How far do you agree with the view that Reagan’s economic policies in the years 1981-96 were just a way to make the rich richer? (20 marks)

Quotes Own knowledge Link/cross reference

There is a controversy about Reagan, just as there is a similar controversy about FDR. This is because both of these men did more than other presidents in the 20th century, not only did they convince the public of their positions, but they forced their oppositions to accept their arguments. From FDR until Reagan, Republican or Democrat, government’s believed in Keynesianism. From Reagan to Trump, Republican or Democrat, governments have believed in supply-side economics or Reaganomics. Because of this anyone who studies the Reagan period should know that historians disagree on almost everything about him and his administration. It is clear that the question is correct in asserting that Reagan’s economic policies in the years 1981-96 were just a way to make the rich richer. Reagan not only set out to make the rich richer, thinking it would also help the poor.

The arguments of extract 3 and extract 4 are very clear. Extract 3 deals with this question by using statistics about how well the rich were doing in terms of income, and how well the poor were doing in terms of income. Extract 4 deals with this question by talking about the issues, and statistics relating to, unemployment and inflation. Inflation being the nemesis of the middle classes and unemployment being the enemy of the very poorest. The context behind extract 4 already gives away the view of the extract, Roberts was an assistant secretary to the treasury on economic policy from 1981-82. This shows that he himself worked for Reagan’s administration, presumably not because he disliked Reagan.

One of the key points set out in extract 3 is that the numbers of people who were rich grew massively, the wealth shared by those at the very top grew by an incredible amount. This is clear from the outset: ‘So many Americans had been making so much money that the term “millionaire” became meaningless’. From my own knowledge I can indeed confirm that by 1988 the number of billionaires had risen from 5 in 1981 to 52. Extract 3 is indeed correct to assert that the rich did become far richer, however the question that must therefore be asked is if this effect was limited to the richest, or shared by the poorest. Extract 3 does address this critical question: ‘a second circumstance was that wages – the principal source of middle and lower-class dollars – had stagnated through 1986’. This shows how even though those on top grew richer, those in the middle and at the bottom saw little improvements. Although the unemployment situation may have improved under Reagan, reducing by 45% between 1982 and 1987, many of the new jobs that were created paid less and gave workers less rights than full workers due to them being part time jobs. Reagan’s administration does not appear to be a friend of the poor from the evidence so far assessed. Extract 4 which speaks of Reagan mostly with praise, does however make a concession: ‘during the first 58 month period of the Reagan expansion (from Nov 1982 through Sept 1987) the unemployment rate fell by 45%’. From extract 3 we can see that the poor did not become richer, but from this quote from extract 4 we can see that more poor people were working. This means the poor must have been getting less out for what they put in after this period than before. Perhaps it is not surprising that the poor did not appear to see an improvement in their living standards during this time. Reagan did not think they were his responsibility and did less to help them as he believed in “Less government in business and more business in government”.

In extract 4, a defence of Reagan and his policies is mounted, the piece takes the opposite view to that of extract 3. One of the major problems that had scourged the poor, bringing Reagan to power in the first place, was Stagflation. Stagflation is a combination of inflation and declining real economic output. Reagan did indeed fix the problem of inflation. Extract 4 takes note of this: “In the 58 month period from March 1975 through January 1980 (the beginning of the end of the expansion from the 1974 recession)… the consumer price index (CPI) rose by 48%... In contrast, during the first 58 month period of the Reagan expansion… the CPI rose by 17% (only one-third as much)’. Inflation fell rapidly from 13.5% in 1980 to 6.2% in 1982. Reagan solved the problem of inflation by limiting the money supply, thus eliminating stagflation. Extract 4 also makes attempts to show that the rich were actually helping the poor ‘The latest Treasury Department data show that, between 1981 and 1986, the share of federal income tax paid by the rich rose from 18.1% to 26.1%- a 44% increase.’ Although there may have been more wealth at the top, despite a drop in their tax rate from 75% to 25%, the rich in total paid more to the government. This is a fact that went unmentioned in extract 3. No matter the appearance, the Reagan administration took more from the rich than the administration before them. Even extract 3 has something defenders of Reagan could cite as evidence for their case: ‘So many Americans had been making so much money that the term “millionaire” became meaningless’. This quote can work both ways, yes extract 3 correctly lays out that there were many more millionaires, but also simultaneously here says that the point is meaningless. Tax cuts were not initiated by Reagan in order to benefit rich friends in some kind of conspiracy, but because Reagan believed giving the rich more money to spend would generate more economic activity, which the poor desperately needed.

I have to agree enthusiastically with the question that Reagan did indeed just make the rich richer. However even today historians are completely torn over the question of Reagan, torn straight down the political divide. Reagan radically transformed the USA, from a Keynesian economy to a Neo-liberal economy the USA has never looked back. However the rejection of what Reagan stood for after the economic crash of 2008 ironically echoes the rejection of Keynesianism after the stagflation of the 1970s. Reagan dismantled government controls on the economy, which allowed for a housing boom which ultimately exploded in 2008. Up until this point although their wages were stagnant many families felt better off because house prices soared. In some cases the price of people’s houses increased by more than their family’s annual wage. This has gone now. The controls the Keynesians placed on the banks after the 1929 Wall Street Crash were well and truly removed by Reagan and his neo-liberal successors, the Bushes and Clintons. The political zeitgeist of the modern era is to reject the system left by Reagan and his followers. Reagan very obviously helped the rich whilst leaving the poor illusions of bubbles.

WWW:

EBI:

Grade: /20