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## REAGANOMICS AND THE WELFARE STATE

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### ABSTRACT

Supply-side tax and spending policies have intensified poverty, unemployment and inequality, especially for women, minorities and organized labor. At the same time Reaganomics is shrinking and weakening the welfare state. To better understand and resist this conservative assault it is necessary to demystify the "economics" and "politics" of supply-side doctrine. This paper (a) defines the basic assumptions of supply-side economics; (b) identifies some of its problems and contradictions; (c) discusses its impact on the welfare state; and (d) analyzes it as part of a broader plan for coping with the current economic crisis. It argues that the supply-side tax cut not only lowers government revenues, but provides a justification for cutting domestic programs. Domestic cutbacks, in turn, are achieved by new laws that change program rules and regulations, transfer federal social welfare responsibility to the states, that weaken the political support for the programs themselves. This legislated conservative legacy will be more difficult to reverse than if the cuts were achieved by just lowering appropriations. As a domestic strategy, Reaganomics is part of a broader response to the current economic crisis that involves redirecting larger amounts of capital into the private sector and weakening the political strength of women, minorities and organized labor whose demands for an adequate standard of living have become to costly for business and government to absorb.

Supply-side economics is a disaster for the social services. The fiscal 1982 budget based on supply-side tax, spending and regulatory policies is intensifying poverty, unemployment and inequality, especially for women, minorities and the working poor. It reduces the availability and accessibility of increasingly

necessary social services and benefits, and creates job insecurity if not unemployment among social service workers who meanwhile are "battered" by rising caseloads and troublesome decisions about who can and cannot be served (Lewis, 1980).

To cope with and resist the devastating effects of this conservative economic doctrine, we must first understand it. This paper hopes to demystify the "economics" and "politics" of supply-side economics by (a) defining its assumptions, (b) identifying some of its problems and contradictions, (c) discussing its impact on the welfare state, and (d) analyzing it as part of the Administration's response to the current economic crisis.

#### WHAT IS SUPPLY-SIDE ECONOMICS?

Supply-side economics is part of a broad attempt to deal with the economic crisis facing the United States since the mid-1970's. The attempt is not a new one. Like Nixon, Ford and Carter before him, Reagan is trying to stimulate investment and production while reducing unemployment and inflation. The failure of his predecessors to revive the sagging economy merely gave Reagan the opportunity to reject Keynesian economic policies on behalf of conservative economics and ideology known today as supply-side economics or Reaganomics.

But neither is supply-side economics new. It is a modern day version of a *laissez-faire* doctrine known as Say's Law, named for Jean Baptiste Say (1767-1832), a French follower and popularizer of the work of Adam Smith. In brief, Say's Law says that "supply creates its own demand" (Editors, 1981). That is, in an unrestricted market, production (supply) can generate enough income (demand) which when spent is just enough to clear the market of all goods and services produced. Moreover, unemployment and idle capacity, can automatically be eliminated by an increase in production. Therefore policy aimed at stimulating the economy need only be concerned with increasing production (or removing barriers to such an increase). Everything else, including the demand for the resulting output will take care of itself. Most economists accepted this doctrine until the 1930's when it was discredited by the Great Depression and the work of British economist, John Maynard Keynes.

Keynesian economics became the new orthodoxy after World War II. In contrast to Say's emphasis on stimulating production, Keynes focused on the problem of insufficient demand. Arguing that demand tends to fall short of potential output or supply and that business produces only as much as it can sell, Keynes concluded that a market economy could not sustain itself. Rather it was prone to periodic crises of low production and high unemployment, such as the Depression of the 1930's. To prevent this, Keynes recommended that government use its tax and spending powers to stimulate demand incurring a deficit, if necessary. Indeed Keynes recommended deficit spending as a good way to bolster demand. Once the economy reached the point of full employment, restrictive fiscal and monetary policies could be used to control inflation.

