



▲ Ronald Reagan and his wife Nancy after his victory in the 1980 election. Above, a campaign button for Reagan.

## WITNESS HISTORY AUDIO

### Reagan's Vision

During his eight years as President, Ronald Reagan earned a reputation as the “Great Communicator” because of his speaking abilities. In his farewell speech, he expressed his satisfaction with what he had accomplished:

“After 200 years, two centuries, . . . [America is] still a beacon, still a magnet for all who must have freedom. . . . We’ve done our part. And as I walk off into the city streets, a final word to the men and women of the Reagan revolution, the men and women across America who for eight years did the work that brought America back. My friends: We did it.”

—Ronald Reagan, Farewell Address, January 11, 1989

# The Reagan Revolution

## Objectives

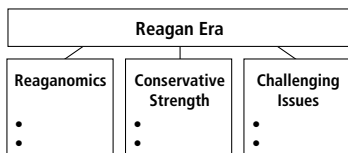
- Analyze Reagan’s economic policies as President.
- Summarize how Reagan strengthened the conservative movement.
- Evaluate the steps taken to address various problems in the 1980s and early 1990s.

## Terms and People

supply-side economics	Savings and Loan crisis
deregulation	voucher
budget deficit	AIDS
national debt	

## NoteTaking

**Reading Skill: Identify Main Ideas** Identify the main ideas behind Reagan’s policies.



**Why It Matters** Conservatives celebrated Ronald Reagan’s election as the fulfillment of their dreams. Some even referred to his coming to power as the “Reagan Revolution.” The Reagan Revolution would bring a significant shift in the political direction of the nation. **Section Focus Question:** What were the major characteristics of the conservative Reagan Revolution?

## Reaganomics Guides the Economy

Reagan and his advisers based their economic policies on the theory of “supply-side economics,” sometimes called “Reaganomics.” The theory of **supply-side economics** rests on the assumption that if taxes are reduced, people will work more and have more money to spend, causing the economy to grow. The government will then collect more in taxes. To cut taxes while still balancing the federal budget, however, Reagan also needed to reduce federal spending on programs favored by both Democrats and Republicans.

**New Policies to Boost the Economy** Congress approved most of Reagan’s plan to institute supply-side economics by passing the Economic Recovery Act of 1981, which reduced taxes by 25 percent over three years. The richest Americans received the largest tax cuts. Reagan justified this move by saying that the wealthy would use the money they saved to invest in new businesses, which would

## Comparing Supply-Side and Keynesian Economics

### Economic Recession

Consumer demand for goods and services decreases, and the nation's factories and businesses reduce their output, resulting in an overall slowing of the economy.



### A Keynesian Government Response



The government itself increases spending on goods and services in order to increase demand and encourage economic output by factories and businesses.

### A Supply-Side Government Response



The government cuts taxes in order to encourage consumer spending as well as consumer saving and investment. Savings and investments are borrowed by creative entrepreneurs to grow their companies by creating new products and services.

### Economic Recovery

Employment increases, consumer demand for goods and services increases, and economic output rises, resulting in an overall recovery of the economy.



**Diagram Skills** Can you predict what might be the upsides and downsides of both of the responses shown above?

help everyone. Reagan also convinced Congress to cut about \$40 billion from the federal budget, mostly by cutting spending for social programs.

In addition to cutting taxes, Reagan also reduced the government's role in the economy by calling for **deregulation**, or the removal of government control over industry. By the mid-1980s, Congress had deregulated the airline, telecommunications, and banking industries. The Reagan administration also cut funding for federal agencies that oversaw many other industries.

