health, including:

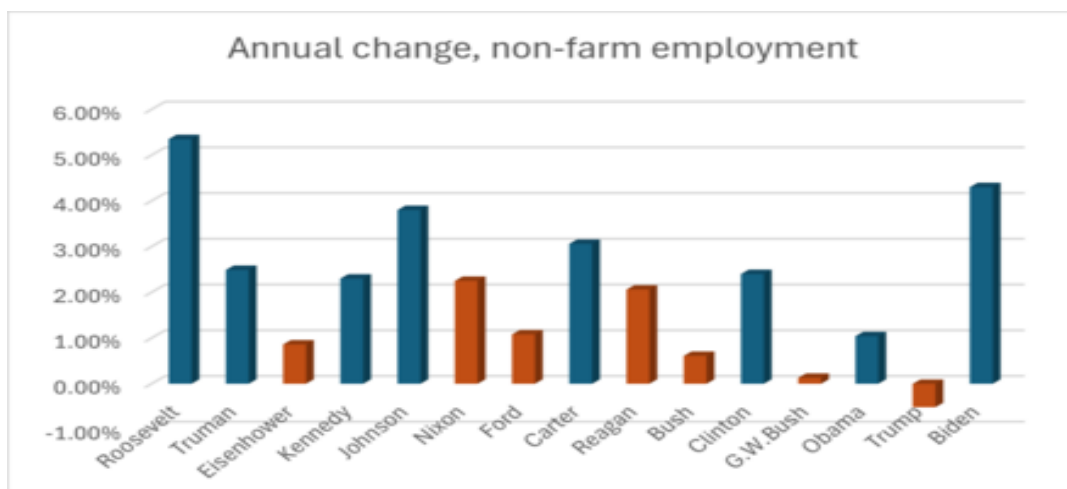
- Gross Domestic Product (GDP) growth
- Job growth
- Unemployment rate
- Growth in inflation-adjusted wages
- Growth of market-based incomes per capita
- Inflation
- Interest rates
- This Democratic advantage is across the board in all variables we measure but strongest in private-sector outcomes—notably, business investment, job growth, and the growth of market-based incomes.
- Household income growth (adjusted for inflation) was faster on average and far more equal during Democratic administrations, and the Democratic advantage shows up for every group.

Economic Growth

GDP growth has been significantly higher under Democratic administrations:

- Annual real GDP growth averaged 3.79% under Democrats versus 2.60% under Republicans, a difference of 1.2 percentage points.
- Since 1933, the economy has grown at an average annual rate of 4.6% under Democratic presidents compared to 2.4% under Republicans.

Job Creation



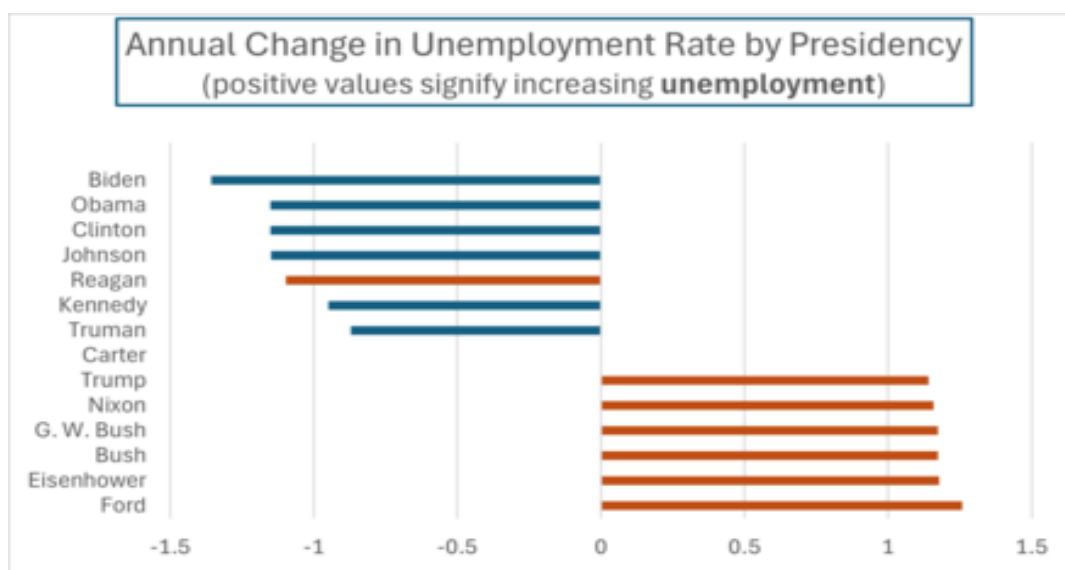
Democrats have seen stronger job growth:

- Total job growth averaged 2.5% annually under Democrats, compared to just over 1% under Republicans.
- Private sector job growth has been even stronger under Democrats

Unemployment

Unemployment rates account for people of working age that do not have a job. Job creation and unemployment are affected by many factors such as economic conditions, global competition, education, automation, and demographics, and global crisis.