Contemporary supply-siders such as Jack Kemp, Norman Ture, P. Craig Roberts, Arthur Laffer among others, reject "demand-side" theory. They favor Say's Law as

the best route out of the current economic crisis. The heart of their supply-side economics, the tax cut, is viewed as the critical stimulus to production (Roberts, 1981; Davenport, 1978). By lowering production costs and raising after-tax income, the tax cut is expected to encourage people to work more (overtime, moonlight, employment of additional family members); to save more (due to higher after-tax wages) and to invest more (due to higher after-tax income and corporate profits).

The supply-siders also maintain that reduced taxes need not increase the deficit nor require budget cuts. This is the message of the Laffer curve, a mathematical model of tax revenues which indicates that lowered tax rates will revitalize production and employment such that tax revenues will remain constant or even increase (Arenson, 1981a). In turn, the demand for unemployment insurance, food stamps and AFDC will fall permitting the budget to be balanced without massive budget cuts.

Finally supply-siders promise to control inflation by increasing supply without stimulating excessive demand. Once investments and greater productivity lower unit costs of production prices will fall. Any increase in demand caused by higher after-tax income will be less than the increased supply of goods and services thereby easing inflationary pressures.

Unlike Keynesians, supply-siders see high taxes and government regulations as part of the problem, not part of the solution. As barriers that raise the costs of goods, labor and capital and stymie production, government regulations must be removed.

#### Problems and Contradictions

Supply-side economics does not seem to be working. Among other things, its failure has been attributed to weak theoretical assumptions; a lack of correspondence with economic realities; and the effect of competing economic policy recommendations within Administration circles.

Supply-side theory predicts that lower taxes will encourage more work, saving and investment. But standard economic theory and the behavior of consumers and business indicate otherwise. Economic theory teaches that lower tax rates can make people work more (if they want a greater income) or less (since the same amount of money can be earned in less time or by fewer people) (Samuelson, 1970). Studies also show that changes in taxes cause little or no change in the hours people work, since institutional requirements more than personal preferences determine the length of the workday or workweek (Tabb, 1981). Likewise, the portion of income saved overtime has remained fairly steady despite tax fluctuations (Arenson, 1981a).

Businessmen and economists also question the supply-side prediction that lowered corporate taxes will stimulate greater business investment. The demand for a company's product and/or anticipated profits, not just lowered production costs significantly shape business investment decisions (Arenson, 1981b; Tabb, 1981). As the chief economist at Chase Econometrics observed, although "investment incentives do stimulate investment," they will take many years to improve productivity," and

"won't slow inflation quickly" (Arenson, 1981b). At the margin, says William Tabb, Professor of Economics at Queens College, "some productive investment may be forthcoming, but very little, and at an exceedingly high cost in lost tax revenues" (Tabb, 1981).

Supply-side failures also stem from the competition within administration circle between the supply-siders and the monetarists.<sup>1</sup> Monetarists, the traditional fiscal conservatives, worry most about inflation and budget deficits. They favor restrictive fiscal and monetary policies designed to lower demand and squeeze inflation out of the economy. These deflationary policies conflict with the stimulative push of supply-side tax cuts and large military outlays causing Administration policies to contradict or cancel each other out.

Even the Administration had to acknowledge that a commitment to restrictive monetary policy imposed limits on its goals for economic growth (Fuehringer, 1981). More dramatically, plans to cut taxes and expand military budgets forced the Administration to raise its deficit estimates from a low of \$42.5 billion to over \$100 billion. These figures strain the Laffer-curve promise that tax cuts will revitalize the economy and permit the budget to be balanced. So does the deep recession (which many argue is due to the Administration's own restrictive monetary policy), record post-war unemployment rates and falsification of data used by the Administration, which created overly optimistic initial economic recovery forecasts (Greider, 1981).

As the impact of supply-side tax cuts, increased military spending and the deregulation of oil, gas and other prices ripples through the economy, prices will rise, undermining the original supply-side promise to control inflation (Alperovitz and Faux, 1981; Dollars and Sense, 1981). Although it involved sweeping cuts of property, not income taxes, California's Proposition 13 may be viewed as a pre-test of the supply-side tax cut. Neither a production boom, nor lower inflation rates resulted (Dollars and Sense, 1981).

