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Democrats. Saving American Capitalism Since 1933.

By Jon Perr
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Even as President Obama prepared to meet with the CEO's of the nation's largest banks and financial institutions, his detractors' hysteria about his plans to rescue the economy reached a fever pitch. In Washington, GOP leaders decried Obama's "banana republic" budget, only to unveil warmed-over tax cuts certain enrich the wealthiest Americans while accelerating the Reagan-Bush emptying of the Treasury. Meanwhile the Wall Street Journal spoke in apocalyptic terms of "civil war" as "Democrats bid business adieu."

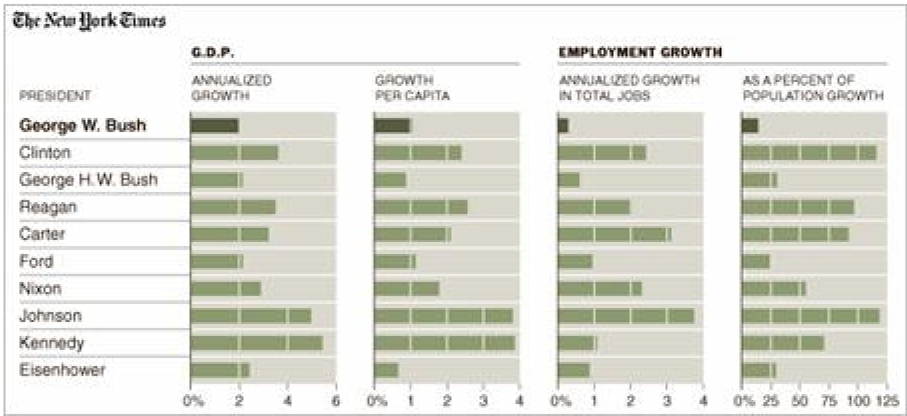
Of course, forgotten in Republican fear and loathing is the inescapable historical truth. Since the time of Herbert Hoover, Wall Street and the American economy overall *almost always do better under Democratic presidents*.

Still, the WSJ's Daniel Henninger used the vitriolic rhetoric surrounding the AIG bonus imbroglio and the House's punitive tax in response to proclaim "the national Democratic Party has disconnected itself entirely from the private sector." A month after he warned of Barack Obama's would be "a radical presidency,"Henninger predicted economic equivalent of the End of Times under Obama's watch:

> *"A Democratic Party that was always anti-Wall Street is becoming anti- Main Street."*

Sadly for Henninger, the record shows that from GDP growth and job creation to managing the national debt and producing gains for investors, it is the Democratic Party which is the friend of Wall Street and Main Street alike.

Just days after the Washington Post documented that George W. Bush presided over the worst eight-year economic performance in the modern American presidency, the New York Times in January featured an analysis comparing presidential performance going back to Eisenhower. As the Times showed, George W. Bush, the first MBA president, was a historic failure when it came to expanding GDP, producing jobs and fueling stock market growth. And across almost every indicator (article here, charts here), Democrats outperformed their Republican counterparts:

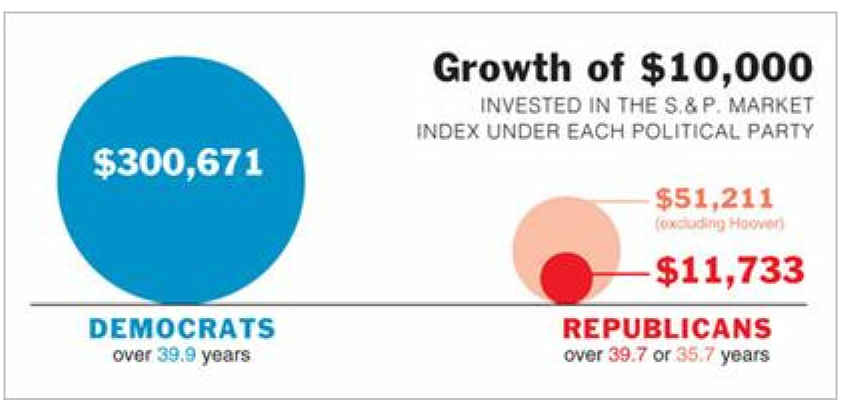


For the investor class so fond of perpetuating the myth of Republicans' superior economic stewardship, the collapse of the stock marketing during the Bush recession must be particularly galling. The Standard & Poor's 500 spiraled down at annual rate of 5.6% during Bush's time in the Oval Office, a disaster even worse than Richard Nixon's abysmal 4.0% yearly decline. (Only Herbert Hoover's cataclysmic 31% plunge makes Bush look good in comparison.)

