LIMITS OF A SUPERPOWER, 1969–1980

If, when the chips are down, the world’s most powerful nation, the United States, acts like a pitiful, helpless giant, the forces of totalitarianism and anarchy will threaten free nations and free institutions throughout the world.

Richard Nixon, Address to the Nation, April 30, 1970

In 1969, television viewers around the world witnessed the astonishing sight of two American astronauts walking on the moon’s surface. This event, followed by a series of other successes for the U.S. space program, represented some of the high points of the era. Offsetting these technological triumphs, however, were shocking revelations about White House participation in the Watergate crime, a stagnant economy, and the fall of South Vietnam to communism.

Increased foreign economic competition, oil shortages, rising unemployment, and high inflation made Americans aware that even the world’s leading superpower would have to adjust to a fast-changing, less manageable world.

Richard Nixon’s Foreign Policy

In his January 1969 inaugural address, President Nixon promised to bring Americans together after the turmoil of the 1960s. Suspicious and secretive by nature, however, Nixon soon began to isolate himself in the White House and create what Arthur Schlesinger, Jr., called an “imperial presidency.” Nixon’s first interest was international relations, not domestic policy. Together with his national security adviser, Henry Kissinger (later to become secretary of state during Nixon’s second term), President Nixon fashioned a realistic foreign policy that generally succeeded in reducing the tensions of the Cold War.

Vietnam

When Nixon took office, more than half a million U.S. troops were in Vietnam. His principal objective was to find a way to reduce U.S. involvement in the war while at the same time avoiding the appearance of conceding defeat.
In a word, Nixon said the United States was seeking nothing less than “peace with honor.”

“Vietnamization.” Almost immediately, the new president began the process called “Vietnamization.” He announced that he would gradually withdraw U.S. troops from Vietnam and give the South Vietnamese the money, the weapons, and the training that they needed to take over the full conduct of the war. Under this policy, U.S. troops in South Vietnam went from over 540,000 in 1969 to under 30,000 in 1972. Extending the idea of disengagement to other parts of Asia, the president proclaimed the Nixon Doctrine, declaring that in the future Asian allies would receive U.S. support but without the extensive use of U.S. ground forces.

Opposition to Nixon’s war policies. Nixon’s gradual withdrawal of forces from Vietnam at first reduced the number of antiwar protests. In April 1970, however, the president expanded the war by using U.S. forces to invade Cambodia in an effort to destroy Vietnamese Communist bases in that country. A nationwide protest against this action on U.S. college campuses resulted in the killing of four youths by National Guard troops at Kent State in Ohio and two black students at Jackson State in Mississippi. In reaction to the escalation of the war, the U.S. Senate (but not the House) voted to repeal the Gulf of Tonkin Resolution.

Also in 1970, the American public was shocked to learn about a 1968 massacre of women and children by U.S. troops in the Vietnamese village of My Lai. Further fueling the antiwar sentiment was the publication by The New York Times of the Pentagon Papers, a secret government history documenting the mistakes and deceptions of government policy-makers in dealing with Vietnam. The papers had been turned over, or “leaked,” to the press by Daniel Ellsberg, a former Defense Department analyst.

Peace talks, bombing attacks, and armistice. On the diplomatic front, Nixon had Kissinger conduct secret meetings with North Vietnam’s foreign minister, Le Duc Tho. Kissinger announced in the fall of 1972 that “peace is at hand,” but this announcement proved premature. When the North Vietnamese failed to compromise, Nixon ordered massive bombing of North Vietnam (the heaviest air attacks of the long war) to force a settlement. After several weeks of B-52 bomber attacks, the North Vietnamese agreed to an armistice, in which the United States would withdraw the last of its troops and get back over 500 prisoners of war (POWs). The Paris Accords of January 1973 also promised a cease-fire and free elections. In fact, however, the armistice did not end the war between the North and the South and left tens of thousands of enemy troops in South Vietnam.

The armistice finally allowed the United States to extricate itself from a war that had claimed over 58,000 American lives. The $118 billion spent on the war began the inflationary cycle that racked the U.S. economy for years afterward.
Détente With China and the Soviet Union

Nixon and Kissinger strengthened the U.S. position in the world by taking advantage of the rivalry between the two Communist giants, China and the Soviet Union. Their diplomacy was praised for bringing about détente—a deliberate reduction of Cold War tensions. Even after Watergate ended his presidency in disgrace, Nixon’s critics would admit that his conduct of foreign affairs had enhanced world peace.

Visit to China. Nixon knew that only an outspoken critic of communism like himself could take the bold step of improving relations with “Red” China (Mao Zedong’s Communist regime) without being condemned as “soft” on communism. After a series of secret negotiations with Chinese leaders, Nixon astonished the world in February 1972 by traveling to Beijing to meet with Mao. His visit initiated diplomatic exchanges that ultimately led to U.S. recognition of the Communist government in 1979.

Arms control with the U.S.S.R. Nixon used his new relationship with China to put pressure on the Soviets to agree to a treaty limiting antiballistic missiles (ABMs), a new technology that would have expanded the arms race. At the conclusion of the first round of Strategic Arms Limitations Talks (SALT I), U.S. diplomats secured Soviet consent to a freeze on the number of ballistic missiles carrying nuclear warheads. While this agreement did not end the arms race, it was a significant step toward reducing Cold War tensions and bringing about détente.

Nixon’s Domestic Policy

Throughout the 1970s, the Democrats continued to hold majorities in both houses of Congress. The Republican president had to live with this reality and obtain some concessions from Congress through moderation and compromise. At the same time, Nixon laid the foundation for a shift in public opinion toward conservatism and for Republican gains that would challenge and overthrow the Democratic control of Congress in the 1980s and 1990s.

The New Federalism

Nixon tried to slow down the growth of Johnson’s Great Society programs by proposing the Family Assistance Plan, a reform of the welfare system. The Democratic majority in Congress easily defeated this initiative. The Republican president did succeed, however, in shifting some of the responsibility for social programs from the federal to the state and local levels. In a program known as revenue sharing, or the New Federalism, Congress approved giving local governments $30 billion in block grants over five years to address local needs as they saw fit (instead of specific uses of federal money being controlled by Washington). Republicans hoped revenue sharing would check the growth of
the federal government and return responsibility to the states, where it had rested before the New Deal.

Nixon attempted to bypass Congress by impounding (not spending) funds appropriated for social programs. Democrats protested that such action was an abuse of executive powers. The courts agreed with the president’s critics, arguing that it was a president’s duty to carry out the laws of Congress, whether or not he agreed with them.

**Nixon’s Economic Policies**

Starting with a recession in 1970, the U.S. economy throughout the seventies faced the unusual combination of economic slowdown and high inflation—a condition referred to as *stagflation* (*stagnation plus inflation*). To slow inflation, Nixon at first tried to cut federal spending. When this policy contributed to a recession and unemployment, however, he adopted Keynesian economics and deficit spending in order not to alienate middle-class and blue-collar Americans. In August 1971, he surprised the nation by imposing a 90-day wage and price freeze. Next, he took the dollar off the gold standard, which helped to devalue it relative to foreign currencies. This action, combined with a 10 percent surtax on all imports, improved the U.S. balance of trade with foreign competitors.

By the election year of 1972, the recession was over. Also in that year, Congress approved automatic increases for Social Security benefits based on the annual rise in the cost of living. This measure protected seniors, the poor, and the disabled from the worst effects of inflation but also contributed to budget problems in the future.

**Southern Strategy**

Having received just 43 percent of the popular vote in 1968, Nixon was well aware of being a minority president. He devised a political strategy to form a Republican majority by appealing to the millions of voters who had become disaffected by antiwar protests, black militants, school busing to achieve racial balance, and the excesses of the youth counterculture. Nixon referred to these conservative Americans as the "silent majority." Many of them were Democrats, such as southern whites, Catholic ethnics, blue-collar workers, and recent suburbanites who were dismayed by the liberal drift of their party.

To win over the South, the president asked the federal courts in that region to delay integration plans and busing orders. He also nominated two southern conservatives (Clement Haynsworth and G. Harold Carswell) to the Supreme Court. The Senate refused to confirm them, and the courts rejected his requests for delayed integration. Nevertheless, his strategy played well with southern white voters. At the same time, Nixon authorized Vice President Spiro Agnew to make verbal assaults against both war protesters and the liberal press.
The Burger Court

Four resignations of older justices from the Supreme Court gave Nixon the opportunity to replace liberal, activist members of the Warren court with more conservative, strict constructionist justices. In 1969 he appointed Warren E. Burger of Minnesota as chief justice to succeed the retiring Earl Warren. After the two conservative nominees were rejected by Congress, the president then compromised by selecting a more moderate Harry Blackmun (who would write the proabortion ruling in Roe v. Wade, 1973). His next two appointments, Lewis Powell and William Rehnquist, were both approved. Ironically, in the last days of his Watergate agony, the Court that Nixon tried to shape would fail him by denying his claims to executive privilege and ordering him to turn over the Watergate tapes (United States v. Nixon, 1974).