Despite its inconsistencies and weaknesses, Reaganomics has already damaged the welfare state. Although Reagan's 1983 budget is currently stalled in Congress, the conservative legacy Reagan plans for the welfare state needs to be examined.

#### IMPLICATIONS OF REAGANOMICS FOR THE WELFARE STATE

Both the supply-side tax cuts and the social spending reductions involve more than lowered appropriations. Rather structural changes in the tax code and in the social welfare system are being legislated to achieve the twin conservative goals of a smaller federal government and a weaker welfare state. These changes, described next, may be difficult to reverse.

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1. The monetarists include old guard Republicans such as Secretary of Treasury, Donald T. Regan; Federal Reserve Board Chairman, Paul Volker; and conservative economists such as Alan Greenspan, Arthur Burns, Herbert Stein and Milton Friedman.

## Tax Cut

The Congressional Budget Office observed that the 1982 tax cut, "departed from all other post World War II legislation in its broad scope and the magnitude of its revenue effect" (CBO, 1982a). As a result, the federal government will have less money to spend. Between 1982-1987 government revenues are expected to increase at an annual rate of 6.9%, down from 13.6% for the previous five years. The share of the GNP claimed by the federal government through the tax system will drop steadily from 20.6% in 1982 to 17.7% in 1987, the smallest share since 1965 (CBO, 1982a). In the words of Treasury Secretary Regan, the tax cuts promise "to change the concept of how fiscal matters will be handled in Washington in decades ahead" (Newsweek, 1981b). They also promise to restructure the tax system: They contribute to an upward redistribution of income, make the tax system more regressive and promise to lower government revenues for many years to come.

On the grounds that they are more likely to save and invest, the tax cuts intentionally favor wealthy individuals and large corporations (Quinn, 1981; Wicker, 1982). Although 95% of U.S. families earn less than \$50,000 a year, the new federal tax code cuts taxes of families making over \$60,000 most sharply (Quinn, 1981). In 1982 the tax cut will be worth \$120 to families earning \$10,000 or less, but \$15,000 for those earning \$80,000 or more (CBO, 1982b; Pear 1982a). The new law reduces the maximum tax on unearned income, from 70% to 50% in 1982, eliminates inheritance taxes on estates worth \$600,000 or less (99.6% of all estates) by 1987 (Fessler, 1981) and lowers corporate income taxes (Arenson, 1981b).

These and other tax code changes make the entire tax system more regressive. Between 1981 and 1987 the proportion of federal revenues raised by the more progressive personal income tax will fall from 47.1% to 44.9%; the corporate share will drop to 8.1%, down from 17% in 1970 and 24% in 1960 (Arenson, 1981b). Meanwhile, federal revenues raised from the regressive Social Security payroll tax will rise from 30.9% to 38.4% (CBO, 1982a). Ironically these tax changes which reduce tax burden of the wealthy most of all are justified by the recent middle-class tax revolts.

Finally, the tax cuts may be difficult to reverse since most politicians fear tax increases will lose them support at the polls. Lowered revenues mean less money to spend and have been a major justification for shrinking "big government" especially the unpopular welfare state.

## Social Spending Cuts

Social spending cuts historically favored by conservatives as the best way to balance the budget are not strictly speaking part of supply-side theory as they do not directly stimulate production (Arenson, 1981a). But by reducing government revenues and increasing the deficit, the supply-side tax cut provides a powerful rationale for domestic budget cuts. As Walter Heller, former Kennedy advisor recently said, "for the present and indefinite future," lowered revenues means that "government's shelves are going to be bare of funds for new programs...and there's going to be relentless pressure for more and more spending cuts" (Newsweek, 1981b).

Less government spending, the argument goes, will lower inflation, shrink the federal deficit, and reduce the need for federal borrowing to finance it. Less government borrowing it is hoped will bring interest rates down, making more and cheaper money available for investment by private corporations.

