



JOINT ECONOMIC COMMITTEE DEMOCRATS



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ECONOMIC POLICY BRIEF

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BUSH IS NO REAGAN... ...BUT REAGAN WAS NO CLINTON

Following the death of Ronald Reagan, many comparisons were made between Reagan and George W. Bush, two conservative presidents who made tax cuts the centerpiece of their domestic agendas. But as an economic steward, the incumbent falls far short of his predecessor. Moreover, neither Bush nor Reagan was as good as President Clinton, as the **table** on the next page shows.

Economists properly caution that many forces beyond presidential leadership affect the performance of the economy. But in one area where the president does matter—fiscal responsibility—President Clinton's record stands in marked contrast to that of either President Reagan or President Bush. The strong policy environment under President Clinton created conditions in which the economy could flourish.

Highlights of the comparison include the following:

- While the unemployment rate has increased under President Bush, it fell by 2 percentage points under President Reagan and by 3 percentage points under President Clinton.
- There are nearly a million fewer payroll jobs now than there were when President Bush took office. In contrast, payroll employment grew by 16 million jobs (2.1 percent per year) under Reagan and by 23 million jobs (2.4 percent per year) under Clinton.
- Real GDP, the most comprehensive measure of the nation's output of goods and services, has risen at an average annual rate of 2.5 percent under President Bush—a full percentage point less than under either Reagan or Clinton.
- The poverty rate has risen more than a full percentage point under President Bush. It was flat under Reagan and fell by 3.5 percentage points under Clinton.
- The large federal budget deficits under President Bush have added to the national debt an amount equivalent to nearly 1½ percent of GDP per year. This marks a return to the fiscal recklessness of the Reagan years. In contrast, under President Clinton, the federal debt fell relative to GDP by an average of 2 percentage points per year.

Change in Selected Economic Indicators

<u>Economic Indicators</u>	Change under President		
	<u>Bush</u>	<u>Reagan</u>	<u>Clinton</u>
Unemployment rate (percentage points)	1.2	-2.1	-3.1
Nonfarm payroll employment (millions of jobs)	-0.9	16.1	22.7
(average annual percent change)	-0.2%	2.1%	2.4%
Real GDP (average annual percent change)	2.5%	3.5%	3.6%
Real plant and equipment investment (average annual percent change)	-0.9%	3.3%	9.4%
S&P 500 Stock Index (percent change over term)	-18%	115%	207%
(average annual percent change)	-6%	10%	15%
Median Household Income (average annual percent change)	-1.2%	1.0%	1.6%
Poverty Rate (percentage points)	1.2	0.0	-3.5
Federal debt held by the public ¹ (average annual change in debt as a percent of GDP)	1.4	1.9	-2.0

Sources: Bureau of Labor Statistics (unemployment rate, nonfarm payroll employment: January 1981, January 1989, January 1993, January 2001, August 2004); Bureau of Economic Analysis (real GDP, real plant and equipment investment: 1980:Q4, 1988:Q4, 1992:Q4, 2000:Q4, 2004:Q2); Haver Analytics (S&P 500 stock index: monthly average January 1981, January 1989, January 1993, January 2001, August 2004); Bureau of the Census (median household income and poverty rate: 1980, 1988, 1992, 2000, 2002) Office of Management and Budget (federal debt held by the public as a share of GDP: 1981, 1989, 1993, 2001, 2004).

¹ The federal debt as a percentage of GDP increased from 33.1% to 38.6% between 2001 and 2004, an annual average change of 1.4 percentage points.