Choices in a Downturn

How recession shaped arguments about federal policy

8.9d "Economic recession during the 1970s and concerns about the growth and size of the federal government encouraged fiscal conservatives to push for changes in regulation and policy."

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Underline the economic problems described in the passage. Circle each policy change supported by fiscal conservatives, then draw an arrow from one problem or concern to a policy response.

Recession and a New Direction

1 During the 1970s, Americans faced rising prices, or inflation, and periods of high unemployment. Oil price shocks and slow growth added to the strain. Families paid more for gasoline, food, and heating while some workers struggled to find jobs. Recessions and inflation led voters to question federal economic policies and debate taxes, spending, and business rules.

2 Fiscal conservatives believed the federal government should spend less, tax less, and regulate business less. They worried that a growing federal budget and many regulations could limit private investment and slow economic growth. In their view, lower tax rates could leave households and businesses with more money to save, spend, or invest. Reducing some regulations, they argued, could make it easier for businesses to expand and hire. Other Americans disagreed, fearing cuts could weaken needed services and protections.

3 President Ronald Reagan supported this approach after taking office in 1981. The Economic Recovery Tax Act of 1981 cut individual income tax rates. His administration also sought reductions in domestic spending, including some social programs, and reduced or changed certain regulations. Supporters expected lower taxes and less regulation to encourage investment, production, and jobs. President George H. W. Bush continued to face concerns about deficits. In 1990, he agreed to a budget plan with tax increases and spending limits, showing that fiscal policy involved difficult choices, not one simple solution.

2 ANSWER WITH EVIDENCE

Use the passage

1. What two economic problems made the 1970s especially difficult for many Americans?

2. Why did fiscal conservatives worry about the growth of the federal government?

3. Name two types of policy changes fiscal conservatives supported, and explain what they hoped those changes would do.

4. What did President George H. W. Bush agree to in 1990, and what does this action show about fiscal policy?

3 YOUR TURN

Your own words

A recession has caused local businesses to cut jobs. Write three sentences that identify the problem, propose one fiscal conservative federal policy change, and explain how supporters would expect that change to help the economy.

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PART 1 · READ AND MARK

Underline the economic problems described in the passage. Circle each policy change supported by fiscal conservatives, then draw an arrow from one problem or concern to a policy response. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	What two economic problems made the 1970s especially difficult for many Americans?	**Inflation, or rapidly rising prices, and increased unemployment.**
2	Why did fiscal conservatives worry about the growth of the federal government?	**They believed a growing federal budget and many regulations could limit private investment and slow economic growth.**
3	Name two types of policy changes fiscal conservatives supported, and explain what they hoped those changes would do.	**They supported lower taxes, lower federal spending, and less business regulation. They hoped these changes would encourage investment, business expansion, production, and hiring.**
4	What did President George H. W. Bush agree to in 1990, and what does this action show about fiscal policy?	**He agreed to a budget plan with tax increases and spending limits. It shows that fiscal policy required difficult choices and was not a simple solution.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

A recession has caused workers to lose jobs as businesses cut back. Congress could lower business tax rates. Supporters would expect firms to have more money to invest, expand, and hire workers.

Accept a policy supported in the passage, such as lower taxes, reduced spending, or less regulation, as long as the student connects it to investment, expansion, production, or hiring. Students may use a reasonable recession example in their response.