In brief, lowered social spending is seen as essential to cut costs and to limit the federal government as a competitor with private enterprise for investment capital, believed to be scarce. In the eyes of Wall Street and many politicians, domestic cuts are needed to make room for more private economic activity (Cowan, 1982).

Such reasoning legitimized massive domestic budget cuts in fiscal 1982 and calls for even more in 1983. As early as October 1981, Stockman explained to the House Budget Committee that "twenty years of history aren't going to be corrected in twenty weeks. We're going to have to go at it again and again and again, until we establish fiscal sanity in this country" (Congressional Quarterly, Inc., 1981b).

Like the tax cuts, domestic budget cuts involved more than reduced funding. They include a restructuring social welfare programs, if not the welfare state itself. Indeed, some dub Reaganomics as the end of the New Deal. Nobel Prize winner James Tobin (1981) calls Reaganomics "a conservative counter-revolution in the theory, ideology and practice of economic policy" and Treasury Secretary Regan says it is a "conservative revolution" against fifty years of welfare statesmanship" (Newsweek, 1981c). David Stockman, spelled out the specifics of the "revolution" in a March 1981 television interview when he stated:

The idea that's been established over the last ten years that almost every service that anyone might need in life ought to be provided and financed by the government as a matter of rights is wrong. We reject that. We reject that notion (Rosenbaum, 1981a).

The Administration's domestic cutback strategies include (a) revising social welfare program rules and regulations, (b) transferring responsibility for social welfare from the federal government to the states, and (c) weakening resistance to such changes by reducing the economic security and reversing political gains fought for and won by women, minorities and labor since the 1930's. If successful, these strategies not only promise to shrink the social welfare system and make it more vulnerable to future cuts, but like the tax cuts they will be difficult to reverse.

Social Welfare Program Revisions. Cuts in social welfare programs involve more than spending reductions because the Administration wants to restructure the social welfare system and Congress cannot limit the costs of entitlement programs through the annual appropriation process. By law, everyone who is eligible for entitlement benefits is legally "entitled" to them, so the government must provide funds sufficient to cover the costs. The large middle class constituencies of many

of these so-called "uncontrollable" expenditures, makes them even more difficult for politicians to cut (Donnelly, 1982a). Only by restricting eligibility requirements and lowering benefits levels by law, can entitlement expenditures be "controlled."

This is exactly what the 1982 and 1983 budgets do. For example, in fiscal 1982, the administration saved \$1.2 million in AFDC expenditures by denying eligibility to 408,000 families and leaving 279,000 with less aid (Donnelly, 1981; Weinraub, 1981). By lowering the Food Stamp income limit for a family of four, one million people lost their benefits. Another 145,000 people living in boarding houses and some 25,000 households with a member on strike also became ineligible for the food stamp subsidy (Congressional Quarterly, Inc., 1981a). Other programs were similarly restructured. Even the popular Social Security program lost its \$122 minimum benefit plan for new beneficiaries.

The 1983 budget contains still other proposals for structural changes such as reducing if not eliminating the Social Security cost of living adjustment (Donnelly, 1982a) and the replacing some Medicare and housing aid subsidies with vouchers which assist recipients to purchase private health care and housing in the open market (Pear, 1982e; Reinhold, 1982).

Non-entitlement programs such as day care centers, CETA jobs, training programs, and many community services were also cut, but in different ways. They were defunded or transferred from the federal government to the states (see below).

The restructuring of the social welfare system, like the tax code changes furthers the upward redistribution of income by taking more from the poor than from the well-to-do. Implemented, in part, to make more and cheaper capital available for private corporate investment, the social program cuts are aimed sharply at the poorest of the poor and disproportionately penalize them. The CBO reports that two-thirds of the total saving from lowered benefits in fiscal year 1983 will come from reductions affecting households with incomes under \$20,000 a year; and 60% of all savings in federal grants to state and local governments come from programs designed to aid low-income families. Overall, families earning less than \$10,000 will lose an average of \$360 in federal benefits compared to \$120 for those with income over \$80,000 (CBO, 1982b).

