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Economic Legacy of the Progressive Era.

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President Theodore Roosevelt</td></tr>
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1. Progressive Era. A half-century of unrelenting struggle against privilege would climax, during and right after the Great Depression, in new values for America. The selfless, not the selfish, would set the nation's tone. In the 1930s and 1940s, under pressure from organized and angry average citizens, lawmakers would tax the nation's wealthy at rates considerably higher than ever before. Working people, for the first time, would win basic rights to bargain for a larger share of the wealth their labors created. Historian Claudia Goldin has dubbed these years the "Great Compression." Higher taxes on the wealthy, the first national minimum wage, Social Security, and collective bargaining would all combine to dramatically narrow the gap between America's wealthy and everyone else.[96] Sam Pizzigati, *Greed and Good: Understanding and Overcoming the Inequality That Limits Our Lives* (New York: Apex Press, 2004), xx.

96 Paul Krugman, "The Spiral of Inequality," *Mother Jones,* November/ December 1996.
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When the Supreme Court overturned the Child Labor Act of 1916, Congress quickly enacted a new law using the taxing power to discourage the employment of child labor. As a result of all of these actions and of the insatiable manpower demand, the A.F. of L. gained more than a million members; hours of labor declined sharply; and real wages rose 20 per cent. Samuel Eliot Morison, Professor of History at Harvard, Henry Steele Commager, Professor of History at Amherst College, and William E. Leuchtenburg, Professor of History at University of North Carolina, *A Concise History Of The American Republic* (New York: Oxford University Press, 1983), 551.
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By World War I the face of "corruption" in the United States had been changed by reforms like popular election of U.S. senators, direct primaries, initiatives and referenda, and in some states even voter recall of judges. What muckraker David Graham Phillips had called "The shame of the Senate" was washed away. But criminal activity resurged in war contracts and the loose climate of the twenties; witness the Teapot Dome scandal, the corruption that came with Prohibition and bootleg liquor, and the post-1929 convictions of dozens of financiers. Still, the many New Deal securities and banking reforms enacted between 1933 and 1935 point out just how many abuses had been legal and common practice up to and even through the Crash. Kevin
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Phillips, chief political analyst for the 1968 Republican presidential campaign and later served as assistant to the attorney general. Since 1971 he has been the editor-publisher of *The American Political Report.* Since 1979 he has also edited and published the *Business and Public Affairs Fortnightly.* Phillips is a contributing columnist to the *Los Angeles Times,* a member of the political strategists' panel of the *Wall Street Journal,* and a regular commentator for *National Public Radio* and *CBS Radio Network, Wealth And Democracy: A Political History Of The American Rich* (New York: Broadway Books, 2002), 319.	
The grand fortunes of Gilded Age America would trigger almost equally grand citizen movements that aimed to cut the wealthy down to democratic size. In 1892, the "Populists" burst into the nation's consciousness, electing governors and members of Congress, challenging racism in the old Confederacy, challenging the domination of great wealth everywhere. That wealth, argued the farmers who launched the Populist crusade, imperiled all Americans. "Plutocracy should be called the great national crime," proclaimed Milford Howard, a Populist congressman from Alabama. "The spirit of avarice is devouring the great heart of this nation. The greed for gain gets such possession of men's souls that they become demons. They rush into the maelstrom of money-getting, and soon lose all fear of God and love for their fellow-men, and before they realize it, they have become slaves to a passion which is as cruel as fate and remorseless and unrelenting as death."[94] Sam Pizzigati, xix. 94 Milford W, Howard, *The American Plutocracy,* quoted in The Populist Mind, Norman Pollak, editor (Indianapolis and New York: Bobbs-Merrill Company, Inc., 1967), 231-232.	
In the early twentieth century, a new generation of reformers, the middle-class Progressives, would pick up where the Populists left off. "We can either have democracy in this country," as attorney Louis Brandeis, later a Supreme Court justice, thundered in near-Biblical cadences, "or we can have great wealth concentrated in the hands of a few, but we can't have both." Sam Pizzigati, xix.	

2. World War I. The war also demonstrated the potential of the steeply graduated income tax as an instrument for distributing costs more equitably. In the Revenue Act of 1918 Congress not only raised the excess profits tax to 65 per cent but increased the surtax so that the total levy on the wealthy reached 77 per cent. Although the war created new millionaires and resulted in swollen profits in some instances, it also showed that in a time of crisis the government can impose its will on the rich in a way that is rarely possible in peacetime. Samuel Eliot Morison, Progressive Professor of History at Harvard, Henry Steele Commager, Professor of History at Amherst College, and William E. Leuchtenburg, Professor of History at University of North Carolina, *A Concise History Of The American Republic* (New York: Oxford University Press, 1983), 551-2.	Main Ideas: Key Words: Analysis:
The income limits advanced by Pinchot's committee and Congressman Keating would not get enacted into law, but they did help create a climate of	

