



Fact Sheet

BYRON L. DORGAN
CHAIRMAN

DPC Staff Contact: Erika Moritsugu (202) 224-3232

DPC Press Contact: Barry Piatt (202) 224-0577

October 29, 2009

Available Online: dpc.senate.gov

Personal Finance 101: Do Not Trust Your Savings to Republican Economic Policy

Eighty years ago today, on what became known as “Black Tuesday,” investors dumped 16 million shares and stocks lost 13 percent of their value in a single day, sending markets into a freefall that led to the stock market crash and, ultimately, the Great Depression. This economic disaster was precipitated by the same free-market, lax-regulation policies espoused by Republican leaders that would lead to another economic disaster nearly eighty years later: today’s Great Recession. Worse, it reflects the same misguided economic policies that are *still* being peddled by some Republicans and threaten to prolong our current economic suffering, stifle economic growth, and risk our nation’s economic security in the future. As we reflect upon the anniversary of “Black Tuesday,” it is important that we not forget the lessons of the Great Depression and that we reflect upon the record of failed Republican *laissez-faire* economic policies.

Truth is stranger than fiction: Wall Street folklore assumes – without any objective basis in fact – that Republicans are better for the economy. In reality, nothing could be further from the truth. Since 1929:

- **An investment of \$10,000 in the S&P stock market index during only Republican administrations would have yielded a return of just \$10,506** (this includes the abysmal 36.7 percent drop in returns over the eight years of the George W. Bush Administration).
- **That same \$10,000 invested during Democratic administrations would have grown to \$389,320** (this includes the 29.5 percent increase in returns over the past 281 days under President Obama’s Administration).

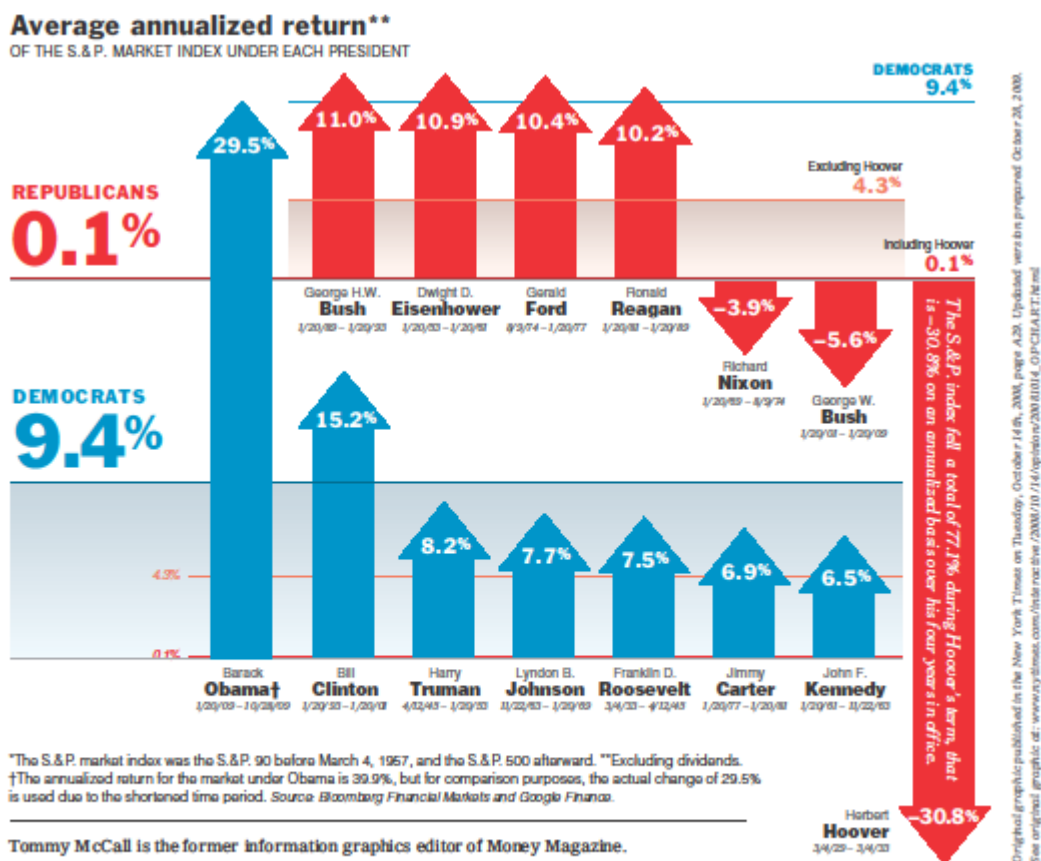
[*New York Times*, Opinion, [10/14/08](#), updated by author Tommy McCall 10/28/09*]

This is a striking 37-fold difference in performance.