The domestic budget cuts both shrink and weaken the welfare state. Instituting budget savings through statutory program changes rather than reduced appropriations, makes the changes more secure. Cuts secured through spending reductions alone can be reversed with additional funding at a later date, but new laws are more likely to persist (Pear, 1981; 1982b).

The cuts also weaken the political support for social programs by further isolating the poor from the working poor and the middle class. Tighter eligibility rules deny AFDC, Food Stamps, Public Housing and Medicaid benefits primarily to the working poor leaving only the poorest of the poor in Reagan's "safety net" (Pear 1982c; Donnelly, 1982b). In contrast, the budget spares middle class recipients from the deepest benefit cuts and the programs they use continue to grow while those for the

poor do not. Between 1981-1983, programs benefitting the middle class will grow 2.3% a year down from an annual real growth rate of 6.0% a year between 1973-1981. But programs for the poor will decline by 9.3% a year, compared to a real growth rate of 9.3% in the earlier period (Nordhaus, 1982).

Poorer, smaller in number, and with even fewer ties to the non-poor, social welfare program recipients and the programs on which they rely risk greater stigma, and even less popular support in budget battles yet to come.

Transfer of Federal Social Welfare Responsibility to the States. Block grant funding, first popularized by President Nixon, restructures the social welfare system by transferring responsibility for social welfare from the federal government to the states. Known as "New Federalism" by supporters and a return to "states rights" by critics, block grants give the states more control of and greater flexibility in the use of federal funds. As such, they are compatible with conservative opposition to big government.

Although Reagan got less than he sought, the fiscal 1982 budget consolidated almost 60 federal grant programs into nine block grants (Herbers, 1982). Funding was then cut more than 25% across the board. The fiscal 1983 budget proposes to "turnback" 43 more social programs worth \$30.2 billion to the states and to convert AFDC and Food Stamps into block grants in exchange for federal responsibility for Medicaid (Reagan 1982). The "turnback" will be supported by a "trust fund" which transfers 28 billion dollars of federal excise taxes to the states.

The increased state autonomy these plans provide pleases state governors. Indeed, Reagan's block grants do not earmark funds, do not require states to match federal contributions or to use them to supplement rather than supplant local funds (Herbers, 1982). The 1983 "trust fund," Reagan explained can be used by the states to "preserve, lower or raise taxes." The states, he added, "can manage these programs as they see fit."

If they want to continue receiving federal grants in such areas as transportation, education, and social services, they can use the trust fund money to pay for the grants, or to the extent they choose to forgo the federal grant programs, they can use their trust fund money on their own, for those or other purposes (Reagan, 1982).

But this autonomy is not well financed. The Advisory Council on Intergovernmental Relations, an independent federal agency, reported that in 1982, state and local governments will receive about 24% of their funds from Washington, down from a 1980 high of 31.7%. In one year the states fell back to 1971 levels of federal aid<sup>2</sup> (Herbers, 1982).

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2. Federal grants to states and local government was 11.5% of their own sources of revenues in 1955, 16.8% in 1960, 31.7% in 1980 and 29.8% in 1981 (Herbers, 1982).

Increased state autonomy over social welfare funding combined with less federal aid does not bode well for social welfare programs. It forces already ailing state treasuries to choose between economic development plans attractive to business and unpopular social programs, making the latter more vulnerable to present and future cuts. Following the fiscal 1982 cuts, a New York Times survey of 50 states found "no state is planning to increase spending to make up for all the federal cuts and most are making few moves to offset the effect on the poor" (Pear, 1982a). They simply cannot afford to.

Secondly, block grants combine previously separate programs into large single ones, causing each program to lose its visibility. But they still must compete with the others for declining state revenues (NASW, 1981a).

Finally, block grants and the 1983 "turnback" and "swap" proposals place administrative and fiscal responsibility for social welfare in the hands of state and local officials who historically have been less responsive than the federal government to the needs of minorities, women and the poor. And yet, the programs Reagan is decentralizing are some of the very ones that state officials indicate had been established as federal responsibilities because the states were not meeting needs perceived by Congress (Ayres, 1981; Mott, 1981).

