Democrat or Republican - Does it Matter?

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1. Motivation

Are U.S. capital markets (stocks, bonds, commodities, the Dollar) or the American macroeconomy (inflation, growth, federal revenue or debt) affected by which political party is in power? Based on headline news, one would certainly think so. But is there a causal relationship, or is the talk nothing more than tribal allegiance without any discernable basis? Maybe the two parties are relatively indistinguishable with respect to their impact on the macroeconomy and investment returns.

Based on investment industry behavior (both retail and institutional) one would conclude that which political party is in power, is of critical importance. Investment managers and retail financial planners spend considerable time (and resources) discussing what this or that party coming into power will mean for the future (and has in the past). Given this intense focus, their clients can only conclude that the political outcome must be mission critical, otherwise their advisor or investment manager wouldn't be discussing the topic at such length and to the exclusion of other potentially more important concerns (e.g., is the U.S. stock market in a bubble, what's the meaning of AI, or how will commercial real estate be redefined in the future).

The question posed by this article is not new. But prior "answers" suffered from some or all of the following deficiencies (Crill and Green 2025, Peterson 2024, Wealth Management 2024, White 2012):

> **Axe** - Begin with a position that they seek to promote and therefore start with a biased, non-neutral approach

> **Cherry-pick** - Select a subperiod of the available data (either purposefully to support a specific conclusion . . . or naively, not appreciating just how badly their results will be driven by the extreme idiosyncrasies of the sub-period selected)

> **Time Delay** - Fail to allow for time delays between the arrival of new government policy (law, regulation, or administrative action) and the eventual effect on the macroeconomy and/or capital markets

> **Inflation Adjustment** - Fail to adjust for the impact of realized inflation resulting in vacuous conclusion since inflation varies to such a radical extent over time (e.g., during the eight years ending Jul 1981 inflation ran at 9.51%, but at only 1.13% for the eight years ending Jul 2016)

Expected Real Yields - Fail to adjust bond yields for expected future inflation (the bond market is rational and as such demands a yield reflecting its own inflationary expectations)

Statistical Significance - Fail to show the statistical significance and relevance of the relationships identified, thus making the analysis uninterpretable

This article corrects these six deficiencies.

2. Data

To complete a viable analysis, some metric of political control over the federal government must be adopted. This article employs the following approach:

- The metric varies from 0 to 1 ("0" means 100% Republican control, "1" means 100% Democrat control)
- Control over the House of Representatives is given a 25% weight, Senate a 25% weight, and the Administration receives a 50% weight)
- If control of the House flips back and forth between the two parties during a two-year period (between elections) as a result of Representatives coming and going, it is assumed during this period that both Democrats and Republicans have equal control (i.e., control is split between the two)