opinion that encouraged Congress to escalate, significantly, the top tax rates on America's richest taxpayers. The War Revenue Act of 1917, signed into law in October, would up the top tax rate on incomes over $2 million to 67 percent.[141] That same year, Congress would also raise the top estate tax rate up to 25 percent.[142] A year later, the 1918 Revenue Act would raise the maximum tax rate on top incomes still higher, to 77 percent.[143] This 77 percent rate would apply to incomes over $1 million, and just sixty-seven taxpayers filed returns that placed them in that top bracket.[144] But these sixty-seven and their less but still staggeringly wealthy friends would make enormous contribution to war finances. Between 1917 and 1919, less than 1 percent of the tax returns Americans filed reported incomes over $210,000. Yet this elite group would supply 70 percent of the nation's total income tax revenue. Sam Pizzigati, 433-4. 141 Steven R. Weisman, *The Great Tax Wars* (New York: Simon & Schuster, 2002), 327-328. 142 Randolph Paul, *Taxation in the United States* (Boston: Little, Brown and Company, 1954), 120. 143 John F. Witte, *The Politics and Development of the Federal Income Tax* (Madison, Wisconsin: University of Wisconsin Press, 1985), 85. 144 Austan Goolsbee, Evidence on the High-Income Laffer Curve from Six Decades of Tax Reform, Brookings Papers on Economic Activity, Fall 1999.	
Companies supplying the military had a particular field day. From being just a munitions maker in 1914, duPont profited greatly enough from U.S. wartime seizure of German chemical patents to become a global force in that industry by the 1920s. In the meantime, company profits jumped from $6 million in 1914 to $82 million in 1916. The postwar value to duPont of plants built and governmentally underwritten in wartime was added gravy. Revealingly, some of the biggest drumbeaters for U.S. war involvement and profit-makers from it-J. P. Morgan, the duPonts, Marcellus Hartley Dodge, and Charles Schwab-were from families that had supplied the Northern military during the Civil War. Kevin Phillips, chief political analyst for the 1968 Republican presidential campaign and later served as assistant to the attorney general. Since 1971 he has been the editor-publisher of *The American Political Report.* Since 1979 he has also edited and published the *Business and Public Affairs Fortnightly*. Phillips is a contributing columnist to the *Los Angeles Times,* a member of the political strategists' panel of the *Wall Street Journal,* and a regular commentator for *National Public Radio* and *CBS Radio Network, Wealth And Democracy: A Political History Of The American Rich* (New York: Broadway Books, 2002), 55.	
War, the reformers complained, was restoring the fortunes of capitalists that the Progressive era had put on the defensive, and subsequent investigators cataloged some egregious examples—over $1 billion spent for combat aircraft, with none delivered, and so on. Kevin Phillips, (2002), 55.	

3. Republican Reforms, 1920s. The Harding-Coolidge [Republican] tax cuts of the 1920s, in which the top individual federal income tax rate fell from 73 percent to 25 percent, furnish yet another example of realignment upward.	Main Ideas: Analysis: Evaluation:

Kevin Phillips, xix-x.	
Hundreds of thousands of workers improved their standard of living in the 1920s, yet inequality grew. Real wages increased 21 percent between 1923 and 1929, but corporate dividends went up by nearly two-thirds in the same period. The workers did not profit from the increased production they helped to create, and that boded ill for the future. The richest 5 percent of the population increased their share of the wealth from a quarter to a third, and the wealthiest 1 percent controlled a whopping 19 percent of all income. Gary B. Nash, New Left Professor of History at University of California, Los Angeles, Julie Roy Jeffrey, Goucher College, John R. Howe, University of Minnesota, Peter J. Frederick, Wabash College, Allen F. Davis, New Left Professor of History at Temple University, Allan M. Winkler, Miami University of Ohio, *The American People: Creating A Nation And A Society* (New York: Longman, 2001), 757.	
Much of the new wealth had gone to the privileged few, and 5 per cent of the population enjoyed one-third of the income. But consumer purchasing power had not materially increased; between 1923 and 1928 the index of wages rose from 100 to 112 while the index of speculative profits jumped from 100 to 410! Meantime public and private debts had mounted to staggering sums; by 1930 the total debt burden was estimated at between \$100 billion and \$150 billion - approximately one-third the national wealth. Samuel Eliot Morison and Henry Steele Commager, 645.	
The depths of 1920-21 help explain why the early stages of the 1929-32 Crash didn't seem so unprecedented. From \$8 billion in 1919, business profits buckled to just over \$1 billion in 1920. Foreign trade plummeted by 40 percent, the Dow by 47 percent (from its November 1919 high), and farm prices by nearly 50 percent. Bankruptcies tripled, 453,000 farmers lost their farms, and unemployment jumped to about 15 percent. The number of millionaires probably dropped from ten thousand to six thousand. Despite the bottom in 1921, voters were still angry enough in 1922 to hand the new Republican administration a huge midterm election loss of eighty-three House and Senate seats. Kevin Phillips, (2002), 59.	
Tax cuts were the first pillar of boom-era politics. In 1921 the GOP Congress had repealed the excess-profits tax and reduced the maximum income surtax from 60 percent to 40 percent. Then the Tax Act of 1926 in turn repealed the gift tax and reduced the income surtax and estate-tax maximum rates from 40 percent to 20 percent. In addition, Secretary Mellon's massive combination of upper-bracket tax cuts, refunds, and remissions, legal and otherwise, threw kerosene on what were still small speculative fires. Kevin Phillips, (2002), 60.	
[President Herbert Hoover's] Reconstruction Finance Company gave little effective relief to those who needed it most urgently. For the theory behind it was that of the protective tariff - that prosperity would somehow trickle down from banks and industries to the workingmen at the base of the economic pyramid. Mounting figures of unemployment proved the theory fallacious and indicated the necessity for a more realistic view of the whole economic	

problem. Samuel Eliot Morison and Henry Steele Commager, 649.	

Chart 2.5 The Top Fourteen Federal Income Taxpayers of 1924

Name -Business	Taxes Paid
John D. Rockefeller (oil)	$6,278,000
Henry Ford (autos)	2,609,000
Edsel Ford (autos)	2,158,000
Andrew Mellon (finance, oil)	1,883,000
Payne Whitney (oil)	1,677,000
Edward Harkness (oil)	1,532,000
Richard Mellon (finance, oil)	1,181,000
Anna Harkness (oil)	1,062,000
Mrs. Horace Dodge (autos)	993,000
Frederick Vanderbilt (land, railroads)	793,000
George F. Baker (finance)	792,000
Thomas Fortune Ryan (urban transit)	792,000
Edward J. Berwind (coal)	722,000
Vincent Astor (land, railroads)	643,000

Kevin Phillips, 59.

