DSG
SPECIAL REPORT
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HON. BOB WISE (W. Va.) — Chairman
SCOTT LILLY — Executive Director

Bush Economic Forecast Shows He Will Set New Records for Post-War Era

Worst Record for Overall Economic
Growth During a Four-Year Term

Highest Average Annual Budget Deficit
During a Four-Year Term

Lowest Job Growth
During a Four-Year Term

Largest Increase in the Public
Debt in a Four-Year Term

Lowest Growth in Personal Income
During a Four-Year Term

Lowest Number of Housing Starts
During a Four-Year Term*

Only Decline in Industrial Production
During a Four-Year Term*

Worst Net Increase/Decrease in Retail Sales
During a Four-Year Term*

*Based on current statistics; no
Administration forecast available.

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THE BUSH YEARS

Bush Administration Forecasts through end of term	
Real GDP growth	2.2%*[1]
Unemployment rate for 1992	6.9%[1]
Employment for 1992	117.4 million[1]
Personal Income for 1992	$5,037 billion[2]
Budget Deficit for FY 1993 (On-Budget Deficit)	$394.5 billion[1]
Government Debt for FY 1993 (Publicly Held)	$3,430.9 billion[1]

Bush Record	To Date	To End of Term with Forecast
Real GDP Growth	1.8%	4.1%
Job Growth	0.5%	1.5%
Real Personal Income Growth	4.4%	6.1%
Real Per Capita Income Growth	1.2%	2.6%
Average Annual Budget Deficit (1991 Dollars in Billions)	$337	$346
Average Annual Deficit as Percentage of GDP	5.9%	6.1%
Growth in Public Debt (1991 Dollars in Billions)	$625	$870
Growth in Public Debt as Percentage of GDP	11.3%	14.5%
Growth in Industrial Production (Inflation-Adjusted)	-0.5%	na
Growth in Retail Sales (Inflation-Adjusted)	-4.4%	na
Growth in Investment in Plant and Equipment (Inflation-Adjusted)	-6.2%	-4.8%
Growth in Residential Investment (Inflation-Adjusted)	-19.4%	na
Average Annual Housing Starts (In Thousands)	1,192	1,203

1. Economic Report of the President, 1992.
2. Budget of the United States Government, FY 1993, Part One, p.36.

* Fourth quarter 1992 over fourth quarter 1991.

na Not available.

NEW RECORDS

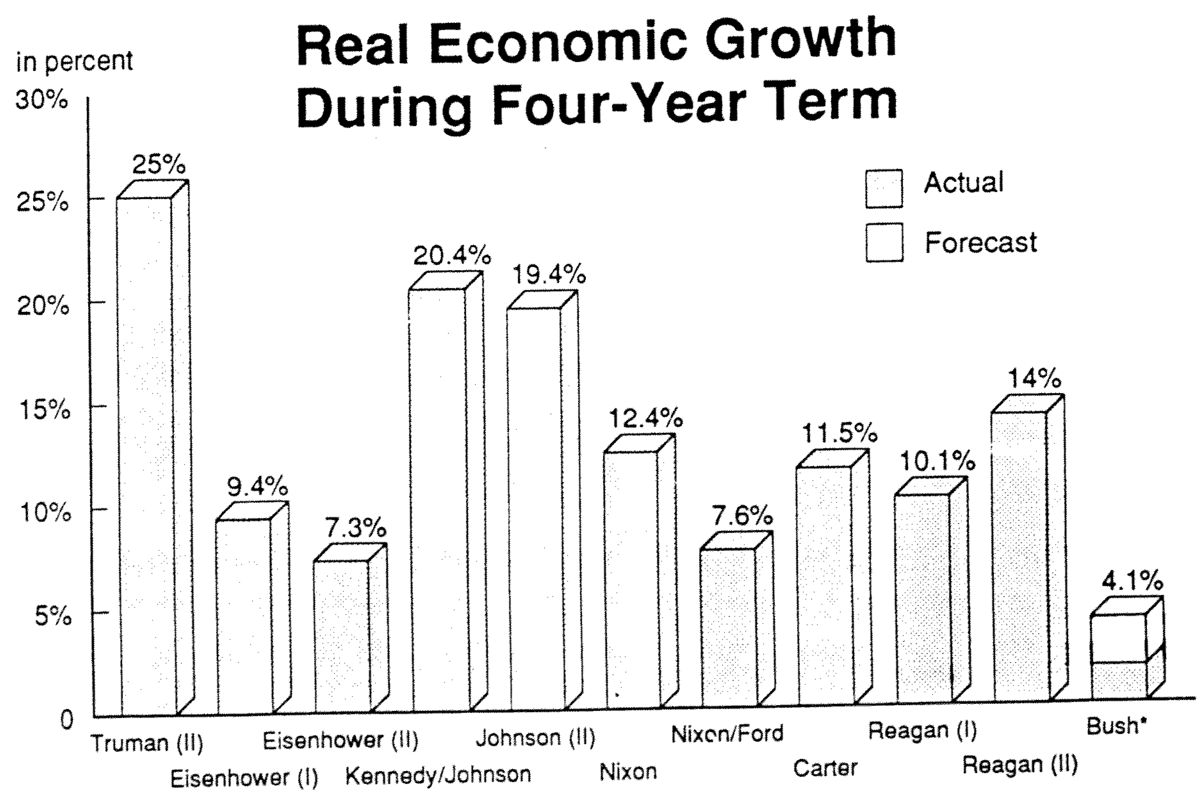
DSG Contact: Randall Dodd

When George Bush's four-year term as President expires next January, he will have presided over the worst economic performance of the post-war era. By one economic measurement after another, the Bush presidency will fall well behind even the weakest of its post-war predecessors. This assessment is not based on the projections of the Administration's critics, but rather on the Bush Administration's performance to date and its own economic forecasts for 1992.