**Recession and Recovery** Despite Reagan's economic policies, the economy experienced a severe recession from 1980 to 1982. Unemployment rose to more than 10 percent in 1982. The recession hit blue-collar workers particularly hard. Many farmers, facing overseas competition, lost their farms. The policies that Paul Volcker, as head of the Federal Reserve Board, had introduced to tame the great inflation of the 1970s contributed to the recession in the early 1980s. Beginning in early 1983, however, the economy began to turn around. Inflation fell dramatically. The Gross National Product, or the annual income earned by Americans and American businesses, expanded at a healthy pace. America's economy seemed revitalized.

Despite this, the number of poor people, including the working poor, actually increased. In addition, immigrants from Latin America and Asia continued to pour into the United States. More than 7.3 million legal immigrants and hundreds of thousands of undocumented immigrants entered the country in the 1980s. Many of these newcomers worked in low-paying jobs and struggled to make ends meet. Meanwhile, the richest percentage of Americans grew richer.

**Problems With Budget Deficits** Reagan increased defense spending but failed to win huge cuts in government spending in other areas. This caused the federal **budget deficit**, or the shortfall between the amount of

money spent and the amount taken in by the government, to skyrocket from about \$79 billion in 1981 to more than \$221 billion in 1986. The **national debt**, the amount of money the federal government owes to owners of government bonds, rose to \$2.5 trillion.

In response to persistent budget deficits, Congress passed the Gramm-Rudman-Hollings Act in 1985. The act sought to balance the budget by 1990 by requiring automatic cuts in federal spending if the deficit exceeded a certain amount. However, the federal budget deficit set new records into the early 1990s.

The **Savings and Loan, or S&L, crisis** in 1989 exacerbated deficit problems. In the late 1980s, about 1,000 Savings and Loan banks failed, some because of fraudulent behavior and others because they made too many risky loans. Critics blamed Reagan's deregulation policies for encouraging the banks to invest in riskier propositions. To prevent a broader panic, the federal government spent upwards of \$200 billion to bail out depositors at the failed banks.




**Checkpoint** What was supply-side economics?

## Conservative Strength Grows

Despite budget and debt problems, the economic recovery improved the national mood and helped Ronald Reagan's popularity. Reagan used his time in office to strengthen the conservative cause.

**Reagan Wins Reelection in 1984** During the 1984 presidential campaign, Reagan used the phrase “It is morning in America” as a campaign slogan:

**Primary Source** “It’s morning again in America. In a town not too far from where you live, a young family has just moved into a new home. . . . Right down the street one of the neighbors has just bought himself a new car, with all the options. The factory down the river is working again. . . . Life is better, America is back. And people have a sense of pride they never felt they’d feel again.”

—Campaign commercial for the reelection of Ronald Reagan, 1984  AUDIO

This theme dovetailed nicely with Reagan’s upbeat spirit, which he displayed even in his darkest moments. For example, on March 30, 1981, a disturbed man named John Hinckley, Jr., tried to assassinate the President. One bullet from Hinckley’s gun lodged in Reagan’s chest. According to one account, Reagan joked to his doctors, “I hope you are all Republicans.”

Americans voted overwhelmingly to reelect Reagan in 1984. He easily defeated Walter Mondale, the Democratic presidential nominee, and his running mate, Geraldine Ferraro, the first woman to be nominated for Vice President by a major political party. However, Reagan’s momentum did not lead to a total triumph for conservatives, as Democrats retained control of the House of Representatives.

**Vocabulary Builder**  
momentum—(moh MEHN tuhm)  
n. forward motion; push

### Conservative Supreme Court Justices and the Equal Access Act

During his two terms, Reagan appointed judges who he hoped would reverse the liberal drift of the federal courts. He appointed three new Justices—Sandra Day O’Connor, Antonin Scalia, and Anthony Kennedy—to the Supreme Court and elevated William Rehnquist, a well-known conservative, to the position of Chief Justice in 1986. Sandra Day O’Connor, nominated in 1981, was the first female Justice and a moderate conservative. Although she voted with other conservatives on many issues, she consistently voted to uphold *Roe v. Wade*, which Reagan opposed.

