Reaganomics and how it affected African Americans in the 1980s

By James Wilcox
Reaganomics and what was its purpose

Reaganomics is the economic policy that was implemented by the Reagan Administration with the intention to reduce government spending, reduce capital gains tax and federal income tax, reduce company regulation and lower the money supply in an attempt to lower inflation. This is also referred to as supply-side economics, trickle down economics or free market economics which is what the Reagan Administration referred to it as. Others who were critical of these new policies referred to this as Voodoo economics because it was unclear if there was actual help being made by this for everyone or was Reagan simply helping the rich become richer.
Reaganomics and what was its purpose (cont.)

- A lot of what Reaganomics was built on was the idea to lower taxes to allow people and corporations to have more money to spend and consume, which in turn would allow the economy to expand, create jobs and get the United States out of the Recession it was facing.

- The Administration wanted to encourage people like African Americans and poor and middle class Americans who were out of work because of the Recession to go back into the work force and lower taxes were looked at as an incentive to do this.
Did Reaganomics actually work?

- Reaganomics was based on the Laffer curve, which was formed by economist Arthur Laffer (who was a part of Reagan’s Economic Policy Advisory Board) and was believed that if taxes were lowered it would positively influence the economy and put more money into people’s pockets to spend which would boost the economy.
- Unemployment rose to between 6% to 7% which disproportionately affected African Americans.
- Income inequality was widening as the rich corporations and families were getting richer, while many poorer Americans which unfortunately included many African Americans made it more difficult to survive and gain economically and the ability to get ahead financially.
- Reagan believed that lowering taxes for corporations and the wealthy would give them more money which would allow them to spend more money and this would lead to more jobs being created, but instead this was the opposite and the wealthy corporations and wealthy families did not invest into expanding jobs, but instead further increase their individual net worth.

- Things like the stock market rose during the Reagan Administration but this did little to improve the financial status of African Americans and poor americans who were completely excluded from these gains in wealth.
What policies and actions were put in place that affected African Americans

- As part of lowering government spending, funding for departments like Agriculture, Commerce, Housing and Urban Development, and the department of Labor.
- This reduction in funding for Housing and Urban Development would hit African Americans particularly hard as around 56% of African Americans lived in central cities and only around 20% in the suburbs, meaning they would take most of the hit for this action by the Reagan Administration.
- This would lead to increased poverty rates of sometimes over 50% for African American households as compared to less than 20% for white households with the reduction in funding programs like Aid to Families with Dependent Children (AFDC) and Child Support Enforcement (CSE) which dramatically helped many African American families who typically had more children the white households and an average of 2.36 for African American families compared to 2.01 for white families. In addition the average African American family income was $15,432 compared to $27,686 for white families which made it significantly harder for African Americans to thrive, survive and gain financially and economically.
What policies and actions were put in place that affected African Americans (cont.)

- In addition, government funding for food programs that provides school lunches and additional meals for kids at or below the poverty line was decreased and subsidies were taken away. Summer meal programs were completely terminated which made it difficult for many low income families and single mom African American families to provide food for their families.

- Other programs like Food Stamps which disproportionately affected African American households more were changed and reduced and required all who apply to have to work in the next 30 days which was not very easy considering the economic hardships that were going on at the time.

- Funding for programs like the Comprehensive Education Training Act (CETA), Public Service Employment and the Job Corps, all of which helped African Americans greatly in getting good jobs, were completely eliminated.

- By January of 1990, which marked the end of the Reagan Administration, the African American unemployment rate was 15.2% compared to 6.2% for white americans and in some parts of the country, 50% of African American males between the ages of 16 to 19 were unemployed showing that Reagan's policies and action were directly targeting African Americans.
Summary

- The policies and actions that were put in place by the Reagan Administration in which it lowered taxes, reduced government spending, reduce inflation and reduce corporate regulations was a clear benefit to corporations and wealthy families, where no trickle down effects were meaningfully seen that helped the lower and middle class families in which many African American families were at.
- Reduction in government assistance programs and job education programs clearly targeted African Americans and made it extremely difficult for them to advance financially in society and furthered economic hardships they experienced.
- African Americans were overall negatively impacted by Reaganomics and the actions taken by the Reagan Administration, and it shows how flawed on an economic policy that Reaganomics or supply side economics really was as the very few benefited from it.
Thank you and as Professor Moore would say:

“Thats all Folks!”
References