THE FORECAST

In January, the Bush Administration issued an economic forecast on which its budget and overall policy recommendations were based. While that forecast is not particularly rosy, it is more optimistic than that of many private forecasters. Compared on the basis of year-over-year forecasts, such firms as Merrill Lynch, Chase Manhattan Bank, the U.S. Chamber of Commerce and Morgan Guaranty Trust expect slower growth than the White House.

If the forecasts of these institutions were used in place of the Administration's forecast, the performance projected for the Bush Administration in this analysis would be even worse in virtually every category.



*Includes Administration forecast of 2.2% growth for 1992.
Sources: Commerce Department; Bush Administration forecast.

THE RECORD

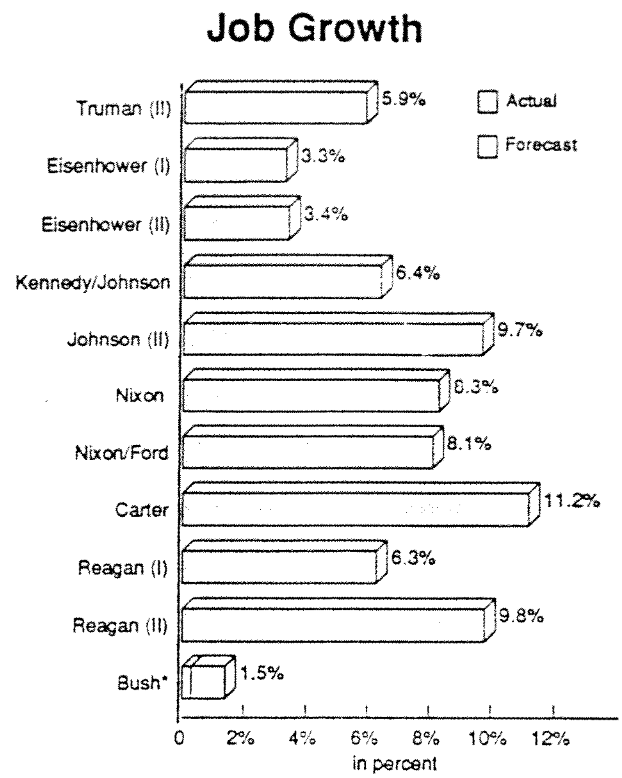
Since World War II, we have had nine presidents and ten complete presidential terms starting with Harry Truman's second term in January 1949. George Bush will complete the 11th presidential term of the post-war era in January of 1993.

While the post-war period has generally been characterized by strong and stable economic growth, there have been nine recessions, three of which resulted in the shrinkage of the overall economy by 3% or more. While the Bush recession resulted in only a 1.6% decline in real GDP, only seventh of the nine in severity, his term has nonetheless been one of unprecedented economic weakness — due to the length of the recession and the lack of economic strength in either the period preceding the recession or in the long-awaited recovery.

The strongest overall performance of the U.S. economy during a presidential term was under President Truman and was the first full term following the war. Between 1949 and 1953, the U.S. economy grew by a full 25%. The second strongest performance was the Kennedy/Johnson term, 1961-1965. During that term, the economy grew by 20.4%. That was closely followed by the full Johnson term, 1965-1969, with 19.4% growth.

The current record for slow growth is held by the Eisenhower Administration which posted only 7.3% growth in its second term.

In the three years since the Bush inauguration, the U.S. economy has expanded by only 1.8%. If the Administration's projection of 2.2% growth through the end of 1992 proves to be accurate, the total growth during the Bush term will be 4.1% or only a little better than half the total growth of the next worst record in the post-war era.