Unemployment rates fell under Democratic presidents by an average of 0.8 percentage points, while it increased under Republican presidents by an average of 1.1 percentage points.



Stock Market Performance

The stock market has performed better under Democratic presidents:

- Since 1945, the S&P 500 has averaged annual gains of 11.2% during Democratic administrations versus 6.9% under Republicans.
- From 1927-2016, the average excess stock market return was 10.7% per year under Democrats compared to -0.2% under Republicans

Corporate Profits

Corporate earnings have grown faster under Democrats:

- Since 1945, corporate earnings per share grew 12.8% on average under Democrats versus 1.8% for Republicans

Income Growth and Distribution

Income growth has been faster and more equitably distributed under Democrats:

- Families in the bottom 20% of the income distribution experienced 188% faster income growth during Democratic administrations
- Household income growth was both faster on average and more equally distributed under Democratic presidents

[New report finds that the economy performs better under Democratic presidential administrations | Economic Policy Institute \(epi.org\)](#)

[Economic performance is stronger when Democrats hold the White House - EPI Action](#)

TRUMP ECONOMICS: THE NUMBERS VS THE BLUSTER

THE HYPE: “WE HAD THE GREATEST ECONOMY IN HISTORY,” SAYS THE FORMER PRESIDENT REGULARLY DURING HIS CAMPAIGN RALLIES.

But the economic numbers expose a far more complicated reality during Trump’s time in the White House. His tax cuts never delivered the promised growth. His budget deficits surged. His tariffs and trade deals never brought back all the lost factory jobs.

And there was the pandemic, an event that caused historic job losses for which Trump accepts no responsibility as well as low inflation — for which Trump takes full credit.

Economic Growth

Trump assured the public in 2017 that the U.S. economy with his tax cuts would grow at “3%,” but he added, “I think it could go to 4, 5, and maybe even 6%, ultimately.”

If the 2020 pandemic is excluded, growth after inflation averaged 2.67% under Trump, according to figures from the Bureau of Economic Analysis. Include the pandemic-induced recession and that average drops to an anemic 1.45%.

By contrast, growth during the second term of then-President Barack Obama averaged 2.33%. So far under Biden, annual growth is averaging 3.4%. Since Biden's inauguration, gross domestic product (GDP) has increased by 8.4% when adjusted for inflation. In 2021, GDP growth reached 5.7%, the highest annual growth since 1984. Over Biden's first three years, the economy expanded at an annualized rate of 3.5%, compared to 2.7% during Trump's first three years

Real GDP growth rate under Trump: 1.42%

Real GDP growth rate under Biden: 3.43%

[U.S. Bureau of Economic Analysis (apps.bea.gov/iTable/)]

Deficit Government Debt

Trump also assured the public that his tax cuts would pay for themselves because of stronger growth. The cuts were broad but disproportionately favored corporations and those with extreme wealth. The tax cuts signed into law in 2017 never fulfilled Trump's promises on deficit reduction.

According to the Office of Management and Budget, the deficit worsened to \$779 billion in 2018. The Congressional Budget Office had forecasted a deficit of \$563 billion before the tax cuts, meaning the tax cuts increased borrowing by \$216 billion that first year. In 2019, the deficit rose to \$984 billion, nearly \$300 billion more than what the CBO had forecast. Then the pandemic happened and with a flurry of government aid, the resulting deficit topped \$3.1 trillion. That borrowing enabled the government to make direct payments to individuals and small businesses as the economy was in lockdown, often increasing bank accounts and making many feel better off even though the economy was in a recession.

Inflation

Inflation was much lower under Trump, never topping an annual rate of 2.4%, according to the Bureau of Labor Statistics (But Not Always for Good Reasons). The annual rate reached as high as 8% in 2022 under Biden and is currently at 3.4%. There were three big reasons why inflation was low during Trump's presidency: the legacy of the 2008 financial crisis, Federal Reserve actions and the coronavirus pandemic.

Trump entered the White House with inflation already low, largely because of the slow recovery from the Great Recession. But in the first three years of Trump's presidency, inflation averaged 2.1%, roughly close to the Fed's target. Still, the Fed began to hike its own benchmark rate to keep inflation low at the central bank's own 2% target. Trump repeatedly criticized the Fed because he wanted to juice growth despite the risks of higher prices.

