

Special Report

Presidents And Prosperity

Dan Ackman, 07.20.04, 3:00 PM ET

The death of **Ronald Reagan** and the popularity of **Bill Clinton's** book have sparked an unusually intense interest in presidents past.

During the week of his funeral, several commentators declared Reagan the best president of the 20th century, even better than **Franklin D. Roosevelt**, whom Reagan himself admired. A recent Gallup Organization poll indicates that Americans rank **John F. Kennedy** slightly ahead of FDR, and both of them ahead of Reagan. Clinton supporters, meanwhile, note that he turned large federal deficits into surpluses and presided over a booming economy.

It's the kind of argument that will never be settled, like who was a better ballplayer, **Willie Mays** or **Mickey Mantle**. But we took a look at the numbers, and for the money, among presidents since World War II, Clinton scores highest.

Clinton's two terms in office (1993-2001) were marked by strong numbers for gross domestic product (GDP) and employment growth and especially for deficit reduction. His overall ranking puts him first among the ten postwar presidents—ahead of **Lyndon B. Johnson**, Kennedy and Reagan, who were tightly grouped behind the 42nd president and recent autobiographer.

To create our rankings we looked at six measures of economic performance—GDP growth, per capita income growth, employment gains, unemployment rate reduction, inflation reduction and federal deficit reduction—for each of the ten postwar presidencies. For each measure we looked at whether the situation improved or got worse, and we ranked the presidents from 1 to 10. We then averaged the ranks to come up with a final score.

To be sure, there is a sharp debate as to the ability of any president—or government—to control the economy. But that doesn't prevent the heads of Wall Street firms such as **Merrill Lynch** (nyse: [MER](#) - news - people), **Morgan Stanley** (nyse: [MWD](#) - news - people) and **Citigroup** (nyse: [C](#) - news - people) from rooting for one candidate over another based on expectations of economic performance. Fairly or not, each president was judged by how much prosperity is delivered on his watch. Some presidents, it seems, have watched a lot more effectively than others. (We did not rank the current president, whose term is not yet over.)

Clinton campaigned on the economy and had remarkable success. GDP growth during his eight years averaged 3.5% per year, second only to the combined Kennedy/Johnson years and ahead of **Jimmy Carter** and Reagan. The economy also added jobs at a faster rate under Clinton than under any postwar president except Carter. For Carter, however, job growth merely matched an increase in the size of the labor force, while Clinton had much better luck curbing the unemployment rate as well. The result: The public's confidence in the economy hit an all-time high in the summer of 2000, near the end of Clinton's second term, according to Gallup. In the summer of 1992, before he was elected, it was at an all-time low.

The key to Clinton's success, says Alice Rivlin, a Brookings Institution scholar who served as his director of management and budget, was adhering to the "pay/go" agreement first forged by President **George H. W. Bush** and a Democratic Congress, whereby tax cuts or entitlement increases had to be funded on a current basis. She says Clinton raised taxes at just the right time—when incomes were starting to rise after years of stagnation—leading to a surge of receipts. The result was the smallest government in terms of its percentage of GDP since Johnson, and the first substantial budget surpluses since **Harry S. Truman**.

Johnson (1963-1969) ranks second-best overall, slightly ahead of Kennedy, some of whose economic policies he shepherded through Congress. LBJ was first in terms of both GDP growth and personal income growth. He was also among the best in reducing unemployment, lowering the jobless rate from 5.3% to 3.4%. But his time in office was also marked by a surge in inflation and government spending, which got worse under his successor **Richard M. Nixon**, who instituted wage and price controls with little success.

"The Vietnam War had the biggest impact [of any single factor under Johnson] both for good and for ill," says Charles Schultze, an economist at the Brookings Institution who worked in the Johnson and Carter administrations. Schultze says the Kennedy/Johnson tax cut helped the economy continue to grow in 1965 and 1966. But the failure to finance the war led to a surge in inflation that continued under Nixon. Despite these problems, the JFK/LBJ era, viewed as a whole, was the best of times.