4. Great Depression. Labor formed another weak link in the chain. Like farmers, workers did not have enough purchasing power to sustain the economy. While business leaders promoted the consumer culture through advertising, they refused to give workers the wage increases needed to buy products. Drops in consumer spending led inevitably to reductions in production and worker layoffs. Unemployed workers then spent less and the cycle repeated itself. James Kirby Martin, 632.	Main Ideas: Key Words: Analysis:
It was a vicious cycle. Unemployed workers could not buy goods, so businesspeople cut back production and laid off additional workers. Businesspeople did not ask banks for working capital loans, which the RFS and FHLBS were created to provide, because they had no interest in increasing production. James Kirby Martin, 639-40.	
Profits were up, wages did not rise much meaning labor didn't have the money to purchase the goods they produced. Farm surpluses piled up and farmers had to accept lower prices. The postwar boom encouraged industry to build more and bigger plants. Soon they were able to produce more than they could sell. Improved technology meant that more goods could be produced by fewer workers. With fewer people employed, there was less money paid out in wages and there was less money to buy the goods coming off the production lines. Business was shaky throughout the world. European countries were overloaded with debts and taxes that World War I brought on.	

Credit was easy to obtain. Soon stock prices were far beyond the real value of the business. The balloon expanded and expanded. When it finally burst, stockholders rushed to sell. Milton Meltzer, 22.	
Only taxes and incomes from dividends and interest held up. Government expenditures in 1929 were $13 billion; by 1932 public works and relief had pushed them up to $15 billion. And interest and dividend payments reached in 1931 an all-time high of $8 billion; at no time during the depression did they fall below the 1928 level. Since the whole national income declined from an estimated $85 billion in 1929 to an estimated $37 billion in 1932, it can be seen that the burden of the depression fell upon the less privileged groups. Samuel Eliot Morison and Henry Steele Commager, 646.	
Dividend and interest payments rose to an all-time high of $8 billion in 1931, and never fell lower than the level of 1928. Investors generally continued to collect. Wage earners and farmers bore the brunt. Milton Meltzer, 17.	
In 1929 the Brookings Institution, an economic research group, made a national study of family income. Of the country's 27.5 million families, 21.5 million, or 78%, were not doing so well. They earned under $3,000 a year. Among them were 6 million families with incomes under $1,000 per year. Milton Meltzer, 10.	
The wealth of the nation was unevenly distributed: 25 million families - or over 87 per cent of the population - had incomes of less than $2,500, while only about a million families -or less than 3 per cent - had incomes of over $5,000. Samuel Eliot Morison, And Henry Steele Commager, 653.	
In December 1927, Hoover as secretary of commerce proudly claimed that average industrial wages had reached $4 a day, that is $1,200 a year. But a government agency estimated it cost $2,000 a year to bring up a family of five in "health and decency." Paul Johnson, 732.	
In 1929 pork chops cost $.37 cents per pound. Milk cost $.56 cents a gallon. Bread cost $.09 cents a pound. Potatoes cost $.32 cents per pound. US Department of Commerce, Bureau of the Census, *Historical Statistics of the United States* (Washington DC: US GPO, 1975), 213.	
Miners were supporting families on as little as five dollars a week. This account, of a mining town, was written by Edmund Wilson. The company forces the miners to trade at the company store-the only store of course on its property-and goods are sold there at so much higher prices than the non-company stores only three miles away that the miners never come any nearer than 60% of their money's worth. Even at the time when their fathers were working, they had no shoes to go to school, had hardly ever eaten fresh meat or vegetables and had never known milk since they were weaned from their mothers. Their dish consists of sowbelly, potatoes, and pinto beans. Milton Meltzer, 116.	
In 1929 the average per capita income from wages and salaries was $1,475. By 1932 it had dropped to $1,119. In 1932 men were working for 10 cents a hour and children for a dollar a week. Milton Meltzer, 108.	
At thirty cents a ton, digging seven or eight tons a day and working only a day and a half, a miner was lucky to earn five dollars a week. Milton	

Meltzer, 107.	
In Detroit the Briggs auto plant paid men 10 cents an hour and women 4 cents. In Chicago, department store salesladies earned between 5 cents and 25 cents a hour. Pennsylvania sawmills were paying 5 cents an hour. Connecticut sweatshops paid girls 60 cents to $1.10 for a 55 hour week. Farm workers average $1.11 a day in 1933. Milton Meltzer, 108.	

5. New Deal. The relative (short-term) loser of the 1930s and 1940s was wealth-the share of the top 1 percent of Americans who had soared in the twenties and lost headway in the aftermath. Their portion of U.S. personal income, excluding capital gains, dropped from 17.2 percent in 1929 to 12.3 percent in 1941 and 9.6 percent in 1946. To some observers, Roosevelt's 1932-33 attacks on "the moneychangers" and excess wealth concentrations seemed politically at odds with his more conservative predilection for balanced budgets. In fact, as we have seen, this old Democratic mix, originally premised on suspicion of public debt as well as banking elites, traces easily back to the policies of Jefferson and Jackson. Kevin Phillips, (2002), 71.	Main Ideas: Key Words: Analysis:
Franklin Roosevelt and the New Deal raised the top individual tax brackets, eliminated Mellon's fiscal favors, tightened inheritance taxes, and eliminated the personal holding companies through which some of the rich had deducted the expenses of their estates, stables, horses, and planes. Kevin Phillips, 220.	
The grassroots economic benefits to old outsider constituencies like the South, the major urban centers, labor, and, to a lesser extent, farmers, showed up more quickly in census data. Between 1933 and 1949, a near doubling of national price levels was more than offset by the near tripling of the average manufacturing wage-from $1,086 in 1933 (after dropping from $1,523 in 1929) to $1,363 in 1939, $2,515 in 1945, and $3,095 in 1949. And these wage gains augured still more to come. Whereas only 15.5 percent of the private-sector workforce had been unionized in 1933, the figure by 1939 was 22.8 percent, and by 1945, 33.9 percent, close to the 35.7 percent high reached in 1953. Unionization and blue-collar prosperity rose together. Kevin Phillips, (2002), 70.	
Benefits to the cities and the middle classes were huge, and the Old Confederacy's share of U.S. personal income rose from 11 percent in 1929 to 15 percent in 1940 and to 18 percent in 1950. Farm income, middling through the thirties, soared as usual from wartime demand. Rare was the New Deal constituency that did not benefit. Kevin Phillips, (2002), 70-1.	
Roosevelt did indeed triumph over what Wilson era Democrats had called the "money trust" through a spate of 1933-35 measures creating the Securities and Exchange Commission, mandating separation between banks and investment companies (the connection that built the House of Morgan), reforming the Federal Reserve System, and prohibiting public utility holding companies. Kevin Phillips, (2002), 71.	
What the new president was less willing to tackle was wealth itself, as opposed to a rival Republican political and economic power structure. This	

