

If soon-to-be ex-President Trump runs again in 2024, you don't have to vote for him because of a great economic record ...

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Now that the election results have been certified by Congress, President Trump has finally issued a statement, promising that "there will be an orderly transition on January 20th." In the same breath, he dropped a hint that he considers to run again in 2024: "While this represents the end of the greatest first term in presidential history, it's only the beginning of our fight to Make America Great Again." If the soon-to-be ex-president decides to do so, one important campaign topic will surely be the strong economy that he created. At various occasions, President Trump has, after all, called this the greatest economy in the history of the US. The [Washington Post](#) published this compilation back in 2018 (and it only includes statements from June to September 2018)

- "In many ways this is the greatest economy in the HISTORY of America."
- "We have the strongest economy in the history of our nation."
- "We have the greatest economy in the history of our country."
- "We're having the best economy we've ever had in the history of our country."
- "This is the greatest economy that we've had in our history, the best. "
- "You know, we have the best economy we've ever had, in the history of our country."
- "It's sad now that our economy is the strongest it's ever been in the history of our country, and you just have to take a look at the numbers."
- "We have the best economy the country's ever had and it's getting better."

More recently, President Trump reiterated that claim at the first presidential debate, when he complained that he "had to close the greatest economy in the history of our country."

One thing that we have learned in recent months is of course that when we repeat something over and over again, people start to believe it ... But that doesn't make it true. In the following, I compare the economy under President Trump to its performance under previous presidents, going back to WWII. I will focus on GDP growth, employment gains, the federal deficit, before closing with some thoughts on the stock market.

In order to compare apples to apples, I first look the averages for the entire terms of each president. This is, of course, an unfair comparison as it, in President Trump's case, includes the fallout from the pandemic. But other presidents, too, have suffered from recessions (in most cases not caused by them), which the current president casually likes to ignore in his own analyses. For a presumably fairer comparison, I then only look at the pre-Covid numbers for President Trump, and compare those to recession-free terms of previous presidents.

Table 1 summarizes the numbers for the entire terms of each president. We find that the strongest growth rates had been achieved during the Kennedy/Johnson years, when real GDP increased on average by more than 5% per year. Next in line are Bill Clinton and Ronald Reagan. The best employment gains have been achieved by Bill Clinton (+239,000 per month on average), followed by Jimmy Carter. It was also Clinton, who saw the largest improvement of public finances, with the deficit (as % of GDP) shrinking on average by 0.9pp per year. Donald Trump finds himself in each of these categories at the bottom of the table: During his term GDP growth averaged a meagre 0.95%, employment has on average declined by 65,000 per month, while the deficit rose on average by

1.9pp per year. As stated before, this is of course largely the result of the severe pandemic that brought the economy to a halt in recent months, weighing on employment levels, and putting a lot of stress on public finances.

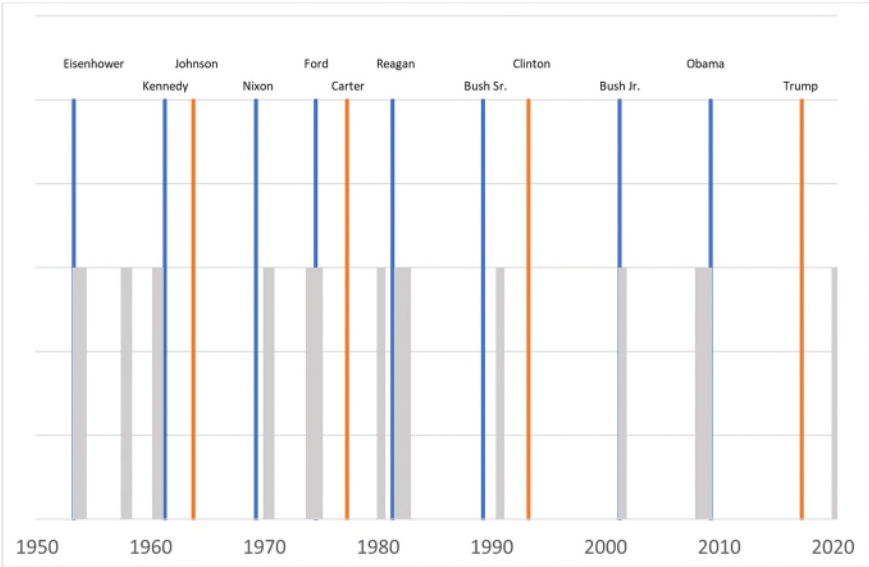
Table 1: The US economy during presidential terms since WWII (not the fairest comparison)