The Election of 1972

The success of Nixon’s southern strategy became evident in the presidential election of 1972 when the Republican ticket won majorities in every southern state. Nixon’s reelection was practically assured by (1) his foreign policy successes in China and the Soviet Union, (2) the removal of George Wallace from the race by an assassin’s bullet that paralyzed the Alabama populist, and (3) the nomination by the Democrats of a very liberal, antiwar, antiestablishment candidate, Senator George McGovern of South Dakota.

McGovern’s campaign quickly went off track. After some indecision, he dropped his vice presidential candidate, Senator Thomas Eagleton of Missouri, when it was discovered that he had undergone electroshock treatment for depression. On election day, Nixon overwhelmed McGovern in a landslide victory that carried every state but Massachusetts and won 60.8 percent of the popular vote. The Democrats still managed to keep control of both houses of Congress. Nevertheless, the voting patterns for Nixon indicated the start of a major political realignment of the Sunbelt and suburban voters forming a new Republican majority. Nixon’s electoral triumph in 1972 made the Watergate revelations and scandals of 1973 all the more surprising.

Watergate

The tragedy of Watergate went well beyond the public humiliation of Richard Nixon and the conviction and jailing of 26 White House officials and aides. Watergate had a paralyzing effect on the political system in the mid-1970s, a critical time both at home and overseas, when the country needed respected, strong, and confident leadership.

White House Abuses

In June 1972, a group of men hired by Nixon’s reelection committee were caught breaking into the offices of the Democratic national headquarters in the
Watergate complex in Washington, D.C. This break-in and attempted bugging were only part of a series of illegal activities and “dirty tricks” conducted by the Nixon administration and the Committee to Re-Elect the President (CREEP).

Earlier, Nixon had ordered wiretaps on government employees and reporters to stop news leaks such as one that had exposed the secret bombing of Cambodia. The president’s aides created a group, called the “plumbers,” to stop leaks as well as to discredit opponents. Before Watergate, the “plumbers” had burglarized the office of the psychiatrist of Daniel Ellsberg, the person behind the leaking of the Pentagon Papers, in order to obtain information to discredit Ellsberg. The White House had also created an “enemies list” of prominent Americans who opposed Nixon, the Vietnam War, or both. People on this list were investigated by government agencies, such as the IRS. The illegal break-in at Watergate reflected the attitude in the Nixon administration that any means could be used to promote the national security—an objective that was often confused with protecting the Nixon administration from its critics.

**Watergate Investigation**

There was no solid proof that President Nixon ordered any of these illegal activities. After months of investigation, however, it became clear that Nixon did engage in an illegal cover-up to avoid scandal. Tough sentencing of the Watergate burglars by federal judge John Sirica led to information about the use of money and a promise of pardons by the White House staff to keep the burglars quiet. A Senate investigating committee headed by Democrat Sam Ervin of North Carolina brought the abuses to the attention of Americans through televised hearings. A highlight of these hearings was the testimony of a White House lawyer, John Dean, who linked the president to the cover-up. Nixon’s top aides, H. R. Haldeman and John Ehrlichman, resigned to protect him and were later indicted, as were many others, for obstructing justice.

The discovery of a taping system in the Oval Office led to a year-long struggle between Nixon, who claimed executive privilege for the tapes, and investigators, who wanted the tapes to prove the cover-up charges. The Nixon administration received another blow in the fall of 1973, when Vice President Agnew was forced to resign for having taken bribes when governor of Maryland.

**Other Developments in 1973**

Although the Watergate affair absorbed most of Nixon’s attention during his shortened second term, other developments at home and abroad were also important.

**War Powers Act.** Further discrediting Nixon was the news that he had authorized 3,500 secret bombing raids in Cambodia, a neutral county. Congress used the public uproar over this information to attempt to limit the president’s
powers over the military. In November 1973, after a long struggle, Congress finally passed the War Powers Act over Nixon’s veto. This law required Nixon and any future president to report to Congress within 48 hours after taking military action. It further provided that Congress would have to approve any military action that lasted more than 60 days.

October war and oil embargo. In world politics, probably the most important event of 1973 was the outbreak of another war in the Middle East. On October 6, on the Jewish holy day of Yom Kippur, the Syrians and Egyptians launched a surprise attack on Israel in an attempt to recover the lands lost in the Six-Day War of 1967. President Nixon ordered the U.S. nuclear forces on alert and airlifted almost $2 billion in arms to Israel to stem their retreat. The tide of battle quickly shifted in favor of the Israelis, and the war was soon over.

The United States was made to pay a huge price for supporting Israel. The Arab members of the Organization of Petroleum Exporting Countries (OPEC) placed an embargo on oil sold to Israel’s supporters. The embargo caused a worldwide oil shortage and long lines at gas stations in the United States. Even worse was the impact on the U.S. economy, which now suffered from runaway inflation, the loss of manufacturing jobs, and a lower standard of living for blue-collar workers. Consumers switched from big American-made cars to smaller, more fuel-efficient Japanese cars, which cost U.S. automobile workers over 225,000 jobs. Congress responded by enacting a 55-miles-per-hour speed limit to save gasoline and approved an oil pipeline to be built in Alaska to tap American oil reserves. No government program, however, seemed to bolster the sluggish economy or stem high inflation rates, which continued to the end of the decade.

Resignation of a President

In 1974, Nixon made triumphal visits to Moscow and Cairo, but at home his reputation continued to slide. In October 1973, the president fired Archibald Cox, the special prosecutor assigned to the Watergate investigations, and the U.S. attorney general resigned in protest. The start of impeachment hearings in the House encouraged Nixon to reveal some transcripts of the Watergate tapes in April 1974, but it took a Supreme Court decision in July to force him to turn over the tapes to the courts and Congress. Meanwhile, the House Judiciary Committee voted three articles of impeachment: (1) obstruction of justice, (2) abuse of power, and (3) contempt of Congress.

The conversations recorded on the tapes shocked friends and foes alike. The transcript of one such White House conversation clearly implicated Nixon in the cover-up only days after the Watergate break-in. Faced with certain impeachment in the House and a trial in the Senate, Richard Nixon chose to resign on August 9, 1974. His appointed vice president Gerald Ford then took the oath of office as the first unelected president in U.S. history.
Significance. To some, the final outcome of the Watergate scandal (Nixon leaving office under pressure) proved that the U.S. constitutional system of checks and balances worked as it was intended. For others, the scandal underlined the dangerous shift of power to the presidency that began with Franklin Roosevelt and expanded during the Cold War. Without doubt, Watergate contributed to a growing loss of faith in the federal government.

Gerald Ford in the White House

Before Nixon chose him to replace Vice President Agnew in 1973, Gerald Ford had served in Congress for years as a representative from Michigan and as the Republican minority leader of the House. Ford was a likeable and unpretentious man, but his ability to be president was questioned by many in the media.

Pardoning of Nixon

In his first month in office, President Ford lost the goodwill of many by granting Nixon a full and unconditional pardon for any crime that he might have committed. The pardon was extended even before any formal charges or indictment had been made by a court of law. Ford was accused of making a “corrupt bargain” with Nixon, but he explained that the purpose of the pardon was to end the “national nightmare,” instead of prolonging it for months, if not years. Critics were angered that the full truth of Nixon’s deeds never came out, while the former president’s aides (including Haldeman and Ehrlichman) were convicted and served prison terms.

Investigating the CIA

During Ford’s presidency (1974–1977), the Democratic Congress continued to search for abuses in the executive branch, especially in the CIA. This intelligence agency was accused of engineering the assassination of foreign leaders, among them the Marxist president of Chile, Salvador Allende. Ford appointed former Texas Congressman George H. Bush to reform the agency.

Failure of U.S. Policy in Southeast Asia

President Ford was unable to get additional funds from Congress for the South Vietnamese, who in 1974 were facing strong attack from Communist forces.

Fall of Saigon. In April 1975, the U.S.-supported government in Saigon fell to the enemy, and Vietnam became one country under the rule of the Communist government in Hanoi (North Vietnam’s capital). Just before the final collapse, the United States was able to evacuate about 150,000 Vietnamese who had supported the United States and now faced certain persecution. The fall of South Vietnam marked a low point of American prestige overseas and confidence at home.
Genocide in Cambodia. Also in 1975, the U.S.-supported government in neighboring Cambodia fell to the Khmer Rouge, a radical Communist faction that conducted genocide against over a million of its own people. In an attempt to compensate for the failure of U.S. policy in Southeast Asia, President Ford ordered an attack on a Cambodian naval base that had captured the U.S. merchant ship *Mayaguez*. The action helped free the 39 crewmen, but 38 marines died in the assault.