According to this analysis, annualized returns under Republican presidents through the end of the George W. Bush Administration, who presided over a 4.4 percent annualized drop in

* Mr. McCall’s analysis in the *New York Times* cited here does not adjust for inflation, nor does it account for dividends or stock splits, for which the S&P 500 (a price return index that is the source of his calculations) does not make adjustments.

returns, were only 0.1 percent. By contrast, Democrats presided over a nine percent annualized gain for investors.



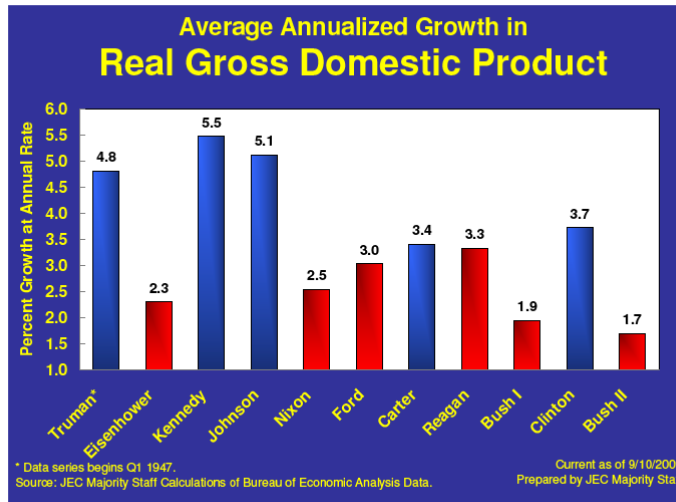
Even when adjusted for inflation, the Democratic record – with a 6.7 percent annualized return – is significantly better than the Republican record – with a gain of only 1.8 percent. [DPC staff calculations of inflation-adjusted stock market data from [Online Data Robert Shiller](#), accessed 10/28/09]

These results are extraordinary, considering what is at stake as Baby Boomers begin to retire, many of whom are reliant on the performance of their mutual funds and stock holdings now that fixed income pensions have been on the wane. It is even more extraordinary in light of the fact that Republicans have been clamoring for Social Security privatization, which would leave seniors and near-retirees at the mercy of the vagaries of the market.

The fact is that the economy has performed significantly better under Democratic administrations than Republican administrations. Between 1960 and 2008, Democratic presidents presided over stronger economic growth, larger increases in median family income and higher job creation, as well as lower federal spending, federal deficits, and inflation. [*Slate*, 9/16/08; *New York Times*, 8/30/08]

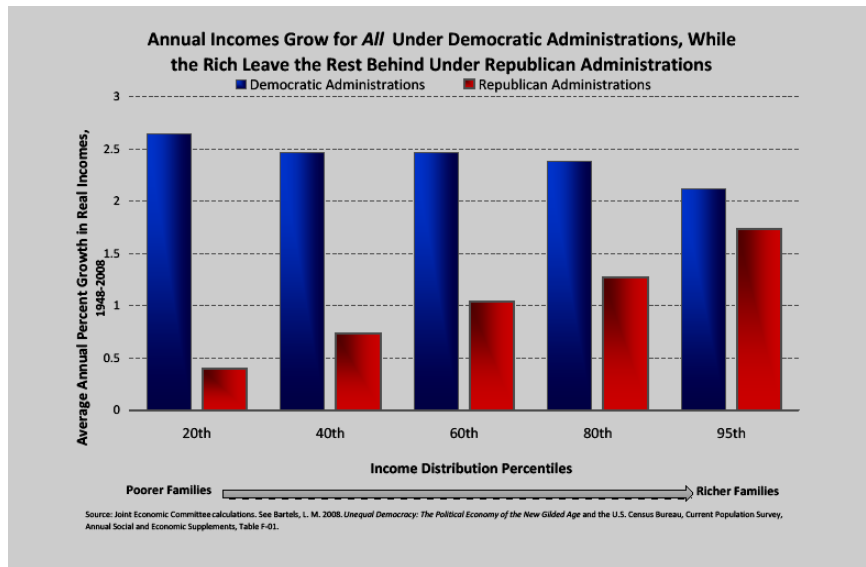
For example, over the past 48 years, Democrats have presided over:

