Power and Policy

Reading Reaganomics through three policy decisions

USH.C.8.2.A "Identify the economic and domestic policies of the Reagan Administration known as "Reaganomics" featuring tax cuts and less regulation including the response to the air-traffic controllers' strike."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline one tax change and one regulation change, then circle Reagan's action against striking federal workers to distinguish the three policies.

Three Decisions in 1981

(1) In 1981, President Ronald Reagan entered office during a period of high inflation and weak growth. His economic program, often called Reaganomics, argued that lower taxes could give people and businesses more reason to work, save, and invest. The Economic Recovery Tax Act of 1981 reduced federal income tax rates in stages, including rates paid by high earners. Supporters expected more private investment and job creation. Critics questioned whether tax cuts would help wealthy households more than others and reduce money available for federal programs. Tax cuts were one part of a wider effort to change the federal government's role in the economy.

(2) Reagan also wanted businesses to face fewer federal rules. In January 1981, he ended the remaining federal price controls on domestic oil, allowing prices to respond more freely to supply and demand. His administration also required agencies to review the costs and benefits of many proposed rules. Supporters said less regulation could cut business costs and encourage production. Opponents warned that weaker oversight might leave consumers, workers, or the environment less protected. These actions differed from tax cuts: instead of changing how much income the government collected, they changed how closely the government directed parts of the economy.

(3) A confrontation at airports showed another side of Reagan's domestic policy. In August 1981, members of the Professional Air Traffic Controllers Organization, or PATCO, struck for better pay and working conditions. Federal law prohibited federal employees from striking. Reagan gave the controllers 48 hours to return to work and fired more than 11,000 who did not return. The Federal Aviation Administration used supervisors, nonstriking controllers, and military personnel to keep flights moving, although flights were disrupted. Reagan said the law had to be enforced; union supporters argued that the firings harmed organized labor. His response concerned federal employment and unions, not a tax rate or an oil price rule.

2 ANSWER WITH EVIDENCE

Use the passage

1. Which change in the 1981 tax law was a Reaganomics policy, and what result did supporters expect?

2. Identify one action that reduced federal regulation. How did it change the government's role?

3. Identify Reagan's response to the PATCO strike. Include his deadline and what happened to workers who stayed out.

4. Why was the PATCO response a domestic labor policy rather than a tax cut or a change to business regulation?

3 YOUR TURN

Your own words

Write a five- or six-sentence newspaper editorial set in late 1981. Identify the tax cut, one change to federal regulation, and the PATCO response, then argue whether all three actions reduced the federal government's role; use at least two details from the passage.

ANSWER KEY

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HIGH SCHOOL · USH.C.8.2.A

PART 1 · READ AND MARK

Underline one tax change and one regulation change, then circle Reagan's action against striking federal workers to distinguish the three policies. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Which change in the 1981 tax law was a Reaganomics policy, and what result did supporters expect?	**The law reduced federal income tax rates in stages. Supporters expected more private investment and job creation.**
2	Identify one action that reduced federal regulation. How did it change the government's role?	**Reagan ended the remaining federal price controls on domestic oil, letting prices respond more freely to supply and demand. Also accept the required cost-benefit review of many proposed rules.**
3	Identify Reagan's response to the PATCO strike. Include his deadline and what happened to workers who stayed out.	**He gave controllers 48 hours to return to work and fired more than 11,000 who did not return.**
4	Why was the PATCO response a domestic labor policy rather than a tax cut or a change to business regulation?	**It enforced the federal ban on strikes by federal employees and affected their jobs. It did not change tax rates or rules for businesses.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Reagan's policies do not shrink federal power in every situation. The 1981 tax law lowered income tax rates, which supporters believed would spur investment and jobs. Ending federal controls on domestic oil prices also gave businesses more room to make decisions. Yet when PATCO members struck, Reagan ordered them back within 48 hours and fired more than 11,000 who stayed out. Federal law barred federal workers from striking, so the administration used its authority over its own employees. Voters should judge both the promised economic gains and the costs of that firm stance toward unions.

Accept either oil price controls or review of proposed rules as the regulation example. Editorials may support or criticize Reagan, but they should accurately distinguish the economic policies from the response to federal employees who struck.