Near the end of Reagan’s first term, Congress passed the Equal Access Act. This act required public secondary schools to allow any group equal access to school facilities. Conservative Christian groups supported the act’s passage because many public schools did not allow religious groups to meet on school property. The Supreme Court confirmed the constitutionality of the Equal Access Act in 1990 in *Board of Education of Westside Community Schools v. Mergens*.

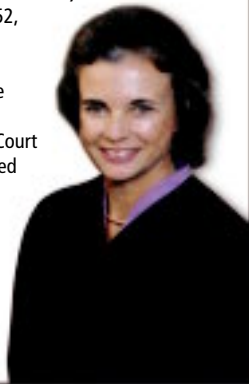
**George H.W. Bush Becomes President** Reagan used his personal popularity to promote George H.W. Bush, his Vice President for eight years, as Bush campaigned for the presidency against Massachusetts governor Michael Dukakis in 1988. Bush called for a “kinder, gentler nation,” yet both candidates attacked the other using negative campaign ads. Bush cemented his support among conservatives by promising not to raise taxes and by casting himself as a defender of

### HISTORY MAKERS

#### Sandra Day O’Connor (born 1930)

After getting her law degree in 1952, Sandra Day O’Connor served as a lawyer for many years before becoming involved in Arizona state politics in the late 1960s. She was serving as a judge on the Arizona Court of Appeals when she was nominated to the Supreme Court in 1981.

O’Connor sat on the Supreme Court for nearly 25 years. Her vote was the tiebreaker on several influential court cases, causing her to be called one of the most powerful women in the United States.



## INFOGRAPHIC



### TV Review

#### **Dynasty:** Living large and behaving badly

Fans love the Wednesday night favorite, *Dynasty*, featuring Linda Evans as Krystle Carrington and John Forsythe as Blake Carrington. See p. B6

# TIMES of the Eighties

A SNAPSHOT OF THE REAGAN YEARS

Personal Computers: Not item. See p. A12



### Are you a Yuppie?

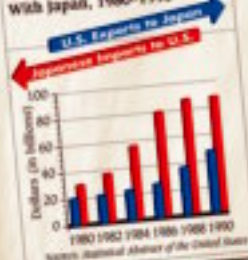
If you're under 30, live in a city, and work in an office, then yes—you're a Young Urban Professional, or Yuppie. See p. A7

## In the Economy

### Trade Imbalance With Japan Deepens

Japan's import restrictions are keeping American goods off of Japanese store shelves.

U.S. Trade Deficit With Japan, 1980-1990



## Trend Spotting

### VCRs Bring Fitness Craze Home



Videotapes of popular exercise programs, such as Judi Minetti's jazzercise fitness plan, are flying off the shelves.



## ADA Passed!

- The Americans With Disabilities Act (ADA) was passed by Congress and signed into law by President George H.W. Bush in July 1990.
- The act will ensure that Americans with disabilities will receive the same opportunities in employment and access to public transportation and public places as other Americans.
- The act benefits more than 43 million people and is another stride forward in the quest to protect the rights of all Americans.

## Space Shuttle Challenger Explodes

### Reagan Comforts the Nation

CAPE CANAVERAL, FLORIDA On January 28, 1986, the long-awaited launch of the space shuttle *Challenger* ended in tragedy when the shuttle exploded 73 seconds after take-off. The shuttle carried seven astronauts, including New Hampshire schoolteacher Christa McAuliffe. Her flight would have been the first time a private citizen entered space.

President Reagan spoke to the nation following the tragedy:

**Primary Source** "For the families of the seven [astronauts], we cannot bear, as you do, the full impact of this tragedy. But we feel the loss, and we're thinking about you so very much. Your loved ones were daring and brave, and they had that special grace, that special spirit that says, 'Give me a challenge and I'll meet it with joy.' They had a hunger to explore the universe and discover its truths. They wished to serve, and they did. They served all of us."



