

While he built up the military (allocations of over a trillion dollars in his first four years in office), Reagan tried to pay for this with cuts in benefits for the poor. There would be \$140 billion of cuts in social programs through 1984 and an increase of \$181 billion for "defense" in the same period. He also proposed tax cuts of \$190 billion (most of this going to the wealthy).

Despite the tax cuts and the military appropriations, Reagan insisted he would still balance the budget because the tax cuts would so stimulate the economy as to generate new revenue. Nobel Prize-winning economist Wassily Leontief remarked dryly: "This is not likely to happen. In fact, I personally guarantee that it will not happen."

Indeed, Department of Commerce figures showed that periods of lowered corporate taxes (1973-1975, 1979-1982) did not at all show higher capital investment, but a steep drop. The sharpest rise of capital investment (1975-1979) took place when corporate taxes were slightly higher than they had been the preceding five years.

The human consequences of Reagan's budget cuts went deep. For instance, Social Security disability benefits were terminated for 350,000 people. A man injured in an oil field accident was forced to go back to work, the federal government overruling both the company doctor and a state supervisor who testified that he was too disabled to work. The man died, and federal officials said, "We have a P.R. problem." A war hero of Vietnam, Roy Benavidez, who had been presented with the Congressional Medal of Honor by Reagan, was told by Social Security officials that the shrapnel pieces in his heart, arms, and leg did not prevent him from working. Appearing before a Congressional committee, he denounced Reagan.

Unemployment grew in the Reagan years. In the year 1982, 30 million people were unemployed all or part of the year. One result was that over 16 million Americans lost medical insurance, which was often tied to holding a job. In Michigan, where the unemployment rate was the highest in the country, the infant death rate began to rise in 1981.

New requirements eliminated free school lunches for more than one million poor children, who depended on the meal for as much as half of their daily nutrition. Millions of children entered the ranks of the officially declared "poor" and soon a quarter of the nation's children—twelve million—were living in poverty. In parts of Detroit, one-third of the children were dying before their first birthday, and the *New York Times* commented: "Given what's happening to the hungry in America, this Administration has cause only for shame."

Welfare became an object of attack: aid to single mothers with children through the AFDC (Aid to Families with Dependent Children) program, food stamps, health care for the poor through Medicaid. For most people on welfare (the benefits differed from state to state) this meant \$500 to \$700 a month in aid, leaving them well below the poverty

level of about \$900 a month. Black children were four times as likely as white children to grow up on welfare.

Early in the Reagan administration, responding to the argument that government aid was not needed, that private enterprise would take care of poverty, a mother wrote to her local newspaper:

I am on Aid to Families with Dependent Children, and both my children are in school. . . . I have graduated from college with distinction, 128th in a class of over 1000, with a B.A. in English and sociology. I have experience in library work, child care, social work and counseling.

I have been to the CETA office. They have nothing for me. . . . I also go every week to the library to scour the newspaper Help Wanted ads. I have kept a copy of every cover letter that I have sent out with my resume; the stack is inches thick. I have applied for jobs paying as little as \$8000 a year. I work part-time in a library for \$3.50 an hour, welfare reduces my allotment to compensate. . . .

It appears we have employment offices that can't employ, governments that can't govern and an economic system that can't produce jobs for people ready to work. . . .

Last week I sold my bed to pay for the insurance on my car, which, in the absence of mass transportation, I need to go job hunting. I sleep on a piece of rubber foam somebody gave me.

So this is the great American dream my parents came to this country for: Work hard, get a good education, follow the rules, and you will be rich. I don't want to be rich. I just want to be able to feed my children and live with some semblance of dignity. . . ."

Democrats often joined Republicans in denouncing welfare programs. Presumably, this was done to gain political support from a middle-class public that believed they were paying taxes to support teenage mothers and people they thought too lazy to work. Much of the public did not know, and were not informed by either political leaders or the media, that welfare took a tiny part of the taxes, and military spending took a huge chunk of it. Yet, the public's attitude on welfare was different from that of the two major parties. It seemed that the constant attacks on welfare by politicians, reported endlessly in the press and on television, did not succeed in eradicating a fundamental generosity felt by most Americans.

A *New York Times*/CBS News poll conducted in early 1992 showed that public opinion on welfare changed depending on how the question was worded. If the word "welfare" was used, 44 percent of those questioned said too much was being spent on welfare (while 50 percent said either that the right amount was being spent, or that too little was being spent. But when the question was about "assistance to the poor," only 13 percent thought too much was being spent, and 64 percent thought too little was being spent.

