Inequality Trends — 1981–1985

Reagan Administration (First Term)

Metrics and Measured Outcomes

Metric	Observed Change	Score	Interpretation
Real median household income	sharp decline 1981-82, strong recovery 1983-84	-1	Income fell through the severe 1981-82 recession (unemployment peaked near 10.8%), then rebounded strongly in 1983-84, leaving a modest net gain by term's end concentrated in the later recovery years.
Income share of bottom 50%	began declining	+1	This term marks the statistical inflection point where the postwar “Great Compression” ends and the bottom-half income share begins its multi-decade decline.
Wealth share of top 10%	▲ rising	+1	The bull market beginning in August 1982 and falling inflation disproportionately lifted asset values held by wealthier households.
Homeownership by age cohort	▼ younger cohorts squeezed	+1	Mortgage rates remained near historic highs (peaking near 18% in 1981) for most of the term, pricing out many first-time buyers while existing owners were largely unaffected.
Labor share of national income	▼ weakened bargaining power	+1	The 1981 PATCO strike and mass firing, combined with recession-level unemployment, materially weakened private-sector union leverage and wage-bargaining power.
Intergenerational mobility indicators	~neutral (short horizon)	+0	No major structural shift is observable within a single term, though the era's rising income concentration would compound into mobility effects over subsequent decades.

Raw metric total: +3 **External adjustment:** +1 **Net score:** +4

Policy Levers and Their Effects on Inequality

The 1981-1985 term opened with the deepest recession since the 1930s, as the Federal Reserve's disinflation campaign pushed unemployment above 10% in late 1982. Fiscal policy moved sharply in the opposite direction: the Economic Recovery Tax Act (1981) cut the top marginal rate from 70% to 50% and reduced rates across the board, while the Omnibus Budget Reconciliation Act (1981) cut federal spending on food stamps, AFDC, and other means-tested programs. The Tax Equity and Fiscal Responsibility Act (1982) later reversed roughly a third of ERTA's revenue loss, but the net direction of fiscal policy across the term favored lower taxation of capital and high incomes alongside reduced means-tested support.

Labor market institutions weakened materially during this term. The August 1981 firing of roughly 11,000 striking air traffic controllers after the PATCO strike is widely regarded as a signal event that emboldened private-sector employers to take a harder line in labor disputes, contributing to a decline in strike activity and union leverage that persisted for decades. Financial deregulation also began in this term (Garn-St Germain Act, 1982), an early step in the credit liberalization that would accelerate asset-price gains for wealth holders later in the decade. External adjustment of +1 reflects that this term is the documented inflection point of the “Great Divergence” in U.S. income inequality, a structural shift larger than any single metric captures.

Placement on the Wealthy ↔ Common Man Scale

With a net score of **+4**, this period is classified as described below.

Classification: Plus For Wealthy