Future of Southeast Asia. The fall of Cambodia seemed to fulfill Eisenhower’s domino theory, but in fact the rest of Southeast Asia did not fall to communism. Instead, such nations as Singapore, Thailand, and Malaysia emerged as the “little tigers” of the vigorously growing Asian (Pacific Rim) economy. Some argued that U.S. support of South Vietnam was not a waste, because it bought time for other nations of East Asia and Southeast Asia to develop and better resist communism.

The Economy and Domestic Policy

On domestic matters, Ford proved less accommodating and more conservative than Nixon. His chief concern was bringing inflation under control. He urged voluntary measures on the part of businesses and consumers, including the wearing of WIN buttons (Whip Inflation Now). Not only did inflation continue, but the economy also sank deeper into recession, with the unemployment rate reaching over 9 percent. Ford finally agreed to a Democratic package to stimulate the economy, but he vetoed 39 other Democratic bills.

Bicentennial celebration. In 1976, the United States celebrated its 200th birthday. Americans’ pride in their history helped to put Watergate and Vietnam behind them. Even the lackluster presidency of Gerald Ford served the purpose of restoring candor and humility to the White House.

The Election of 1976

Watergate still cast its gloom over the Republican party in the 1976 elections. President Ford was challenged for the party’s nomination by Ronald Reagan, a former actor and ex-governor of California, who enjoyed the support of the more conservative Republicans. Ford won the nomination in a close battle, but the conflict with Reagan hurt him in the polls.

Emergence of Jimmy Carter. A number of Democrats competed for their party’s nomination, including a little-known former governor of Georgia, James Earl (Jimmy) Carter. With Watergate still on voters’ minds, Carter had success running as an outsider against the corruption in Washington. His victories in open primaries reduced the influence of more experienced Democratic politicians. After watching his huge lead in the polls evaporate in the closing days of the campaign, Carter managed to win a close election (287 electoral votes to 241 for Ford) by carrying most of the South and getting an estimated
97 percent of the African American vote. In the aftermath of Watergate, the Democrats also won strong majorities in both houses of Congress.

**Jimmy Carter’s Presidency**

The informal style of Jimmy Carter signaled an effort to end the imperial presidency. On his inaugural day, he walked down Pennsylvania Avenue to the White House instead of riding in the presidential limousine. Public images of the president carrying his own luggage may have impressed average Americans. Veteran members of Congress, however, always viewed Carter as an outsider, who depended too much on his politically inexperienced advisers from Georgia. Even Carter’s keen intelligence and dedication to duty may have been partly a liability in causing him to pay close attention to all the details of government operations. Critics observed that, when it came to distinguishing between the forest and the trees, Carter was a “leaf man.”

**Foreign Policy**

The hallmark of Carter’s foreign policy was human rights, which he preached with Wilsonian fervor to the world’s dictators.

**Human rights diplomacy.** Carter appointed Andrew Young, an African American, to serve as U.S. ambassador to the United Nations. Young championed the cause of human rights by denouncing the oppression of the black majority in South Africa and Rhodesia (Zimbabwe). In Latin America, human rights violations by the military governments of Argentina and Chile caused Carter to cut off U.S. aid to those countries.

**Panama Canal.** The Carter administration attempted to correct inequities in the original Panama Canal Treaty of 1903 by negotiating a new treaty. In 1978, after long debate, the Senate ratified a treaty that would gradually transfer operation and control of the Panama Canal from the United States to the Panamanians, a process to be completed by the year 2000. Opponents would remember Carter’s “give away” of the canal in the 1980 election.

**Camp David Accords (1978).** Perhaps Carter’s single greatest achievement as president was arranging a peace settlement between Egypt and Israel. In 1977, Egyptian President Anwar Sadat took the first courageous step toward Middle East peace by visiting Israeli Prime Minister Menachem Begin in Jerusalem. President Carter followed this bold initiative by inviting Sadat and Begin to meet again at the presidential retreat in Camp David, Maryland. With Carter acting as an intermediary, the two leaders negotiated the Camp David Accords (September 1978), which provided a framework for a peace settlement between their countries.

Later, as a result of a peace treaty concluded in 1979, Egypt became the first Arab nation to recognize the nation of Israel. In return, Israel withdrew its troops from the Sinai territory taken from Egypt in the Six-Day War of
1967. The treaty was opposed by the Palestine Liberation Organization (PLO) and most of the Arab world, but it proved the first step in the long road to a negotiated peace in the Middle East.

**Iran and the hostage crisis.** The Middle East was also the setting for Carter’s greatest frustration and defeat. In 1979, Islamic fundamentalists in Iran, led by the Ayatollah Khomeini, overthrew the shah’s dictatorial government. The shah had kept the oil flowing for the West during the 1970s, but his autocratic rule and policy of westernization had alienated a large part of the Iranian population.

With the ayatollah and fundamentalists in power, Iranian oil production ground to a halt, causing the second worldwide oil shortage of the decade and another round of price increases. U.S. impotence in dealing with the crisis became more evident in November 1979 when Iranian militants seized the U.S. embassy in Teheran and held more than 50 members of the American staff as prisoners and hostages. The hostage crisis dragged out through the remainder of Carter’s presidency. In April 1980, Carter approved a rescue mission, but the breakdown of the helicopters over the Iranian desert forced the United States to abort the mission. For many Americans, Carter’s unsuccessful attempts to free the hostages became a symbol of a failed presidency.

**Cold War.** President Carter attempted to continue the Nixon-Ford policy of détente with China and the Soviet Union. In 1979, the United States ended its official recognition of the Nationalist Chinese government of Taiwan and completed the first exchange of ambassadors with the People’s Republic of China. At first, détente also moved ahead with the Soviet Union with the signing in 1979 of a SALT II treaty, which provided for limiting the size of each superpower’s nuclear delivery system. The Senate never ratified the treaty, however, as a result of a renewal of Cold War tensions over Afghanistan.

In December 1979, Soviet troops invaded Afghanistan—an aggressive action that ended a decade of improving U.S.-Soviet relations. The United States feared that the invasion might lead to a Soviet move to control the oil-rich Persian Gulf. Carter reacted by (1) placing an embargo on grain exports and the sale of high technology to the Soviet Union and (2) boycotting the 1980 Olympics in Moscow. After having campaigned for arms reduction, Carter now had to switch to an arms buildup.

**Domestic Policy: Dealing With Inflation**

At home, the biggest issue was the growing inflation rate. At first Carter tried to check inflation with measures aimed at conserving oil energy and reviving the U.S. coal industry. The compromises that came out of Congress, however, failed either to reduce the consumption of oil or to check inflation. In 1979–1980, inflation seemed completely out of control and reached the unheard of rate of 13 percent.
**Troubled economy.** Inflation slowed economic growth as consumers and businesses could no longer afford the high interest rates that came with high prices. The chairman of the Federal Reserve Board, Paul Volcker, hoped to break the back of inflation by pushing interest rates even higher, to 20 percent in 1980. These rates especially hurt the automobile and building industries, which laid off tens of thousands of workers. Inflation also pushed middle-class taxpayers into higher tax brackets, which led to a “taxpayers’ revolt.” Government social programs that were indexed to the inflation rate helped to push the federal deficit to nearly $60 billion in 1980. Many Americans had to adjust to the harsh truth that, for the first time since World War II, their standard of living was on the decline.

**Loss of Popularity**

Intelligence, effort, and integrity were not enough to get Jimmy Carter through the Iranian hostage crisis and worsening economic crisis. In 1979, in what the press called Carter’s “national malaise” speech, he blamed the problems of the United States on a “moral and spiritual crisis” of the American people. By that time, however, many Americans blamed the president for weak and indecisive leadership. By the election year 1980 his approval rating had fallen to only 23 percent. In seeking a second term, the unpopular president was clearly vulnerable to political challenges from both Democrats and Republicans.

**American Society in Transition**

Social changes in the 1970s were of potentially even greater significance than politics. By the end of the decade, for the first time, half of all Americans lived in the fastest-growing sections of the country—the South and the West. Unlike the previous decade, which was dominated by the youth revolt, Americans were conscious in the seventies that the population was aging. The fastest growing age group was senior citizens over 65.

The country’s racial and ethnic composition was also changing noticeably in the final decades of the 20th century. By 1990, minority groups made up 25 percent of the population. The Census Bureau predicted that, by 2050, as much as half the population would be Hispanic American, African American, or Asian American. Cultural pluralism was replacing the melting pot as the model for U.S. society, as diverse ethnic and cultural groups strove not only to end discrimination and improve themselves but also to celebrate their unique values and traditions.

