

Reaganomics

| | |
|---|---|
| <p style="text-align: center;">Kemp-Roth Tax Cuts</p> <ul style="list-style-type: none"> • Top rate dropped from 70% to 28% by 1986 • Labeled "a voodoo economic policy" by his subsequent VP, Bush. | <p style="text-align: center;">Defense buildup</p> <p style="text-align: center;">Reagan's defense budgets were, on average, \$95 billion a year more than Carter's last year (FY 1981).</p> |
| <p style="text-align: center;">Budget Deficits</p> <p style="text-align: center;">Reagan's deficits averaged \$97 billion a year more than Carter's last budget.</p> | <p style="text-align: center;">Domestic Spending</p> <p style="text-align: center;">Slight growth (5.8% total over 8 years; many programs cut)</p> |

Misery Index (inflation + unemployment)

Averaging 17% in Carter's presidency, it dropped to under 12% in Reagan's eight years in office (and just under 10% for his last 4 years).

Federal Income Tax Revenues

Revenues from personal income taxes rose from \$286b in 1981, to \$446b in 1989 (remarkable, and a sure sign of economic recovery, given that tax *rates* had been slashed).

Reagan's critics argued two things about the tax cuts. (1) *After taxes were cut, tax revenues dropped.* This is a half-truth at best. Tax revenues fell by \$9 billion in FY1983, but the next year, they reached the FY1982 levels, and then rose up through FY1989, when they hit \$446b. (2) *Taxes were cut for the rich, and the burden was shifted onto the poor.* The truth is, that *everyone* got their taxes cut (the first round of cuts gave everyone a 25% across-the-board cut). Moreover, the top 5% of filers with the IRS saw the *share* of taxes paid rise from 35% in 1981, to 44% in 1990. And the poorest 50% of filers? Their share fell from 7% to 6%.

Economic growth

The average annual growth rate of real (adjusted for inflation) gross domestic product (GDP) from 1981 to 1989 was 3.2 percent per year, compared with 2.8 percent from 1974 to 1981 and 2.1 percent from 1989 to 1995.

Benefits not just for the wealthy

From 1981 to 1989, the number of families making \$50,000 or more per year increased by 60% (taking inflation into account); the number of black families in this category doubled (increased by 100%).