Inequality Trends — 1985–1989

Reagan Administration (Second Term)

Metrics and Measured Outcomes

Metric	Observed Change	Score	Interpretation
Real median household income	▲ steady growth	-1	Sustained economic expansion drove unemployment down from about 7.2% in 1985 to 5.3% by 1989, lifting household incomes broadly across the distribution.
Income share of bottom 50%	▼ continued decline	+1	The divergence that began earlier in the decade continued; broad income growth still left the bottom half's share of the total shrinking relative to the top.
Wealth share of top 10%	▲ accelerating	+1	A strong bull market through 1987, a brief interruption from the October 1987 crash, and continued asset appreciation into 1988-89 further concentrated financial wealth among existing holders.
Homeownership by age cohort	~modest improvement	+0	Mortgage rates eased from the mid-teens toward roughly 10% by 1988, improving affordability somewhat versus the first term, though younger-cohort ownership remained below its historical peak.
Labor share of national income	▼ gradual decline	+1	Continued growth of non-union service-sector employment and a labor climate shaped by the prior term's weakened bargaining position kept labor's share on a gradual downward path despite low unemployment.
Intergenerational mobility indicators	~neutral (short horizon)	+0	No major structural shift is observable within a single term; these indicators respond to cumulative, multi-decade conditions.

Raw metric total: +2   **External adjustment:** +0   **Net score:** +2

Policy Levers and Their Effects on Inequality

The second term was dominated economically by deficit politics and tax reform. The Gramm-Rudman-Hollings Balanced Budget Act (1985) imposed statutory deficit targets and an automatic sequestration mechanism, constraining discretionary spending broadly rather than targeting any single income group. The Tax Reform Act of 1986, the term's signature domestic achievement, cut the top individual rate from 50% to 28% while broadening the tax base and removing millions of lower-income filers from the tax rolls — a genuinely mixed distributional design whose net effect depended on how much weight fell on rate cuts versus base-broadening for any given household.

Financial markets grew increasingly central to the era's inequality story: continued asset appreciation, briefly interrupted by the October 1987 crash, concentrated further gains among existing wealth holders even as the broader expansion pushed unemployment to its lowest level of the decade. On the safety-net side, the Family Support Act (1988) redesigned welfare around work requirements and expanded child-support enforcement, while the Civil Rights Restoration Act and Fair Housing Amendments Act (both 1988) extended anti-discrimination protections that bear indirectly on economic opportunity. No external adjustment is applied this term; the metrics themselves adequately capture a period of continued, largely uninterrupted divergence rather than a new structural inflection.

Placement on the Wealthy ↔ Common Man Scale

With a net score of **+2**, this period is classified as described below.

Classification: Plus For Wealthy