**Growth of Immigration**

Before the 1960s, most immigrants to the United States had come from Europe and Canada. By the 1980s, 47 percent of immigrants came from Latin
America, 37 percent from Asia, and less than 13 percent from Europe and Canada. In part, this dramatic shift was caused by the arrival of refugees leaving Cuba and Vietnam after the Communist takeovers of these countries. Of far greater importance was the impact of the Immigration Act of 1965, which ended the ethnic quota acts of the 1920s favoring Europeans and thereby opened the United States to immigrants from all parts of the world.

Illegal immigrants. How many immigrants entered the United States illegally every year could only be estimated, but by the mid-1970s, the immigration commission concluded that as many as 12 million foreigners were in the U.S. illegally. The rise in illegal immigrants from countries of Latin America and Asia led to the Immigration Reform and Control Act of 1986, which penalized employers for hiring illegal immigrants while also granting amnesty to illegal immigrants arriving by 1982. Even so, many Americans concluded that the nation had lost control of its own borders, as both legal and illegal immigrants continued to flock to the United States at an estimated million persons a year.

Demands for Minority Rights

One aspect of the protest movements of the 1960s that continued into later decades was the movement by different minorities to gain both relief from discrimination and recognition for their contributions to U.S. society.

Hispanic Americans. Most Hispanic Americans before World War II lived in the southwestern states, but in the postwar years new arrivals from Puerto Rico, Cuba, and South and Central America increasingly settled in the East and Midwest. Mexican workers, after suffering deportation during the Great Depression, were encouraged to come to the United States in the 1950s and 1960s to take low-paying agricultural jobs. They were widely exploited before the long series of boycotts led by Cesar Chavez and the United Farm Workers Organization finally gained collective bargaining rights for farm workers in 1975. Chicano (Mexican American) activists also won a federal mandate for bilingual education requiring schools to teach Hispanic children in both English and Spanish. In the 1980s, a growing number of Hispanic Americans were elected to public office, including mayors of such large cities as Miami and San Antonio. The Census Bureau reported that, in 2000, Hispanics, including Cubans, Puerto Ricans, and other Latin Americans, had become the country’s largest minority group.

Native American movement. In the 1950s, the Eisenhower administration had made an unsuccessful attempt to encourage Native Americans to leave reservations and assimilate into urban America. Native American leaders resisted the loss of cultural identity that would have resulted from such a policy.
To achieve self-determination and revival of tribal traditions, the American Indian Movement (AIM) was founded in 1968. Militant actions soon followed, including AIM’s takeover of the abandoned prison on Alcatraz Island in San Francisco Bay in 1969. AIM members also occupied Wounded Knee, South Dakota, in 1973, site of the infamous massacre of Native Americans by the U.S. cavalry in 1890.

The movement had a number of successes both in Congress and the courts. Congress’ passage of the Indian Self-Determination Act of 1975 gave reservations and tribal lands greater control over internal programs, education, and law enforcement. Native Americans also used the federal courts successfully to regain property or compensation for treaty violations. Widespread unemployment and poverty on reservations was attacked by improving education, through the Tribally Controlled Community College Assistance Act of 1978, and also by building industries and gambling casinos on reservations, under the self-determination legislation.

Native Americans also gained the support of public opinion, as the story of their historic oppression was given a sympathetic retelling in such popular films as *Dances With Wolves* (1990). By 1990, a growing Native American population numbered 1.5 million, with about half the people living on tribal reservations.

**Asian Americans.** Americans of Asian birth and descent had become the fastest growing ethnic minority by the 1980s. The largest group of Asian Americans were of Chinese ancestry, followed by Filipinos, Japanese, Indians, Koreans, and Vietnamese. A strong dedication to education resulted in Asian Americans being well represented in the best colleges and universities. In some parts of the country, however, Asian Americans suffered from discrimination, envy, and Japan-bashing, while the less educated immigrants earned well below the national average.

**Gay liberation movement.** In 1969, a police raid on the Stonewall Inn, a gay bar in New York City, sparked both a riot and the gay rights movement. Gay activists urged homosexuals to be open about their identity and to work to end discrimination and violent abuse. By the mid-1970s, homosexuality was no longer classified as a mental illness and the federal Civil Service dropped its ban on employment of homosexuals. In 1993, President Clinton attempted to end discrimination against gays and lesbians in the military, but settled for the compromise “don’t-ask, don’t-tell” policy.

**The Environmental Movement**

The participation of 20 million citizens in the first Earth Day in 1970 reflected the nation’s growing concerns over pollution and the destruction of the natural environment. It also was a vivid example of the increased questioning
of technological progress in the last decades of the 20th century. Massive oil spills around the world, such as the Exxon Valdez tanker accident in Alaska in 1989, reinforced fears about the deadly combination of human error and modern technology. Public opinion also turned against building additional nuclear power plants after an accident at the Three Mile Island power plant in Pennsylvania (1979) and the deadly explosion of the Chernobyl nuclear reactor in the Soviet Union (1986).

Protective legislation. Conservationists demanded laws that would protect against pollution and destruction of the environment. In 1970, Congress passed the Clean Air Act and created the Environmental Protection Agency (EPA) and followed this legislation in 1972 with the Clean Water Act. In 1980, the Superfund was created to clean up toxic dumps, such as Love Canal in Niagara Falls, New York.

The protest movements by diverse groups in American society seemed to produce more social stress and fragmentation. Combined with a slowing economy and a declining standard of living, these forces left many Americans feeling angry and bitter. A conservative reaction to the liberal policies of the New Deal and the Great Society was gaining strength in the late 1970s and would prove a powerful force in the politics of the next decade.

HISTORICAL PERSPECTIVES: END OF THE IMPERIAL PRESIDENCY?

The Cold War, and the Vietnam War in particular, caused a growing concern over the expansion and abuse of power by the office of the president. Critics in the 1970s saw parallels between the decline of the Roman Republic and the rise of the powerful emperor system of the Roman Empire during its expansion and the developments in the political system of the United States during its emergence as a superpower after World War II. The abuse of power under Richard Nixon and the Watergate scandals confirmed many Americans’ fears. A few even at first misjudged Nixon’s mobilization of the armed forces during the Middle East October War of 1973 as an attempted coup d’état to take over the government.

Arthur Schlesinger, Jr. argued in his book The Imperial Presidency (1973) that the United States’ exercise of world leadership had gradually undermined the original intent of the Constitution and the war powers of Congress. Cold War presidents had used national security, the need for secrecy, executive privilege, and the mystique of the high office to concentrate power into the White House. The end of the Vietnam War, the resignation of Richard Nixon, and the War Powers Act of 1973 seemed to end the dangers of the imperial
presidency. Presidents Ford and Carter proved comparatively weak presidents, and by the 1990s power had clearly shifted back to the Congress, as the Founders had intended. However, the U.S. political system would continue to be challenged on how to provide strong leadership in world affairs. Arthur Schlesinger, Jr. concluded that the U.S. continued to need a strong president, but one working within the limits of the Constitution.

KEY NAMES, EVENTS, AND TERMS

Richard Nixon
Henry Kissinger
Vietnamization
Nixon Doctrine
Kent State
My Lai
Pentagon Papers
Paris Accords of 1973
détente
China visit
Soviet Union; Strategic Arms Limitation Talks
New Federalism
stagflation
southern strategy
Warren Burger
George McGovern
Watergate; articles of impeachment
United States v. Nixon
War Powers Act (1973)
Middle East War (1973)
OPEC; oil embargo
Gerald Ford
Cambodia; Khmer Rouge
Bicentennial
James Earl (Jimmy) Carter
human rights
Panama Canal treaty (1978)
Camp David Accords (1978)
Anwar Sadat; Menachem Begin
Iran; hostage crisis
Afghanistan invasion
cultural pluralism
Immigration Act (1965)
Immigration Reform and Control Act (1986)
Hispanic Americans
Cesar Chavez
American Indian Movement
Indian Self-Determination Act (1975)
Asian Americans
gay liberation movement
environmental movement
Earth Day (1970)
nuclear accidents: Three Mile Island, Chernobyl
Clean Air Act (1970)
Environmental Protection Agency
Clean Water Act (1972)
Environmental Superfund
MULTIPLE-CHOICE QUESTIONS

1. Which of the following BEST reflected President Nixon’s policy of “Vietnamization”?
   (A) massive bombing of North Vietnam by American air power
   (B) full-scale invasion of Cambodia to end the Communist threat
   (C) gradual withdrawal of American armed forces from Vietnam
   (D) turning the war in South Vietnam over to United Nations forces
   (E) stopping all American military and economic aid to South Vietnam

2. Richard Nixon’s conduct of foreign affairs emphasized all of the following EXCEPT
   (A) playing off Communist China against Communist Russia
   (B) reduction of tension between the United States and Communist countries
   (C) a use of the balance of power diplomacy to achieve stability in the world
   (D) a renewed arms race in ballistic and antiballistic missiles
   (E) providing economic and military assistance to other nations, but not large numbers of American troops

