Info Sheet 2

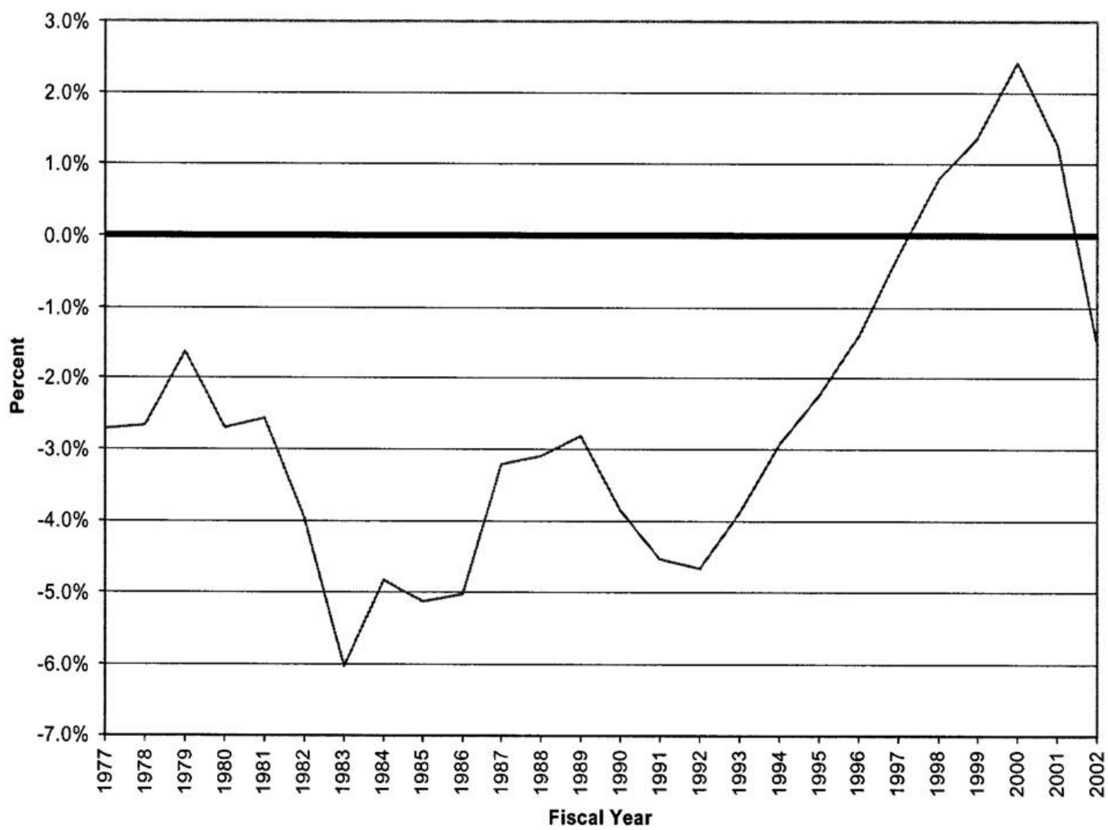
Economic Conditions 1977-2002

Theme 2: Taxes in U.S. History
Lesson 7: Tax Reform in the 1990s and 2000s

The following charts[1] show some of the Economic Conditions 1977-2002.

Federal Surplus (Deficit)

Figure 14.–Surplus (Deficit as Percent of GDP)



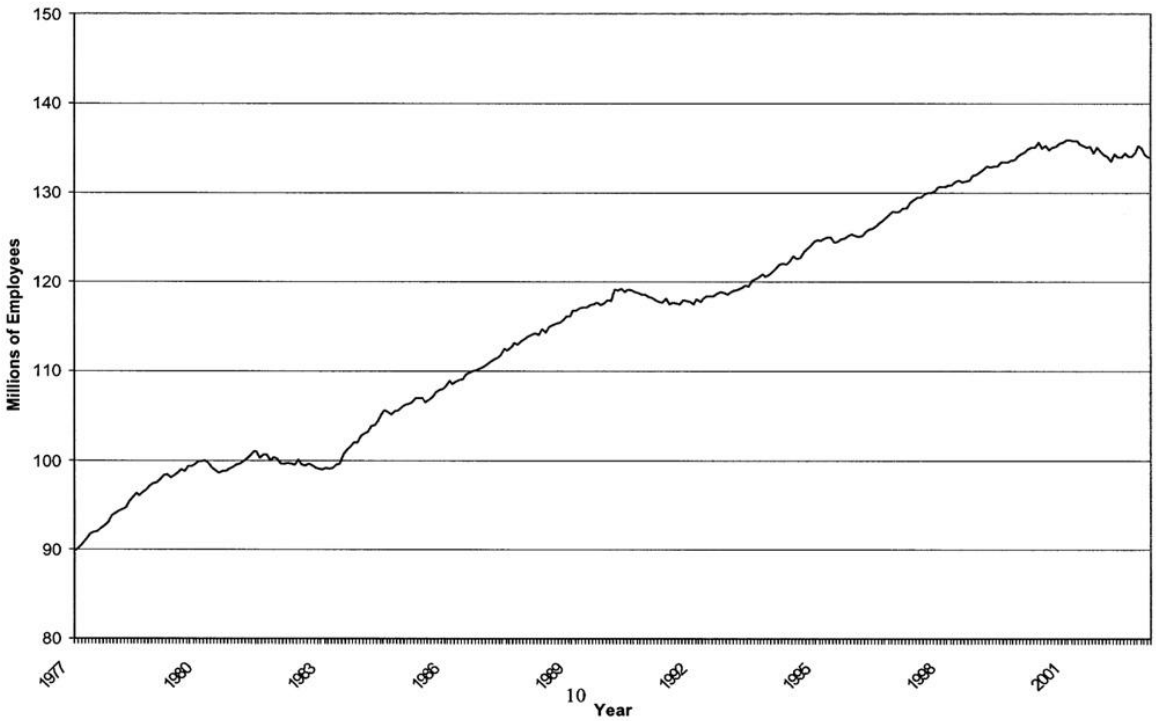
[1] From Economic Growth and Job Creation: Background and Proposals Relating to Incentives for Consumption and Investment by the Staff of the Joint Committee on Taxation
http://www.jct.gov/publications.html?func=startdown&id=2130