Stronger growth in the economy. From 1960 to 2008, real GDP grew faster under Democratic presidents (4.1 percent per year on average) than under Republican presidents (2.7 percent).



Moreover, despite having inherited from the Bush II Administration the worse economic disaster since the Great Depression, under the leadership of President Obama and Congressional Democrats, our national economy is slowly beginning to show signs of improvement. In third quarter of 2009, for the first time in more than a year, the economy expanded, and, at 3.5 percent, it expanded faster than expected. While far too soon to celebrate, this news is a welcome sign and evidence that Democratic economic policies are working. [*Wall Street Journal*, 10/29/09]

- **Better household incomes for all.** Between 1948 and 2008, annual incomes grew for all income classes under Democratic Administrations. By contrast, under Republican Administrations, the richest Americans enjoyed a disproportionate share of income growth.

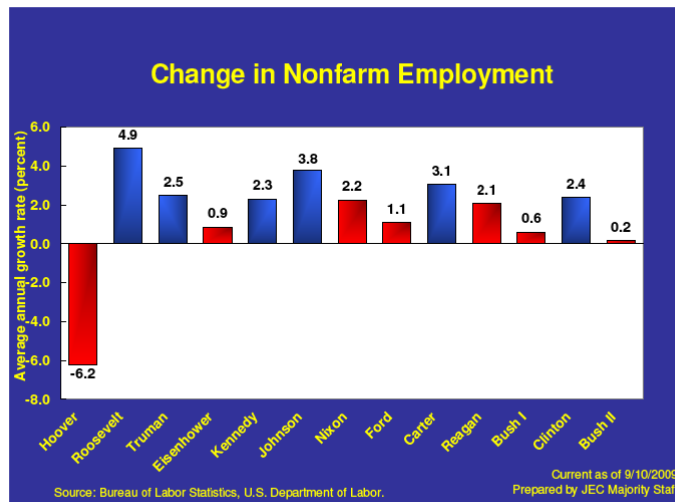


Over this same period, real median income, representing the exact middle of American households, grew more under Democrats (2.2 percent) than under Republicans

(0.6 percent). In fact, under President Bush, real median income actually fell \$2,197. Looking back as far as we have data (back to President Kennedy), only two other Administrations have had a decline in real median household income.

- Largest decreases in poverty.** Since the census began tracking the poverty rate in 1959, Democratic presidents have often produced the largest drops in poverty rates, while Republicans have seen the largest increases. As an example, during the eight years of William Jefferson Clinton Administration, the poverty rate decreased by 21.17 percent and the number of Americans living in poverty decreased by 19.57 percent. Unfortunately, those gains more than reversed in the George W. Bush Administration, when the poverty rate increased by 12.82 percent and the number of Americans living in poverty increased by 21.04 percent. More than numbers and percentages, these figures reflect that, while more than 7.6 million Americans rose out of poverty during the Clinton years, nearly 7 million fell into poverty during the Bush years.
- Lower unemployment and more robust job growth.** The unemployment rate has been lower under Democratic presidents (5.3 percent on average) than under Republicans (6.2 percent).

Moreover, in the eighty years between the start of the Hoover Administration and the end of the George W. Bush Administration, job growth was higher under all six Democratic Presidents than under any of the seven Republican Presidents.



[Calculations and Charts provided by the Joint Economic Committee, 10/28/09]

The statistical probability of that happening through random chance is more than 1,700 to 1.

In spite of all of this, Republicans continue to beat the drum of lighter regulatory protections and other policies that have led us down the road to job- and pension-destroying, wealth-concentrating excesses. It's clear what America needs: less of the failed Republican policies of the past and more of the successes that have resulted from Democratic economic policy.