3. The Paris Accords of 1973 included all of the following EXCEPT
   (A) the United States would withdraw the rest of its troops from South Vietnam
   (B) the United States would end all economic and military aid to South Vietnam
   (C) the United States would get back all prisoners in enemy hands
   (D) North Vietnam could keep some of its troops in South Vietnam
   (E) a promise of a cease-fire and free elections

4. Under the program of New Federalism, President Nixon sought to
   (A) shift the responsibility for social programs from the federal to state and local governments
   (B) end the Great Society assistance programs for the working poor
   (C) attack inflation with a series of voluntary guidelines for business and labor
   (D) slow down desegregation by turning over busing decisions to the state courts
   (E) bring social programs all together under more efficient federal bureaucracy

5. Richard Nixon’s strategy to build a Republican majority for 1972 included all of the following EXCEPT
   (A) hard-hitting attacks by Vice President Spiro Agnew on liberals and the media
(B) gaining support in the South by slowing down court-ordered busing for desegregation
(C) appointment of southern conservatives to the Supreme Court
(D) appealing to the “silent majority”
(E) establishing positive relationships with the national media and liberal press

6. What caused Richard Nixon to resign in 1974?
(A) He violated the War Powers Act passed by Congress.
(B) He ordered the “Saturday night massacre.”
(C) The White House tapes proved he was guilty of obstruction of justice.
(D) He ordered his staff to keep an “enemies list” and use “dirty tricks.”
(E) He took bribes while governor of Maryland.

7. President Gerald Ford lost the most support from the American public for
(A) allowing the fall of South Vietnam to the Communists
(B) his ineffective WIN campaign against inflation
(C) becoming the first unelected president of the United States

8. The main guiding principle of President Carter’s foreign policy was
(A) détente
(B) human rights
(C) support of Israel
(D) lower gas prices
(E) containment of communism

9. The U.S. economy in the late 1970s was characterized by all of the following EXCEPT
(A) low interest rates
(B) oil shortages and increased oil prices
(C) massive layoffs of workers
(D) runaway inflation rates
(E) recession

10. The U.S. policy of détente with the Soviet Union ended because of
(A) the development of the MX missile
(B) the U.S. recognition of the People’s Republic of China
(C) the Soviet invasion of Afghanistan
(D) the failure of Congress to ratify SALT II
(E) boycott of the Olympics in Moscow

ESSAY QUESTIONS

2. What were the abuses and illegal activities that became known as Watergate, and what impact did they have on domestic politics in the 1970s?
3. Describe and account for the economic problems that the United States experienced in the 1970s.

4. Why were the presidencies of Gerald Ford and Jimmy Carter perceived as weak and ineffectual? Assess the validity of those perceptions, taking into account both their domestic and foreign policies.

5. In what ways was American society changing in the 1970s and 1980s, and why were these changes taking place?

DOCUMENTS AND READINGS

The optimism of the 1950s and early 1960s gave way to the protests and “cultural wars” of the 1970s and 1980s. The following readings to some extent question America’s power, policies, or cultural values. They also reflect the growing sense of limits for the world’s most powerful nation.

**DOCUMENT A. NIXON’S GRAND STRATEGY IN THE COLD WAR**

Early in his career, Richard Nixon had established himself as a strong anticommunist. As president he used that reputation to allow him to take risks, such as his visit to Communist China, to achieve a more stable world.

Never once in my career have I doubted that the Communists mean it when they say that their goal is to bring the world under Communist control. Nor have I ever forgotten Whittaker Chambers’ chilling comment that when he left communism, he had the feeling he was leaving the winning side. But unlike some anticommunists who think we should refuse to recognize or deal with the Communists lest in doing so we imply or extend an ideological respectability to their philosophy and their system, I have always believed that we can and must communicate and, when possible, negotiate with Communist nations.

I felt that we had allowed ourselves to get in a disadvantageous position vis-à-vis the Soviets. They had a major presence in Arab states of the Middle East, while we had none; they had Castro in Cuba; since the mid-1960’s they had supplanted the Chinese as the principal military suppliers of North Vietnam; and except for Tito’s Yugoslavia they still totally controlled Eastern Europe and threatened the stability and security of Western Europe.

There were, however, a few things in our favor. The most important and interesting was the Soviet split with China. There was also some evidence of growing, albeit limited, independence in some
of the satellite nations. There were indications that the Soviet leaders were becoming interested in reaching an agreement on strategic arms limitation. They also appeared to be ready to hold serious talks on the anomalous situation in Berlin, which, almost a quarter century after the war had ended, was still a divided city and a constant source of tension, not just between the Soviets and the United States, but also between the Soviets and Western Europe. We sensed that they were looking for a face-saving formula that would lessen the risk of confrontation in the Mideast. And we had some solid evidence that they were anxious for an expansion of trade.

It was often said that the key to a Vietnam settlement lay in Moscow and Peking rather than in Hanoi. Without continuous and massive aid from either or both of the Communist giants, the leaders of North Vietnam would not have been able to carry on the war for more than a few months. Thanks to the Sino-Soviet split, however, the North Vietnamese had been extremely successful in playing off the Soviets and the Chinese against each other. . . . Aside from wanting to keep Hanoi from going over to Peking, Moscow had little stake in the outcome of the North Vietnamese cause, especially as it increasingly worked against Moscow’s own major interests vis-à-vis the United States. While I understood that the Soviets were not entirely free agents where their support for North Vietnam was concerned, I nonetheless planned to bring maximum pressure to bear on them in this area.

Richard Nixon,

**DOCUMENT B. THE REVIVAL OF THE WOMEN’S MOVEMENT**

A key objective of the modern women’s movement was equal pay for equal work. In the following selection, Gloria Steinem, a leader in the women’s movement and founder of Ms., a magazine promoting women’s issues, speaking before a Senate hearing on the Equal Rights Amendment, addressed the concerns about mothers becoming full-time workers.

American mothers spend more time with their homes and children than those of any other society we know about. In the past, joint families, servants, a prevalent system in which grandparents raised the children, or family field work in the agrarian system—all these factors contributed more to child care that the labor-saving devices of which we are so proud.

The truth is that most American children seem to be suffering from too much Mother, and too little Father. Part of the program of Women’s Liberation is a return of fathers to their children. If
laws permit women equal work and pay opportunities, men will then be relieved of their role of sole breadwinner. Fewer ulcers, fewer hours of meaningless work, equal responsibility for his own children: these are a few of the reasons that Women’s Liberation is Men’s Liberation, too.

As for the psychic health of the children, studies show that the quality of time spent by parents is more important than the quantity. The most damaged children were not those whose mothers worked, but those whose mothers preferred to work but stayed home out of role-playing desire to be a “good mother.”

Gloria Steinem,
Hearing, The “Equal Rights” Amendment, 1970

In the midst of the oil crisis, the Iranian hostage crisis, and some of the worst inflation in the nation’s history, President Jimmy Carter, after conferring with various experts for ten days, delivered a remarkable speech on nationwide network television. While the speech did little to help Carter’s popularity, it revealed the loss of confidence that many in the nation witnessed in the late 1970s.

The erosion of our confidence in the future is threatening to destroy the social and the political fabric of America. . . .

Our people are losing faith, not only in government itself but in their ability as citizens to serve as the ultimate rulers and shapers of our democracy. As a people we know our past and we are proud of it. Our progress has been part of the living history of America, even the world. We always believed that we were part of a great movement of humanity itself called democracy, involved in the search for freedom, and that belief has always strengthened us in our purpose. But just as we are losing our confidence in the future, we are also beginning to close the door on our past.

In a nation that was proud of hard work, strong families, close-knit communities, and our faith in God, too many of us now tend to worship self-indulgence and consumption. Human identity is no longer defined by what one does, but by what one owns. But we’ve discovered that owning things and consuming things does not satisfy our longing for meaning. We’ve learned that piling up material goods cannot fill the emptiness of lives which have no confidence or purpose.

The symptoms of this crisis of the American spirit are all around us. For the first time in the history of our country a majority of our people believe that the next five years will be worse than the past five years. Two-thirds of our people do not even vote. The productivity of American workers is actually dropping, and the willingness of Americans to save for the future has fallen below that of all people in the Western world.

As you know, there is a growing disrespect for government and for churches and for schools, the news media, and other institutions. This is not a message of happiness or reassurance, but it is the truth and it is a warning.

These changes did not happen overnight. They’ve come upon us gradually over the last generation, years that were filled with shocks and tragedy.

We were sure that ours was a nation of the ballot, not the bullet, until the murders of John Kennedy and Robert Kennedy and Martin
Luther King, Jr. We were taught that our armies were always invincible and our causes were always just, only to suffer the agony of Vietnam. We respected the Presidency as a place of honor until the shock of Watergate.

We remember when the phrase “sound as a dollar” was an expression of absolute dependability, until ten years of inflation began to shrink our dollar and our savings. We believed that our Nation’s resources were limitless until 1973, when we had to face a growing dependence on foreign oil.

