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Title: The Effects of Reaganomics on Economic Inequality in America

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Abstract:
President Ronald Reagan's economic program, colloquially known as Reaganomics, included widespread tax cuts for all Americans. The program's two major tax cuts were the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986. Between these two cuts, the top marginal income tax rate was slashed from 70% to 28%. These tax changes were hastily approved by Reagan, as supply-side economists knew Reagan was their chance of getting these aggressive changes approved due to his popularity. This paper analyzes the effects Reagan tax changes on various metrics of economic well-being and economic inequality in America. The metrics I use are the Levy Institute Measure of Economic Well-being, top 1% income share, real weekly wages vs. income percentile, and the Gini Index. These metrics cover a variety of economic effects, but overall, represent how unequal the US economy is at a certain point. These metrics only provide information on income inequality rather than wealth inequality. Because generational wealth is even more unequal than income, the real effects of inequality are underrepresented in my results. However, my results show that Reagan's tax changes had significant effects, increasing economic inequality across all metrics. These effects have continued to the present day, because Reagan's tax changes have not come close to being counteracted. However, this is a solvable problem. From increasing the top marginal tax rate, to a negative income tax, and an earned income tax credit, there are a myriad of solutions which we must put into place in order to combat economic inequality.