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## **You Can't Put Much Stock in Prez Pick**

By Al Lewis

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Republicans put the wow in the Dow. The last thing Wall Street needs is a high-taxing, business-bashing, regulation-writing Democrat in the White House.

So goes the GOP rhetoric. Yet history shows the stock market has performed better under Democratic presidents.

Is that a reason to vote for John Kerry? Not really. A look back shows stock-market performance has more to do with economic cycles than who is president.

The numbers: Since 1901, the Dow Jones industrial average has had a compound annual growth rate of 7.04 percent under Democratic presidents but only 3.78 percent in Republican terms.

The difference in performance is less dramatic when you subtract the Great Depression from the analysis. But even since the post-World War II boom, the Dow does better with Democrats.

Since 1945, the index has grown 8.25 percent annually under Democratic presidents versus a rate of 6.7 percent under Republicans.

I got these numbers from [Andre Ratkai](#), a finance professor at the University of Denver's Daniels College of Business. Ratkai is a registered Democrat but describes himself as an independent.

I sought a professional to calculate the compound annual growth rate in the Dow during each presidential term and compare Democrats with Republicans. Ratkai teaches technical analysis and manages about \$20 million as the president of a Denver-based money-management firm called Praxis Advisory Group.

"Wall Street is mistakenly obsessed with prediction," he told me. "It spends way too much time on what is expected to happen and way too little time on what is happening."

For instance, some market observers expected the Dow to retreat under Bill Clinton. But it rose 18.21 percent per year during Clinton's first term. That even beat Ronald Reagan's stellar 15.58 percent performance in his second term. It also topped George H.W. Bush, who saw the Dow grow 11.1 percent per year during his term - a performance that should have gotten him re-elected.

Meanwhile, the junior Bush has presided over a 1.06 percent-per-year decline in the Dow his first three years.

So why does the Dow do better with donkeys? Some argue that Democrats benefit from the policies of their Republican predecessors. But this smacks of partisan posturing. Both parties have had 8- to 12-year runs in the Oval Office - more than enough time to see the effects of policies.

I think the real reason is serendipity. After all, the greatest president for the Dow was also our most socialist president, Democrat Franklin D. Roosevelt, who bagged a 31.6 percent annual return in his first term. Of course, this stunning rise came off the Great Depression.

Roosevelt followed our worst president for the Dow, Republican Herbert Hoover, who ended his term with a 33.18 percent annual decline - thanks to the 1929 stock market crash.

The second-greatest president for the Dow was Republican Calvin Coolidge, whose compound annual growth rate was 25.6 percent.

What did Coolidge do? Nothing. Coolidge is remembered for his lack of achievement. Coolidge just happened to be president during the Roaring '20s, and Hoover just happened to be president during the 1929 crash.

Presidents shape tax policy, run deficits, wage wars, pick who runs the Treasury and select the Federal Reserve chief (though for the past two decades they always choose Alan Greenspan).

"The president is supposed to provide the leadership," Ratkai said.

But mostly what presidents do is foam at the mouth each election cycle as they react to the market like everybody else.

The stock market stalled in the 1970s under Republican Richard Nixon and Democrat Jimmy Carter. Then it boomed in the 1980s and 1990s under two Reagan terms, one Bush term and two Clinton terms - two decades of prosperity no matter who was taking the credit. It busted under the junior Bush in the 2000s. Is that his fault?

The stock market is the dog, and the president is the tail. The rest is just barking by partisans of all stripes. It's either that, or what the Dow needs now is another Democrat.

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