What you see too often in Washington and elsewhere around the country is a system of government that seems incapable of action. You see a Congress twisted and pulled in every direction by hundreds of well-financed and powerful special interests. You see every extreme position defended to the last vote, almost to the last breath by one unyielding group or another. You often see a balanced and a fair approach that demands sacrifice, a little sacrifice from everyone, abandoned like an orphan without support and without friends.

Jimmy Carter,
Public Papers of the Presidents of the United States, 1979

ANALYZING THE DOCUMENTS

1. What was Nixon’s grand strategy for improving relations with the Soviet Union and at the same time ending the war in Vietnam?

2. According to Steinem, why would equal pay for equal work be good for children and men, as well as women? How accurate was her 1970 prediction of the benefits of working mothers?

3. Analyze the way the Watergate tapes and the media contributed to the resignation of President Nixon.

4. According to Carter, what were the causes of the problems of the late 1970s and the general loss of confidence in the government?

5. Not all issues have a clearly conservative or liberal side to them. However, based on your overall knowledge of the times, try to assess the point of view of each author. On the issue involved in each source, was the opinion conservative, moderate, or liberal? What evidence would you use to support your conclusion?
In this present crisis, government is not the solution to our problem; government is the problem.

President Ronald Reagan, Inaugural Address, January 20, 1981

The history of the United States since 1980 is not a focus of the Advanced Placement U.S. History examination. The exam will probably have only a couple of multiple-choice questions from this chapter, and the College Board assures students that no DBQ or essay question “will deal exclusively with this period.” However, an understanding of the last two decades of the 20th century provides perspective for the postwar years, especially for the Cold War and domestic politics and policies. This final chapter will survey the key events from 1980 both for exam preparation and to complete our review of U.S. history.

Among the important changes during the 1980s and 1990s were the collapse of communism in Eastern Europe, the breakup of the Soviet Union, and the end of the Cold War. In the post-Cold War world, older ethnic and religious conflicts reemerged to threaten the peace with civil wars and terrorism. On the domestic scene, the conservative agenda of the Reagan administration (1981–1989)—for a stronger military, lower taxes, fewer social programs, and traditional cultural values—helped the Republicans become the majority party, which by 2003 controlled the White House and both houses of Congress.

The Rise of Conservatism

Even though Barry Goldwater was defeated in a landslide in the election of 1964, his campaign for the presidency marked the beginning of the resurgence of conservatism. The policies of presidents Nixon and Ford and the writings of the political commentator William F. Buckley, Jr., and the economist Milton Friedman gave evidence in the 1970s of a steady shift to the right, away from the liberalism of the sixties. By 1980, a loose coalition of economic and political conservatives, religious fundamentalists, and political action committees
(PACs) had become a potent force for change. These groups were opposed to big government, New Deal liberalism, gun control, feminism, gay rights, welfare, affirmative action, sexual permissiveness, abortion, and drug use, which, in their view, were responsible for undermining family and religious values, the work ethic, and national security.

**Leading Issues**

By 1980, various activists had taken the lead in establishing a conservative agenda for the nation, which included such diverse causes as lower taxes, improved morals, and reduced emphasis on affirmative action.

**Taxpayers’ revolt.** In 1978, California voters led the revolt against high taxes by passing Proposition 13, a measure that sharply cut property taxes. Nationally, conservatives promoted economist Arthur Laffer’s belief that tax cuts would promote economic growth. Two Republican members of Congress, Jack Kemp and William Roth, proposed legislation to reduce federal taxes by 30 percent, which became the basis for the Reagan tax cuts.

**Moral revival.** Moral decay was a weekly theme of televangelists such as Pat Robertson, Oral Roberts, and Jim Bakker, who by 1980 had a combined weekly audience of between 60 and 100 million viewers. Religion became an instrument of electoral politics, when the Moral Majority, founded by Virginia evangelist Jerry Falwell, financed campaigns to unseat liberal members of Congress. Religious fundamentalists attacked “secular humanism” as a godless creed taking over public education and also campaigned for the return of prayers and the teaching of the Biblical account of creation in the public schools. The legalization of abortion in the *Roe v. Wade* (1973) decision sparked the right-to-life movement that joined together Catholics and fundamentalist Protestants, who believed that human life began at the moment of conception.

**“Reverse discrimination.”** In 1965, President Johnson had committed the U.S. government to a policy of affirmative action to ensure that underprivileged minorities and women would have equal access to education, jobs, and promotions. Suffering through years of recession and stagflation in the 1970s, many white males blamed their troubles on the “reverse discrimination” imposed by the government’s support of racial and ethnic quotas. The Supreme Court ruled in their favor in the landmark case of *Regents of the University of California v. Bakke* (1978), by deciding that college admissions could not be based on race alone. After this decision, conservatives intensified their campaign to end all quotas and preferential treatment based on race and ethnic background.

**Ronald Reagan and the Election of 1980**

Ronald Reagan, a well-known movie and television actor, gained fame among Republicans as an effective political speaker in the 1964 Goldwater campaign. He went on to be elected the governor of California, the nation’s
most populous state. In 1976 Reagan came close to taking the party’s nomination from President Ford. By this time, he was widely recognized as the most effective spokesperson for conservative positions. Handsome and vigorous in his late sixties, he proved a master of the media and was seen by millions as a likable and sensible champion of average Americans.

**Campaign for president, 1980.** Senator Edward Kennedy’s challenge to President Carter for the Democratic nomination left Carter battered in the polls. As the Republican nominee, Reagan attacked the Democratic party’s big-government solutions to problems and the loss of U.S. prestige abroad. (Throughout the campaign, American hostages remained in the hands of Iranian radicals.) Reagan also pointed to a “misery index” of 28 (rate of inflation added to the rate of unemployment) and concluded his campaign by asking a huge television audience, “Are you better off now than you were four years ago?” The voters’ rejection of Carter’s presidency and the growing conservative mood gave Reagan 51 percent of the popular vote and almost 91 percent of the electoral vote. Carter received 41 percent of the popular vote, while a third candidate, John Anderson (a moderate Republican running as an independent), received 8 percent.

**Significance.** Reagan’s election broke up a key element of the New Deal coalition by taking over 50 percent of the blue-collar vote. For the first time since 1954, the Republicans gained control of the Senate by defeating 11 liberal Democrats targeted by the Moral Majority. The Republicans also gained 33 seats in the House, which when combined with the votes of conservative southern Democrats would give them a working majority on many key issues. Political analysts marked the 1980 election as the end of a half century of Democratic dominance of Congress.

**The Reagan Revolution**

On the very day that Reagan was inaugurated, the Iranians released the 52 American hostages, giving his administration a positive start. Two months later, the president survived a serious gunshot wound from an assassination attempt. Reagan handled the crisis with such humor and charm that he emerged from the ordeal as an even more popular leader. He pledged that his administration would lower taxes, reduce government spending on welfare, build up the U.S. armed forces, and create a more conservative federal court. He delivered on all four promises—but there were some costs.

**Supply-Side Economics ("Reaganomics")**

The Reagan administration advocated supply-side economics, arguing that tax cuts reduced government spending, would increase investment by the private sector, and lead to increased production, jobs, and prosperity. This approach contrasted with the Keynesian economics long favored by the Democrats, which
relied on government spending to boost consumer income and demand. The supply-side theory reminded critics of the “trickle-down” economics of the 1920s, in which wealthy Americans prospered, and some of their increased profits and spending benefited the middle class and the poor.

Federal tax reduction. The legislative activity early in Reagan’s presidency reminded some in the media of FDR’s Hundred Days. Congress passed most of the tax cuts that Reagan asked for, including a 25 percent decrease in personal income taxes over three years. Cuts in the corporate income tax, capital gains tax, and gift and inheritance taxes guaranteed that a large share of the tax relief went to upper-income taxpayers. Under Reagan, the top income tax rate was reduced to 28 percent. At the same time, small investors were also helped by a provision that allowed them to invest up to $2,000 a year in Individual Retirement Accounts (IRAs) without paying taxes on this money.

Spending cuts. With the help of conservative southern Democrats (“boll weevils”), the Republicans cut over $40 billion from domestic programs, such as food stamps, student loans, and mass transportation. These savings were offset, however, by a dramatic increase in military spending. No cuts in Medicare or Social Security were passed, but the Social Security system was made more solvent by legislation that raised the retirement age and taxed benefits paid to upper-income recipients.

Deregulation

Following up on the promise of “getting government off the backs of the people,” the Reagan administration reduced federal regulations on business and industry—a policy of deregulation begun under Carter. Restrictions were eased on savings and loan institutions, mergers and takeovers by large corporations, and environmental protection. To help the struggling American auto industry, regulations on emissions and auto safety were also reduced. Secretary of the
Interior James Watt opened federal lands for increased coal and timber production and offshore waters for oil drilling.

