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Economic Recovery in the 1980s

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Economic Recovery in the 1980s

From U.S. Department of State,

The recovery that first built up steam in the early 1980s was not without its problems. Farmers, especially those operating small family farms, continued to face challenges in making a living, especially in 1986 and 1988, when the nation's mid-section was hit by serious droughts, and several years later when it suffered extensive flooding. Some [banks](#) faltered from a combination of tight money and unwise lending practices, particularly those known as savings and loan associations, which went on a spree of unwise lending after they were partially deregulated. The federal government had to close many of these institutions and pay off their depositors, at enormous cost to taxpayers.

While Reagan and his successor, George Bush (1989-1992), presided as communist regimes collapsed in the Soviet Union and Eastern Europe, the 1980s did not entirely erase the economic malaise that had gripped the country during the 1970s. The [United States](#) posted trade [deficits](#) in seven of the 10 years of the 1970s, and the [trade deficit](#) swelled throughout the 1980s. Rapidly growing economies in Asia appeared to be challenging America as economic powerhouses; Japan, in particular, with its emphasis on long-term planning and close coordination among corporations, [banks](#), and government, seemed to offer an alternative model for economic growth.

In the United States, meanwhile, "corporate raiders" bought various corporations whose stock prices were depressed and then restructured them, either by selling off some of their operations or by dismantling them piece by piece. In some cases, companies spent enormous sums to buy up their own stock or pay off raiders. Critics watched such battles with dismay, arguing that raiders were destroying good companies and causing grief for workers, many of whom lost their jobs in corporate restructuring moves. But others said the raiders made a meaningful contribution to the economy, either by taking over poorly managed companies, slimming them down, and making them profitable again, or by selling them off so that investors could take their profits and reinvest them in more productive companies.

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