Civilian Unemployment

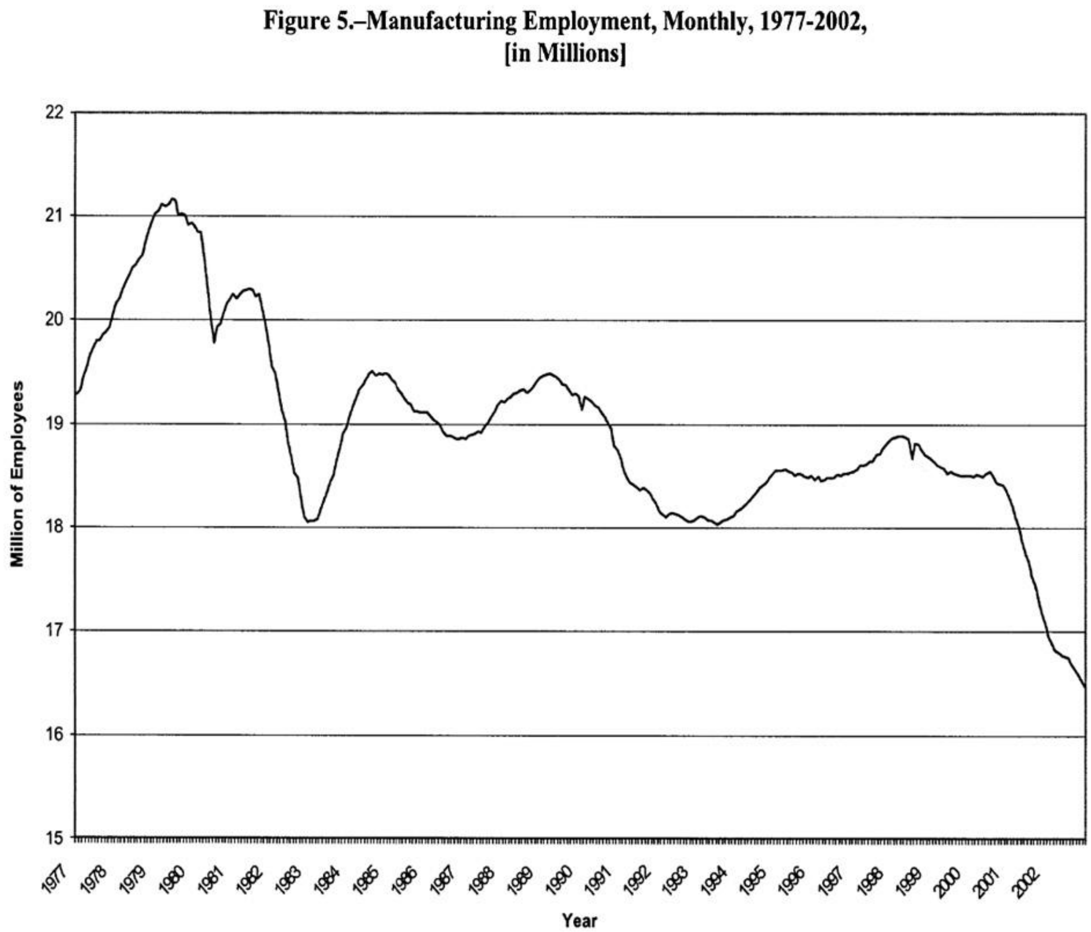
Figure 2.–Civilian Unemployment Rate, Monthly, 1977-2002

Civilian Employment

Figure 4.–Civilian Employment, Monthly, 1977-2002
[in Millions]



Manufacturing Employment



By the middle of the Bush administration, the two big economic goals were to (1) get people back to work so they could buy more goods and pay more income taxes, and (2) decrease the federal deficit and thereby decrease the government's interest payments. However, there were two very different ideas about how to create more jobs and lower the deficit:

- Increase government revenue (e.g., raise taxes on high income earners and large businesses or increase debt by borrowing) so the government could create public programs and private sector incentives for developing new technologies, rebuilding the country's infrastructure, creating new jobs, and training workers for those new jobs.
- Get government "out of the way" by cutting public programs, decreasing taxes, and reducing regulation (red tape) so that private sector corporations and businesses would be free to grow, invest in the economy, and create jobs.

Explain the pros and cons of each approach in a troubled economy.