President Reagan's Economic Legacy

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President Ronald Reagan's economic policy was a successful part of his administration, part of the so-called "Reagan Revolution," but how will these policies be judged in the future? NBC's Mike Jensen looks at Reagan's economic legacy.

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President Reagan's Economic Legacy

BRYANT GUMBEL, anchor:

This morning, as we continue our weeklong assessment of what is called the Reagan revolution, we turn our attention to the Administration’s economic policy. It was a major part of the Reagan campaign, it is a major part of the legacy he will carry in history.

President RONALD REAGAN: It’s an economic stew that has turned the national stomach. One part inflation, one part high unemployment, one part recession, one part runaway taxes, one part deficit spending, seasoned with an energy crisis.

Mr. DONALD REGAN (Former Secretary of the Treasury): The country was in sort of an economic malaise as well as a political one, and our immediate goal was to beat inflation and to get that inflation out of the economy. Get interests rates down, get the process started all over again. Our solution to the problem we thought which was part of the so-called Reagan revolution that instead of getting inflation down by putting the economy through a recession that if we cut taxes even if it might increase the deficit at the same time we’ll be putting more money into the hands of people.

Mr. NORMAN ORNSTEIN (American Enterprise Institute): The Reagan revolution wouldn’t have worked if he hadn’t put David Stockman in as Director of the Office of Management and Budget. Stockman knew the programs intimately from his years on Capital Hill. He knew they had to act quickly, and he could translate all that working night and day into a specific legislative program.

GUMBEL: Backed by the President, Stockman tried to reduce the size of the budget and in turn took on a number of individual programs. But when all the concerned saw the details of what shrinking the budget would mean, they all backed off. By that time the die was cast and the deficit started to soar. Going from about 74 billion in 1980 to a record 221 billion.

Mr. DAVID STOCKMAN (Former Reagan Budget Director): The President should of gotten off his
stubbornness on taxes. The Democrats in Congress should have recognized that most of them voted for the tax bill that they now have made a career out of denouncing. And rather than carry on the silly debate, they all should of gotten together, gotten before the microphones and told the public we got carried away, we made a collective mistake here. Now bear with us, we’re going to fix it. We gave you more of a tax break than we really could afford.

REGAN: When you’re in the middle of such a situation, it’s very hard to determine that, hey, look, we have started into a recession. We better change things. It’s very easy to see that in hindsight. But tell me, right today, are we in a recession today or not? Who knows?

MIKE JENSEN, reporting:

This is Mike Jensen in New York. Here’s what concerns economists about the huge Federal budget deficit. First, a lot of it is being financed with money loaned to the United States by foreigners who buy US government bonds. To keep that money coming, interest rates have to be kept high. But high interest rates slow down the US economy, cost people jobs. Then there’s another problem. To reduce the deficit, the government will have to raise taxes according to most experts, and that will leave less money for Americans to spend. And there’s a third problem. More and more taxpayer money already is being used to pay the interest on the national debt, which has shot up because of the deficits. All those things make Americans poorer. Some economists point out that the deficit has begun to shrink. They say the problem will gradually go away. But most experts disagree. They say the deficits will come back to haunt us.

GUMBEL: Staggering national debt and a record trade deficit have combined to leave investors worried and workers frightened. The President’s economic legacy, whatever the view, has been clearly written in red ink.

Mr. ORNSTEIN: These deficits, despite all of his attempts to suggest they’re not his responsibility, are going to be tagged to Ronald Reagan. And if we end up with serious economic turmoil, and there’s a substantial chance we will down the road. And we tie it to the deficits, that’s gonna plague Ronald Reagan’s record in history.

GUMBEL: Was there a Reagan revolution, economically?

Mr. REAGAN: It wasn’t a real revolution. But certainly we changed things, and changed the outlook of the American people toward our own economy from what it had been in 1979 to what it is today, and has been over the last three or four years.

GUMBEL: Tomorrow as we continue our series on the Reagan revolution, we’ll turn our attention to domestic policy.