Data was provided by The Office of the Historian for the U.S. Congress. Capital market and macroeconomic data was provided by Global Financial Data, San Juan Capistrano, CA. I decided to restrict the analysis to what I believed to be quality data for government control, macroeconomic variables, and investment market returns and yields. As a result, the analysis starts with data beginning on Dec 31 1898 and ends with Jan 1 2025. As such, the analysis spans the most recent 126 years of political control.
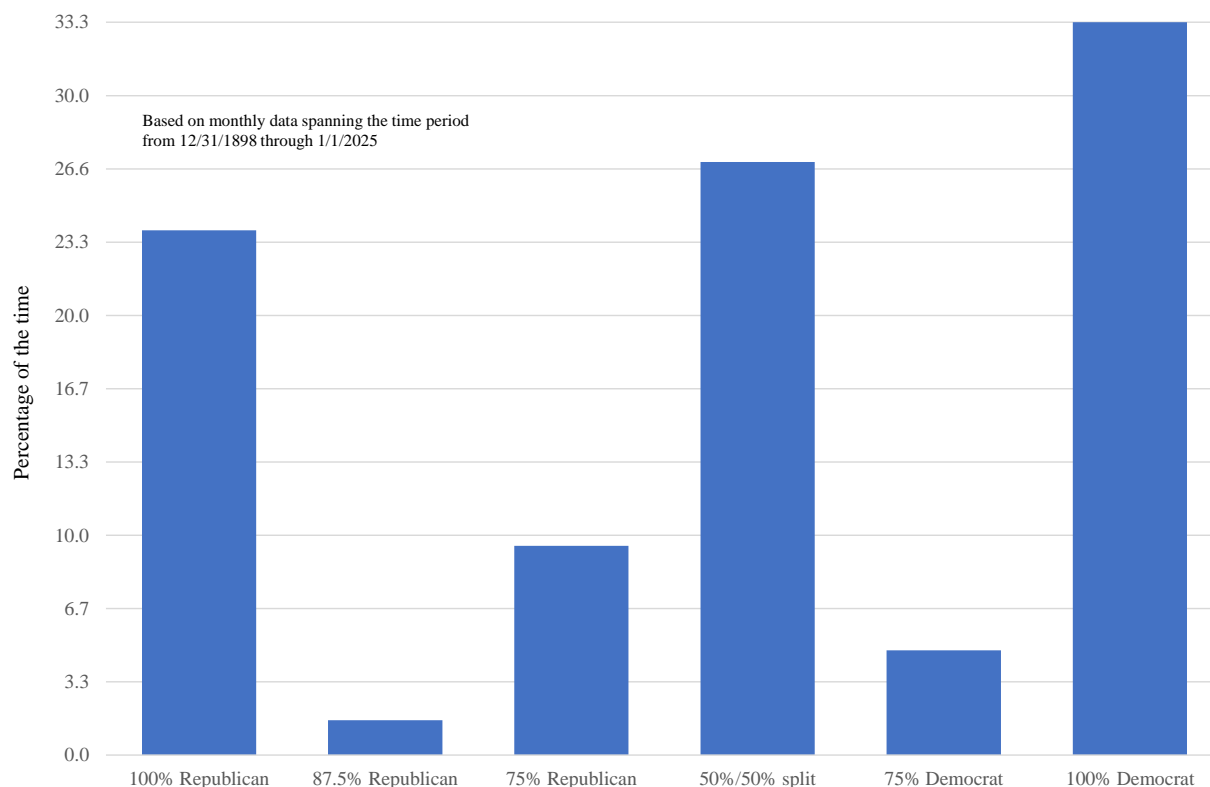
3. Approach

The statistical approach taken is to regress each of the variables on the measure of political control (which as stated above, varies from 0 to 1). This analysis allows for the possibility that each variable may suffer from time delay. For this reason, delays ranging from 0- to 18-months are considered. Moreover, each variable has three alternate definitions or configurations. For example, the S&P Index is considered for 1-, 12-, and 18-month investment holding periods.

It is assumed that whichever time delay and variable definition/configuration generates the strongest statistical relationship (highest R-squared) is the relevant one to report (and is shown below). Yes, I recognize that this approach begins to undermine the resulting statistics, but believe that the damage done remains de minimis (and if not, would only serve to further strengthen the results shown below).

From a statistical significance standpoint, we benefit from the Democrats and Republicans sharing power equally over time, with no party dominating. Moreover, significance is improved by dominance shifting regularly between the two parties. Thankfully, both attributes (equality and continuous shifts) best describe the last 126 years. Exhibit 1 shows party control over the federal government for the aggregate time period. Observe how control was relatively equally split between the two parties.

Exhibit 1
Control of Congress and the Administration by political party over time

Based on monthly data spanning the time period
from 12/31/1898 through 1/1/2025

Chart: Percentage of the time (y-axis, 0.0 to 33.3) by party control (x-axis)

Category	Approximate Percentage
100% Republican	~24
87.5% Republican	~1.3
75% Republican	~9.5
50%/50% split	~27
75% Democrat	~4.5
100% Democrat	~33.3

The following analysis evaluates the extent to which political party determines the outcome for 14 different variables, eight capital market (spanning stocks, bonds, and commodities) and six macroeconomic time series (covering interest rates, inflation, government finance, and economic growth).

4. Statistical Significance

I review the 14 independent variables in order of statistical relevance as suggested by their respective R-squared statistics. They are broken into three broadly defined categories: (i) Highly statistically significant, (ii) Questionable statistical significance and/or clear-cut irrelevance, and (iii) No statistical significance.

In each case, time delay is allowed for. This is done to reflect the time gap between the initial passage of a new policy, law, regulation, or implementation-approach and its eventual impact (if any). Time delays ranging from as little as 0 months (an immediate impact) and as long as 18 months (e.g., maybe it takes 18 months before a new tax policy affects GDP growth). Exhibit 2 shows the results for the seven most statistically significant independent variables.