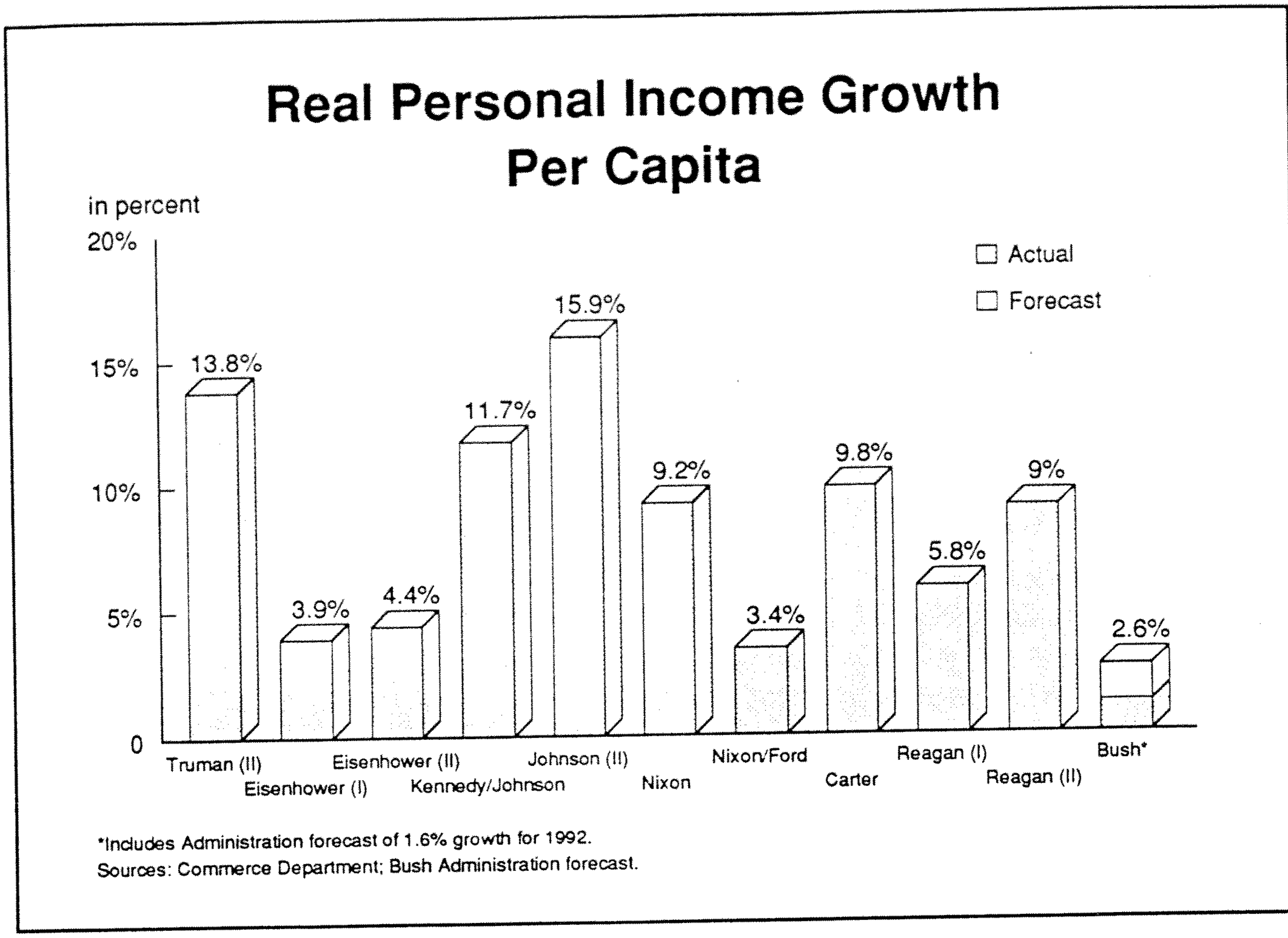


*Includes Administration forecast of 1.0% growth for 1992.
Sources: Bureau of Labor Statistics; Bush Administration forecast.

JOB GROWTH

In accepting the Republican nomination for the presidency, Vice President Bush promised, "...we will be able to produce 30 million jobs in the next eight years." That would amount to a 12.1% increase in employment during each four-year term — a pace that would exceed the record 11.2% increase in employment set during the Carter years.

In reality, however, Bush is about to smash a different record. The number of jobs has increased by only 371,000 between January 1989 and March 1992 — or by only 0.3%. Even if total employment grows by 1.0% between now and next January as suggested by the White House economic forecasts,[1] the Bush performance on



job creation will set a new record low that will be less than half of the current record for low job growth.

PERSONAL INCOME

During Lyndon Johnson's complete term, 1965-1969, per capita personal income, after adjusting for inflation, grew by 16%. The other extreme was reached two terms later when inflation-adjusted income per person grew by only 3.4% under the combined leadership of Presidents Nixon and Ford. Thus far, per capita personal income during the Bush Administration has grown by only 1.2%.

Although the Administration does not release quarterly forecasts of personal income, DSG has used the Administration's annual forecast for 1992 and 1993 in order to estimate personal income growth through the fourth quarter of 1992 (the end of the Bush term). This method results in an estimate of 2.6% real per capita income growth over the entire four-year term — less than three-quarters of the previous record low.

This statistic is even more ominous if viewed in the context of recent studies indicating that most income growth during the 1980s was concentrated in very few hands. If that trend has continued into the 1990s, it would mean little or perhaps even negative income growth for the majority of Americans during the Bush presidency.

BUDGET DEFICITS AND PUBLIC DEBT

Poor economic performance compounds the imbalance between government revenues and expenditures. For that reason, George Bush is facing the largest deficits in history. Based on his January budget submission for fiscal 1993, the four federal budgets enacted during his Administration will contain deficits averaging $346 billion per year (using 1991 inflation-adjusted dollars.)

President Reagan had the worst previous record with an average annual deficit of $240 billion in his first term and $232 billion in his second. The average annual deficit during the first Eisenhower term was only $3 billion.

Perhaps a better measure of deficits is to examine them relative to the overall size of the economy in the year in which they occur. Such an analysis shows a clear pattern of fiscal policy for most of the post-war period. Deficits remained in the 1% of GDP range during periods of stronger growth and pushed above 2% during periods of slower growth. Prior to 1981, no presidential term produced deficits that averaged more than 2.6% of GDP.

That pattern was abruptly broken following Ronald Reagan's inauguration. Deficits jumped to 5% of GDP in the first Reagan term and remained above 4% during the second. Based on numbers from President Bush's first two fiscal years, his budget projections for the remainder of fiscal 1992 and his budget request for fiscal 1993, he will have average deficits of 6.1% of GDP.

From the late 1940s through 1981, the real or inflation-adjusted size of the federal debt[2] remained relatively stable. In 1949 the debt totaled $253 billion, which in 1991 dollars was equal to about $1.26 trillion. Thirty-two years later, in 1981, the debt measured in 1991 dollars had dropped $100 billion to $1.16 trillion.

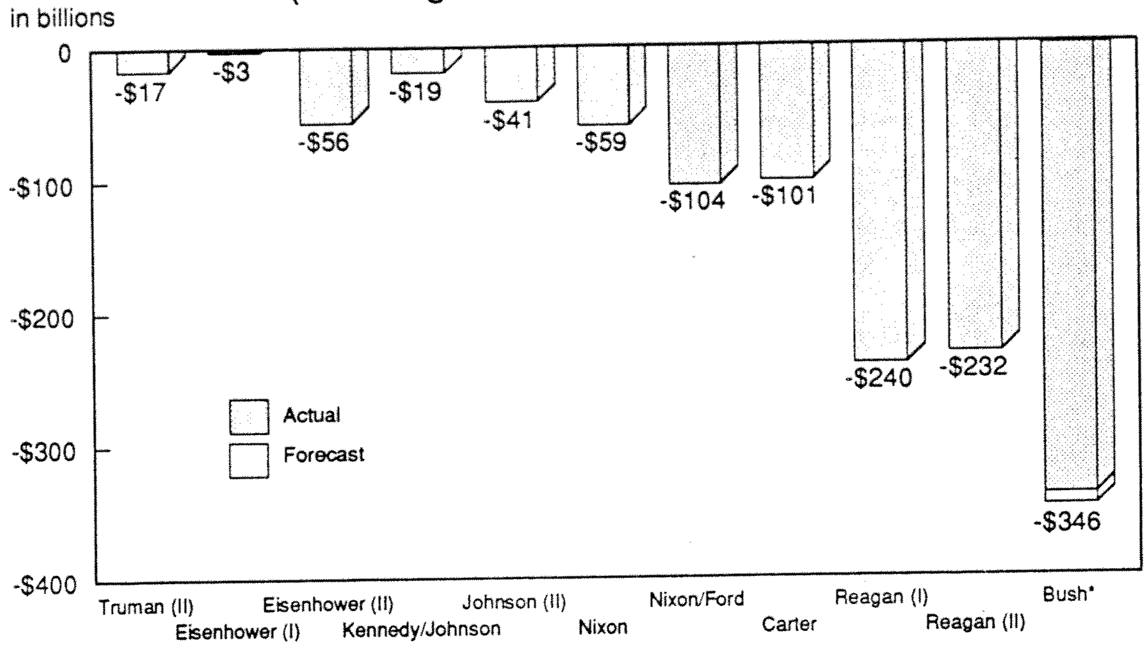
Since 1981 this trend has changed dramatically. During the first Reagan term, real-dollar public debt increased by nearly $700 billion. During the second term, it increased by another $500 billion. The current Bush budget projections indicate that Bush will set a new record with a $870 billion real-dollar increase in the public debt.

