

**CHAPTER 25** Section 2 (pages 822–826)

# Conservative Policies Under Reagan and Bush

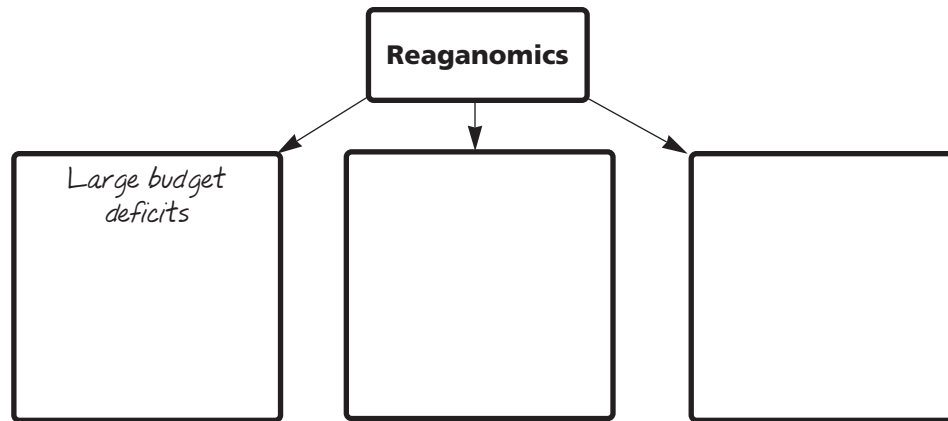
## BEFORE YOU READ

In the last section, you saw how conservative power grew before the presidential election of 1980.

In this section, you will read how President Reagan put in place conservative policies.

## AS YOU READ

Use the chart below to take notes on the effects of Reaganomics.



### TERMS AND NAMES

**Reaganomics** Reagan’s economic policies

**supply-side economics** Economic theory that tax cuts will increase jobs and government revenues

**Strategic Defense Initiative** Proposed system to defend the United States against missile attacks

**trade imbalance** When a nation imports more than it exports

**Sandra Day O’Connor** First woman Supreme Court justice

**William Rehnquist** Chief Justice of the Supreme Court

**Geraldine Ferraro** Democratic vice-presidential candidate in 1984

## “Reaganomics” Takes Over

(pages 822–824)

### What was Reaganomics?

Reagan tried to reduce the size and power of the federal government. He wanted to make deep cuts in government spending on social programs. He convinced Congress to lower taxes. This approach was called **Reaganomics**.

Reaganomics depended on **supply-side economics**. This theory said that cutting taxes would motivate people to work, save, and invest. More investment would create more jobs. More workers would mean more taxpayers, which would cause government **revenues** to increase.

Reagan also increased military spending. Between 1981 and 1984, the Defense Department

budget almost doubled. In 1983, Reagan asked the country’s scientists to develop a defense system that would keep Americans safe from enemy missiles. The system became known as the **Strategic Defense Initiative**, or SDI.

The economy grew. Interest rates and inflation rates dropped. Government revenues, however, did not increase as much as Reagan hoped. So the federal government ran up huge budget deficits.

During the Reagan and Bush years, the size of the government debt more than doubled. This meant that the United States had a larger national debt than any other nation in the world.

Interest payments on this debt accounted for about 21 percent of the national budget. This limited the amount of money available for investment

in many projects, including houses, roads, businesses, and schools.

The United States also faced a large **trade imbalance**. This meant that the nation was importing more goods than it was exporting.

### 1. What was the main idea of Reaganomics?

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## Judicial Power Shifts to the Right (page 824)

*What kind of judges did Reagan and Bush nominate?*

Reagan made conservative appointments to the Supreme Court. He nominated **Sandra Day O'Connor**, Antonin Scalia, and Anthony M. Kennedy to fill the seats of retiring justices. Reagan also nominated Justice **William Rehnquist** to the position of chief justice.

President George Bush later made the Court more conservative when he nominated David H. Souter to replace the retiring justice William Brennan. He also nominated Clarence Thomas to take the place of Thurgood Marshall. In many decisions, the Court moved away from the more liberal rulings of the previous 40 years.

### 2. What was the result of Reagan's and Bush's appointments to the Supreme Court?

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## Deregulating the Economy

(page 825)

*What was deregulation?*

Reagan tried to reduce the power of the federal government through **deregulation**. Reagan removed price controls on oil and gas. He deregulated the airline industry.

Reagan ended government regulation of the savings and loan industry. Savings and loan associations (S & Ls) were allowed to invest in *commercial* real estate. This included shopping malls and office buildings. Some S & Ls made risky loans. Even if

they made risky investments, the government insured investors for up to \$100,000.

When the economy slowed down, many of these risky investments went bad. This forced many S & Ls into bankruptcy. The government paid the cost of insuring the losses.

Reagan also reduced environmental regulation. He cut the budget of the Environmental Protection Agency (EPA). He ignored requests from Canada to reduce acid rain.

### 3. What was the result of the deregulation of the savings and loan industry?

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## Conservative Victories in 1984 and 1988 (page 826)

*Who won the elections of 1984 and 1988?*

By 1984, Reagan had the support of conservative voters who approved of his policies. These voters helped Reagan win the 1984 election. He defeated Democrat Walter Mondale. Mondale chose Representative **Geraldine Ferraro** of New York as his running mate. Ferraro became the first woman on a major party's presidential ticket.

In 1988, Vice-President Bush ran for the presidency. He won the Republican nomination. The Democrats nominated Massachusetts governor Michael Dukakis.

During the campaign, Bush built on Reagan's legacy of low taxes by saying, "Read my lips: no new taxes." Most Americans saw little reason for change. George Bush won the election with 53 percent of the popular vote and 426 electoral votes.

### 4. What did the presidential elections of 1984 and 1988 show about the mood of the country?

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## **Chapter 25: The Conservative Tide (pages 816–843)**

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### **Section 2: Conservative Policies Under Reagan and Bush (pages 822–826)**

1. The main idea of Reaganomics was that cutting taxes would make the economy grow and budget deficits shrink.
2. The result was that the Supreme Court became more conservative.
3. Many of the S & Ls with risky investments went bankrupt. The government was forced to pay the cost of insuring the losses.
4. Possible response: They showed that people liked Reagan's policies and reelected him in 1984. In 1988 they saw little reason change and elected Bush.