Exhibit 2

Factors with HIGH statistical significance - Political party was quite important

Factor evaluated	Statistical significance				If this political party has 100% control over the government		Metric used	Specification details	Time delay
	R squared	t statistic	P-value	Regression's F-stat	Republicans	Democrats			
Return on cash	0.180	18.1	1.7E-66	328.4	2.79	-1.77	90-Day U.S. Treasury Bills	Inflation-adjusted total return over 18 months	18-month period starts 0 months in the future
Inflation	0.158	16.8	1.7E-58	283.9	0.91	5.08	CPI	Annualized rate over a 24-month period	24-month period starts 2 months in the future
Yield on bonds	0.140	15.7	1.5E-51	246.3	2.81	0.23	10-Year U.S. Treasury's current yield LESS expected inflation	Current level at month-end	No time delay
Muni bond return	0.139	15.5	2.0E-50	240.6	4.38	-2.02	AAA-rated Muni bond index total return	Annualized inflation-adjusted return over 18 months	18-month period starts 3 months in the future
Expected inflation	0.139	15.5	1.7E-50	240.9	1.74	4.25	CPI	8 years of actual realized inflation, but time interval is _centered_ on today	No time delay
Treasury bond return	0.128	14.8	3.1E-46	218.5	5.25	-1.82	10-Year U.S. Treasury Bond total return	Annualized inflation-adjusted return over 18 months	18-month period starts 0 months in the future
Federal revenue	0.110	13.6	1.2E-39	184.2	-1.31	12.36	Total federal government revenue from all sources	Annualized inflation-adjusted growth rate over 18 months	18-month period starts 0 months in the future

Statistics based on monthly data spanning the time period from 12/31/1898 through 1/1/2025

Given the t stats, P-values, and regression F statistics, it is difficult to argue that any of these seven variables remain unaffected by which political party maintains control over the federal government. Consider the strongest relationship, i.e., the inflation-adjusted return earned by cash equivalents (90-day U.S. Treasury bills), the results for which are presented in the first row.

For cash, it was found that the most meaningful relationship existed between political party dominance and the return on cash over rolling 18-month investment holding periods. Moreover, there was no time delay between change in political control and the return on cash, i.e., the affect was immediate.

The central columns of Exhibit 2 show the expected value/outcome for the relevant variable if the Republicans have 100% control over the federal government or the Democrats achieve total control. These outcomes are derived from the linear regression of the independent variable on the measure of political party control. For example, consider cash. The cash regression suggests that the expected return for cash will be 2.79% if Republicans achieve absolute control, while losing -1.77% if Democrats control the House, Senate, and Administration. As stated earlier, all variables are inflation-adjusted.

Two additional observations should be emphasized. First, the R-squared statistics range from a high of 0.180 to a low of 0.110. Intuitively, these values might be casually interpreted as meaning that which political party is in control, determines between 11% and 18% of the independent variable's eventual outcome. In other words, between 82% and 89% of the outcome is determined by factors that have nothing to do with which party is in power. Which is a long-winded way of saying, political party matters, but not by much. Pretty much everything else will determine the eventual outcome.

Second, all of the investment opportunities shown in Exhibit 2 performed better under Republican control, on average. A caution, when considering this observation, keep in mind the variable's R-squared.

Let's next consider the four variables exhibiting questionable statistical significance and unambiguous irrelevance (Arnott et al 2017). As before, these are listed in rank order by R-squared. Exhibit 3 shows the results.

Exhibit 3

Factors with highly questionable statistical significance and doubtful impact

Factor evaluated	Statistical significance				If this political party has 100% control over the government		Metric used	Specification details	Time delay
	R squared	t statistic	P-value	Regression's F-stat	Republicans	Democrats			
International government bonds	0.103	13.1	4.6E-37	171.0	6.92	-2.28	International government bonds, GDP-weighted	Annualized inflation-adjusted total return over 18 months	18-month period starts 8 months in the future
Federal debt	0.058	9.6	3.5E-21	92.0	1.25	9.54	Federal Debt: Total Public Debt	Annualized inflation-adjusted growth rate over 18 months	18-month period starts 0 months in the future
Industrial production	0.017	5.2	2.7E-07	26.7	1.77	4.60	Inflation-adjusted industrial production growth rate	Annualized growth over 18 months	18-month period starts 0 months in the future
GDP	0.017	5.1	4.5E-07	25.7	1.85	4.59	Inflation-adjusted GDP growth rate	Annualized growth over 18 months	18-month period starts 0 months in the future