Some would argue that the best measure of the magnitude of public debt is to compare it with the overall size of the U.S. economy. Using this measurement, federal indebtedness declined dramatically during the first eight presidential terms following World War II. Public debt as a percentage of GDP fell from 82% in 1949 to 25% in 1981. During this period, public indebtedness relative to the overall size of the economy declined during every presidential term except the Nixon/Ford term in which it rose by 2.6%.

During the first Reagan term, the public debt as a percentage of GDP grew by 11.2%. During the second term, it grew by 4.6%. But the Bush forecast indicates that indebtedness as a percentage of GDP will grow by 14.5% over the course of the four budget years of this Administration.

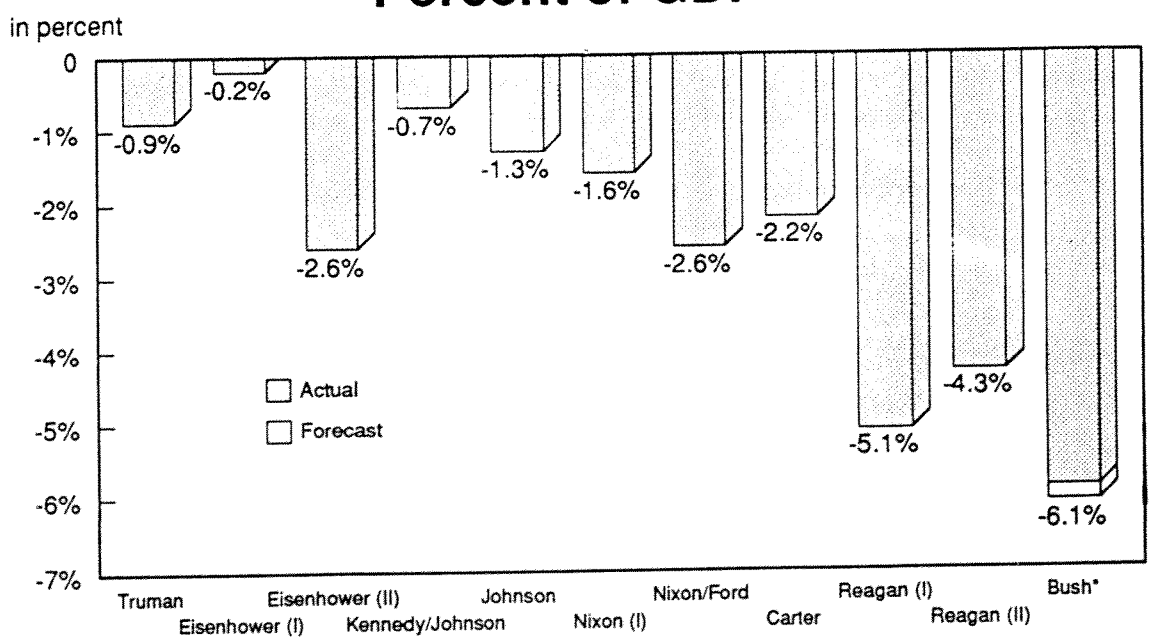
Average Annual Budget Deficits

(On-Budget Deficits; 1991 Dollars)



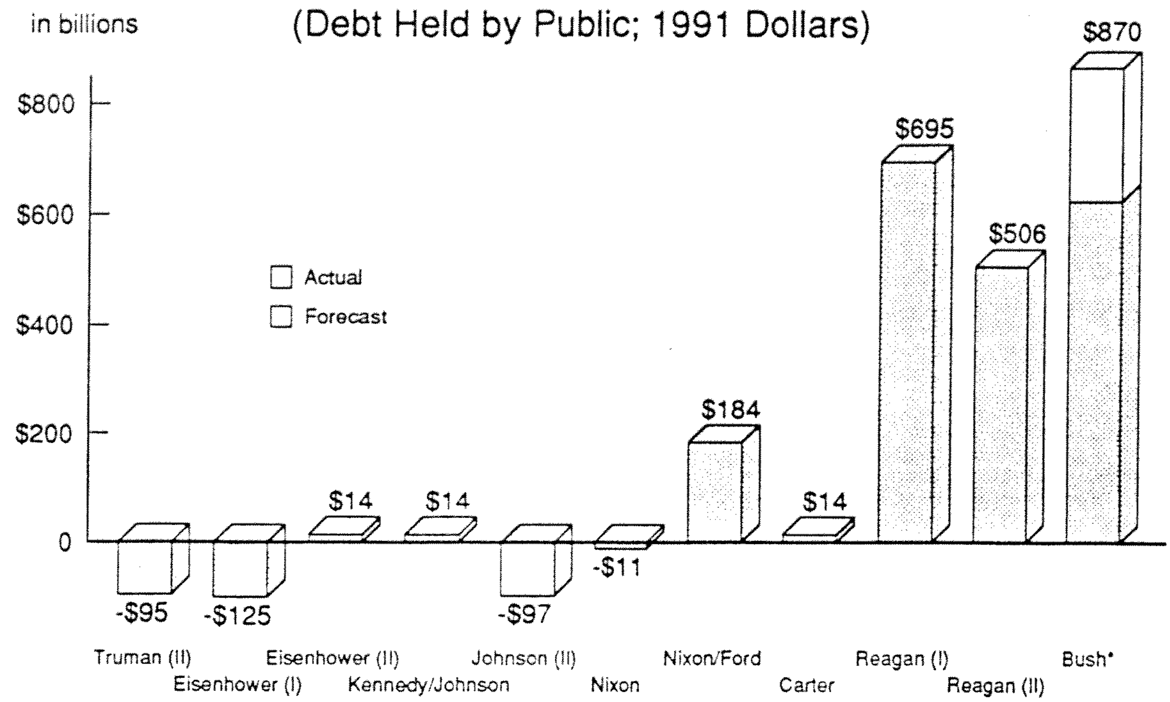
*For FY 1993, assumes Bush Administration budget request.
Sources: Commerce Department; Office of Management and Budget.