Then the pandemic hit. Inflation sank and the Fed slashed rates to sustain the economy during lockdowns. When Trump celebrates historically low mortgage rates, he's doing so because the economy was weakened by the pandemic. Similarly, gasoline prices fell below an average of \$2 a gallon because no one was driving as the pandemic spread. Gasoline prices are a major component of inflation calculations.

Job Creation

The United States lost 2.7 million jobs during Trump's presidency, according to the Bureau of Labor Statistics. If the pandemic months are excluded, he added 6.7 million jobs.

By contrast, 15.4 million jobs were added during Biden's presidency. That's 5.1 million more jobs than what the CBO forecasted he would add before his coronavirus relief and other policies became law — a sign of how much he boosted the labor market.

Both candidates have repeatedly promised to bring back factory jobs. Between 2017 and the middle of 2019, Trump added 461,000 manufacturing jobs. But the gains began to stall and then turned into layoffs during the pandemic, with the Republican posting a loss of 178,000 jobs.

So far, the U.S. economy has added 773,000 manufacturing jobs during Biden's presidency.

Annual percentage change in employment under Trump: -0.51%

Annual percentage change in employment under Biden: +3.31%

[Top Picks (Most Requested Statistics): U.S. Bureau of Labor Statistics]

Unemployment

Under Democratic presidents the unemployment rate fell by an average of 0.8% while under Republican presidents it increased by an average of 1.1%.

Trump began his term with the unemployment rate at 4.7%. The rate at the end of his term was 6.4%., AN INCREASE OF 1.7%.

Biden began his term with the unemployment rate at 6.4%. The rate as of February, 2024 was 3.9%, A DECREASE OF 2.5%.

[Trump's economy record exposes a complicated reality during presidency | AP News](#)

[Trump's Final Numbers - FactCheck.org](#)

BOTTOM LINE CONCLUSIONS AND DEEPER DIVE:

THE FACTS: “Claims that Republicans are better at managing the economy are simply not true. While the reasons are neither fully understood nor completely attributable to policy choices, data show that the economy has performed much better during Democratic administrations. Economic growth, job creation, and industrial production have all been stronger.” [Senate Joint Economic Committee, 6/22/2016 – via jec.senate.gov]

JOB CREATION

“For the 13 presidents beginning with Truman, total job creation was about 70.5 million for the 7 Democratic presidents and 29.1 million for the 6 Republican presidents. The Democratic presidents were in office for a total of 429 months, with 164,000 jobs added per month on average, while the Republicans were in office for 475 months, with a 61,000 jobs added per month average. This monthly average rate was 2.4 times faster under Democratic presidents.” [“Biden’s claim that Trump will be the first president with a negative jobs record.” *Washington Post*, October 2, 2020]

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GDP GROWTH

From President Truman's elected term through President Obama's first term, the estimated average real **GDP growth rate under Democrats was 4.3%, vs. 2.5% under Republicans.** This pattern of growth continued under the Obama's second term and the first two years of President Biden's term. [See Blinder and Watson, "Presidents and the U.S. Economy: An Econometric Exploration." *American Economic Review*. 106 (4). April, 2016; and "Real Gross Domestic Product" ([fred.stlouisfed.org/series GDPC#1](https://fred.stlouisfed.org/series/GDPC#1)). Federal Reserve Bank of St. Louis]

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[U.S. Bureau of Economic Analysis (apps.bea.gov/iTable/)]

UNEMPLOYMENT RATES

While governmental policy certainly affects the rate of unemployment, that metric is mainly influenced by the policies of the Federal Reserve, the principal aim of which is to minimize inflation while maximizing employment. The Blinder and Watson study in *American Economic Review* (106:4) found that, since 1948, **under Democratic presidents the unemployment rate fell by an average of 0.8% while under Republican presidents it increased by an average of 1.1%.**

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INCOME GROWTH AND INEQUALITY

"Census Bureau data reveal striking differences in patterns of real pre-tax income growth under Democratic and Republican presidents in the U.S. over the past half-century.

Democratic presidents have produced slightly more income growth for poor families than for rich families, while Republican presidents have produced a great deal more income growth for rich families than for poor families. As a result, families at the 95th percentile of the income distribution have experienced identical average income growth under Democratic and Republican presidents, while those at the 20th percentile have experienced more than four times as much income growth under Democrats as they have under Republicans." -- Larry Bartels, "Partisan Politics and the U.S. Income Distribution."