Statistics based on monthly data spanning the time period from 12/31/1898 through 1/1/2025

The first variable is international government bonds (GDP-weighted and expressed in US Dollar terms). I postulate that this variable is proxying for the strength or weakness of the US Dollar. If so, then (on average) Republican control has resulted in a weak US Dollar and Democrat control a strong Dollar. I argue that with an R-squared of just 0.103, only about 10% of this variable's behavior is explained by political party control . . . and therefore should be considered irrelevant.

Consider the second variable, the growth rate in Federal debt. The statistical analysis found that the most meaningful relationship (highest R-squared) resulted from examining real federal debt growth over rolling 18-month time windows. And that there was no time delay between party control and the growth rate for federal debt (the impact began immediately). As before, I argue that with an R-squared of just 0.058, only about 5.8% of the growth rate in federal debt is explained by which political party is in power. With about 94.2% being explained by non-political factors. In other words, federal debt doesn't grow any faster under one party than the other. Yes, debt did grow faster under the Democrats than the Republicans. But this was only on average over the last 126 years, and any presumption that such an outcome should be expected is strongly denied by the data.

And when it comes to national economic growth, only 1.7% of growth remains explained by party control, with the remaining 98.3% explained by non-party issues. In other words, neither the Democrats nor the Republican had any impact on national economic growth, i.e., they were indistinguishable. Finally, and as mentioned previously, all investments performed better (on average) under Republican control than during Democrat dominance.

I end this section with those variables that are categorically not statistically significant. They are listed in rank order by R-squared. Exhibit 4 shows the results.

Exhibit 4

Factors with NO statistical significance - Political party was completely irrelevant

Factor evaluated	Statistical significance				If this political party has 100% control over the government		Metric used	Specification details	Time delay
	R squared	t statistic	P-value	Regression's F-stat	Republicans	Democrats			
Gold	0.014	4.5	6.3E-06	20.6	4.84	-0.29	Inflation-adjusted gold bullion	Return over 12 months	12-month period starts 13 months in the future
U.S. stocks	0.012	4.2	2.6E-05	17.8	10.27	5.67	Inflation-adjusted total return on S&P 500	Annualized return over 18 months	18-month period starts 4 months in the future
Oil	0.003	2.1	3.7E-02	4.3	5.82	1.64	Inflation-adjusted price of West Texas Intermediate Crude	Return over 12 months	12-month period starts 9 months in the future

Statistics based on monthly data spanning the time period from 12/31/1898 through 1/1/2025

I suggest a lack of statistical significance due to the low t statistics and low R squareds. For example, only 1.4% of the return on gold was explained by political party. The remaining 98.6% is explained by factors having nothing to do with politics.

It is not unusual to hear commentary suggesting that stocks did well under Republican control and will do so again with Republicans regaining their dominance. Such statements are denied by the data. Specifically, as shown by the second row, stock market returns remain flawlessly unaffected by party control over the federal government (explaining just 1.2% of the outcome with 98.8% resulting from non-political factors).

Similarly, any notion that one party is better or worse for oil prices than the other, remains fundamentally unsupported by the data. Finally, and once again, all investments performed (on average) better under Republican than Democrat control. This last observation begs the question of "*Is party control over the federal government an actionable item for one's investment portfolio?*" The following section answers this question.

5. Actionable

To test the actionable question, we evaluate a portfolio that switches between an investment that performs well under Republican control to one that performs well under Democrat dominance. Procedurally, this is easy and straightforward, since it requires no prediction and forecasting, since control takes place well after election results are understood. Unfortunately, no investment (including cash) performed well during Democrat control. Moreover, cash is not a viable substitute, since it had the single strongest (and positive) relationship during Republican dominance.

