

If You Don't Like History, Try Rewriting It

Citizens for Tax Justice, March 2001

The Canard:

“Mr. Speaker, I have to say, that the Democrat leadership has no credibility when it comes to fiscal responsibility. They are the ones that were in charge and who drove up the debt. They point to Reaganomics as the reason for the debt going up, but what they do not point out is that . . . the Democrat-controlled House drove spending up It is spending, stupid. It is spending that creates the deficit. It is spending.”

House Majority Whip Tom DeLay (R-Texas), during the House debate on the Bush tax cuts, Congressional Record, March 8, 2001, p. H801.

The Facts:

As everyone knows, under Ronald Reagan, the federal budget deficit ballooned—growing from 2.7% of the Gross Domestic Product in fiscal 1980 to 5.0% of the GDP in 1986. (The deficit actually peaked in 1983, at 6.0% of the GDP, before some of the Reagan policies began to be reversed.). Here's how that happened:

Changes that *lowered* the deficit (as shares of GDP)—

Domestic appropriations. Fiscal 1980: 4.7%. Fiscal 1986: 3.3%. **Change: -1.4%**

All other non-defense programs, from fiscal 1980-86. **Change: -0.2%**

Non-income-tax revenues (mostly payroll taxes), from fiscal 1980-86. **Change: +0.5%**

Net deficit-lowering changes: -2.1%

Changes that *increased* the deficit (as shares of GDP)—

Defense spending. Fiscal 1980: 4.9%. Fiscal 1986: 6.2%. **Change: +1.3%**

Personal & corporate income taxes. Fiscal 1980: 11.3%. Fiscal 1986: 9.3%. **Change: -2.0%**

Interest on the national debt. Fiscal 1980: 1.9%. Fiscal 1986: 3.1%. **Change: +1.2%**

Net deficit-increasing changes: +4.4%

Budget deficit (as a share of GDP): Fiscal 1980: 2.7%. Fiscal 1986: 5.0%. **Change: +2.3%**

Spending, Taxes & Deficits under Reaganomics

As Shares of the Gross Domestic Product, fiscal 1980 to 1986

	1980	1986	Change	% change
Changes that lowered the deficit—				
Domestic appropriations	4.7%	3.3%	-1.4%	-29%
Mandatory programs, net	9.5%	9.4%	-0.1%	-1%
International programs	0.5%	0.4%	-0.1%	-14%
Non-income tax revenues	7.6%	8.1%	+0.5%	+6%
Effect on the deficit			-2.1%	-76%
Changes that increased the deficit—				
Personal & corporate income taxes	11.3%	9.3%	-1.9%	-17%
Defense spending	4.9%	6.2%	+1.3%	+27%
Interest on the national debt	1.9%	3.1%	+1.2%	+61%
Effect on the deficit			+4.4%	+163%
Budget deficit	2.7%	5.0%	+2.3%	+86%

Note: Income tax figures are net of the refundable earned-income tax credit. Mandatory spending figures are net of the refundable earned-income tax credit and unallocated offsetting receipts.

Source: Congressional Budget Office, Jan. 2001