Average Annual Deficits As A Percent of GDP



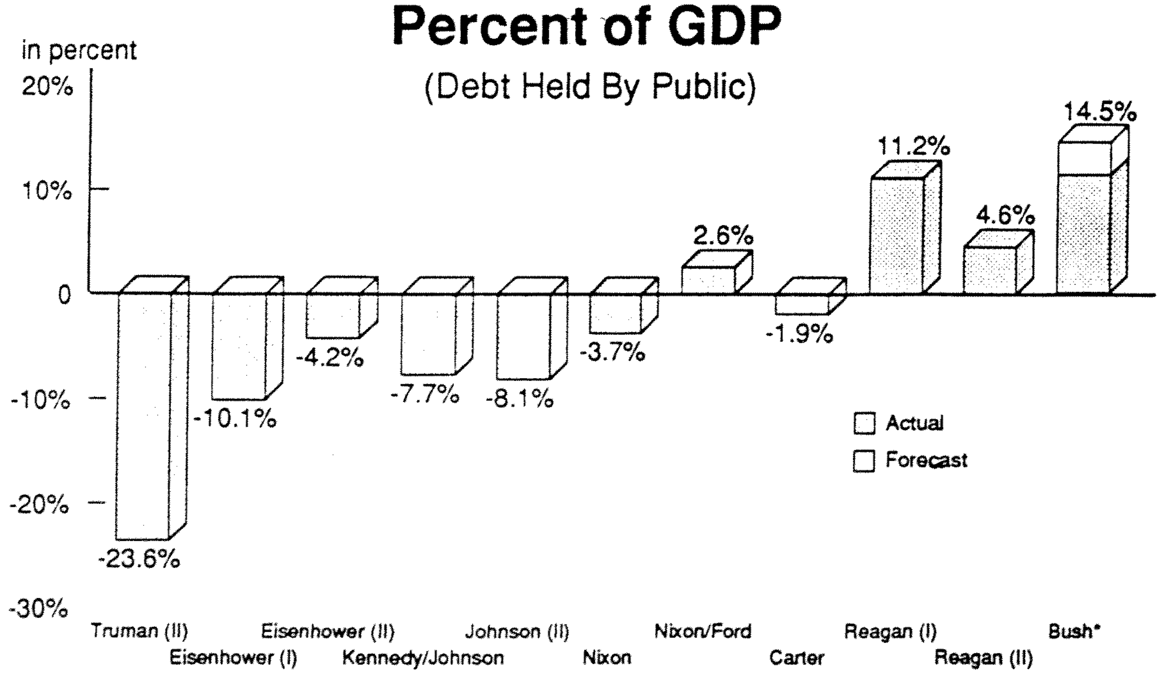
*For FY 1993, assumes Bush Administration budget request.
Sources: Commerce Department; Office of Management and Budget.

Growth in Public Debt



*For FY 1993, assumes Bush Administration budget request.
Sources: Commerce Department; Office of Management and Budget.

