Policy Impact Detail - Reagan Administration (Second Term) (1985–1989)

15 Important Policies / Decisions and their relevance to inequality

Query used to generate the 15-item list

What were the 15 most important decisions, policy changes, or legislation undertaken by the Reagan Administration, Second Term (1985-1989)?

1. Gramm-Rudman-Hollings Balanced Budget Act (1985) - statutory deficit targets and an automatic sequestration mechanism.

2. Plaza Accord (1985) - international agreement to depreciate the U.S. dollar against major currencies.

3. Tax Reform Act of 1986 - sweeping reform cutting the top rate from 50% to 28% while broadening the tax base.

4. Immigration Reform and Control Act (IRCA, 1986) - legalization program paired with new employer sanctions.

5. Iran-Contra affair revealed (1986-1987) - covert arms-for-hostages and Contra-funding scandal.

6. Intermediate-Range Nuclear Forces (INF) Treaty (1987) - arms-control agreement with the Soviet Union.

7. Black Monday stock market crash and policy response (October 1987) - largest one-day percentage decline in Dow Jones history.

8. Family Support Act (1988) - redesigned AFDC around work requirements (JOBS program) and child-support enforcement.

9. Civil Rights Restoration Act (1988) - restored broad institution-wide application of federal anti-discrimination law.

10. Fair Housing Amendments Act (1988) - added familial status and disability as protected classes in housing.

11. Omnibus Trade and Competitiveness Act (1988) - trade enforcement tools; included the WARN Act's mass-layoff notice requirement.

12. Canada-United States Free Trade Agreement (1988) - bilateral trade liberalization, precursor to NAFTA.

13. Reagan-Gorbachev summits (1985-1988) - a sustained diplomatic thaw in U.S.-Soviet relations.

14. Continued Cold War defense buildup (1985-1989) - sustained high levels of military spending.

15. Basel Capital Accord (1988) - international agreement establishing minimum bank capital standards.

Relevance to Inequality (evaluation of the 15 Important Policies)

#	Policy / Decision	Meaningful impact?	Direction (Favorable To)	Impact
1	Gramm-Rudman-Hollings Balanced Budget Act (1985) - statutory deficit targets and an automatic sequestration mechanism.	Yes	Mixed / Indirect (broad discretionary spending constraint)	Low
2	Plaza Accord (1985) - international agreement to depreciate the U.S. dollar against major currencies.	Yes	Common Man (weaker dollar supported export and manufacturing employment)	Low
3	Tax Reform Act of 1986 - sweeping reform cutting the top rate from 50% to 28% while broadening the tax base.	Yes	Mixed (rate cuts favor top earners; base-broadening removed low earners from rolls)	Moderate

#	Policy / Decision	Meaningful impact?	Direction (Favorable To)	Impact
4	Immigration Reform and Control Act (IRCA, 1986) - legalization program paired with new employer sanctions.	Yes	Mixed (legalization helped some workers; enforcement pressure on undocumented labor market)	Low-Moderate
5	Iran-Contra affair revealed (1986-1987) - covert arms-for-hostages and Contra-funding scandal.	No		
6	Intermediate-Range Nuclear Forces (INF) Treaty (1987) - arms-control agreement with the Soviet Union.	No		
7	Black Monday stock market crash and policy response (October 1987) - largest one-day percentage decline in Dow Jones history.	Yes	Wealthy (short-term wealth shock concentrated among asset holders; recovery was rapid)	Low
8	Family Support Act (1988) - redesigned AFDC around work requirements (JOBS program) and child-support enforcement.	Yes	Mixed (work requirements and enforcement paired with expanded support services)	Moderate
9	Civil Rights Restoration Act (1988) - restored broad institution-wide application of federal anti-discrimination law.	Yes	Common Man (broadened anti-discrimination coverage tied to federal funding)	Low-Moderate
10	Fair Housing Amendments Act (1988) - added familial status and disability as protected classes in housing.	Yes	Common Man (expanded housing access for families and people with disabilities)	Moderate
11	Omnibus Trade and Competitiveness Act (1988) - trade enforcement tools; included the WARN Act's mass-layoff notice requirement.	Yes	Common Man (WARN Act provision gave workers advance notice of mass layoffs)	Low-Moderate
12	Canada-United States Free Trade Agreement (1988) - bilateral trade liberalization, precursor to NAFTA.	No		
13	Reagan-Gorbachev summits (1985-1988) - a sustained diplomatic thaw in U.S.-Soviet relations.	No		
14	Continued Cold War defense buildup (1985-1989) - sustained high levels of military spending.	Yes	Mixed / Indirect (deficit-financed; some manufacturing employment benefit)	Low
15	Basel Capital Accord (1988) - international agreement establishing minimum bank capital standards.	Yes	Wealthy (long-run; favors institutions with capital to meet higher standards)	Low

Narrative Analysis - Items with Meaningful Inequality Impact

Only a subset is expanded here to keep this as a true companion report.