The space shuttle *Challenger* exploded shortly after lifting off from Kennedy Space Center. Inset: Schoolteacher Christa McAuliffe (far left) and six career astronauts died aboard the shuttle.

## Thinking Critically

- 1. Draw Conclusions** How do you think the trade imbalance with Japan affected the American economy?
- 2. Summarize** How did new technologies help advance the personal fitness craze?

traditional values. However, Democrats won a majority of seats in both houses of Congress.

President Bush sought to control federal spending by encouraging Americans to volunteer. Government, he asserted, could take a smaller role in daily life if, "like a thousand points of light," community organizations and volunteers provided more help to the disabled, illiterate, and poor.



**Checkpoint** How did Reagan try to build upon conservative gains during his presidency?



## Confronting Challenging Issues

Despite Reagan and Bush's successes, the nation continued to face a number of pressing problems. In 1981 when thousands of air-traffic controllers went on strike, Reagan refused to negotiate with the Professional Air Traffic Controllers Organization (PATCO) and fired the striking workers because they were violating a law forbidding federal employees from striking. Many Americans admired Reagan's strong, decisive stance. Some union supporters, however, claimed that Reagan's action represented an assault on the labor movement.

In the 1980s, the rising cost of Social Security caused concern. As the number of elderly people in America grew, the Social Security system began to collect less money than it paid out. In 1983, Reagan signed the Social Security Reform Act, which raised the minimum retirement age and increased payroll taxes for Social Security. It provided a temporary fix but did not solve the long-term problems of the Social Security program.

Many Americans also worried about the state of America's public education system. In 1983, the Department of Education issued *A Nation at Risk*. This study showed that students were consistently scoring lower on standardized tests as time passed. The report argued that America's schools failed to prepare students adequately to compete with students around the globe.

Even before the report appeared, conservatives called for providing **vouchers**, or government checks, that could be used by parents to pay tuition at private schools. Conservatives argued that vouchers would force public schools to improve in order to attract and retain students. Liberals in Congress argued that vouchers would take much-needed money away from public schools.

In addition, the nation faced the threat of a new disease, **Acquired Immunodeficiency Syndrome (AIDS)**, which first appeared in 1981. AIDS is the last stage of the Human Immunodeficiency Virus (HIV), which attacks the immune system of its victims. There is no known cure. At first, AIDS spread mainly among homosexual men and intravenous drug users. Later, the virus infected different groups of people. By 1994, AIDS had killed more than 250,000 Americans. President Reagan responded slowly to the AIDS epidemic. During George H.W. Bush's presidency, funding for research on the disease rose substantially.

✓ **Checkpoint** What were some of the challenges that the nation faced during the 1980s and early 1990s?

### The AIDS Quilt

When the AIDS Quilt was displayed in Washington, D.C., in October 1988, it consisted of 8,288 panels, each created in the memory of a person who had died of AIDS. Today, the quilt has more than 44,000 memorial panels.



## SECTION 2 Assessment

### Progress Monitoring Online

For: Self-test with vocabulary practice  
Web Code: nea-1903

### Comprehension

- 1. Terms and People** For each term below, write a sentence explaining its significance to the Reagan era.
  - supply-side economics
  - deregulation
  - budget deficit
  - national debt
  - Savings and Loan crisis
  - AIDS

- 2. NoteTaking Reading Skill: Identify Main Ideas** Use your chart to answer the Section Focus Question: What were the major characteristics of the conservative Reagan Revolution?

### Writing About History

- 3. Quick Write: Create a Storyboard** Create a storyboard that illustrates one of the challenges facing Americans during this period. Use a combination of words and images to express your points.

### Critical Thinking

- 4. Summarize** In what ways did Reagan try to fulfill the goal of less government involvement in the economy?
- 5. Draw Conclusions** How did Reagan strengthen the conservative cause?
- 6. Identify Central Issues** How did Reagan address problems with Social Security?