Department of Politics and Woodrow Wilson School of Public and International Affairs,
Princeton University [russellsage.org] – retrieved 9/10/2024]

FEDERAL BUDGET DEFICITS

"(President Ronald) Reagan took the deficit from 70 billion to 175 billion." This is more or less accurate. The federal deficit went from about \$78.9 billion at the beginning of Reagan's presidency to \$152.6 billion at the end of it. At points between 1983 and 1986, the deficit was actually more than \$175 billion.

"(George H.W.) Bush 41 took it to 300 billion." Close, but not exactly. The number was around \$255 billion at the end of Bush's term. The deficit spiked at around \$290.3 billion the year before he left office.

"(Bill) Clinton got it to zero." This is true. During his presidency, Clinton managed to zero out the deficit and end his term with a \$128.2 billion surplus.

"(George W.) Bush 43 took it from 0 to 1.2 trillion." This is in the ballpark. Ignoring the fact that he actually started his presidency with a surplus, Bush left office in 2009 with a federal deficit of roughly \$1.41 trillion.

"(Barack) Obama halved it to 600 billion." This is essentially accurate. Obama left the presidency with a deficit of approximately \$584.6 billion, which is more than halving \$1.41 trillion. The deficit was even lower in 2015 at around \$441.9 billion.

[politifact.com/factchecks/2019/jul/29/tweets/republican-presidents-democrats-contribute-deficit/]

Trump's Budget Deficit

"President Trump continued the trend of pushing the deficit higher as he sought massive tax cuts and increased defense spending. His first budget for the 2018 fiscal year recorded a deficit of \$779 billion. The deficit reached \$984 billion in 2019 under Trump and it hit more than \$1 trillion in 2020 before Congress passed a \$2 trillion stimulus package to fight the economic fallout from the coronavirus pandemic."

THE NATIONAL DEBT

The fiscal policies of the Trump administration added twice the amount to the national deficit as have [President Biden's](#), a new analysis has found.

Trump's administration borrowed \$8.4 trillion during the former president's time in office, while Biden has borrowed \$4.3 trillion, according to an analysis by the Committee for a Responsible Federal Budget (CRFB), a Washington think tank." – Tobias Burns, "Trump added twice as much to the national debt." *The Hill* (6/24/2024)]

STOCK MARKET RETURNS

“Since 1945, the S&P 500 has averaged an annual gain of 11.2% during years when Democrats controlled the White House, according to CFRA [Center for Financial Research and Analysis] Research. That’s well ahead of the 6.9% average gain under Republicans.” – [cnn.com/2020/09/23/investing/stock-market-election-trump-biden/index]

“The Democratic outperformance is even more striking if data from the Great Depression and World War II are included. From 1927 through 2016, the average excess stock market return (that is, the difference between the stock market return and the return on a risk-free investment) was 10.7% per year under Democratic presidents and -0.2% per year under Republican presidents.” – [Da Ke, “Left Behind: Partisan Identity and Wealth Inequality” (ecineq.org/ecineq_paris19/papers_EcineqPSE/paper_144.pdf)]

CORPORATE PROFITS

According to the CFRA Research study noted above (under “Stock Market Returns”), corporate earnings per share grew 12.8% on average under Democratic presidents versus 1.8% for Republican presidents.

RECESSIONS

Blinder and Watson [*American Economic Review* 106:4 (April 2016)] cited above (under “GDP GROWTH”) came to the conclusion that for the 49 quarters from 1949-2013, 8 of those quarters were under Democrats and 41 were under Republicans.

STATISTICS

The following table compares selected results for the Democratic and Republican presidents, using the Blinder & Watson data (typically Truman's elected term through Obama's first term). The abbreviation "pp" means percentage points. The p-value is the probability that the observed difference would occur if it were due to chance.^[1] P-values typically considered statistically significant are those equal to or less than .1, .05, or .01, with each of these numbers representing a different level of significance and lower being more significant.^[30]

Variable	Democrats	Republicans	Difference	P-value
Real GDP growth	4.33%	2.54%	1.79 pp	0.01
Job creation rate %	2.59%	1.17%	1.42 pp	0.02

Unemployment rate %	5.64%	6.01%	0.38 pp	0.62
Unemployment rate change	-0.83 pp	+1.09 pp	1.92 pp	0.01
Inflation rate (GDP deflator)	2.89%	3.44%	0.55 pp	0.59
Budget deficit % potential GDP	2.09%	2.78%	0.69 pp	0.30
Stock market S&P 500 annual return	8.35%	2.70%	5.65 pp	0.15