

## A Fresh Look At Reagonomics

June 8, 2004



(Photo: AP/CBS)

**(CBS)** *CBS News* is running a week-long look at the Reagan legacy. Today's report takes a look at Reagan's policies.

In 1980, Ronald Reagan ran for president promising to radically rethink economic policy. But even in his own party, there were doubts about the plan.

"What I call a voodoo economic policy," said George Bush in 1980.

The U.S. economy was in recession, inflation had hit 15 percent and interest rates nearly 20 percent.

In a 1981 speech Reagan said, "It's time to try something different."

That something, as **CBS News Correspondent Anthony Mason** reports, came to be called "Reagonomics." **Former Reagan economic advisor John Rutledge** helped shape it.

**"The president said 'Look guys, I don't like taxes, I don't like inflation, I don't like the Russians. Work something up,'" recalls Rutledge.**

In his first year in office, Reagan signed what he called "the largest tax cut in history."

"This represents \$750 billion in tax cuts over the next five years," Reagan said at the time.

But as the president was slashing taxes, he was pumping up defense spending by \$100 billion to rattle the Soviets. Within years the deficit nearly tripled.

"He, in fact, tried to recoup it over the succeeding years with a series of tax increases which were necessary to bring the budget back at least into decent position," said Fred Bergsten, with the Institute of International Economics.

But even his former budget director David Stockman later admitted that, "It leaves behind a profound fiscal policy failure and imbalance."

"I think the budget deficits and the trade deficits that came along with them were seriously debilitating to the economy for about 10 to 15 years," says Bergsten

Still, by the time Reagan left office, the economy was growing strongly.

**"Eight years later we had gone from 15 percent inflation to as low as 1 percent in 1986," says Rutledge. "And as inflation went down, the stock went up. The Dow was below 1,000 when Reagan took office. Eight years later it was well over 2000, up 135 percent. "**

Economists left, right and center may long argue over the effects of Reagonomics, but there is no denying the impact of the Reagan revolution.