Nevertheless, a test is worthwhile pursuing. To move forward I adopt a next best solution, i.e., I select the asset category for use during Democrat control that is ultra-liquid, extremely low cost, and has historically shown a near-zero relationship with party control. Gold best fulfills these three criteria. Exhibit 5 shows the results for four asset categories that performed well (on average) during Republican dominance . . . switching to gold when the Democrats came into power.

Exhibit 5

Despite HIGH statistical significance is political control/dominance an actionable event?

Active portfolio based on political party in power	Comparative passive performance benchmarks	Annualized geometric mean return over 126 years	Percentile outcomes for a randomly selected 5-year investment time period (drawn from the 126 years)					
			50th	60th	70th	80th	90th	95th
Cash (90-day Treasury bills) vs Gold bullion		1.63	-0.14	-0.64	-1.41	-2.77	-4.14	-5.67
	47.06% 90-day Treasury bills, 52.94% Gold	0.79	-0.22	-0.71	-1.44	-2.80	-4.10	-4.95
	100% Cash (90-day Treasury bills)	0.30	0.64	-0.16	-0.89	-1.44	-3.86	-5.44
AAA-rated municipal bonds vs Gold bullion		1.98	0.60	-0.49	-1.44	-2.46	-4.29	-5.40
	47.06% AAA-rated municipal bonds, 52.94% Gold	1.02	0.03	-0.74	-1.54	-2.59	-3.82	-5.03
	100% AAA-rated municipal bonds	0.77	1.09	0.05	-1.17	-2.40	-4.49	-5.86
10-year U.S. Treasury bonds vs Gold bullion		2.42	0.39	-0.72	-1.42	-2.24	-4.04	-5.47
	47.06% 10-year U.S. Treasury bonds, 52.94% Gold	1.25	0.27	-0.61	-1.54	-2.41	-3.46	-4.68
	100% 10-year U.S. Treasury bonds	1.22	1.04	-0.06	-0.97	-1.90	-3.91	-5.93
International government bonds vs Gold bullion		2.49	0.39	-0.59	-1.24	-2.16	-4.26	-5.77
	47.06% International government bonds, 52.94% Gold	1.32	-0.02	-0.97	-1.68	-2.44	-4.82	-7.61
	100% International government bonds	1.38	1.13	0.11	-0.74	-2.92	-6.28	-10.66

Statistics based on monthly data spanning the time period from 12/31/1898 through 1/1/2025

How were these tested conducted? The party dominance metric (referred to earlier) serves as the portfolio weight on the relevant asset category. For example, consider the first of these tests (switching between cash and gold). The party dominance metric ranged from 0 (with 100% Republican control) to 1 (with 100% Democrat control). Therefore, a weighting of 1 is applied to cash when the Republicans have total control and a weighting of 0 when Republicans have zero control, i.e., the weighting to the target asset category is always "1 - the party metric".

