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The Last Word: Report Card on Reaganomics

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. . . The Last Word

During the 1980 presidential campaign, then candidate Reagan asked if we were "better off now than we were four years ago." It is now 1983 and we are more than half way through his term in office. It, therefore, seems appropriate that we look at the American economy and see if we are indeed better off as a result of President Reagan's economic policies. In order to do this, let's examine five of the traditional standards for judging the state of the economy: prices, unemployment, output, interest rates and budget deficits. With these five guides it is possible to determine the changes that have taken place since the President took office and the current status of our economic well being.

In the area of prices and inflation we continue to experience a diminishing of our purchasing power, despite a moderating trend. In January of 1981, the Consumer Price Index for the United States stood at 260.5 using 1967 as a base year. This meant that prices rose 160.5 percent since 1967. In June of 1983, the CPI stood at 298.1. This was a rise of 37.6 percent over the last two years. Despite statements to the contrary we have experienced a healthy increase in prices since the President took office.

Although the Reagan Administration takes credit for what it claims is an inflation rate that is under control, it glosses over the numbers relating to unemployment and the human misery that unemployment brings. In January of 1981, the unemployment rate was 7.4 percent of the labor force. This was about 7,847,000 people who were out of work. The unemployment rate for June of 1983 was 9.5 percent. This was more than 11,000,000 people. In terms of change this was an increase of two percent or over 3,000,000 people in the unemployment lines since the President took office.

Three things must be considered at this point. Many of these people are heads of families who are suffering because of this unemployment. A second consideration is that many people have become so discouraged that they have stopped looking for work. They are not counted as being unemployed. For all practical purposes the government treats them as nonpersons. Finally, many of the employed are people who are working at jobs below their skill level. These underemployed people are also among the forgotten. Taken together, these three categories of unemployed, discouraged job seekers, and underemployed point to a much more serious problem than President Reagan cares to admit.

The amount of goods and services produced in the general economy in a year is called the Gross National Product or GNP. Any change that takes place in the GNP is called economic growth. In the last quarter of 1981, the GNP was $1.5078 trillion, as measured in 1972 dollars. In the fourth quarter of 1982, the GNP was $1.477 trillion or a decrease of greater than two percent. During this period the GNP dipped as low as $1.4707 trillion. This is negative economic growth. In other words, we were producing less goods and services during this period of the Reagan Administration.

In January of 1981 an annual interest rate on a regular home mortgage in the Boston area reached 15.17 percent. In November of 1982, it was 13.87 percent where it has stayed for some time. This is a decrease of 1.30 percent, but still a long way from the 9.75 percent this author pays and the five percent his parents paid. What is perhaps most disturbing is that there are signs that interest rates are now on the upswing.

Although interest rates have come down, we must look at the federal deficit to see if they will continue to drop. The deficit for fiscal 1981 was $59.7 billion. For fiscal 1982, it was $110.6 billion. Treasury estimates of the deficit for 1983 and 1984 respectively are $210.2 billion and $190.2 billion. I have seen estimates putting the fiscal 1983 budget as high as $270 billion. Where does the government get this money? They go out into the market and borrow it which pushes interest rates higher. During the time that I was writing this article the government borrowed $6 billion and borrowed an additional $8 billion soon afterwards.

After looking at the Reagan record it seems necessary to grade the President on his economic performance. Let's take a look at his report card.

. . . Report Card on Reaganomics

Prices - Although prices are still rising, they are not rising as fast as they were in 1979 or 1980. This is due more to the monetary policy of the Federal Reserve, the glut in the world oil market and the general slowing down of the world economy and not to the efforts of Ronald Reagan. The fact still remains that inflation has moderated. I would, therefore, give the President a **C**.

Unemployment - Unemployment is a total disaster. The level of unemployment remains the highest since the Great Depression. Not only have the President's policies aggravated the problem, but he has done nothing to alleviate it. — **F**

Economic Growth - Even though total blame for the slowdown in growth cannot be attributed to the President, he must accept some of the blame. His policies to solve this problem have been misdirected (the tax cut) and inconsistent (increased military spending while social programs suffer). I have to give him a **C**.

Interest Rates - Interest rates have indeed come down. However, there are signs that increased government spending is going to kick them up again. Still they are down from what they were in 1980. I think the President rates a **C** here.

Budget Deficits - As for the budget, it is interesting to note that Democrats are preaching fiscal restraint and the Republicans are backing record deficits. The $200 billion deficit speaks for itself. **F**

PROGRESS REPORT

Reaganomics

C — *Inflation*
F — *Unemployment*
C — *Economic Growth*
C — *Interest Rates*
F — *Budget Deficits*

As can be seen from the report card, in my opinion, the Reagan economics program did not score well, but if we do begin to come out of the predicament that *Reaganomics* got us into, you can be sure that the President will get the credit.

by Stanley Antoniotti
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