became clear in the Second New Deal of 1935, during which the so-called Wealth Tax Act raised taxes on the rich, but not as much in practice as in rhetoric. Kevin Phillips, (2002), 71.	

6. World War II. The war brought unparalleled prosperity to millions of Americans. The farmers' net cash income more than quadrupled between 1940 and 1945, and the weekly earnings of industrial workers rose 70 per cent. Wartime full employment, together with progressive tax legislation, resulted in a redistribution of income that had not been achieved in the halcyon days of the New Deal. Although tax laws hit millions of Americans for the first time, through the new device of "withholding," the top 5 per cent of income receivers were soaked more than at any time in our history. Their share of disposable income dropped from 26 per cent in 1940, to 16 per cent in 1944, as the federal income levy reached a maximum of 94 per cent of total net income. With a corporation income tax as high as 50 per cent and an excess profits tax stepped up to 95 per cent, few corporations enjoyed "swollen profits." Net corporation income in 1945 was less than in 1941. Samuel Eliot Morison, Professor of History at Harvard, Henry Steele Commager, Professor of History at Amherst College, and William E. Leuchtenburg, Professor of History at University of North Carolina, *A Concise History Of The American Republic* (New York: Oxford University Press, 1983), 635.	Main Ideas: Key Words: Analysis:
Shortly after Labor Day, FDR repeated his call for a $25,000 maximum income, "the only practical way of preventing the incomes and profits of individuals and corporations from getting too high.'"[209] Congress would once again ignore the President's 100 percent tax, but the Revenue Act of 1942 that Congress did pass would raise the rates on America's highest incomes to all-time record levels. The top surtax which had been raised to 77 percent in 1941, jumped to 82 percent. High incomes were also subject to a 6 percent normal tax and a new 5 percent "Victory Tax. The combination meant, on all income over $200,000, a 93 percent tax rate. Sam Pizzigati, 441. 209 Randolph Paul, *Taxation in the United States* (Boston: Little, Brown and Company, 1954), 313.	
The new taxes on both wealthy and average Americans would come nowhere close to meeting the war's insatiable appetite for revenue. In fiscal 1943, the government still had to borrow $60 billion.[214] Congress would respond, in 1944, by upping the tax rate on the wealthy still again. The new rate schedule would place a 94 percent top rate on all income over $200,000, a rate that significantly exceeded the very highest rates in effect during War 1 (77 percent on incomes over $1 million) and the Depression (81 percent on incomes over $5 million).[215] The years 1944 and 1945, concludes John Witte, would be "the most progressive tax years in U.S. history." Sam Pizzigati, 441. 214 Randolph Paul, *Taxation in the United States* (Boston: Little, Brown and Company, 1954), 318.	

215 John F. Witte, *The Politics and Development of the Federal Income Tax* (Madison, Wisconsin: University of Wisconsin Press, 1985), 125.	
Wartime taxes on the rich were close to punitive. The bite on family heads earning the average $40 to $50 a week was not. After the deprivations of the thirties, wartime rationing, not taxes or lack of money, was what limited public buying. Purchases of expensive clothing and jewelry soared. Used cars were at a premium. And despite food rationing, the number of supermarkets climbed from 4,900 in 1939 to 16,000 in 1944. At war's end, Americans were rolling in cash. Average weekly pay had been boosted from $24.20 in 1940 to $44.39 in 1945, not just by high wage rates but by huge overtime and the earnings of 6.5 million women, mostly middle-aged and married, new to the workforce. Kevin Phillips, 75.	
Workers able to shift to a war production job often found their wages climbing by 20, 30, or 40 percent. The pay of women factory operatives, for example, rose 50 percent just between 1941 and 1943. Between 1939 and 1945 wages in manufacturing industries went up by 86 percent while the estimated cost of living rose only 29 percent because of price controls. Many who were unemployed as of 1937 six or seven years later found themselves able to buy war bonds. Kevin Phillips, 75.	
Many families had their first discretionary income. Between mid-1943 and mid-1945, Americans stashed about a quarter of their take-home pay. By Japan's surrender, an amazing $140 billion was in liquid assets (mostly in small savings accounts and war bonds)-twice the entire national income for 1939! By one estimate, this was enough to buy three times the amount of consumer goods that could plausibly be produced during the first year of peace. Kevin Phillips, 75.	
These same years would bring millions of American families a sense of real prosperity. Between 1939 and 1945, wages in manufacturing soared nearly three times faster than the cost of living.[217] "At war's end, Americans were rolling in cash," notes political analyst Kevin Phillips. "Many families had their first discretionary income."[218] The war had equalized incomes. Americans liked the result. Sam Pizzigati, 441. 217 Wages "went up by 86 percent while the estimated cost of living rose only 29 percent because of price controls." Phillips, *Wealth and Democracy,* 75. 218 Ibid., 75.	