**Labor Unions**

Despite having once been the president of the Screen Actors Guild, Reagan took a tough stand against unions. He fired thousands of striking federal air traffic controllers for violating their contract and decertified their union (PATCO). Many businesses followed this action by hiring striker replacements in labor conflicts. These antiunion policies along with the loss of manufacturing jobs hastened the decline of union membership among nonfarm workers from over 30 percent in 1962 to only 12 percent in the late 1990s. In addition, the recession of 1982 and foreign competition had a dampening effect on workers’ wages.

**Recession and Recovery**

In 1982, the nation suffered the worst recession since the 1930s. Banks failed and unemployment reached 11 percent. At the same time, however, the recession along with a fall in oil prices reduced the double-digit inflation rate of the late 1970s to less than 4 percent. As the policies of Reaganomics took hold, the economy rebounded and beginning in 1983 entered a long period of recovery. The recovery, however, only widened the income gap between rich and poor. While upper-income groups and “yuppies” (young urban professionals) enjoyed higher incomes and material benefits from a deregulated marketplace, the standard of living of the middle class remained stagnant or declined during the 1980s and early 1990s. In the late 1990s, the middle class gained back some of its losses.

**Social Issues**

President Reagan followed through on his pledge to appoint conservative judges to the Supreme Court by nominating Sandra Day O’Connor, the first woman on the Court, as well as Antonin Scalia and Anthony Kennedy. Led by a new chief justice, William Rehnquist, the Supreme Court scaled back affirmative action in hiring and promotions and limited *Roe v. Wade* by allowing states to impose certain restrictions on abortion, such as requiring minors to notify their parents before having an abortion.

**The Election of 1984**

The return of prosperity, even if not fully shared by all Americans, restored public confidence in the Reagan administration. At their convention in 1984, Republicans nominated their popular president by acclamation. Among Democrats, Jesse Jackson became the first African-American politician to make a strong run for the presidency by seeking the support of all minority groups under the banner of the *rainbow coalition*. The Democratic majority, however,
nominated Walter Mondale, Carter’s vice president, to be their presidential candidate and Representative Geraldine Ferraro of New York to be the first woman to run for vice president.

Reagan easily defeated the liberal Mondale, taking every state except Mondale’s home state of Minnesota. Two-thirds of white males voted for Reagan. Analysis of voting returns indicated that only two groups still favored the Democrats: African Americans and those earning less than $12,500 a year.

**Budget and Trade Deficits**

By the mid-1980s, Reagan’s tax cuts combined with large increases in military spending were creating federal deficits of over $200 billion a year. Over the course of Reagan’s two terms as president, the national debt tripled from about $900 billion to almost $2.7 trillion. The tax cuts, designed to stimulate investments, seemed only to increase consumption, especially of foreign-made luxury and consumer items. As a result, the U.S. trade deficit reached a staggering $150 billion a year. The cumulative trade imbalance of $1 trillion during the 1980s contributed to a dramatic increase in the foreign ownership of U.S. real estate and industry. In 1985, for the first time since the World War I era, the United States became a debtor nation.

In an effort to keep the federal deficit under control, Congress in 1985 passed the Gramm-Rudman-Hollings Balanced Budget Act, which provided for across-the-board spending cuts. Court rulings and later congressional changes kept this legislation from achieving its full purpose, but Congress was still able to reduce the deficit by $66 billion from 1986 to 1988.

**Impact of Reaganomics**

President Reagan’s two terms reduced restrictions on a free-market economy and left more money in the hands of investors and higher income Americans. Reagan’s policies also succeeded in containing the growth of the New Deal-Great Society welfare state. Another legacy of the Reagan years were the huge federal deficits, which were to change the context of future political debates. With yearly deficits running between $200–$300 billion, it no longer seemed reasonable for either Democrats or Republicans to propose new social programs, such as universal health coverage. Instead of asking what new government programs might be needed, Reaganomics changed the debate to issues of what government programs to cut and by how much.

**Foreign Policy During the Reagan Years**

Reagan started his presidency determined to restore the military might and superpower prestige of the United States and to intensify the Cold War competition with the Soviet Union. He called the Soviet Communists “the evil empire” and “focus of evil in the modern world.” Reagan was prepared to use
military force to back up his rhetoric. During his second term, however, he proved flexible enough in his foreign policy to respond to significant changes in the Soviet Union and its satellites in Eastern Europe.

**Renewing the Cold War**

Increased spending for defense and aid to anticommunist forces in Latin America were the hallmarks of Reagan’s approach to the Cold War during his first term.

**Military buildup.** The Reagan administration spent billions to build new weapons systems, such as the B-1 bomber and the MX missile, and to expand the U.S. Navy from 450 to 600 ships. The administration also increased spending on the Strategic Defense Initiative (SDI), an ambitious plan for building a high-tech system of lasers and particle beams to destroy enemy missiles before they could reach U.S. territory. Critics called the SDI “Star Wars” and argued that the costly program would only escalate the arms race and could be overwhelmed by the Soviets building more missiles. Although Congress made some cuts in the Reagan proposals, the defense budget grew from $171 billion in 1981 to over $300 billion in 1985.

**Central America.** In the Americas, Reagan supported “friendly” right-wing dictators to keep out communism and also worked to overthrow Marxist regimes such as the Sandinistas that had taken over Nicaragua in 1979. Large amounts of U.S. military aid went to the “contras,” antileftist rebels in Nicaragua who fought the Sandinistas in an attempt to seize power. In 1985, Democrats opposed to the administration’s policies in Nicaragua passed the Boland Amendment prohibiting further aid to the contras.

In El Salvador, meanwhile, the Reagan administration spent nearly $5 billion to support the Salvadoran government against a coalition of leftist guerrillas. Many Americans protested the killing of more than 40,000 civilians, including American missionaries, by right-wing “death squads” with connections to the El Salvador army.

**Grenada.** On the small Caribbean island of Grenada, a coup led to the establishment of a pro-Cuban regime. In October 1983, President Reagan ordered a small force of marines to invade the island in order to prevent the establishment of a strategic Communist military base in the Americas. The invasion quickly succeeded in reestablishing a friendly government in Grenada.

**Iran-contra affair.** If Grenada was the notable military triumph of Reagan’s presidency, his efforts to aid the Nicaraguan contras involved him in a serious blunder and scandal. The so-called Iran-contra affair had its origins in U.S. troubles with Iran. Since 1980, Iran and Iraq had been engaged in a bloody war. Reagan aides came up with the plan—kept secret from the American
public—of selling U.S. antitank and antiaircraft missiles to Iran’s government for its help in freeing the Americans held hostage by a radical Arab group. In 1986, another Reagan staff member had the “great idea” to use the profits of the arms deal with Iran to fund the contras in Nicaragua.

President Reagan denied that he had knowledge of the illegal diversion of funds—illegal in that it violated both the Boland Amendment and congressional budget authority. The picture that emerged from a televised congressional investigation was of an uninformed, hands-off president who was easily manipulated by his advisers. Reagan suffered a sharp, but temporary, drop in the popularity polls. He would leave office with his reputation intact as one of the most popular presidents of the 20th century.

**Lebanon, Israel, and the PLO**

Reagan’s foreign policy suffered a series of setbacks in the Middle East. In 1982, Israel (with U.S. approval) invaded southern Lebanon to stop PLO terrorists from raiding Israel. Soon the United States became involved in helping to evacuate the PLO to a safe haven and in providing peacekeeping forces to Lebanon in an effort to contain that country’s bitter civil war. In April 1983, an Arab suicide squad bombed the U.S. embassy in Beirut, killing 63 people. A few months later, another Arab terrorist drove a bomb-filled truck into the U.S. Marines barracks, killing 241 servicemen. In 1984, Reagan pulled U.S. forces out of Lebanon, with little to show for the effort and loss of lives.

Secretary of State George Schultz pushed for a peaceful settlement of the Palestinian-Israeli conflict by setting up a homeland for the PLO in the West Bank territories occupied by Israel since the 1967 war. Under American pressure, PLO leader Yassir Arafat agreed in 1988 to recognize Israel’s right to exist.

**Improved U.S.-Soviet Relations**

The Cold War intensified in the early 1980s as a result of both Reagan’s arms buildup and the Soviet deployment of a larger number of missiles against NATO countries. In 1985, however, a dynamic reformer, Mikhail Gorbachev, became the new Soviet leader. Gorbachev attempted to change Soviet domestic politics by introducing two major reforms: (1) glasnost, or openness, to end political repression and move toward greater political freedom for Soviet citizens, and (2) perestroika, or restructuring of the Soviet economy by introducing some free-market practices. To achieve his reforms, Gorbachev had to end the costly arms race and deal with a deteriorating Soviet economy.

