

Pearson Edexcel Level 3 GCE

History

Advanced Subsidiary

Paper 1: Breadth study with interpretations

**Option 1F: In search of the American Dream: the USA,
c1917–96**

Sample assessment materials for first teaching
September 2015

Extracts Booklet

Paper Reference

8HI0/1F

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Extracts for use with Section C.

Extract 1: From Paul Johnson, *A History of the American People*, published 1997.

Reagan made good his promise to cut taxes. The Economic Recovery Tax Act of 1981 reduced the highest tax rate to 50 per cent and included across-the-board tax reductions of 25 per cent. There were other reductions in taxes on capital gains, estates, and gifts. It was followed by the Tax Reform Act of 1986, which greatly simplified the entire tax structure. These successes acted as a potent stimulant to business. Reagan took over in January 1981 and by the beginning of 1983 the nation was in full recovery. The growth continued throughout Reagan's second term, then into his successor's and well into the 1990s, the longest continual expansion in American history. Inflation, which had been 12.5 per cent, fell to 4.4 per cent in 1988. Unemployment fell to 5.5 per cent as 18 million new jobs were created. Interest rates were down too.

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Extract 2: From John Ehrman and Michael W Flamm, *Debating the Reagan Presidency*, published 2009.

Critics [in the 1980s] pointed out that the recovery was not as strong as the supply-siders and Reagan himself promised and that dangers lurked ahead. They noted that the average annual growth rate for GNP from 1980 to 1989, 2.9 per cent, was only a hair's breadth above the previous rate of 2.8 per cent. Also, personal income growth was slow, productivity growth and investment were weak and many of the newly created jobs did not pay well. Furthermore, the United States ran huge trade deficits throughout the Reagan years, as the value of imports exceeded exports by hundreds of billions of dollars, and the country was transformed from being a net creditor to a debtor state. Some economists warned that these problems meant that the ultimate result of Reagan's policies would not be continued strength, but eventually, a severe economic crisis.

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Acknowledgements

Extract 1 is from Paul Johnson, *A History of the American People*, Harper Perennial 1997; Extract 2 is from J Ehrman and M Flamm, *Debating the Reagan Presidency*, Rowman & Littlefield Publishing Group 2009. Printed with permission of the publisher.

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