

Prof watches White House for economics insight

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Unsettling Wall Street woes and a captivating presidential campaign have Americans glued to the nightly news. But perhaps no one is keeping a closer watch on the nation's economy and political scene than University of Wisconsin Oshkosh finance professor Scott Beyer.

Since the publication of his 2004 study — “Don't Worry About the Election: Just Watch the Fed” — Beyer's research regarding the relationships between monetary/political policy and the economy has garnered national attention.

His studies, conducted in collaboration with Gerald Jensen of Northern Illinois University and Robert Johnson of the CFA Institute, focus on how political and economic conditions have affected performance of security markets during the past 45 to 50 years.

In their work, Beyer and his colleagues have dispelled the notion that Washington gridlock affects the stock market. Gridlock is said to occur when the two houses of Congress and the president are controlled by different political parties

“The popular press says that the market prospers under gridlock,” Beyer said. “We found the opposite. Larger firms basically are immune during gridlock, and smaller firms do well under harmony.”

The research also counters earlier evidence that the economy does better when a Democrat is the White House. “Our evidence shows that the monetary policy of the Federal Reserve remains the significant factor,” Beyer said.

The research team followed up their first study with two additional papers: “Gridlock's Gone, Now What?” in 2006 and “The President Term: Is the Third Year the Charm?” in winter 2008.

In their latest 2008 study, the researchers found a pattern over time between stock returns and the presidential term. “Equities have generally prospered in the second half of a presidential administration, especially during the third year of the term,” he said.

Over the years, the team's research with the catchy titles has caught the attention of CNN, ABC World News and the Wall Street Journal.

Next up, Beyer and his colleagues are taking a look at the so-called “January effect,” in which the economy is said to prosper following a presidential inauguration.

Despite all he knows about the stock market, Beyer still keeps the long view in mind when investing his own money. “I follow the ‘get rich slowly’ philosophy,” he said. “Don't go for the home run.”