7. Post War Boom. What emerged, in full glory, after World War II would be the world's first truly middle class nation, "the first genuine mass prosperity in the history of humankind."[97] America's post-war economy boomed - for nearly everyone. Home ownership, pension plans, and health insurance became commonplace facts of life for average Americans.[98] The nation, by every economic measure, was becoming more equal, and those not yet "equalized" seemed to be on their way. Sam Pizzigati, xx. 97 Harold Meyerson, "If I Had a Hammer: Whatever Happened to America's Working Class?" *Los Angeles Times,* September 2, 2001. 98 Benjamin Schwarz, Reflections on Inequality: "The Promise of American Life," *World*	Main Ideas: Key Words: Analysis:

Policy Journal, Winter 1995.	
In the quarter century after World War II, the real incomes of American families - all families, rich, poor, and every one in the middle - rose substantially. But middle class and poor families actually saw their incomes, on an annual basis, rise faster than the incomes of rich families.[99] Throughout these years, average Americans made steady progress to the good life that had become the American dream. A decent home. A dependable paycheck. Time to enjoy families and friends. Opportunities for children. These all seemed attainable in the years after World War II.[100] Sam Pizzigati, xx. 100 "By 1970, 99 percent of American homes had refrigerators, electric irons, and radios; more than 90 percent had automatic clothes washers, vacuum cleaners, and toasters,- note economists Barry Bluestone and Bennett Harrison, "a far cry from the equipment in the typical home before the war." Barry Bluestone and Bennett Harrison, *Growing Prosperity* (Boston: Houghton Mifflin Company, 2000), 182.	
Unlike the aftermath of World War I, the Truman years saw a continuation and expansion of wartime prosperity. In the five years after the war, national income increased from $181 billion to $241 billion. In 1935 over one-half the workers of the country earned less than $1000; by 1950 only one-tenth of the workers were in this unhappy category. Farmers, too, continued to enjoy unprecedented prosperity. Total farm income in 1948 was over $30 billion as compared with $11 billion in 1941 and $5.5 billion in 1933. As a consequence, farm tenancy fell to the lowest point in the twentieth century. In 1935 only 6 per cent of American families enjoyed an income of over $3000 a year; by 1950 half of all families earned ewer $3000 a year, though, to be sure, a sharp increase in the cost of living qualified these statistics. Samuel Eliot Morison, Professor of History at Harvard, Henry Steele Commager, Professor of History at Amherst College, and William E. Leuchtenburg, Professor of History at University of North Carolina, *A Concise History Of The American Republic* (New York: Oxford University Press, 1983), 673-5.	
The prodigious economic growth brought a sharp rise in national income and a remarkable expansion of the middle class. From 1945 to 1970, a time when 22 million people, including a sizable segment of women, were added to the labor force, real weekly earnings of factory workers increased 50 per cent and the proportion of Americans defined as living in poverty was cut almost in half. Even more striking is the fact that the proportion of families and unattached individuals receiving an annual income of at least $10,000 (measured in 1968 dollars) had soared from 9 per cent in 1947 to 33 per cent in 1968. Samuel Eliot Morison, Professor of History at Harvard, Henry Steele Commager, Professor of History at Amherst College, and William E. Leuchtenburg, Professor of History at University of North Carolina, *A Concise History Of The American Republic* (New York: Oxford University Press, 1983), 703.	
The statistical evidence of economic success was impressive. The gross national product (GNP) jumped dramatically between 1945 and 1970 (see graph on this page), while per capita personal income likewise rose—from $1,223 in 1945 to $2,987 in 1966 and to $3,945 in 1970. Almost 60 percent	

of all families in the country were now part of the middle class, a dramatic change from the class structure in the nineteenth and early twentieth centuries. Gary B. Nash, New Left Professor of History at University of California, Los Angeles, Julie Roy Jeffrey, Goucher College, John R. Howe, University of Minnesota, Peter J. Frederick, Wabash College, Allen F. Davis, New Left Professor of History at Temple University, Allan M. Winkler, Miami University of Ohio, *The American People: Creating A Nation And A Society* (New York: Longman, 2001), 840.	

8. Reaganonomics. Faced with the need to raise more money and to rectify the increasingly skewed tax code, in 1986 Congress passed and Reagan signed the most sweeping tax reform revision since the federal income tax began in 1913. It lowered rates, simplified brackets, and closed loopholes to expand the tax base. Though it ended up neither increasing nor decreasing the government's tax take, the measure was an important step toward treating low-income Americans more equitably. Still, most of the benefits went to the richest 5 percent of Americans, whose tax rate dropped from 50 to 38 percent. Gary B. Nash, New Left Professor of History at University of California, Los Angeles, Julie Roy Jeffrey, Goucher College, John R. Howe, University of Minnesota, Peter J. Frederick, Wabash College, Allen F. Davis, New Left Professor of History at Temple University, Allan M. Winkler, Miami University of Ohio, *The American People: Creating A Nation And A Society* (New York: Longman, 2001), 988-9.	Main Ideas: Key Words: Analysis:
Republicans sought to reorganize the government against the backdrop of an economy that was volatile in the 1980s and then improved dramatically in the 1990s. Under Republican supply-side economics, the business cycle moved from recession to boom and back to recession again. When Reagan took office in 1980, the economy was reeling under the impact of declining productivity, galloping inflation, oil shortages, and high unemployment. It revived in the early 1980s but faltered in the last years of the decade and gave way to a deep recession that lasted from 1990 to 1992. Gary B. Nash, New Left Professor of History at University of California, Los Angeles, Julie Roy Jeffrey, Goucher College, John R. Howe, University of Minnesota, Peter J. Frederick, Wabash College, Allen F. Davis, New Left Professor of History at Temple University, Allan M. Winkler, Miami University of Ohio, *The American People: Creating A Nation And A Society* (New York: Longman, 2001), 999.	
One early initiative involved tax reductions. A 5 percent cut in the tax rate went into effect on October 1, 1981, followed by 10 percent cuts in 1982 and 1983. Although all taxpayers enjoyed tax relief, the rich gained far more than middle- and lower-income Americans. Poverty-level Americans did not benefit at all. Tax cuts and enormous defense expenditures increased the budget deficit. From \$74 billion in 1980, it rose to \$208 billion in 1983 and then jumped to \$290 billion in 1992. Such massive deficits drove the gross federal debt—the total national indebtedness—upward from \$909 billion in 1980 to \$4.4 trillion in 1992. When Reagan assumed office, the per capita	