Tax Reform Act of 1986 - inequality impact

TRA-86 is often summarized as “rate cuts plus base broadening,” and that split matters for inequality. Cutting the top marginal rate from 50% to 28% increased after-tax returns to high earners and to those with substantial capital income, a channel that tends to widen inequality because upper-income households derive a larger share of income from capital and have more capacity to use the tax code strategically.

Working in the other direction, the law eliminated many deductions and tax shelters, expanded the standard deduction and personal exemption, and removed millions of lower-income filers from the income-tax rolls entirely. Those features compressed some of the advantages higher-income taxpayers had used to reduce their effective rates below the statutory one.

The net effect is genuinely mixed: TRA-86 simplified the code and reduced avoidance opportunities, but it also reinforced a lower-tax-on-top-income, lower-tax-on-capital template that, combined with the following decades' financial-market growth, amplified pre-tax income concentration over the long run.

Impact rating: Moderate. A durable structural change with mixed direction — real benefits at the bottom of the income-tax base alongside a lower ceiling on top rates.

Family Support Act of 1988 - inequality impact

This law replaced the Work Incentive program with the Job Opportunities and Basic Skills Training (JOBS) program, requiring many AFDC recipients to participate in education, training, or work activities in exchange for continued benefits, child care assistance, and strengthened child-support enforcement. The design reflected a bipartisan shift toward conditioning cash assistance on work-related activity.

The distributional effect is genuinely mixed. On one hand, expanded child care assistance, transitional Medicaid, and stronger child-support collection provided real additional resources to low-income single-parent households. On the other, work requirements and participation mandates introduced new compliance burdens and potential sanctions for recipients who could not meet them, particularly given uneven state implementation of the JOBS program in the years that followed.

Impact rating: Moderate. A structurally significant welfare redesign whose net effect on low-income households depended heavily on implementation quality at the state level.

Fair Housing Amendments Act of 1988 - inequality impact

This law extended the Fair Housing Act of 1968 by adding familial status (protecting families with children) and disability as protected classes, and gave the law meaningfully stronger enforcement tools, including the ability to pursue administrative complaints and higher penalties for violations.

Housing access is one of the primary channels through which wealth is built or denied in the United States, so expanding legal protection against discriminatory denial of housing has a direct, if diffuse, bearing on inequality — particularly for families with children and people with disabilities, groups that had faced documented discrimination in rental and sale markets. The practical effect depended on enforcement resources and litigation over the following years, but the legal foundation itself was a meaningful expansion of protected access to the housing market.

Impact rating: Moderate. A durable expansion of legal protections in the primary market through which most American households build wealth.

Omnibus Trade and Competitiveness Act of 1988 (WARN Act provision) - inequality impact

Best known for its trade-enforcement provisions, this law also included the Worker Adjustment and Retraining Notification (WARN) Act, which required employers above a certain size to give workers 60 days' advance notice of plant closings or mass layoffs. Before WARN, workers in many mass layoffs received little or no advance warning, leaving them unable to prepare financially or begin a job search before income loss began.

The inequality relevance runs through economic security rather than income level directly: advance notice disproportionately helps workers with fewer financial reserves to absorb a sudden income shock, and it gave displaced workers a practical head start on retraining or relocation. The trade-enforcement provisions elsewhere in the Act had more ambiguous distributional effects, cutting both toward import-competing workers (protective) and against consumers facing higher prices on affected goods.

Impact rating: Low-Moderate. A targeted worker protection with clear, if modest, distributional benefit for displaced workers facing mass layoffs.

Sources

- Congress.gov - Gramm-Rudman-Hollings Balanced Budget and Emergency Deficit Control Act of 1985 summary
- Congress.gov - Tax Reform Act of 1986 (H.R. 3838) legislative summary
- Congress.gov - Immigration Reform and Control Act of 1986 (S. 1200) legislative summary
- Congress.gov - Family Support Act of 1988 (H.R. 1720) legislative summary
- Congress.gov - Fair Housing Amendments Act of 1988 summary
- Congress.gov - Omnibus Trade and Competitiveness Act of 1988 (WARN Act) summary
- Congressional Budget Office - Work and Welfare: The Family Support Act of 1988 (staff working paper)
- U.S. Bureau of Labor Statistics - historical unemployment rate series, 1985-1989
- Federal Reserve History - the October 1987 stock market crash
- Economic Policy Institute / World Inequality Database - top income and wealth share estimates, 1985-1989