The record on block grants introduced in the seventies suggest a continuation of this longstanding pattern. In April 1981 NASW reported that substate allocations for funds under Title XX social service block grants gave rural areas, blacks and poverty populations less than their proportionate share of these service dollars (NASW 1981b).

This is not surprising. It is no secret that during the post-war period, labor unions, civil rights, women's liberation, consumer advocacy and liberal reform groups received a better reception at the White House than at the State House. Neither is it surprising then that Reaganomics limits their ability to make and secure demands costly to business and government, and makes it more difficult for them to mobilize opposition to proposals for new and deeper social welfare cuts.

Weakening the Economic Security and Political Power of Women, Minorities and Organized Labor. Reaganomics involves domestic spending cuts, but also deregulation of business, the workplace and the environment. The Equal Employment Opportunities Commission (EEOC), the Occupational Health and Safety Administration (OSHA), Consumer and Environmental Protection and other agencies are losing funds, staff and enforcement powers. Major civil rights laws are being challenged. The combined impact of the domestic budget cuts and this "deregulation" is to weaken programs and protections fought for and won by organized labor, civil rights, women's liberation and liberal reform groups since the 1930's.

Social welfare programs and government regulations protect workers and the poor against the risks, danger and inequities of living and working in a capitalist economy and provide a minimal level of economic security. Perhaps more significantly, the fight for these protections over the years was empowering. It strengthened a

sense of entitlement, increased the resolve to secure a growing share of what seemed to be an ever expanding pie, and contributed to the formation of trade unions, civil rights and women's liberation organizations. The groups pressured for a larger share of available resources and politicized the process of income distribution carried out through government tax and spending program and trade union collective bargaining.

As long as the economy grew and prospered, it was not difficult to accommodate the claims of all classes, and the social welfare programs helped assure social peace. But since the economic crisis surfaced in the mid-1970's, demands for a rising standard of living by empowered groups have become too costly to both business and government. Today social welfare programs, government regulations and their politicized constituencies are all under attack (Weisskopf, 1981).

The victims are disproportionately female and minorities. The assault on the social welfare programs, the majority of whose beneficiaries are women, furthers the "feminization of poverty," already identified by the National Council on Equal Opportunities as a disastrous national trend (National Advisory Council on Economic Opportunity, 1981). The loss of jobs and services such as day care, abortion, family planning, among many other health and social services; the relaxation of anti-discrimination and affirmative action programs; and the shrinking of the public sector, for women, means more poverty, fewer jobs and greater household responsibility (Abramovitz, 1982).

Reaganomics strikes deeply at the institutions that support the economic security and independence of women. It is "sending women from the paid labor market back to unpaid labor in the home" and attacking the women's movement which has challenged the patriarchal values and institutions designed to keep women "in their place" (Abramovitz, 1982).

Likewise, Reaganomics is lowering the standard of living for minorities. The recipients of programs spared by Reagan's first round of budget cuts were predominantly white. Only 8 percent of Americans receiving Social Security, 9 percent of those on Medicare and 9 percent receiving Veterans Benefits are black. In contrast, blacks who comprise 12 percent of all Americans, make up one-third of those on Food-Stamps, Medicaid and living in public housing and almost one half of all AFDC recipients. These programs were not considered part of the "safety net" and all were cut sharply in the fiscal 1982 budget and the one proposed for fiscal 1983 (Rosenbaum, 1981b).

This assault on the already low standard of living of minorities combined with relaxed enforcement of civil rights laws, and affirmative action programs, not only reverses gains won during the Civil Rights movement, but places civil rights groups on the defensive where they are less able to protect their constituencies.