national debt was $4,035; ten years later, in 1990, it was about $12,400. Gary B. Nash, New Left Professor of History at University of California, Los Angeles, Julie Roy Jeffrey, Goucher College, John R. Howe, University of Minnesota, Peter J. Frederick, Wabash College, Allen F. Davis, New Left Professor of History at Temple University, Allan M. Winkler, Miami University of Ohio, *The American People: Creating A Nation And A Society* (New York: Longman, 2001), 988.	
[President Ronald] Reagan, however, behaved from the outset as though he had in fact received a mandate to undo the half-century of history that began with the New Deal. In electing him president, Reagan claimed, the country had delivered a message: "That message was very simple. Our government is too big and it spends too much." Denying that America had entered an age of limits to which it must adjust, Reagan claimed that by scaling down federal expenditures, reducing government regulation, and cutting taxes for three successive years, he would curb inflation, put millions back to work, and launch a new era of industrial growth. Samuel Eliot Morison, Professor of History at Harvard, Henry Steele Commager, Professor of History at Amherst College, and William E. Leuchtenburg, Professor of History at University of North Carolina, *A Concise History Of The American Republic* (New York: Oxford University Press, 1983), 761.	
Reagan's popularity waned as it became increasingly clear that his economic program was not working. During the contest for the Republican nomination in 1980, George Bush, who would subsequently become vice president, characterized Reagan's dogma as “voodoo economics,” and others warned that if reductions in social spending were neutralized by rises in military expenditure, a tax cut would unbalance the budget. In fact, only ten months after Reagan took office, the White House admitted that it anticipated a cumulative deficit of over $400 billion before the end of the term. Reagan had promised that his policies would bring boom times, but instead the economy foundered in recession. He had campaigned on a pledge to put people back to work, but before his first year was out, unemployment neared 9 per cent, the second highest monthly rate since the beginning of World War II, while high interest rates devastated the housing and automobile industries. Yet, despite this record, Reagan adamantly insisted on still more slashes in social spending, and instead of addressing himself to the problem of recession, proposed a “New Federalism” to turn national programs back to the states. Samuel Eliot Morison, Professor of History at Harvard, Henry Steele Commager, Professor of History at Amherst College, and William E. Leuchtenburg, Professor of History at University of North Carolina, *A Concise History Of The American Republic* (New York: Oxford University Press, 1983), 763.	
More than any other Republican, Ronald Reagan was responsible for the success of the conservative cause . . . Reagan had a pleasing manner and a special skill as a media communicator. Relying on lessons learned in his acting days, he used television as Franklin D. Roosevelt had used radio in the 1930s. He was a gifted storyteller, who loved using anecdotes or one-liners	

to make his point. In 1980, for example, he quibbled playfully with Carter over definitions of economic doldrums. "I'm talking in human terms and he is hiding . . . behind a dictionary," Reagan said. "If he wants a definition, I'll give him one. A recession is when your neighbor loses his job. A depression is when you lose yours. A recovery is when Jimmy Carter loses his." Gary B. Nash, New Left Professor of History at University of California, Los Angeles, Julie Roy Jeffrey, Goucher College, John R. Howe, University of Minnesota, Peter J. Frederick, Wabash College, Allen F. Davis, New Left Professor of History at Temple University, Allan M. Winkler, Miami University of Ohio, *The American People: Creating A Nation And A Society* (New York: Longman, 2001), 986-7.	
In the 1970s, 1980s, and early 1990s, the yearly federal deficit grew steadily larger, and the gross federal debt skyrocketed. Although the deficit began to decline after 1992 and the government announced a budget surplus in 1998, the gross federal debt continued to climb, moving over $5 trillion. Source: Data from *Statistical Abstract of the United States*. Gary B. Nash, New Left Professor of History at University of California, Los Angeles, Julie Roy Jeffrey, Goucher College, John R. Howe, University of Minnesota, Peter J. Frederick, Wabash College, Allen F. Davis, New Left Professor of History at Temple University, Allan M. Winkler, Miami University of Ohio, *The American People: Creating A Nation And A Society* (New York: Longman, 2001), 988.	

9. Reagan Policies. The huge cuts in social programs reversed the approach of liberals over the past 50 years Republicans in the 1970s had begun to question the social policy goals of Lyndon Johnson's Great Society. Now, in the 1980s, they attacked those liberal aims head-on. They eliminated public service jobs, mandated under the Comprehensive Employment and Training Act, and reduced other aid to the cities, where the poor congregated. They cut back unemployment compensation and required Medicare patients to pay more. They lowered welfare benefits and reduced food stamp allocations. They slashed the Legal Services Corporation, which provided legal services to the poor. They replaced grants for college students with loans. Spending on human resources fell by $101 billion between 1980 and 1982. The process continued even after Reagan left office. Between 1981 and 1992, U.S. spending, after adjustment for inflation, fell 82 percent for subsidized housing, 63 percent for job training and employment services, and 40 percent for community services. Middle-class Americans, benefiting from the tax cuts, were not hurt by the slashes in social programs. But for millions of the nation's poorest citizens, the administration's approach caused real suffering. Gary B. Nash, New Left Professor of History at University of California, Los Angeles, Julie Roy Jeffrey, Goucher College, John R. Howe, University of Minnesota, Peter J. Frederick, Wabash College, Allen F. Davis, New Left Professor of History at Temple University, Allan M. Winkler, Miami University of Ohio, *The American People: Creating A Nation And A Society* (New York: Longman, 2001), 989.	Main Ideas: Key Words: Analysis:

