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Reagan's Real Legacy

Peter Dreier | February 4, 2011

As the nation embarks on a celebration this Sunday of the hundredth anniversary of President Ronald Reagan's birth—with conferences, museum exhibits and lots of speeches—let us not forget that many of the serious problems facing America today began or worsened during Reagan's presidency.

Why not let Reagan, who died in 2004, rest in peace? Because a growing chorus of journalists, politicians, and pundits are using this hundredth-birthday milestone to rewrite history and bestow on Reagan a Mount Rushmore-like status as one of our greatest presidents.

That's hogwash.

During his two terms in the White House (1981–89), Reagan presided over a widening gap between the rich and everyone else, declining wages and living standards for working families, an assault on labor unions as a vehicle to lift Americans into the middle class, a dramatic increase in poverty and homelessness, and the consolidation and deregulation of the financial industry that led to the current mortgage meltdown, foreclosure epidemic and lingering recession.

These trends were not caused by inevitable social and economic forces. They resulted from Reagan's policy and political choices based on an underlying “you're on your own” ideology.

Reagan is often lauded as “the great communicator,” but what he often communicated were lies and distortions. For example, during his stump speeches, while dutifully promising to roll back welfare, Reagan often told the story of a so-called “welfare queen” in Chicago who drove a Cadillac and had ripped off \$150,000 from the government using eighty aliases, thirty addresses, a dozen Social Security cards and four fictional dead husbands. Journalists searched for this “welfare cheat” in the hopes of interviewing her and discovered that she didn't exist. But this phony imagery of “welfare cheats” persisted and helped lay the groundwork for cuts to programs that help the poor, including children.

Reagan's most famous statement—“Government is not a solution to our problem. Government is the problem”—has become the unofficial slogan for the recent resurgence of right-wing extremism. The rants of Glenn Beck and Rush Limbaugh, the lunacy of Tea Party, the policy ideas promulgated by propaganda outfits like the Cato Institute and the Heritage Foundation masquerading as think tanks and the takeover of the Republican Party by its most conservative wing were all incubated during the Reagan years. Indeed, they all claim to be carrying out the Reagan Revolution.

What did that revolution bring us?

Many Americans credit Reagan with reducing the size of government. In reality, he *increased* government spending, cut taxes and turned the United States from a creditor to a debtor nation. During his presidency,

Reagan escalated the military budget while slashing funds for domestic programs that assisted working-class Americans and protected consumers and the environment. Not surprisingly, both George H.W. Bush and George W. Bush followed in Reagan's footsteps.

But, unfortunately, so did Bill Clinton. During his first campaign for the presidency, Clinton correctly observed that "the Reagan-Bush years have exalted private gain over public obligation, special interests over the common good, wealth and fame over work and family. The 1980s ushered in a Gilded Age of greed and selfishness, of irresponsibility and excess, and of neglect." But a few years later, as president, Clinton proclaimed, echoing Reagan, that "the era of big government is over," which he carried out by slashing welfare benefits for poor children.

Indeed, Reagan's most important domestic legacy is our government's weakened ability to do its job protecting families, consumers, workers and the environment.

How did Reagan revise America's thinking about the role of government? Before Reagan took office, the American public was already growing more skeptical about government and politicians, exacerbated by the lies told by Presidents Lyndon Johnson and Richard Nixon about the Vietnam war, Nixon's Watergate scandal and President Jimmy Carter's inability to deal with the twin problems of rising prices and unemployment, often called "stagflation." But Reagan—with his avuncular style, optimism and just-plain-folks demeanor—turned government-bashing into an art form.

And he had a lot of help. Accompanying the Reagan era was the rise of a well-oiled corporate-funded conservative propaganda machine—including think tanks and lobby groups, endowed professorships at universities, legal advocacy organizations, magazines, and college student internships to train the next generation—designed to demonize activist government and glorify unregulated markets. Years before Rush Limbaugh began his radio ministry to his conservative congregation of ditto-heads, Reagan and this right-wing echo chamber were on the job.

Reagan's fans give him credit for restoring the nation's prosperity. But whatever economic growth occurred during the Reagan years mostly benefitted those already well off. The income gap between the rich and everyone else in America widened. Wages for the average worker declined and the nation's homeownership rate fell. During Reagan's two terms in the White House, the minimum wage was frozen at \$3.35 an hour, while prices rose, thus eroding the standard of living of millions of low-wage workers. The number of people living beneath the federal poverty line rose from 26.1 million in 1979 to 32.7 million in 1988. Meanwhile, the rich got much richer. By the end of the decade, the richest 1 percent of Americans had 39 percent of the nation's wealth.

