

# Kevin phillips criticizes the reagan administration

[Economics](#), [Tax](#)



Kevin Phillips criticizes the Reagan administration for grossly redistributing wealth from the poor to the rich. He refers to this phenomenon as the "upward redistribution of wealth". He feels that the country's current economic climate continues to give an unfair advantage to the rich, by means of tax-code restructuring and deregulation of private enterprises. Phillips maintains that the tax burden on rich people has to be considerably increased and tax benefits for corporation has to be cut down to facilitate fair distribution of wealth.

Phillips draws up on statistical data to reiterate his views on economic inequality; one percent of Americans belonging to the rich elite class own more than 40 percent of the nation's total wealth, according to a 1997 study. Such striking diversity in wealth distribution was witnessed before only during the Great Depression of late 1920s. Citizens from middle income group have experienced a meager increase of 2.8 percent in stock market during the 90s, while being responsible for 38.7 percent of the rise in debt. A majority of people in this group are religious and conservative voters. According to the Wall Street Journal, 90 percent of private stocks are owned by the affluent 10 percent. This trend has resulted in widening of the economic divide and slow degradation of the middle class in America.

Middle-class Americans becoming wealthier in the 1980s was primarily due to a surge in the economy, and certainly not due to the Government's redistribution of existing wealth (National Review). The eighties also marked a period of decent employment opportunities of the poor and minority groups. During the 80s, a CEO's salary was 93 times that of a normal worker, and this figure has leaped to 419 times in the 90s (Phillips 1991). The wage

distribution patterns of private corporations clearly indicate the extent of income disparity and explain difference in lifestyles.

The Cold War marked the period between the post war 1940s and 1991, when the USA and USSR were competing in a virtual war comprising of arms race, creating espionage and forging strategic alliances. This also included fighting proxy wars such as Korean War, Vietnam War and Afghan War by using political pawns. America was spending a great sum of money to gain strategic advantage and political pride over the Soviet Union.

The two-tier wage system is policy adopted by corporations, by which newly hired employees are paid much lesser wages compared to regular employees (Kebler). Although this results in a lot of cost saving to the employers, it leads also to discrimination and discontent among one class of workers. This system also encourages companies to lay off senior employees through retirement schemes and buyouts, thereby leading to insecurity among senior workers. Bargain basement is also short term credit plan concept which was prevalent during this period wherein money comes at a lesser value, but helps to improve the economy since the inflow of money is consistent.

Trickle-down economics is characterized by tax benefits for rich citizens and corporations (Wikipedia). This policy is justified by the assumption that business will use tax savings to further contribute to economic growth. Reagan's economic policy was aligned towards trickle-down economics and also vouched for deregulation. It also concentrated on cut down on government spending, so as to control the money supply and bring down inflation. Trickle-down economics, also known as Reaganomics, led to <https://assignbuster.com/kevin-phillips-criticizes-the-reagan-administration/>

problems such as tax evasions for the government. Kevin Phillips suggests that these policies did more harm rather than good to the US economy.

Reference:

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