Each switching portfolio is compared against two passive benchmarks. The first of these is a blended portfolio consisting of the target asset category and gold, with the weights corresponding to the average party dominance over the last 126 years. The second benchmark is 100% invested in the target asset category.
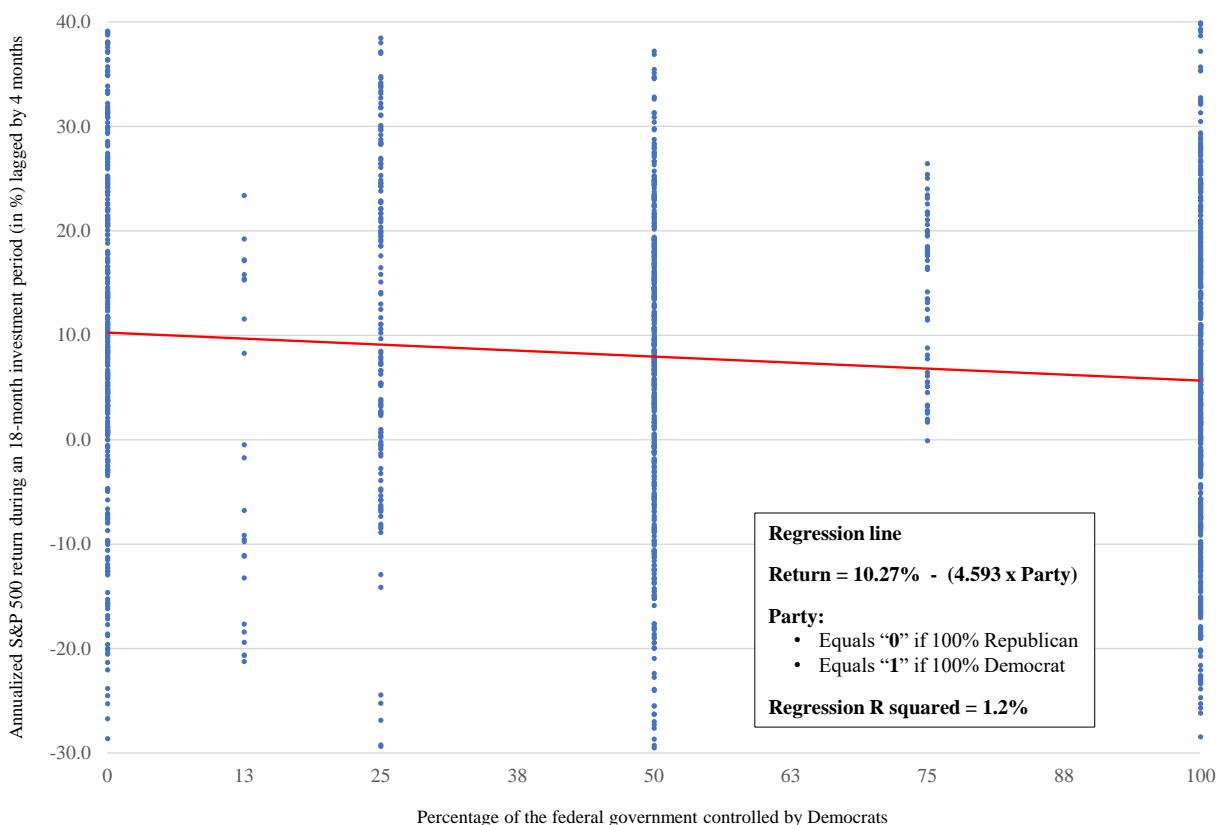
Over the aggregate time period, 126 years, the switching strategy clearly dominates and by a statistically significant amount. But no investor can wait 126 years. Therefore, for the purposes of this analysis, I assume the hypothetical investor has a five-year investment time horizon. The remaining columns of Exhibit 5 report the 50th-, 60th-, 70th-, 80th-, 90th-, and 95th-percentile outcomes for all possible 5-year outcomes.

Clearly no investor would consider the switching portfolios given how they are clearly dominated by one or both of the passive benchmarks. Again, this is a long-winded way of saying, investing on the basis of which party is in power is not a viable investment strategy. And its viability or appeal is denied by the data. Don't do it. And don't talk to your client about pursuing such a strategy.

But what's going on here. Why doesn't it work? As shown earlier (Exhibit 4), on average, the S&P 500 returned 10.27% during Republican control (at the 100% level) and delivered just 5.67% under Democrat control (again at 100% dominance). Exhibit 6 provides a more intuitive graphical answer.

Exhibit 6
Relationship between S&P 500 returns and the political party in power

Annualized S&P 500 return during an 18-month investment period (in %) lagged by 4 months

Regression line

Return = 10.27% - (4.593 x Party)

Party:
- Equals "**0**" if 100% Republican
- Equals "**1**" if 100% Democrat

Regression R squared = 1.2%

Percentage of the federal government controlled by Democrats

Each blue dot identifies a unique 18-month outcome for the S&P 500 (annualized real total return). The dispersion of these dots identifies the problem. Yes, on average, stocks have performed much better under Republican leadership. But this outcome is only "on average," i.e., the red regression line. Return deviations from the average swamp portfolio returns and result in investing on the basis of political party to be irrelevant and inherently misleading. Irrelevant in the sense that the outcome will be determined by non-political factors. Misleading in the sense that false importance has been assigned to an irrelevant variable. Recall that historically, political party has only explained 1.2% of S&P return, with the remaining 98.8% being explained by non-political factors.

Some political scientists have observed that since 1898, the two political parties switched places. The Republicans began the period as the liberal party and only later became the conservative constituency. And the Democrats followed a similar journey in the opposite direction. This observation dovetails with pushback against this article basing its results on the entire 126-year period. Would using shorter time periods reveal greater party influence over the variables examined?