After signing the Garn–St. Germain Depository Institutions Act in 1982, Reagan presided over the dramatic deregulation of the nation's savings-and-loan industry. The law allowed S&Ls to end their reliance on home mortgages and permitted banks to provide adjustable-rate mortgage loans. The S&Ls began a decade-long orgy of real estate speculation, mismanagement and fraud. The industry indulged in a wild ride of merger mania, with banks and S&Ls gobbling each other up and making loans to finance shopping malls, golf courses, office buildings and condo projects that had no financial logic other than a quick-buck profit.

When the dust settled in the late 1980s, hundreds of S&Ls and banks had gone under, billions of dollars of commercial loans were useless and the federal government was left to bail out the depositors whose money the speculators had looted to the tune of over \$130 billion.

Under Reagan, government's role shifted from policing Wall Street and protecting consumers to a see-no-evil enabler, encouraging banks to engage in irresponsible practices. This was just the first chapter in the slide towards today's financial crisis. Things got even worse—much worse—in the decades after Reagan left office. Both Bushes, as well as Clinton, took up where Reagan left off in granting banks and

insurance companies permission to wreak havoc on consumers and the economy. This led to the epidemic of subprime loans and foreclosures of the past three years and the costly federal bail-out of “too big to fail” Wall Street banks.

Reagan’s indifference to urban problems was legendary. Early in his presidency, at a White House reception, Reagan greeted the only black member of his Cabinet, Housing and Urban Development (HUD) Secretary Samuel Pierce, saying: “How are you, Mr. Mayor? I’m glad to meet you. How are things in your city?”

Reagan not only failed to recognize his own HUD Secretary, he failed to deal with the growing corruption scandal at the agency that resulted in the indictment and conviction of top Reagan administration officials for illegally targeting housing subsidies to politically connected developers. Pierce and others rigged the allocation of subsidies for housing projects to favor Reagan’s campaign contributors and GOP lobbyists, such as former Interior Secretary James Watt. Fortunately for Reagan, the “HUD Scandal” wasn’t uncovered until he’d left office.

Reagan didn’t invent the pay-to-play game or the revolving door of top government officials becoming well-paid lobbyists and government contractors. But his hands-off attitude toward government oversight contributed to the deepening culture of corruption in our nation’s capital.

The 1980s saw pervasive racial discrimination by banks, real estate agents and landlords, unmonitored by the Reagan administration. Community groups uncovered blatant redlining by banks. But Reagan’s HUD and Department of Justice failed to prosecute or sanction banks that violated the Community Reinvestment Act, which prohibits racial discrimination in lending. During that time, of the 40,000 applications from banks requesting permission to expand their operations, Reagan’s bank regulators denied only eight of them on grounds of violating CRA regulations.

The declining fiscal fortunes of America’s cities began during the Reagan years. By the end of his second term, federal assistance to local governments had been slashed by 60 percent. Reagan eliminated general revenue sharing to cities, cut funding for public service jobs and job training, almost dismantled federally funded legal services for the poor, cut the antipoverty Community Development Block Grant program and reduced funds for public transit.

These cutbacks had a disastrous effect on cities with high levels of poverty and limited property tax bases, many of which depended on federal aid to provide basic services. In 1980 federal dollars accounted for 22 percent of big city budgets. By the end of Reagan’s second term, federal aid was only 6 percent. The consequences were devastating to urban schools and libraries, municipal hospitals and clinics, and sanitation, police and fire departments—many of which had to shut their doors. Many cities still haven’t recovered from the downward spiral started during the Gipper’s presidency.

The most dramatic cut in domestic spending during the Reagan years was for low-income housing subsidies. In his first year in office, Reagan cut the budget for public housing and Section 8 rent subsidies in half. Congress thwarted his plan to wipe out federal housing assistance to the poor altogether, but he got much of what he sought. In the 1980s the proportion of the eligible poor who received federal housing subsidies declined substantially.

Another of Reagan’s enduring legacies is the steep increase in the number of homeless people, which by the late 1980s had swollen to 600,000 on any given night—and 1.2 million over the course of a year. Many were Vietnam veterans, children and laid-off workers.

In early 1984 on “*Good Morning America*,” Reagan defended himself against charges of callousness toward the poor in a classic blaming-the-victim statement. He said that “people who are sleeping on the

grates...the homeless...are homeless, you might say, by choice.”

Since his death, we've named a major airport, many schools and lots of streets after Ronald Reagan. Perhaps now, as we celebrate the centennial of his birth, a more fitting tribute to his legacy would be for each American city to name a park bench—where at least one homeless person sleeps every night—in honor of our fortieth president.

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