At the same time, Reagan embarked on a major program of deregulation. In a campaign more comprehensive than President Carter's, he focused on agencies of the 1970s such as the Environmental Protection Agency, the Consumer Product Safety Commission, and the Occupational Safety and Health Administration. The Republican administration argued that regulations pertaining to the consumer, the workplace, and the environment were inefficient, paternalistic, and excessively expensive. They impeded business growth and needed to be eliminated. Gary B. Nash, New Left Professor of History at University of California, Los Angeles, Julie Roy Jeffrey, Goucher College, John R. Howe, University of Minnesota, Peter J. Frederick, Wabash College, Allen F. Davis, New Left Professor of History at Temple University, Allan M. Winkler, Miami University of Ohio, *The American People: Creating A Nation And A Society* (New York: Longman, 2001), 989.	
As a political conservative distrustful of central government, Reagan wanted to place more power in the hands of state and local governments and to reduce the involvement of the federal government in people's lives. His "New Federalism" attempted to shift responsibilities from the federal to the state level. By eliminating federal funding and instead making grants to the states, which could spend the money as they saw fit, he hoped to fortify local initiative. Critics charged, with some justification, that the proposal was merely a backhanded way of moving programs from one place to another, while eliminating federal funding. When a prolonged recession began in 1990, the policy contributed to the near-bankruptcy of a number of states and municipalities, which now bore responsibility for programs formerly funded in Washington. Gary B. Nash, New Left Professor of History at University of California, Los Angeles, Julie Roy Jeffrey, Goucher College, John R. Howe, University of Minnesota, Peter J. Frederick, Wabash College, Allen F. Davis, New Left Professor of History at Temple University, Allan M. Winkler, Miami University of Ohio, *The American People: Creating A Nation And A Society* (New York: Longman, 2001), 989.	
Reagan needed to curtail social programs, both because of sizable tax cuts and because of enormous military expenditures. Committed to a massive arms buildup, over a five-year period, the administration sought an unprecedented military budget of $1.5 trillion. By 1985, with an allocation of $300 billion, the United States was spending half a million dollars a minute on defense and four times as much as at the height of the Vietnam War. Gary B. Nash, New Left Professor of History at University of California, Los Angeles, Julie Roy Jeffrey, Goucher College, John R. Howe, University of Minnesota, Peter J. Frederick, Wabash College, Allen F. Davis, New Left Professor of History at Temple University, Allan M. Winkler, Miami University of Ohio, The American People: Creating A Nation And A Society (New York: Longman, 2001), 989.	
Reagan took a conservative approach to social issues as well. Accepting the support of the New Right, he strongly endorsed conservative social goals. To avoid compromising his economic program, however, he provided only	

symbolic support at first. He spoke out for public prayer in the schools without expending political capital in Congress to support the issue. In the same way, he showed his opposition to abortion by making sure that the first nongovernmental group to receive an audience at the White House was an antiabortion March for Life contingent. Gary B. Nash, New Left Professor of History at University of California, Los Angeles, Julie Roy Jeffrey, Goucher College, John R. Howe, University of Minnesota, Peter J. Frederick, Wabash College, Allen F. Davis, New Left Professor of History at Temple University, Allan M. Winkler, Miami University of Ohio, The American People: Creating A Nation And A Society (New York: Longman, 2001), 989.	

10. President William Clinton. An even more important sign of economic health was the steady reduction in the budget deficit. Bill Clinton's effort to preempt a Republican issue and hold down spending paid off, particularly as low interest rates encourage economic expansion. In 1998, the United States finished with a budget surplus for the first time in 29 years. With $70 billion—the largest surplus ever—left over at the end of the fiscal year, Democrats and Republicans began arguing with one another about how the money should be used. The president and most Democrats favored using funds to bolster the social security system, which seemed likely to run out of money, while Republicans, who controlled Congress, preferred a politically attractive tax cut. Ignored in the euphoria was the fact that the national debt—the total of all past deficits—remained over $5.4 trillion. Gary B. Nash, New Left Professor of History at University of California, Los Angeles, Julie Roy Jeffrey, Goucher College, John R. Howe, University of Minnesota, Peter J. Frederick, Wabash College, Allen F. Davis, New Left Professor of History at Temple University, Allan M. Winkler, Miami University of Ohio, *The American People: Creating A Nation And A Society* (New York: Longman, 2001), 1004.	Main Ideas: Key Words: Analysis:
Then, in the Clinton years, the economy surged in what Alan Greenspan, chairman of the Federal Reserve Board, called the longest sustained boom in American history. Gary B. Nash, New Left Professor of History at University of California, Los Angeles, Julie Roy Jeffrey, Goucher College, John R. Howe, University of Minnesota, Peter J. Frederick, Wabash College, Allen F. Davis, New Left Professor of History at Temple University, Allan M. Winkler, Miami University of Ohio, *The American People: Creating A Nation And A Society* (New York: Longman, 2001), 999.	
The Clinton administration, while imposing a new 39.6 percent top rate in 1993, still declined to pursue reestablishing the wide gap between the top bracket and those affecting middle incomes so unmistakable in 1940, 1960, and even 1980. Congress would not have gone along. In late 1999, when the Republican Congress proposed massive tax relief for corporations, maverick GOP senator John McCain condemned his party for breaking its commitment to eliminate "corporate welfare," adding, "Now we're going to see this big thick tax code on our desks, and the fine print will reveal another cornucopia for the special interests, and a chamber of horrors for the taxpayers." Kevin	