6. Changing Roles

To explore the question of the two parties changing roles, I break the 126-year time period into two equal-sized halves. Approximately 1898 through 1961 and 1961 through 2025. Exhibit 7 presents the results for six variables, three investment and three macroeconomic.

Exhibit 7

Analysis over two periods - First half versus second half

Factor evaluated	Statistical significance				If this political party has 100% control over the government		Metric used	Specification details	Time delay
	R squared	t statistic	P-value	Regression's F-stat	Republicans	Democrats			
U.S. stocks during the first half (1898 - 1961)	0.018	3.7	2.6E-04	13.5	11.25	5.48	Inflation-adjusted total return on S&P 500	Annualized return over 18 months	18-month period starts 4 months in the future
U.S. stocks during the second half (1961 - 2025)	0.003	1.6	1.2E-01	2.4	9.30	6.47	Inflation-adjusted total return on S&P 500	Annualized return over 12 months	12-month period starts 4 months in the future
Oil (1898 - 1961)	0.015	3.3	8.8E-04	11.2	53.22	49.04	Inflation-adjusted price of West Texas Intermediate Crude	Current price	No time delay
Oil (1961 - 2025)	0.012	3.1	2.2E-03	9.5	13.62	0.77	Inflation-adjusted price of West Texas Intermediate Crude	Return over 12 months	12-month period starts 10 months in the future
GDP during the first half (1898 - 1961)	0.017	3.6	3.3E-04	13.0	2.65	5.85	Inflation-adjusted GDP growth rate	Annualized growth over 18 months	18-month period starts 0 months in the future
GDP during the second half (1961 - 2025)	0.045	6.0	3.5E-09	35.7	0.66	3.73	Inflation-adjusted GDP growth rate	Annualized growth over 12 months	12-month period starts 0 months in the future
International government bonds (1898 - 1961)	0.114	9.8	3.1E-21	95.1	4.91	-4.73	International government bonds, GDP-weighted	Annualized inflation-adjusted total return over 18 months	18-month period starts 8 months in the future
International government bonds (1961 - 2025)	0.131	10.6	1.5E-24	112.4	9.71	-0.46	International government bonds, GDP-weighted	Annualized inflation-adjusted total return over 18 months	18-month period starts 6 months in the future
Federal revenue (1898 - 1957)	0.174	12.5	7.7E-33	157.1	-0.89	19.77	Total federal government revenue from all sources	Annualized inflation-adjusted growth rate over 18 months	18-month period starts 0 months in the future
Federal revenue (1957 - 2025)	0.077	7.9	9.8E-15	62.5	0.51	4.25	Total federal government revenue from all sources	Annualized inflation-adjusted growth rate over 18 months	18-month period starts 0 months in the future
Federal debt (1898 - 1961)	0.161	11.9	3.9E-30	142.3	-0.91	15.80	Federal Debt: Total Public Debt	Annualized inflation-adjusted growth rate over 18 months	18-month period starts 0 months in the future
Federal debt (1961 - 2025)	0.195	13.4	6.3E-37	180.0	7.60	1.48	Federal Debt: Total Public Debt	Annualized inflation-adjusted growth rate over 18 months	18-month period starts 10 months in the future

Statistics based on monthly data spanning the time period from 12/31/1898 through 1/1/2025

Exhibit 7 presents the results in order of R-squared, smallest to largest, starting with the S&P 500 Index. When the S&P 500 was regressed on the previously defined party metric, the R-squared came in at 0.012 Exhibit 7's first two rows show the regression statistics for the S&P 500 when regressed over the two shorter time periods. As before, different time delays and different investment time horizons for the S&P were allowed/considered. The reported regression corresponds to the configuration that generated the highest R-squared.

The S&P's R-squared increased from 0.012 to 0.018 during the first 63 years. A de minimis improvement. During the most recent 63 years (1961 - 2025), the R-squared falls to 0.003. Based on these results, we can conclude that political party control has no impact on stock market returns (Pastor and Veronesi 2017, Santa-Clara and Valkanov 2003).

Oil and GDP growth follow next. Based on the statistics for the first and second periods, we can conclude that political parties have no meaningful impact on either variable. Neither party has had in any way differentiated itself from the other with respect to oil prices or economic growth. Political party remains an irrelevant variable. The talk may be different, but the walk is indistinguishable, one from the other.

