

CHAPTER
19
SECTION 2

Section Summary

THE REAGAN REVOLUTION

President Reagan's economic policies, known as "Reaganomics," were based on the theory of **supply-side economics**. This theory assumed that reducing taxes would give people more incentive to work and more money to spend, causing the economy to grow. The Economic Recovery Act of 1981 reduced taxes by 25 percent over three years.

Reagan called for **deregulation**, or the removal of government control over industries. He also appointed conservative judges to the federal courts.

The economy experienced a recession beginning in 1980 but rebounded in 1983. Still, the number of poor increased and the richest grew even richer. Reagan increased defense spending but failed to win cuts in other areas of the budget. This led to a **budget deficit**, a shortfall between money spent and money collected by the government. The **national debt**, money the government owes to owners of government bonds, also rose. The deficit grew in 1989 when nearly 1,000 Savings and Loan banks failed. The government bailed out depositors during the **Savings and Loan (S&L) crisis**.

There were other problems as well. American students were scoring lower on standardized tests, prompting conservatives to further lobby for **vouchers**, or government checks that could be used to pay tuition at private schools. In addition, the nation faced a new disease—**Acquired Immunodeficiency Syndrome (AIDS)**.

Despite these problems, Reagan remained popular and was overwhelmingly reelected in 1984. However, his momentum did not lead to a triumph for conservatives in Congress. Democrats kept control of the House of Representatives.

Review Questions

1. What occurred in the economy during the early 1980s?

2. What was the budget deficit, and what event made it worse?

READING CHECK

What new disease did the nation face in the 1980s?

VOCABULARY STRATEGY

Find the word *momentum* in the underlined sentence. What does *momentum* mean? Circle any words in the surrounding sentences that help you figure out what *momentum* means.

READING SKILL

Identify Main Ideas Describe the central idea of Reagan's economic policies.
