

Handout: “Reaganomics” or “Supply-Side Economics”

(staple this to your Ford-Clinton study packet and study it for Test #12)

Proposals

1. cut income taxes [especially on upper incomes] - (25% over 3 years)
2. cut federal regulation of business
3. cut social services (especially for the poor)
4. \$2 trillion military buildup

SUPPORTERS	CRITICS
1. Will increase productivity (people will work harder)	1. No proof of this – many may work less/cancel out gains
2. increase investment in productive enterprises – lead to huge economic boom	2. Yes, but not that much – certainly not enough to counteract tax cuts and military buildup
3. cut government regulation/social services will help business produce	3. will lead to business abuses (such as S&L crisis) and devastate the poor
4. will lead to a <u>balanced federal budget</u> because, even though taxes cut, the economic boom will be so large that <u>more</u> income is collected by the federal govt.	4. No - Will create the largest federal deficit in US history (federal deficit triples under Reagan) Candidate George Bush in 1980 called this proposal “voodoo economics”