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History May Be Repeating Itself: Be Wary of Reckless Economic Policies

-by Neil E. Harl*

Maybe it is too soon to label policies as dangerous but the events in Washington, D.C. are shaping up as mirror images of 1981. The period from 1971 through 1987 were, for the first decade, filled with exorbitance but the latter part of that time period was filled with economic woes.[1] Those features resulted in the agricultural sector being wracked in a manner faintly reminiscent of the 1930s after failed economic policies caused one of the greatest downturns in the 20th Century.

The decade of the 1970s

The 1970s dawned with high promise, especially in the agricultural sector in this country. Increased exports of agricultural products because of adverse weather in areas of Europe and Asia, particularly in the Soviet Union, boosted prices briefly. One could hear on every corner that the Golden Years in agriculture were upon us. However, those prices lasted about 13 months. Nonetheless, the memory of higher prices continued, accompanied by sharply higher inflation which continued for much of the decade of the 1970s. Land values rose sharply as many farmers invested beyond their capacity. The economic policies that were in place at the time enabled a highly optimistic attitude to develop.

A shift in Governmental policy by the Federal Reserve Board on October 6, 1979, to wring inflation out of the U.S. economy by limiting the supply of credit was a major factor in sharply higher interest rates, as high as 21 percent in many areas and in most of agriculture, which was sharply higher than it had been in the 1970s. The higher rise in value of the dollar contributed to a drop of more than 40 percent in U.S. farm exports from 1983 through 1986. The Federal Reserve Board, not wanting to influence the 1980 election, delayed the effects until November of 1980 but by December, 1980, the price of commodities had begun to slump.

Effect of tax policy

The election of 1980 also figured in the sharp change in tax policy. Ronald Reagan was elected President and, almost immediately, the new staff began pushing for tax cuts. The staff produced massive tax legislation which was enacted in 1981. It was known as ERTA – the Economic Recovery Tax Act of 1981.[2] The consequences were not long coming. The revenue estimates were later formally published.[3] The revenue estimate was projected to produce a revenue loss of $63,791,000,000 from business provisions

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for calendar year 1986. The figures appeared at page 381 of the committee of the Joint Committee on Taxation. That had the effect of causing Congress to go to work on slimming down the revenue losses almost immediately.

But even before the JCT publication appeared, the media was publishing estimates as early as late September. One early assessment appeared in the Des Moines Register based on interviews the previous day. I had been interviewed and was quoted in saying that "[T]here is 'no hope of covering the deficit' that is being created by the Reagan tax cut . . . that cut will come to be viewed "as the most irresponsible Congressional act of the century." I added, "and I pick these words intentionally." The morning that was published, I was in Des Moines to give an all-day seminar on the 1981 Tax Act sponsored by Bankers Trust Company for attorneys and Certified Public Accountants. As the passage was later published in a book,[4] the seminar was set to run from 8:30 a.m. to 4:30 p.m. I arrived at the seminar site at about 7:45 a.m. and ". . . was greeted by a flying wedge of Republican stalwarts." The question came thick and fast – what are you trying to do to our President? Why can't you let his plan work without being so critical? Are you sure of this? The underlying theme of most of the remarks was "who are you to be questioning the best minds in Washington?"

Little did I know then, but the tax cuts were, indeed, a huge fiscal experiment, David Stockman's "highly imaginative vision of a new statist age."[5] As Stockman later wrote –

> "The size of the tax cut just kept growing beyond 1984. It was like a fiscal volcano, rising steadily against the distant horizon. . .. In truth, not six of the six hundred players in the game of fiscal governance in the spring and summer of 1981 would have willed this outcome. Yet, caught up in the powerful forces unleashed by the dangerous experiment of a few supply siders who had gotten the President's ear, they let it happen just the same."[6]

Lessons for present day decision makers

The fiscal situation is really little different today than in 1981. Those with sound economic analysis are shunted aside; those with harebrained ideas can marshal sufficient support to prevail. However, the country survived the 1980s; it will probably eventually prevail in 2018 and, possibly, beyond.

ENDNOTES

[1] See Harl, *The Farm Debt Crisis of the 1980s*, Iowa State University Press, 1990.

[2] Pub. L. No. 97-34, 95 Stat. 172 (1981), signed into law on August 13, 1981.

[3] Joint Committee on Taxation, General Explanation of the Economic Recovery Tax Act of 1981 (December 29, 1981), pages 379-401).

[4] Harl, *The Farm Debt Crisis of the 1980s*, Iowa State University Press, pp.8-9.

[5] David A. Stockman, *The Triumph of Politics: Why the Reagan Revolution Failed* (New York: Harper and Row (1986).

[6] *Id*, at 267-268.

CASES, REGULATIONS AND STATUTES

by Robert P. Achenbach, Jr

ANIMALS

COWS. The plaintiffs were injured when their vehicle struck a cow on a public highway. The cow was owned by one defendant and kept on property owned by a nursery owned by the other defendant. The plaintiffs sued and claimed that the defendants violated Ala. Code § 3-5-1 *et seq*. by knowingly or willfully putting or placing the cow on a public roadway. Ala. Code § 3-5-3(a) provides, in pertinent part: "[T]he owner of any stock or animal shall not be liable for any damages to any motor vehicle or any occupant thereof suffered, caused by or resulting from a collision with such stock or other animal, unless it be proven that such owner knowingly or willfully put or placed such stock." The plaintiffs argued that the defendant failed to properly construct and maintain the fence and that such failure amounted to knowingly or willfully allowing the cow to wander onto the highway. The court stated that, to constitute "willful or intentional injury," there must be knowledge of danger accompanied with a design or purpose to inflict injury, whether the act be one of omission or commission. ALA. Code § 3-5-3(a) requires knowing or willful conduct on the part of the livestock owner and requires proof that the livestock owner had a design or purpose to inflict injury. Thus, even proof that the defendants acted wantonly, i.e., that they were conscious of the danger of the cow wandering free because of the allegedly defective fence, is insufficient to establish liability under Ala. Code § 3-5-3(a). In addition, Ala. Code § 3-5-3(a) requires proof not only that the owner acted knowingly or willfully, but also that the owner "put or placed such stock upon such public highway." Thus, the court held that, absent proof that the defendants knowingly or willfully placed the cow on the highway, summary judgment for the defendants was proper. **Brewer v. Atkinson, 2018 Ala. Civ. App. LEXIS 39 (Ala. Ct. App. 2018)**.

BANKRUPTCY

CHAPTER 12

ELIGIBILITY. The debtor owned and operated a family farming operation through two general partnerships. The partnerships had each filed for Chapter 11 bankruptcy and received discharges. In those cases, land and several pieces of