Average GDP growth, %		Average monthly employment gains (in k)		Federal deficit (% of GDP), average annual change	
Kennedy	5,8	Clinton	239	Clinton	-0,9
Johnson	5,1	Carter	215	Carter	-0,3
Clinton	3,7	Johnson	197	Nixon	-0,2
Reagan	3,4	Reagan	168	Eisenhower	-0,2
Carter	3,4	Nixon	137	Obama	-0,1
Nixon	2,8	Obama	121	Reagan	0,1
Ford	2,4	Kennedy	105	Johnson	0,1
Eisenhower	2,4	Ford	71	Bush Sr.	0,4
Obama	2,2	Bush Sr.	55	Kennedy	0,5
Bush Sr.	2,0	Eisenhower	37	Bush Jr.	0,8
Bush Jr.	1,7	Bush Jr.	14	Ford	1,0
Trump	1,0	Trump	-65	Trump	1,9

Source: BEA, BLS, CBO, own calculations

The solution to this, however, cannot be to simply compare the Covid-free months of the Trump presidency to the entire terms of previous presidents. After all, many of Mr. Trump’s predecessors had to cope with recessions themselves. In fact, Donald Trump was the first president since Bill Clinton, who did not have to deal with an economy in a recession at the beginning of his term. Chart 1 reveals that in fact most presidents had to react to a downturn early on in their presidency. The initial period of economic prosperity has, thus, been a great and rare gift to the outgoing Trump administration.

Chart 1: The start of presidencies and recessions



(grey bars mark recessions, vertical lines the beginning of the respective presidencies)

Source: NBER, own calculations

For the next step, we have computed the numbers for the Trump presidency until the outbreak of the pandemic in March 2020. In addition, we have split-up the numbers for all two-term presidents, which allows us to separate between recession and non-recession terms. We labelled the first and second term with I and II, respectively. Terms, in which the economy experienced a recession are in light grey italics. The results are summarized in table 2.

Table 2: The US economy during presidential terms since WWII (a fairer comparison)

Average GDP growth, %		Average monthly employment gains (in k)		Federal deficit (% of GDP), average annual change	
Kennedy	5,8	Clinton I	241	<i>Eisenhower I</i>	-1,1
Johnson	4,9	Clinton II	236	Clinton II	-0,9
Clinton II	4,0	Reagan II	225	Obama II	-0,9
Reagan II	3,9	Obama II	216	Clinton I	-0,8
<i>Nixon I</i>	3,5	<i>Carter</i>	215	Reagan II	-0,4
Clinton I	3,5	Johnson	205	<i>Carter</i>	-0,3
<i>Carter</i>	3,4	Trump (pre-Covid)	185	<i>Nixon I</i>	-0,2
<i>Reagan I</i>	3,0	<i>Nixon I</i>	129	<i>Eisenhower II</i>	0,1
<i>Bush Jr. I</i>	2,8	<i>Reagan I</i>	111	Johnson	0,2
<i>Eisenhower I</i>	2,6	Kennedy	105	<i>Bush Jr. II</i>	0,2
Trump (pre-Covid)	2,5	<i>Ford</i>	71	<i>Bush Sr.</i>	0,4
<i>Ford</i>	2,4	<i>Eisenhower I</i>	57	Trump (pre-Covid)	0,5
Obama II	2,3	<i>Bush Sr.</i>	55	Kennedy	0,5
<i>Eisenhower II</i>	2,1	<i>Bush Jr. II</i>	27	<i>Reagan I</i>	0,6
<i>Bush Sr.</i>	2,0	<i>Obama I</i>	25	<i>Obama I</i>	0,7
<i>Obama I</i>	2,0	<i>Eisenhower II</i>	17	<i>Ford</i>	1,0
<i>Bush Jr. II</i>	0,6	<i>Bush Jr. I</i>	2	<i>Bush Jr. I</i>	1,4