As it turns out, as the New York Times also showed in October, the Democratic Party "has been better for American pocketbooks and capitalism as a whole." To make its case, the New York Times asked readers to imagine having put their money where its mouth is. Contrary to Republican mythology, Americans fare better - much, much better - under Democratic administrations:

> *As of Friday, a $10,000 investment in the S.& P. stock market index would have grown to $11,733 if invested under Republican presidents only, although that would be $51,211 if we exclude Herbert Hoover's presidency during the Great Depression. Invested under Democratic presidents only, $10,000 would have grown to $300,671 at a compound rate of 8.9 percent over nearly 40 years.*

(For the eye-popping chart of the S&P's performance under each of the presidents from Hoover through Bush 43, visit here.)

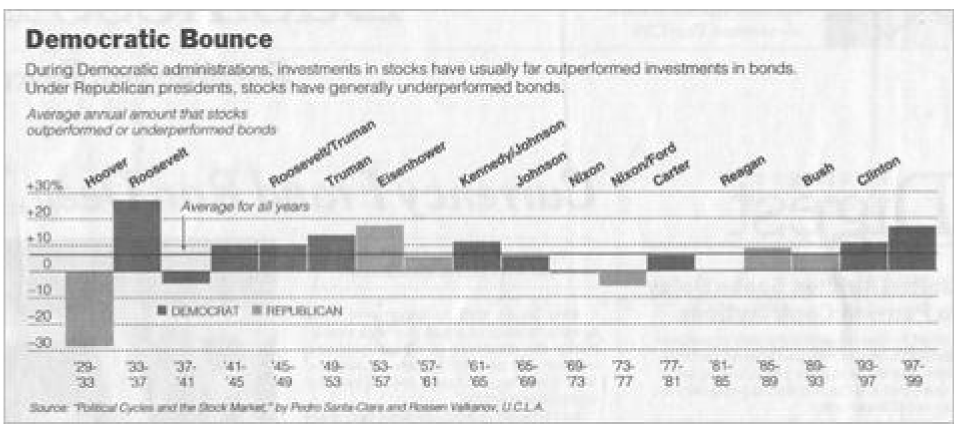


As the broader record shows, the best path to prosperity is to elect Democratic presidents.

The superior performance of Democratic presidents covers virtually the entire spectrum of economic indicators. As Elliott Parker of the University of Nevada, Reno detailed in a [2006 paper](), since 1949 Democratic administrations have done better than Republican ones when it comes to unemployment (5.2% to 6.0%), job creation (-.0.4% decrease in unemployment, compared to 0.3% increase), GDP growth rate (4.2% to 2.9%), and even corporate profits as a share of GDP. And to be sure, he found the Dow benefits from Democrats in the White House.

There's no shortage of studies to show that stock market returns are higher under Democratic leadership. (As it turns out, Wall Street's performance is also better when Democrats control Congress.) In 2000, Pedro Santa-Clara and Rossen Valkanov of UCLA's Anderson School of Business concluded that "that the average excess return in the stock market is higher under Democratic than Republican presidents - a difference of 9 percent per year for the value-weighted portfolio and 16 percent for the equal-weighted portfolio." As the New York Times noted of UCLA study in 2003:

> *"It's not even close. The stock market does far better under Democrats...*
>
> *...Professors Santa-Clara and Valkanov look at the excess market return - the difference between a broad index of stock prices (basically the Standard & Poor's 500-stock index) and the three-month Treasury bill rate - between 1927 and 1998. The excess return measures how attractive stock investments are compared with completely safe investments like short-term T-bills.*
>
> *Using this measure, they find that during those 72 years the stock market returned about 11 percent more a year under Democratic presidents and 2 percent more under Republicans - a striking difference."*



In 2002, Slate similarly concluded that "Democrats, it turns out, are much better for the stock market than Republicans":

> *Slate ran the numbers and found that since 1900, Democratic presidents have produced a 12.3 percent annual total return on the S&P 500, but Republicans only an 8 percent return. In 2000, the Stock Trader's Almanac, which slices and dices Wall Street performance figures like baseball stats, came up with nearly the same numbers (13.4 percent versus 8.1 percent) by measuring Dow price appreciation. (Most of the 20th century's bear markets, incidentally, have been Republican bear*

markets: the Crash of '29, the early '70s oil shock, the '87 correction, and the current stall occurred under GOP presidents.)

According to almanac editor Jeffrey Hirsch, the presidential party figures are among the most significant he's found. If the stock market were random, we'd expect such a result only one-quarter of the time. "I don't know why people are convinced Republicans are good for the stock market," Hirsch says.

Why? Because Republican water carriers like Daniel Henninger and Larry Kudlow continue - with great success - to perpetuate the myth that the regulation-free policies of the GOP that so benefit them personally somehow help the American people overall.

Desperate to change their miserable present, Republicans are traveling back in time to rewrite the past. Despite the easily debunked claim, Republican leaders still insist FDR made the Great Depression worse. Similarly, in Republican lore, George W. Bush inherited a recession. And Barack Obama didn't.

In the meantime, the Republican brain trust and its amen corner will continue their drumbeat against President Obama and the Democratic majority in Congress. But even as they regurgitate their slanders about "radicals" and "socialism," the truth is plain for the American people.

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