Reaganomics also undermines the power of organized labor. With their standard of living threatened by repeated recessions and record unemployment rates, workers today are especially vulnerable to the threat of unemployment. Their economic insecurity is only increased by social welfare cuts, the loss of extended Unemployment Compensation and the Trade Re-adjustment Allowance, restricted eligibility to Food Stamps and its denial to families on strike. Greater unemployment and fewer social

welfare benefits makes joblessness a more effective mechanism of employer control over labor and weakens the bargaining strength of unions (Weisskopf, 1981; Saffire, 1982).

Reagan's hard-line approach to the air traffic controllers strike was widely interpreted as administration support for contract concessions by trade unions (Serrin, 1981). Since then, contract negotiations in the automobile, rubber, steel, airline, trucking and printing industries have included unprecedented wage cuts, freezes and other "takebacks" sometimes exchanged for promises of greater job security (Raskin, 1982). Some view labor's concessions as a turning point in labor-management cooperation, but others, including the Conference Board, a business research group, see them as a "fundamental shift in power to employers from unions" (Serrin, 1982).

Weakening the opposition then, is a third way in which Reaganomics increases the vulnerability of domestic programs, making them more difficult to defend against future cuts.

#### REAGANOMICS AND THE ECONOMIC CRISIS

To fully understand and effectively resist the conservative assault on the welfare state, it is important to see that it is part of a broader attempt to deal with the economic crisis facing the United States since the mid-1970's (Weisskopf, 1981; Campen, 1981). As the discussion of supply-side economics shows, the conservative response to this crisis consists of strategies to redirect larger amounts of capital into the private sector. They include domestic policies that (a) redistribute income from the poor and middle classes to wealthy individuals and large corporations, and (b) curb the political strength of organized labor, minorities and women.

As has been shown Reagan's tax and spending policies redistribute income upward and reduce the share of the national product going to the poor and working class. Combined they promise to widen the gap between the rich and the poor. Commenting on Reaganomics, James Tobin recently wrote:

Here as in other democracies, governments have sought to arrest the momentum of inequality by free public education, social insurance, 'War on poverty' measures, and progressive taxation. The U.S. tax and budget legislation of 1981 is an historical reversal of this direction. The message is clear enough: Inequality of opportunity is no longer a concern of the federal government (Tobin, 1981).

Since the administration is asking organized labor, minorities and women to bear the brunt of its economic recovery program, it must try to forestall resistance and to delegitimize their demand for an improved standard of living. This helps explain the Administration's hard line toward these groups.

So does the need for public acceptance of austerity (such as wage concessions, small raises, and a generally lower standard of living). Recommending austerity as

a way to cope with the wider economic crisis is not unique to Reaganomics. It is implied in the "small is beautiful" and "planned shrinkage" arguments heard a few years ago and explicitly called for by Felix Rohatyn, a financier whom Stockman described as a "Democrat with a program that could make the loyal opposition seem thoughtful" (Newsweek, 1981a). Still head of New York City's Municipal Assistance Corporation, Rohatyn recommends that the austerity measures used to contain New York City's fiscal crisis (e.g., payroll cuts, wage restraints, and searches for new capital) be applied to the economic crisis of the nation (Rohatyn, 1978, 1982). To implement this program, it becomes necessary to curb the political power of those most likely to suffer its consequences and resist.

Especially since a basis for resistance exists. Despite the damage Reaganomics is producing in the welfare state and despite the increased vulnerability of domestic programs to future assaults, social benefits are widely viewed as an "entitlement," if not a true right. The tension between the conservative assault on the welfare state and popular expectations regarding entitlements can result in opposition to Reaganomics as well as to the next attempt to resolve the continuing economic crisis which may be less overtly conservative than Reaganomics but not necessarily less austere.

The implications of Reaganomics for social service workers should be clear. Our fate, like it or not, is still intimately tied to what happens to the poor and working classes. Like our clients, we are vulnerable to isolation and attack in a period of reaction such as this. Like our clients we are faced with hard choices ahead. For to cooperate with Reaganomics is to subscribe to an upward redistribution of income and to discourage the empowerment of our clients and ourselves. Since this violates our professions' commitment to self-determination and social justice, the most effective professional response to Reaganomics is to organize against it, as many have begun to do.

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