

# Reaganomics

<p style="text-align: center;"><b>Kemp-Roth Tax Cuts</b></p> <ul style="list-style-type: none"><li>• Top rate dropped from 70% to 28% by 1986; everyone got at least a 25% tax cut</li><li>• Personal income tax revenues rose from \$286b to \$446b over the next 8 years</li><li>• Labeled "a voodoo economic policy" by his subsequent VP, Bush!</li></ul>	<p style="text-align: center;"><b>Domestic Spending</b></p> <ul style="list-style-type: none"><li>• Slight growth (5.8% growth over 8 years)</li><li>• Welfare reform (Family Support Act of 1988); main welfare programs increased by 11% in 1980s</li></ul>
<p style="text-align: center;"><b>Budget Deficits</b></p> <p>Reagan's deficits averaged \$97 billion a year more than Carter's last budget.</p>	<p style="text-align: center;"><b>Defense buildup</b></p> <p>Reagan's defense budgets were, on average, \$95 billion a year more than Carter's last year (FY 1981).</p>

## Effects of the Tax Cuts:

### (1) Federal Income Tax Revenues increased

This was a sure sign of economic recovery—more people were making a lot more money, to generate the increased tax revenues, after tax *rates* had been *cut*.

### (2) Misery Index (inflation + unemployment) fell

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).

### (3) 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, higher than it was in the two terms immediately before or after his presidency.

### (4) Benefits not just for the wealthy

Reagan's critics argued (falsely) that the tax cuts benefitted the rich only, and shifted the burden of tax payments onto the poor. The truth is, that all taxpayers 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%.

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%). The number of businesses owned by blacks and Latinos dramatically increased. And the working class? Including benefits such as insurance, real compensation (for wage earners) rose from \$15.00 per hour in 1981 to \$16.50 an hour in 1988. The median family income increased by \$4,000 per year, from just under \$38,000 to just over \$42,000, in that same time frame.