This suggested that both parties were trying to manufacture an anti-human-needs mood by constant derogatory use of the word "welfare," and then to claim they were acting in response to public opinion. The Democrats as well as the Republicans had strong connections to wealthy corporations. Kevin Phillips, a Republican analyst of national politics, wrote in 1990 that the Democratic Party was "history's second-most enthusiastic capitalist party."

Phillips pointed out that the greatest beneficiaries of government policy during the Republican presidencies of Ronald Reagan and George Bush were the superrich: "It was the truly wealthy, more than anyone else, who flourished under Reagan. . . . The 1980s were the triumph of upper America . . . the political ascendancy of the rich, and a glorification of capitalism, free markets, and finance."

When government policy enriched the already rich, it was not called welfare. This was not as obvious as the monthly checks to the poor; it most often took the form of generous changes in the tax system.

In *America: Who Really Pays The Taxes?*, two investigative reporters with the *Philadelphia Inquirer*, Donald Barlett and James Steele, traced the path by which tax rates for the very rich got lower and lower. It was not the Republicans but the Democrats—the Kennedy-Johnson administrations—who, under the guise of "tax reform," first lowered the World War II-era rate of 91 percent on incomes over \$400,000 a year to 70 percent. During the Carter Administration (though over his objections) Democrats and Republicans in Congress joined to give even more tax breaks to the rich.

The Reagan administration, with the help of Democrats in Congress, lowered the tax rate on the very rich to 50 percent and in 1986 a coalition of Republicans and Democrats sponsored another "tax reform" bill that lowered the top rate to 28 percent. Barlett and Steele noted that a schoolteacher, a factory worker, and a billionaire could all pay 28 percent. The idea of a "progressive" income in which the rich paid at higher rates than everyone else was now almost dead.

As a result of all the tax bills from 1978 to 1990, the net worth of the "Forbes 400," chosen as the richest in the country by *Forbes Magazine* (advertising itself as "capitalist tool"), was tripled. About \$70 billion a year was lost in government revenue, so that in those thirteen years the wealthiest 1 percent of the country gained a trillion dollars.

As William Greider pointed out, in his remarkable book *Who Will Tell The People? The Betrayal of American Democracy*:

For those who blame Republicans for what has happened and believe that equitable taxation will be restored if only the Democrats can win back the White House, there is this disquieting fact: The turning point on tax politics, when the monied elites first began to win big, occurred in 1978 with the Democratic party fully in power and well before Ronald Reagan came to Washington. Democratic majorities have supported this great shift in tax burden every step of the way.

Not only did the income tax become less progressive during the last decades of the century, but the Social Security tax became more *regressive*. That is, more and more was deducted from the salary checks of the poor and middle classes, but when salaries reached \$42,000 no more was deducted. By the early 1990s, a middle-income family earning \$37,800 a year paid 7.65 percent of its income in Social Security taxes. A family earning ten times as much, \$378,000 paid 1.46 percent of its income in Social Security taxes.

The result of these higher payroll taxes was that three-fourths of all wage earners paid more each year through the Social Security tax than through the income tax. Embarrassingly for the Democratic party, which was supposed to be the party of the working class, those higher payroll taxes had been put in motion under the administration of Jimmy Carter.

In a two-party system, if *both* parties ignore public opinion, there is no place voters can turn. And in the matter of taxation, it has been clear that American citizens have wanted taxes that are truly progressive. William Greider informs us that shortly after World War II, when rates on the very rich were up to 90 percent, a Gallup poll showed that 85 percent of the public thought the federal tax code was "fair." But by 1984, when all those tax "reforms" had been put into effect by Democrats and Republicans, a public opinion survey by the Internal Revenue Service found that 80 percent of those polled agreed with the statement: "The present tax system benefits the rich and is unfair to the ordinary working man and woman."

By the end of the Reagan years, the gap between rich and poor in the United States had grown dramatically. Where in 1980, the chief executive officers (CEOs) of corporations made forty times as much in salary as the average factory worker, by 1989 they were making ninety-three times as much. In the dozen years from 1977 to 1989, the before-tax income of the richest 1 percent rose 77 percent; meanwhile, for the poorest two-fifths of the population, there was no gain at all, indeed a small decline.

And because of favorable changes for the rich in the tax structure, the richest 1 percent, in the decade ending in 1990, saw their after-tax income increase 87 percent. In the same period, the after-tax income of the lower four-fifths of the population either went down 5 percent (at the poorest level) or went up no more than 8.6 percent.

Howard Zinn's "A People's History of the United States"

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