

# America's Failing Economy and the Rise of Ronald Reagan

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America's Failing  
Economy and the Rise  
of Ronald Reagan

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*In memory of David George Ellis (1936–2016)*

## PREFACE

When I graduated from high school in 1978, I had no clue about stagflation. As I pursued my dream of racing professional motocross, I did not think of the stagnant economy and high inflation that made it difficult for young people to find good-paying jobs. Often on the road in the years 1979 and 1980, I witnessed the high inflation that contributed to the rising cost of gasoline and high interest rates. It was no fun taking a financial hit when I could only pay the minimum monthly credit card payment. I had assumed all this was normal. It was probably a good thing that I was unaware of how bad the economy was, and how a Keynesian mindset often steered the economy in the wrong direction with fewer employment opportunities. After my motocross career was over by the mid-1980s, I had more time to think about the economy and decisions by leaders who favored politics over economics.

It was only about 10 years ago, however, that I began the process of focusing on economics in my academics. My first book on economic history, published in 2013, was on Reaganomics during the 1980s. Writing about President Reagan's economic policies was exciting, but I realized that I needed to say more about the pre-1980 period. This book, *America's Failing Economy and the Rise of Ronald Reagan*, examines those earlier years and attempts to explain Reagan's window of opportunity to win the White House. The story is about the demise of Keynesianism (1965–1980) as it failed to solve the stagflation that caused many Americans to suffer economic hardship.

I have a passion for reading economic theory and engaging in discussions with anyone who enjoys talking economics, but I find the focus of

economic specialists is often too narrow to capture the interest of most students who do not have a background in economics. This is not a book written primarily for economists. Focusing on the big picture, I have avoided technical jargon and attempted to demonstrate that economic history can be very interesting. My approach was to harvest the work of many economists, politicians, and journalists and to see what type of composite would emerge.

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I have benefited greatly from numerous discussions with Derek Chisholm who teaches economics at Tyndale University College. Given my fascination with the writings of John Maynard Keynes and the Keynesian literature that followed, it was a bonus that Derek's Ph.D. in economics is from the University of Cambridge—the academic home of Keynes. I appreciate his feedback on the early chapters of this book. The comments by the two anonymous readers were also excellent. They prompted me to explain some statements better and to include the research of important books that I had missed. Of course, I am fully responsible for any mistakes in this book.

Palgrave Macmillan has an impressive history of publishing major economics works, and Keynes's majestic *The General Theory of Employment, Interest, and Money* is one of many examples. I am thankful for editor Megan Laddusaw and her assistant Christine Pardue. Their level of professionalism and politeness has been great.

I am also grateful for my wife's proofreading. Ann-Marie is an English high school and journalism teacher who has done an amazing editorial job, year after year, with her school's yearbooks. A book's index requires much work, and I depended heavily on the assistance of my daughter Emily.

This book is in memory of David George Ellis, a wonderful father-in-law and friend who we miss very much.

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## ABBREVIATIONS

AEI	American Enterprise Institute
AFDC	Aid to Families with Dependent Children
AFL-CIO	American Federation of Labor–Congress for Industrial Organization
AFSCME	American Federation of State, County and Municipal Employees
CBO	Congressional Budget Office
CEA	Council of Economic Advisors
CETA	Comprehensive Employment Training Act
COWPS	Council on Wage and Price Stability
CPI	Consumer Price Index
DOE	Department of Energy
EPCA	Energy Policy and Conservation Act
EPG	Economic Policy Group
FAP	Family Assistance Plan
FCC	Federal Communications Commission
FEA	Federal Energy Administration
Fed	Federal Reserve
FEO	Federal Energy Office
GNP	Gross National Product
HEW	Department of Health, Education, and Welfare
HUD	Department of Housing and Urban Development
JEC	Joint Economic Committee
MIT	Massachusetts Institute of Technology
NEPA	National Environmental Policy Act

NHI	National Health Insurance
NRA	National Recovery Administration
NWRO	National Welfare Rights Organization
OMB	Office of Management and Budget
OPEC	Organization of Petroleum Exporting Countries
PBJI	Program for Better Jobs and Income
SDS	Students for a Democratic Society
UMWA	United Mine Workers of America
URPG	Urban Regional Policy Group
WIN	“Whip Inflation Now”