However, when we consider international government bonds (a proxy for the level of the U.S. Dollar), federal government revenue, and federal government debt, the picture begins to change. Consider the last of these, which may offer the strongest result. Previously when evaluated over the aggregate 126-year period, growth in federal debt generated a R-squared of 0.058 and Democrats (on average) grew the debt faster than Republicans. Now, after sub-dividing into two equal-length periods, and evaluating each separately, we find R-squareds of 0.161 and 0.195 for the first and second halves, respectively. Moreover, the Democrats and Republicans switched roles in terms of who grew the debt the fastest (on average). Scan back over Exhibit 7's other variables, for which the parties never switched roles, with one party remaining "dominate" during both halves.

Given the R-squared of 0.195 with a t statistic of 13.4 it's clear that political party is an important and highly statistical determinant of growth in the federal debt. But, still explains only 19% or 20% of the problem. This last result should feel comfortable and intuitive if one remembers recent history. From 11/31/1961 through 11/30/1968 the Democrats (Kennedy/Johnson era) controlled the federal government at the 100% or 75% levels. During this period inflation-adjusted federal debt shrank at an annualized -0.4% rate (reflecting the 18-month time delay). This compares to the 12/31/2000 through 11/30/2006 (Bush era) period, when the Republican control was at the 100% or 75% levels. During this period, inflation-adjusted debt grew at an annualized +4.7% rate (again reflecting the 18-month delay).

Or consider 12/31/2008 through 11/30/2014 (Obama era) when Democrats ruled at the 100% or 75% levels and debt grew at +4.8%. In comparison, from 12/31/1980 through 11/30/1986 (Regan/Bush era), the Republicans commanded at the 100% or 75% levels and debt grew at an annualized +11.3% per annum.

We could further sub-divide the 126-year period but doing so should be avoided for two reasons. First, we'd suffer from the same sin committed by prior articles, i.e., cherry-picking a time period in order to support a pre-determined opinion. Second, and more important, statistical significance disappears when one pursues data-mining, i.e., hunting for a sub-period that "shows" seeming statistical significance (Lo and MacKinlay 1990). Such an approach follows the old adage of "beating the data until it confesses," an approach that always results in vacuous confessions.

7. Conclusions

Political party remains a highly statistically significant determinant of variables such as inflation (realized and expected), government bond returns (taxable and municipal), Treasury bond yields, federal revenue (from all sources), and federal debt. This result should feel comfortable and intuitive since the federal government has a reasonably direct influence (or even control) over these variables. Nevertheless, only between 11% and 20% of these variable's behavior is explained by party control. With the remaining 89% to 80% being explained by factors unrelated to which party directs the federal government. This is a long-winded way of saying that political party matters, but

not a whole lot. The two parties are just not that different when it comes to actions taken. The talk is different, but the walk is not.

In contrast, economic growth (GDP and industrial production), commodities (oil and gold), stocks (S&P 500), and international government bonds (proxy for the U.S. Dollar) remain fully independent of which party is in control. This last observation is as a result of no statistical significance or general irrelevance (the R squared is just too small to bother with the apparent association). Again, this result should feel comfortable and intuitive. The federal government has little control over these variables and the actions implemented by the two political parties have just not been sufficiently differentiated to expect an alternate result.

Finally, despite strong statistical significance over the returns earned by government debt (both taxable and municipal), an evaluation of history shows no indication that this significance is sufficient to support a viable investment strategy, i.e., don't invest based on party control. Yes, if one has a "126-year" investment time period, the likelihood of success is appealing. But for a more acceptable horizon of say 5-years, the results are patently unattractive.

Why do individuals pushback on the conclusion that political party remains relatively unimportant or patently irrelevant concerning investment and macroeconomic issues? The answer is most likely simple tribalism. As a member of a tribe, I am expected to support the tribe, saying that it's different and that those differences are better than the other tribe. Even if the data says otherwise. Finally, none of this analysis denies the importance of isolated idiosyncratic attributes defining a given political party at an instant in time. Such distinctions have always existed. But the question examined by this article is not about addressing temporary idiosyncratic party tactics and instead remains focused on inherent structural behaviors over time. In other words, the two parties have consistently executed policies that generated undifferentiated results.

8. References

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