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Misinformation on Reagan tax cuts

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There's a lot of misinformation being promulgated by several of your most frequent letter-to-the-editor writers … this time about the Reagan tax cuts.

The Cato Institute, in October 1996, published one of their Policy Analysis (No. 261) entitled, "Supply-Side Tax Cuts and the Truth about the Reagan Economic Record." This 25-page research study, with 53 citations, 9 tables and 14 figures (graphs and charts), explored the economic facts and fables of the Reagan presidency.

Examples:

Fact #1: "Real economic growth averaged 3.2 percent during the Reagan years versus 2.8 percent during the Ford-Carter years and 2.1 percent during the Bush-Clinton years."

Fact #2: "Real median family income grew by $4,000 during the Reagan period after experiencing no growth in the pre- Reagan years; it experienced a loss of almost $1,500 in the post-Reagan years."

Fact #3: "The Reagan tax cuts were not a primary cause of the eruption of the deficit in the 1980s. The main two causes were an unexpectedly sharp reduction in inflation in the early 1980s that led to large real increases in federal spending, and a nearly $1 trillion military build-up during the last phase of the cold war."

Fable #10: In the 1980s the Rich Got Richer and the Poor Got Poorer.

Wrong.

"From 1981 to 1989, every income quintile — from the richest to the poorest — gained income according to the Census Bureau economic data…. Reaganomics did create a rising tide that lifted nearly all boats."

One of your writers references 11 Reagan tax increases. One was a temporary fuel tax increase from 4 to 9 cents and another was an increase in the cigarette tax. The writer refers to the "largest peacetime tax increase in American history." He means the one where the "Democrats promised $3 of spending cuts in exchange for every $1 of tax increase." David Stockman's main criticism was that Congress would not enact spending cuts that would minimize federal deficits.

Finally, "As president in the 1980s, Reagan said repeatedly that his own tax cuts were taken from …(an earlier) … model." What was that model?

“February 1964, the Kennedy tax-rate cut won Congressional approval and became law. As Kennedy’s tax-rate-cut, strong dollar economic policy was being articulated and then implemented in the latter half of the presidency, the nation embarked upon an eight-and-a-half year, uninterrupted run of growth at just over 5% per year.”