



## Economy Continues to Under Perform<sup>\*</sup>

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The economic evidence remains clear: the president's economic policies have not improved the health of the economy. Measures of current economic performance, including overall economic output, business investment, and employment, continue to be lower than the averages of past recoveries.<sup>1</sup>

### The Overall Economy

The economy has grown at a slower rate than in previous cycles. The most common measure of overall economic activity, Gross Domestic Product, has grown by 15.8 percent from the last peak in the business cycle through the most recent quarter.<sup>2</sup> The average for similar periods in the past was higher—with GDP growing by an average of 19.0 percent. The current economy ranks just seventh out of the past 10 business cycles.

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<sup>\*</sup>This document updates J. Irons and L. Price "Bush's Tax and Budget Policies Fail to Promote Economic Growth," Center for American Progress/Economic Policy Institute, February 16, 2006, available at <http://www.americanprogress.org/issues/2006/02/b1425171.html>.

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<sup>1</sup>Other measures also show economic underperformance. For evidence on incomes, poverty, and other measures see, e.g., J. Lambrew, J. Irons, M. Greenberg "New Census Data Show Deteriorating Income and Health Coverage from 2000 to 2005" Center for American Progress, August 29, 2006, available at [http://www.americanprogress.org/issues/2006/08/poverty\\_census.html](http://www.americanprogress.org/issues/2006/08/poverty_census.html).

<sup>2</sup>The business cycle includes a recession and the subsequent expansion. The peak of a business cycle occurs at the start of a recession.

Table 1: ECONOMIC PERFORMANCE: COMPARISON WITH PAST CYCLES<sup>3</sup> PERCENT GROWTH FROM PEAK THROUGH 22 QUARTERS, OR 66 MONTHS

	Cycles		Percent Below Past Cycles	Rank (1=best)
	Past	Current		
GDP	19.0%	15.8%	17%	7 of 10
Business Investment	20.1%	7.7%	62%	8 of 10
Employment	7.9%	1.9%	77%	9 of 10

## Business Investment

According to proponents of Bush's economic policies, the tax changes that reduced corporate income taxes and personal income tax rates were supposed to increase overall investment.

By this criterion, Bush's economic policies have failed. Business investment typically recovers strongly after recessions, averaging over 20 percent on average at this point in the business cycle. Investment during the current cycle has only increased by 7.7 percent, ranking as only the eighth most successful cycle out of the ten cycles since 1948. Business investment has under performed all past cycles since 1957.

## Employment

Job growth remains abnormally slow. As with business investment, employment should accelerate at some point after the end of a recession. At this point during past business cycles, the employment expanded by 7.9 percent. Employment during the current cycle, however, has increased only 1.9 percent. By this

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<sup>3</sup>Past cycles include the nine recessions prior to the 2001 recessions and dating back to November, 1948. Sources: Authors calculations from Bureau of Labor Statistics and Bureau of Economic Analysis data. Business cycle dates are from the National Bureau of Economic Research.

measure, the current cycle is the worst since 1953, and second worst overall.

### Alternative measurements

The data above is measured from the business cycle peak through the following 22 quarters, or 66 months. For example, the current cycle is measured from the peak in March 2001 (first quarter) through September 2006 (third quarter).

An alternative method would be to measure from the end of the recession rather than from the start, thus capturing only the economic recovery. Because the 2001 recession was relatively mild, we might expect a smaller than usual “bounce” from the end of the recession. Table 2 presents these results. The main findings cited above remain unchanged; the current recovery has performed worse than any of the recoveries since WWII as measured by total output growth or employment growth, and third worst on business investment.

Table 2: ECONOMIC PERFORMANCE: COMPARISON WITH PAST RECOVERIES<sup>4</sup>  
PERCENT GROWTH FROM TROUGH THROUGH 19 QUARTERS, OR 58 MONTHS

	Cycles		Percent Below Past Recoveries	Rank (1=best)
	Past	Current		
GDP	21.9%	15.4%	30%	10 of 10
Business Investment	32.4%	17.9%	45%	8 of 10
Employment	12.2%	3.7%	70%	10 of 10

<sup>4</sup>Past recoveries include the nine recessions prior to the 2001 recessions and dating back to November, 1948. See footnote for Table 1 for more detail.