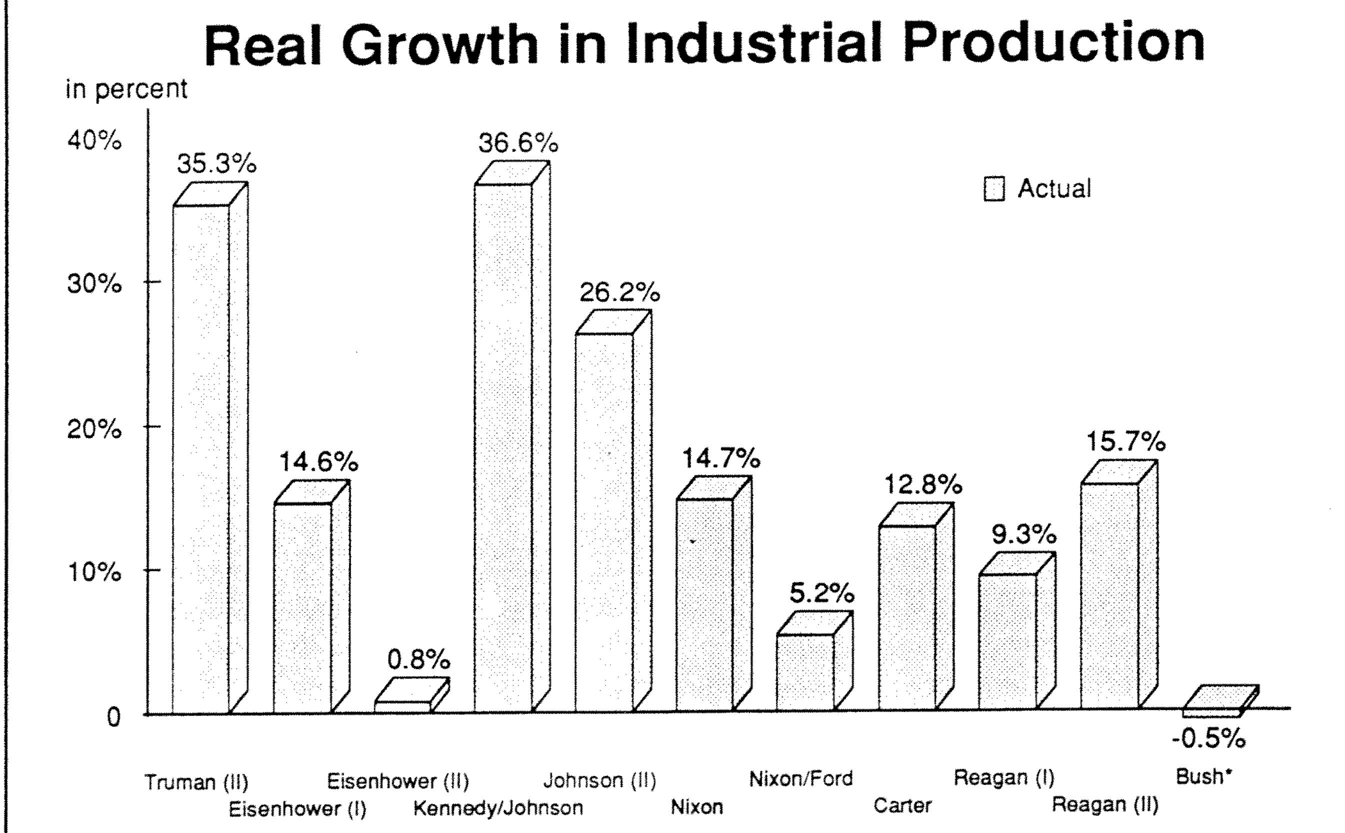
Growth in Public Debt As A Percent of GDP



*For FY 1993, assumes Bush Administration budget request.
Sources: Commerce Department; Office of Management and Budget

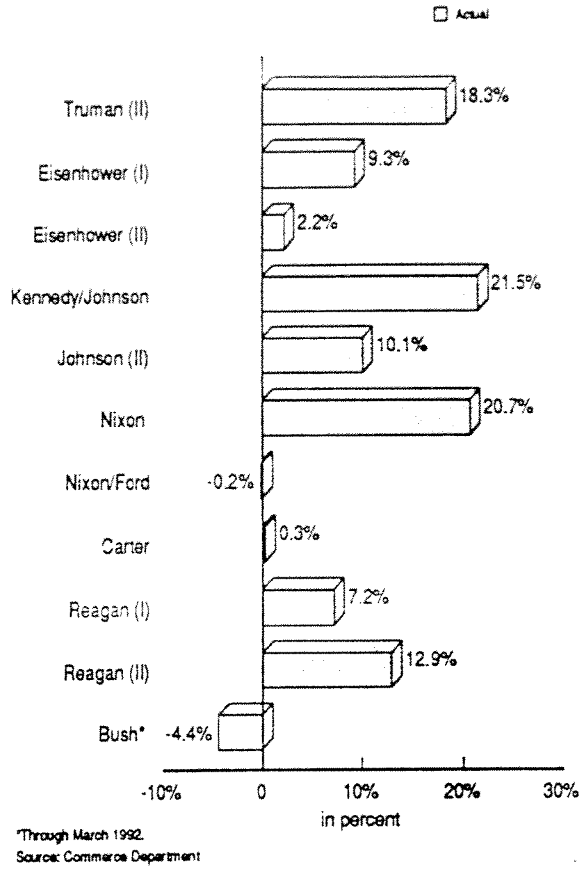
INDUSTRIAL PRODUCTION

One of the most important measures of economic vitality is the pace at which industrial production grows. Industrial production measures output at factories, mines, and construction sites. Performance in this area has ranged from 36.6% growth during the Kennedy/Johnson term to slightly less than 1% growth under the second Eisenhower term. The Bush Administration has provided no forecast for industrial production but current statistics indicate that they are likely to be in trouble on this count as well. The most recent figures show that industrial production is actually 0.5% lower now than when Bush took office. If it does not pull up by the end of the term, it will be the first decline in the post-war era.



*Through March 1992.
Source: Federal Reserve Board.

Real Growth in Retail Sales



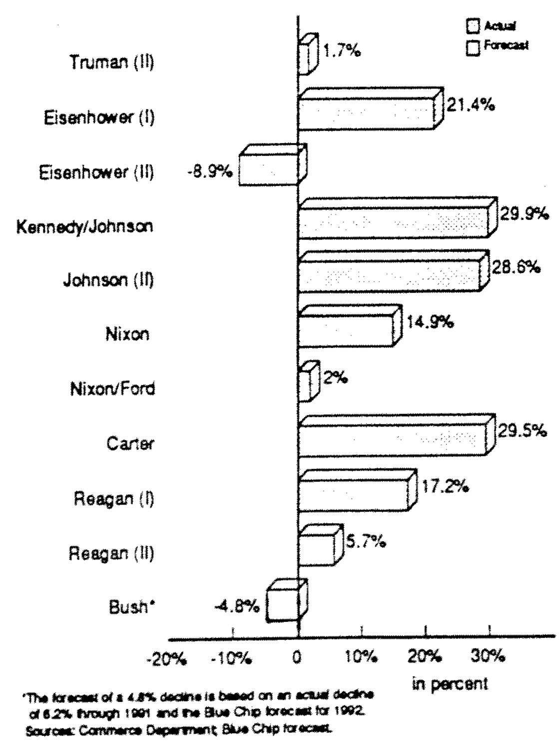
RETAIL SALES

Yet another trouble area is retail sales. After adjusting for inflation, sales grew by more than 20% during the Kennedy/Johnson term and during the first Nixon term. Under the Nixon/ Ford term, they declined slightly by 0.2% — the only decline prior to the present presidential term. Although the Bush Administration has offered no forecast for retail sales, they are presently 4.4% below the level that existed at the time of the Bush inauguration.