Phillips, *Wealth And Democracy,* 223.	
In the plan President Clinton presented Congress in 1993, overall federal spending would be cut. Taxes on the affluent, at the same time, would be increased, from 31 to 39.6 percent on income over $250,000. The Clinton administration would package this increase as a budget-balancing more, nothing more, nothing less. The wealthy, under the Clinton plan, would see their income taxes rise, but they would still be paying less in taxes, much less, than they did before Ronald Reagan took office. Republicans in Congress would erupt in outrage anyway. They mounted an all-out assault on Clinton's Omnibus Budget Reconciliation Act. If the Clinton economic plan were enacted, they charged, the economy would collapse. They almost prevailed. The Clinton plan passed the Senate by one vote. Sam Pizzigati, 449-50.	
36 million families cut their taxes by nearly $35 billion by deducting charitable donations. Stephen Ohlemacher, *Associated Press*, "The Super-Rich See Federal Taxes Drop Dramatically," Boulder Daily *Camera*, April 18, 2011, 2A.	

Annual Income	Progressive Tax Rates	Tax Liability	Percent	Reaganomics: Reagan, Bush, Bush tax cuts	Tax Liability	Percent
	1980 Income Tax Rates of the amount over			2007 Income Tax Rates		
$25,000	39% + $5,367 $23,500	$5,952	23.80 %	$3,363	$3,363	13.452 %
$50,000	55% + $13,392 $41,500	$18,067	36.13 %	$8,930	$8,930	17.86%
$75,000	68% + $20,982 $55,300	$34,378	17.89 %	$15,180	$15,180	20.24%
$100,000	68% + $37,677 $81,800	$50,053	50.05 %	x 28% - $5,889.25	$22,110.75	22.11%
$150,000	70% + $55,697 $106,300	$86,287	57.52 %	x 28% - $5,889.25	$36,110.75	24.07%
$200,000	70% + $55,697 $106,300	$121,287	60.64 %	x 33% - $13,971.35	$52,028.65	26.01%
$300,000	70% + $55,697 $106,300	$191,287	63.76 %	x 33% - $13,971.35	$85,028.65	28.34%
$400,000	70% + $55,697 $106,300	$261,287	65.32 %	x 35% - $20,925.75	$119,074.25	34.99%
$500,000	70% + $55,697 $106,300	$331,287	66.26 %	x 35% - $20,925.75	$154,074.25	34.99%
$1,000,000	70% + $55,697 $106,300	$681.287	68.13 %	x 35% - $20,925.75	$329,074.25	32.90%

Internal Revenue Service 1980 and 2007 Form 1040 Instruction Tax Booklets.

4. Top Tax Brackets. Chart 2.13 The Middle Class and the Rich, 1948-1992. Median Families versus Millionaires or the Top 1 Percent

	Median Family's Effective Federal Tax Rate (Income And FICA)*	Millionaire Or Top 1% Family's Effective Federal Tax Rate (Income And FICA)
1948	5.30%	76.9%
1955	9.06	85.5
1960	12.35	85.5
1965	11.55	66.9
1970	16.06	68.6
1975	20.03	68.6
1977	20.03	35.5
1980	23.68	31.7
1981	25.09	
1982	24.46	
1983	23.78	
1984	24.25	
1985	24.44	24.9
1986	24.77	
1987	23.21	
1988	24.30	26.9
1989	24.37	26.7
1990	24.63	

*The data in the column originates as follows: the 1948 figure comes from The Statistical History of the United States, 1976; the figures for 1955 to 1983 come from Alan Lerman of the U.S. Department of the Treasury Office of Tax Analysis. The calculations after 1983 come from Eugene Steuerle and Jon Bakija, Right Ways and Wrongs Ways to Reform Social Security (Washington, D.C.: Urban Institute Press, 1993).

The figures for 1948 to 1970 represent the effective tax rates for those earning $1 million a year and come from U.S. Treasury Department unpublished data set forth on p. 1112 of The Statistical History of the United States, 1976. FICA is not included, but the rates would not even be affected by a percentage point. The rates from 1977 onward are for the top 1 percent of families as computed by the Congressional Budget Office tax simulation model and include all federal taxes. Source: the 1992 Green Book of the House Ways and Means Committee, p. 1510. The effective rate on millionaires would be close to the rate on the top 1 percent. Kevin Phillips, 96.

Chart 3-19 The Declining Share of the Federal Tax Burden Paid by Corporations and the Rising Share Represented by Payroll Taxes.

	Corporate Taxes As A % Of Total Receipts	Payroll Taxes (Social Security and Medicare)
1950	26.5	6.9%
1960	23.2	11.8
1970	17.0	18.2
1980	12.5	24.5
1990	9.1	35.5
2000	10.2	31.1

Source: Federal Receipts and Outlays, Economic Report of the President 2001; 2001 OASDI Trustees Report; Operations of the HI Trust Fund, 1970-2010. Kevin Phillips, 149.

Chart 2.5 The Top Fourteen Federal Income Taxpayers of 1924

Name -Business	Taxes Paid
John D. Rockefeller (oil)	$6,278,000
Henry Ford (autos)	2,609,000
Edsel Ford (autos)	2,158,000
Andrew Mellon (finance, oil)	1,883,000
Payne Whitney (oil)	1,677,000
Edward Harkness (oil)	1,532,000
Richard Mellon (finance, oil)	1,181,000
Anna Harkness (oil)	1,062,000
Mrs. Horace Dodge (autos)	993,000
Frederick Vanderbilt (land, railroads)	793,000
George F. Baker (finance)	792,000
Thomas Fortune Ryan (urban transit)	792,000
Edward J. Berwind (coal)	722,000
Vincent Astor (land, railroads)	643,000

Kevin Phillips, 59.