**Did Reagan’s economic policies achieve their aims?**

**Consider Reagan’s policy aims:**

1. Stop unemployment and inflation
2. Increase personal wealth
3. Increase productivity
4. Encourage people to save and invest
5. Reduce federal spending and the deficit

* Economic achievements (according to Reaganomics)

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| Saving and Loans Institutions collapsed losing $10BN | Less investment was placed in infrastructure such as roads and telecommunications |
| The tax rate for the highest earners fell from 70% to 50% | America’s debt went from $59Bn in 1980 to $208Bn in 1983 |
| Schools received less government funding | The Food Security Act 1985 gave government aid to struggling farmers. |
| Price of petrol and heating fuel went down | Workers’ rights such as a minimum wage and maternity pay were eradicated |
| By 1988 1.3 million Americans could call themselves millionaires | The Textile Industry collapsed |
| The proportion of taxes paid by the richest rose by 44% | More money was invested in new industries such as computer technology. |
| Defence spending increased; Reagan said ‘Defence is not a budget item’ | Imported goods became cheaper |
| The tax rate for the lowest earners fell from 15% to 11% | Unemployment fell from 7.2% in 1979 to 5.5% in 1988. (though 34% of the population did not register as looking for work) |
| Sometimes his cuts were deemed too excessive and Congress refused to allow them by overriding his veto power. | America was no longer the world’s leading creditor but it’s greatest debtor by the end of the 1980s |

* Economic failures (according to Reaganomics)

*Some may be dependent on their impact on productivity, or both positive and negative.*

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|  | Successes | Failures |
| Did the policies stop unemployment and inflation? | Inflation and unemployment fell in long term – never reached double figures again after 1996. | FRB restrictions on money supply not lifted = deepened recession  Unemployable not included in stats!  Unemployment sharply rose 1982-3 |
| Did the policies increase personal wealth? | Rich benefitted most  Millionaires doubled | Tax cuts hurt rich and their tax payments stimulated economy  44% increase for rich vs fall for bottom 50% |
| Did the policies increase productivity? | 1983-4 peak | 1982 dip |
| Did the policies encourage people to save and invest? | Deregulation cut regulatory capacity of federal government | Financial sector deregulation led to unsafe environment and 1987 stock market crash |
| Did the policies reduce federal spending and the deficit? | 1981 budget | Congress reluctant to cut Social Security; costs rose  Defence  Federal deficit and national debt tripled  Borrower not a lender  Supply side did not work |