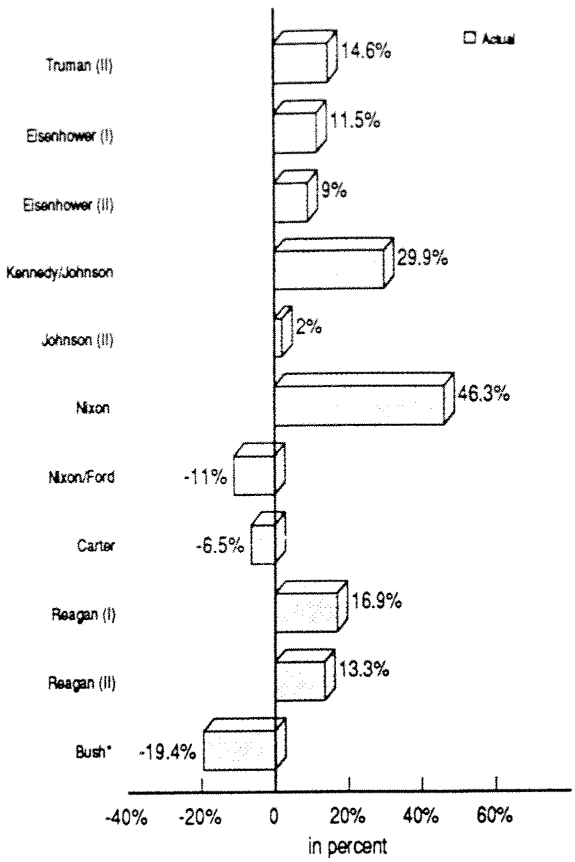
INVESTMENT IN PLANT AND EQUIPMENT

Investment in plant and equipment is a critical ingredient for long-term economic growth. During three presidential terms in the post-war era, investment in plant and equipment has grown by nearly 30%. During the second Eisenhower term, it fell by 9% after having grown 21% during the first term. Bush is not likely to end up dead last by this measure since investment in plant and equipment is off by only 6.2% at this point in his Administration. He is likely to end up next to last, however. (There is no Administration forecast in this area.)

Real Growth in Investment in Plant and Equipment



Real Growth in Residential Investment



*Through the fourth quarter of 1991.
Source: Commerce Department

RESIDENTIAL INVESTMENT

The Bush term also rates low in residential investment. Although two other presidential terms ended with negative growth in residential investment (the Nixon/Ford Administration with an 11% drop and the Carter Administration with a 6.5% drop), the Bush Administration is entering its final year with a whopping 19.4% decline in residential investment. It will take a very good year in this area to save Bush from yet another economic record.

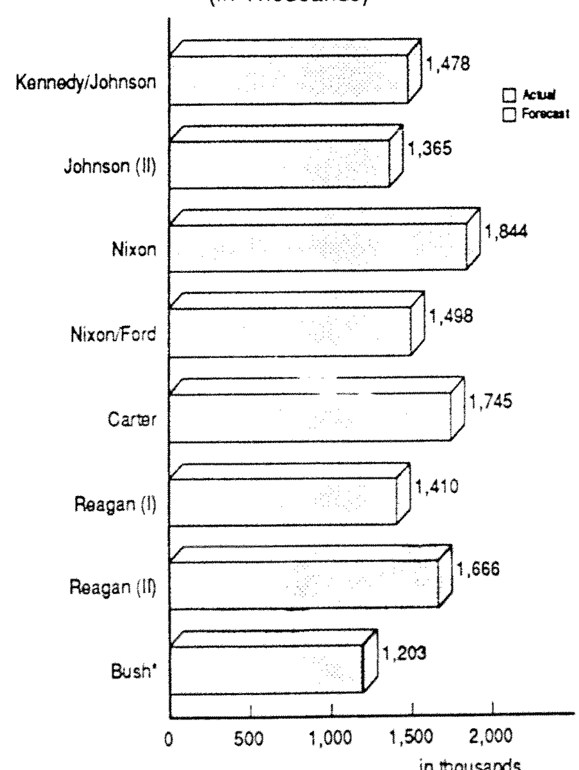
HOUSING STARTS

The government did not collect statistics in this area until 1959 and therefore figures are available for only seven presidential terms prior to the present one.

During those terms, the average annual number of housing starts has fluctuated between a low of 1.37 million and a high of 1.84 million. But the housing sector has suffered during the Bush years. Housing starts in 1991 fell to their lowest level on record. At this point in the Bush term, annual housing starts have averaged 1.19 million -- and even if the optimistic Blue Chip forecasts for 1992 materialize, this will only bring the annual average up to 1.20 million for

Average Annual Housing Starts

(In Thousands)



*Based on actual housing starts through February 1992 and Blue Chip forecast for rest of 1992.
Source: Commerce Department

the entire term. Thus, Bush will again set a new economic record -- the lowest number of houses added to the economy in a four-year term.

SUMMARY

The pace of real economic growth has varied throughout the post-war era. The weakest periods of overall growth prior to 1989 occurred during the second Eisenhower term and the Nixon/Ford term. Yet amidst the picture of total growth, there are usually specific sectors that have performed much better and others that have lagged seriously behind overall growth.

Earlier periods of subpar economic performances have had their bright spots. During the period of economic weakness at the end of the second Eisenhower term, John Kennedy complained that we needed to get the country moving again. But while overall economic performance was poor, there were several relatively strong sectors: retail sales were higher than they were four years earlier; personal income was up by 12%; per capita income was up by 4.4%; and residential investment had grown by 9% in four years.

The Nixon/Ford term set the previous record for low income growth; nevertheless, growth in retail sales remained strong as did job growth.

In light of this, what makes the condition of the U.S. economy during the Bush term remarkable has been the substandard performance across a broad range of economic variables. By dominating the cellar for numerous measures of economic performance, Bush will, at least for the time being, resolve the debate over who presided over the worst period in the nation's post-war economic history.