Kennedy's presidency (1961-1963), truncated by his November 1963 assassination, ranks third behind LBJ's. Following the prosperous but slow-growth 1950s, Kennedy, like Clinton, campaigned on the idea of getting the company moving again. His most well-known economic legislative initiative, however, his 1964 tax cut, did not take effect until after he was dead.

Without a clear supply- or demand-side explanation for the boom, Walter Schubert, a finance professor at LaSalle University, suggests that JFK's impact was largely exhortatory: "My sense of Kennedy is that he inspired a lot of people to try things." While many businessmen feared his election, they responded to his energy. In any event, GDP growth averaged nearly 5% during his term and he ranks first in reducing the unemployment rate.

Reagan (1981-1989) ranks just after Kennedy, his success highlighted by his halving of the inflation rate. Veronique de Rugy, a research fellow at the American Enterprise Institute, says the key to Reagan's record was urging spending cuts to finance tax cuts and an increase in defense spending. "This is the only instance where we see this type of behavior where we have a president who understands you can't have it all," she says. Reagan's first term, marred by a nasty recession, was not stellar, despite a sharp reduction in inflation caused by U.S. Federal Reserve Chairman Paul Volcker's dramatic shift in monetary policy, which started under Carter. Reagan's second term, though, was very strong.

The Ford and Carter years (1974-1981) are widely recalled as a time of economic disaster. But by the numbers they were middling, not awful. Most surprising is that Carter ranks first in job creation as 10 million jobs were added during his four years in office, more on an annualized basis than Clinton or Reagan. But because the labor force was expanding at the same time, led by an increasing number of women working outside the home, the rate of unemployment barely budged. **Gerald R. Ford** ranks first for controlling inflation, cutting 3.4% off the rate during his brief two-and-a-half-year term.

The situation got much worse under Carter, in large part because of the oil embargo imposed by the Organization of the Petroleum Exporting Countries and resultant price shocks. But Carter appointed Volcker, whose monetary policies at the Fed eventually stemmed the inflationary tide.

Of the ten postwar presidents, the first President Bush brings up the rear. He ranks dead last for both GDP growth and income growth and also ballooned the deficit at a rate faster than every president but Ford. His one modest success was continuing the dramatic drop in inflation that had started under Reagan. LaSalle's Schubert notes that Bush had "some bad luck," in that the post-Gulf War recovery was too late and too tepid to aid his reelection prospects. But Schubert faults Bush for a lack of perceptible economic policy of any kind, good or bad.

Additional reporting by Mark Hazlin.

Postwar Presidencies Ranked By Six Measures Of Economic Performance, Where 1 Is Best.

President	Term	Years In Office	GDP Rank	Real Disposable Personal Income Rank	Employment Rank	Unemployment Rank	Inflation Rank	Deficit Reduction Rank	Average Rank
Bill Clinton	1993-2001	8	3	5	2	2	6	1	3.2
Lyndon B. Johnson	November 1963-1969	5.1	1	1	5	3	8	4	3.7
John F. Kennedy	1961-November 1963	2.9	2	2	8	1	5	6	4.0
Ronald Reagan	1981-1989	8	5	4	3	4	2	8	4.3
Gerald R. Ford	August 1974-1977	2.4	6	6	6	10	1	2	5.2
Jimmy Carter	1977-1981	4	4	8	1	5	10	7	5.8
Harry S. Truman	April 1945-1953	7.8	9	9	7	6	3	3	6.2
Richard M. Nixon	1969-August 1974	5.6	7	3	4	8	9	9	6.7
Dwight D. Eisenhower	1953-1961	8	8	7	9	9	7	5	7.5
George H.W. Bush	1989-1993	4	10	10	10	7	4	10	8.5

GDP: Gross Domestic Product.

Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, White House Office of Management and Budget