Source: BEA, BLS, CBO, own calculations

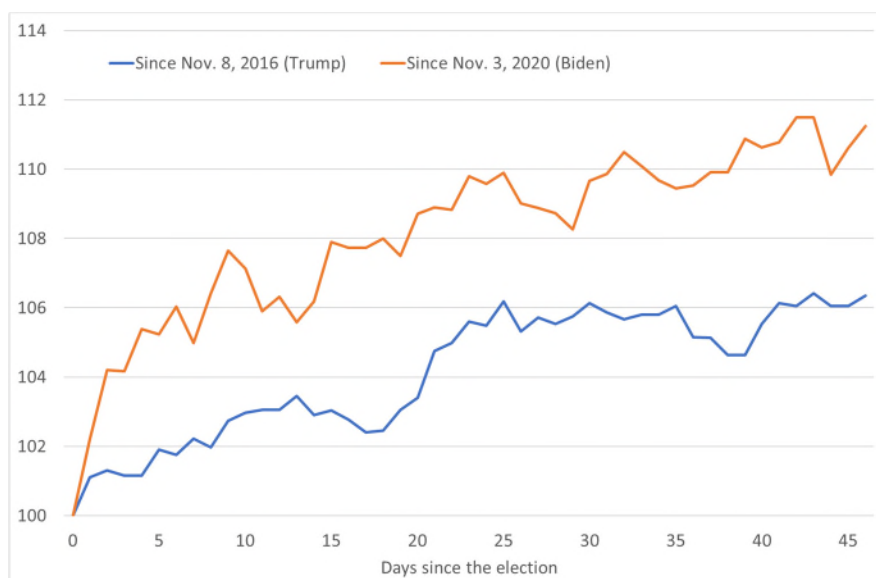
Obviously, the numbers now look much better for Mr. Trump's presidency than they did in table 1: The average GDP growth rate pre-Covid was 2.5%, while the economy created on average 185,000 jobs per months (rather than shedding 65,000 as shown in table 1). That, however, is still not the best performance since WWII, let alone in the history of the United States. Kennedy/Johnson, Clinton, Nixon, and many (most) other presidents had better growth rates during their terms. What's more, almost all terms with weaker growth than that were facing a recession. Now, many Trump supporters will point to the fact that he did at least beat the average growth rate in President Obama's recession-free second term. While that is obviously true, one should keep in mind that this is largely the result of the two huge stimulus programs of the Trump administration, which boosted growth but caused the deficit to increase by 0.5pp per year (see last column). In President Obama's second term, on the other hand, fiscal policy was tightened as many post-recession support programs ended. Given that it is the change in the deficit that determines the growth impact of the fiscal stance, those opposite developments easily explain the small differences in average growth rates between pre-Covid Trump and Obama II. On a different note: I am obviously aware that the potential growth rate in the US has declined over the past couple of decades because of both, slower productivity gains and primarily slower population growth. That was also the reason, why I and so many other fellow economists had challenged that then-candidate Trump can lift economic growth back to 4%. But with many of his economic advisers insisting that this will be possible, and after claiming that he has created the greatest economy in the history of the US, I may be excused for comparing him with his post-WWII predecessors.

Lastly, the development of the labor market under President Trump, while decent overall, has also been one of the weaker ones since WWII: Yes, the jobless rate fell to a 5-decade low, but that was to a large extent due to retiring baby boomers, who left the labor market. If we only look at the employment numbers, we find that job gains in presidential terms without recessions have – with one exception – been stronger than those seen under President Trump.

But what about equities?! Even more than the strong economy, President Trump liked to highlight the record-highs of the stock market that were repeatedly hit during his first term. In mid-2020, he warned: "If you want your 401k's and stocks, which are getting closer to an all-time high (NASDAQ is already there), to disintegrate and disappear, vote for the Radical Left Do Nothing Democrats and Corrupt Joe Biden." Well, things can obviously change, but thus far, these concerns have not materialized. Quite the contrary: As shown by chart 2, the S&P500 has performed even better since the election of Joe Biden in November 2020 than after the election of Donald Trump in November 2016. While this initially may have been explained by a split Congress – with Republicans likely to keep the Senate –, which would have prevented a “radical left” agenda, this argument fell apart this week after the Democratic sweep in Georgia. Since then, stock markets have continued to surge, making yet another record-high. So, while President Trump’s tax reform unequivocally helped to support stocks (certainly more than the long-run economy)¹, the main driver for the ongoing rally is, in my view, the ultra-accommodative monetary policy stances of all major central banks.

Chart 2: Stock market after elections

S&P500, indexed: day of election = 100



Source: Fed St. Louis (FRED), own calculations

The bottom-line from all of this is: If Donald Trump decides to run again in 2024, you do not have to vote for him because of a great economic record. He initially got lucky as he did not have to deal with a recession early on, and then created a short-lasting growth spurt with two deficit-financed stimulus programs, while stocks had been (and are still being) boosted by easy central bank money. There are many other people, who can do just that economically – but who have a “different” approach to morality, democracy, decency and all that.

¹ For more on this, please have a look at my note [“Corporate tax cuts will benefit shareholders not economic growth”](#) from September 2017.