ENDNOTES

[1]Based on White House forecasts of employment levels for all of 1992 and 1993, DSG estimated monthly employment levels between now (April 1992) and January 1993.

[2]Refers to publicly held debt. An alternative measure of the federal debt is the gross total debt or "debt subject to limit" which includes federal debt held by government trust funds such as Social Security. Either measurement of debt would show a similar picture for the purposes of this analysis.

Measurements of Economic Performance During Presidential Terms

	Real GDP Growth	Job Growth	Real Personal Income Growth	Real Per Capita Income Growth	Real Growth in Industrial Production	Real Growth in Retail Sales	Real Growth in Investment in Plant & Equip	Real Growth in Residential Investment	Ave. Annual Housing Starts (in thou.)
	1	2	3	4	5	6	7	8	9
Truman	25.0%	5.9%	21.7%	13.8%	35.3%	18.3%	1.7%	14.6%	na
Eisenhower	9.4%	3.3%	11.4%	3.9%	14.6%	9.3%	21.4%	11.5%	na
Eisenhower II	7.3%	3.4%	12.0%	4.4%	0.8%	2.2%	-8.9%	9.0%	na
JFK/LBJ	20.4%	6.4%	18.5%	11.7%	36.6%	21.5%	29.9%	29.9%	1,478
Johnson II	19.4%	9.7%	21.1%	15.9%	26.2%	10.1%	28.6%	2.0%	1,365
Nixon I	12.4%	8.3%	14.2%	9.2%	14.7%	20.7%	14.9%	46.3%	1,844
Nixon/Ford	7.6%	8.1%	7.4%	3.4%	5.2%	-0.2%	2.0%	-11.0%	1,498
Carter	11.5%	11.2%	14.6%	9.8%	12.8%	0.3%	29.5%	-6.5%	1,745
Reagan	10.1%	6.3%	9.8%	5.8%	9.3%	7.2%	17.2%	16.9%	1,410
Reagan II	14.0%	9.8%	13.1%	9.0%	15.7%	12.9%	5.7%	13.3%	1,666
Bush-To Date	1.8%	0.5%	4.4%	1.2%	-0.5%	-4.4%	-6.2%	-19.4%	1,192
Bush-End Term	4.1%	1.5%	6.1%	2.6%	na	na	-4.8%	na	1,203

1. Commerce Dept data. President's term measured from last quarter prior to inauguration to last quarter in term. Forecast of 1991:4 to 1992:4 taken from the Economic Report of President, 1992, p.76. Bush-To Date covers up to 1991:4.
2. Bureau of Labor Statistics data, household survey. President's term measured from first February following inauguration until last January in term. DSG used Bush Administration forecasts for annual employment in 1992 and 1993 to project monthly figures through January, 1993.
3. Commerce Dept. data. Change in real total personal income, from last quarter prior to inauguration to last quarter in term. Bush Administration forecast ($5,037 billion in 1992, Budget of the U.S. Government, FY 1993) used to project quarterly estimates through 1992:4.
4. Commerce Dept data. Same as (4) for change in real personal income. Population data from Census Bureau via Haver Analytics. Projections for 1992 by DSG from average population growth, 1989 through 1991 (1.032%).
5. Federal Reserve Board data. President's term measured from first February to last January. There is no Administration forecast.
6. Commerce Dept. data. President's term measured from first February to last January. Adjusted for inflation using CPI-U. Series measures total change in real sales over entire term. There is no Administration forecast.
7. Commerce Dept. data. Change in real fixed investment in plant and equipment from last quarter prior to inauguration to last quarter in term. Blue Chip consensus forecast used to project through fourth quarter of 1992.
8. Commerce Dept. data. Change in real residential fixed investment from last quarter before inauguration to last quarter in term. The Administration does not provide forecasts of this series.
9. Commerce Dept. data. President's term measured from first February to last January. The series measures, in thousands, the average number of housing starts each year. There is no data prior to 1959, and there are no Administration forecasts. DSG used Blue Chip forecast for 1992.

Measurements of Economic Performance During Presidential Terms (Continued)

	Ave. Annual Budget Deficits (billions of 1991 dollars) 10	Ave. Annual Deficits as % of GDP 11	Growth in Public Debt (billions of 1991 dollars) 12	Growth in Public Debt as % of GDP 13
Truman	-$17	-0.9%	-$95	-23.6%
Eisenhower	-$3	-0.2%	-$125	-10.1%
Eisenhower II	-$56	-2.6%	$14	-4.2%
JFK/LBJ	-$19	-0.7%	$14	-7.7%
Johnson II	-$41	-1.3%	-$97	-8.1%
Nixon I	-$59	-1.6%	-$11	-3.7%
Nixon/Ford	-$104	-2.6%	$184	2.6%
Carter	-$101	-2.2%	$14	-1.9%
Reagan	-$240	-5.1%	$695	11.2%
Reagan II	-$232	-4.3%	$506	4.6%
Bush-To Date*	-$337	-5.9%	$625	11.3%
Bush-End Term	-$346	-6.1%	$870	14.5%

10. Commerce Dept. data from Economic Report of President, 1992. Each President is given credit for the four full budget years which occur after his inauguration. The transition quarter which occurred in 1976 is excluded from the analysis. For FY 1993, series uses Bush Administration budget request.
11. Commerce Dept. data. President's term measured the same as (10). Series measures on-budget deficit by fiscal year as percent of GDP measured by corresponding calendar year. For FY 1993, series uses the Bush Administration budget request.
12. Commerce Dept. data. President's term measured the same as (10). Series measures in constant 1991 dollars the change in government debt from start to end of term.
13. Commerce Dept. data. President's term measured the same as (10). Series measures the increase in government debt as a percent of GDP. (Debt at end of final fiscal year is measured as a percentage of GDP for corresponding calendar year.)

* In the case of these budget figures, "to date" refers to through FY 1992, using the Administration's FY 1992 estimates.