In 1987, after two earlier attempts, Gorbachev and Reagan agreed to remove and destroy all intermediate-range missiles (the INF agreement). In 1988, Gorbachev further reduced Cold War tensions by starting the pullout of Soviet troops from Afghanistan. He also cooperated with the United States in
putting diplomatic pressure on Iran and Iraq to end their war. By the end of
Reagan’s second term, relations between the two superpowers had so improved
that the end of the Cold War seemed at hand.

Assessing Reagan’s policy. The Reagan administration would claim that
its military buildup forced the Soviet Union to concede defeat and abandon
the Cold War. Others would give credit to George Kennan’s containment
policies and to Gorbachev’s initiative. Regardless of what caused the Soviets
to change their policy, President Reagan must be credited with responding to
the opportunity to end the Cold War. By the time Reagan’s second term came
to a close in 1988, many Americans wished he could continue for another four
years, but the constitutional limit forced him into retirement. Ronald Reagan’s
combination of style, humor, and patriotism had won over the electorate. As
a leader, he changed the politics of the nation for at least a generation by
bringing many former Democrats into the Republican party.

President George H. Bush and the End of the Cold War

The Cold War had threatened the very existence of the planet and of
humankind. At the same time, ever since 1945, it had given clear purpose and
structure to U.S. foreign policy. What would be the U.S. role in the world after
the Cold War? George H. Bush, a former ambassador to the United Nations
and director of the CIA (and the father of President George W. Bush), became
the first president to define the U.S. role in the new era.

The Election of 1988

The Democrats regained control of the Senate in 1986 and hoped that
the Iran-contra scandal and the huge deficits under Reagan would hurt the
Republicans in the presidential race of 1988. Michael Dukakis, governor of
Massachusetts, won the Democratic nomination and balanced the ticket by
selecting Senator Lloyd Bentsen of Texas as his running mate. The Republican
candidates were Reagan’s vice president, George H. Bush, and a young Indiana
senator, Dan Quayle. Bush was no Reagan in front of the camera, but he quickly
overtook an expressionless Dukakis by charging that the Democrat was soft
on crime (for furloughing criminals) and weak on national defense. Bush
also appealed to voters by promising not to raise taxes: “Read my lips—no
new taxes.”

The Republicans won a decisive victory in November by a margin of 7
million votes. Once again, the Democrats failed to win the confidence of
most white middle-class voters. Nevertheless, the voters sent mixed signals
by returning larger Democratic majorities to both the House and the Senate.
Americans evidently believed in the system of checks and balances, but unfortu-
nately it often produced legislative gridlock in Washington.
The Collapse of Soviet Communism and the Soviet Union

The first years of the Bush administration were dominated by dramatic changes in the Communist world.

Tiananmen Square. In China during the spring of 1989, prodemocracy students demonstrated for freedom in Beijing’s Tiananmen Square. Television cameras from the West broadcast the democracy movement around the world. Under the cover of night, the Chinese Communist government crushed the protest with tanks, killing hundreds and ending the brief flowering of an open political environment in China.

Eastern Europe. Challenges to communism in Eastern Europe produced more positive results. Gorbachev declared that he would no longer support the various Communist governments of Eastern Europe with Soviet armed forces. Starting in Poland in 1989 with the election of Lech Walesa, the leader of the once outlawed Solidarity movement, the Communist party fell from power in one country after another—Hungary, Czechoslovakia, Bulgaria, and Romania. The Communists in East Germany were forced out of power after protesters tore down the Berlin Wall, the hated symbol of the Cold War. In October 1990, the two Germanys, divided since 1945, were finally reunited with the blessing of both NATO and the Soviet Union.

Breakup of the Soviet Union. The swift march of events and the nationalist desire for self-determination soon overwhelmed Gorbachev and the Soviet Union. In 1990 the Soviet Baltic republics of Estonia, Latvia, and Lithuania declared their independence. After a failed coup against Gorbachev by Communist hard-liners, the remaining republics dissolved the Soviet Union in December 1991, leaving Gorbachev a leader with no country. Boris Yeltsin, president of the Russian Republic, joined with nine former Soviet republics to form a loose confederation, the Commonwealth of Independent States (CIS). Yeltsin disbanded the Communist party in Russia and attempted to establish a democracy and a free-market economy.

End of the Cold War. Sweeping agreements to dismantle their nuclear weapons were one tangible proof that the Cold War had ended. Bush and Gorbachev signed the START I agreement in 1991, reducing the number of nuclear warheads to under 10,000 for each side. In late 1992, Bush and Yeltsin agreed to a START II treaty, which reduced the number of nuclear weapons to just over 3,000 each. The treaty also offered U.S. economic assistance to the troubled Russian economy.

Even as Soviet communism collapsed, President Bush, a seasoned diplomat, remained cautious. Instead of celebrating final victory in the Cold War, Americans grew concerned about the outbreak of civil wars and violence in the former Soviet Union. In Eastern Europe, Yugoslavia started to disintegrate in 1991, and a civil war broke out in the provinces of Bosnia and Herzegovina.
in 1992. At home, the end of the Cold War raised questions about whether the need still existed for heavy defense spending and large numbers of U.S. military bases.

**Invasion of Panama**

Since the outbreak of the Cold War in the 1940s, U.S. intervention in foreign conflicts had been consistently tied to the containment of communism. In December 1989, U.S. troops were used for a different purpose, as Bush ordered the invasion of Panama to remove the autocratic General Manuel Noriega. The alleged purpose of the invasion was to stop Noriega from using his country as a drug pipeline to the United States. U.S. troops remained until elections established a more creditable government.

**Persian Gulf War**

President Bush’s hopes for a “new world order” of peace and democracy were challenged in August 1990 when Iraq’s dictator, Saddam Hussein, invaded oil-rich but weak Kuwait and threatened Western oil sources in Saudi Arabia and the Persian Gulf. President Bush successfully built a coalition of United Nations members to put pressure on Hussein to withdraw from Kuwait. A U.N. embargo against Iraq, however, had little effect. Bush won congressional approval for a military campaign to roll back Iraq’s act of aggression. In January 1991, in a massive operation called Desert Storm, over half a million Americans were joined by military units from 28 other nations. Five weeks of relentless air strikes were followed by a brilliant ground war conducted by U.S. General Norman Schwarzkopf. After only 100 hours of fighting on the ground, Iraq was forced to concede defeat.

Some Americans were disappointed that the United States stopped short of driving Saddam Hussein from power in Iraq. Nevertheless, after the victory, Bush enjoyed a boost in his approval rating to nearly 90 percent.

**Domestic Problems**

President Bush’s political future seemed secure based on his foreign policy successes, but a host of domestic problems dogged his administration.

**Nomination of Clarence Thomas.** The president’s nomination of Clarence Thomas to the Supreme Court to replace the retiring Thurgood Marshall proved extremely controversial. Thomas’s conservative views on judicial issues were attacked by African-American organizations, and charges of sexual harassment against him were widely believed by millions of women. Nevertheless, the Senate confirmed Thomas’ nomination.

**Taxes and the economy.** Americans were shocked to learn that the government’s intervention to save weak savings and loan institutions and to pay insured depositors for funds lost in failed S&L’s would cost the taxpayers over $250 billion. Also disturbing was the idea that federal budget deficits of over
$250 billion a year added over $1 trillion to the national debt during the Bush presidency. Thousands of Republican voters felt betrayed when, in 1990, Bush violated his campaign pledge of “no new taxes” by agreeing to accept the Democratic Congress’ proposed $133 billion in new taxes. The unpopular tax law increased the top income tax rate to 31 percent and raised federal excise taxes on beer, wine, cigarettes, gasoline, and luxury cars and boats. Most damaging of all for Bush’s reelection prospects was a recession starting in 1990 that ended the Reagan era of prosperity, increased unemployment, and decreased average family income.

**Political inertia.** President Bush began his administration calling for “a kinder, gentler America” and declaring himself the “education president.” He did sign into law the Americans With Disabilities Act (1990), which prohibited discrimination against citizens with physical and mental disabilities in hiring, transportation, and public accommodation. Outside of this accomplishment, the president offered little in the way of domestic policy. In the midst of recession, he emphasized cuts in federal programs. This seemed to offer little hope to growing numbers of Americans left behind by the “Reagan revolution.”

**The Clinton Years, 1993–2001: Prosperity and Partisanship**

During the last years of the 20th century, the United States enjoyed a period of unrivaled economic growth and technological innovation. The end of the Cold War allowed Americans to focus more on economic and domestic issues. But, during this period, American politics became more divided, bitter, and scandal-driven.

**Anti-Incumbent Mood**

A stagnant economy, huge budget deficits, and political deadlock fueled a growing disillusionment with government, especially as practiced in the nation’s capital. The movement to impose term limits on elected officials gained popularity on the state level, but the Supreme Court ruled in *U.S. Term Limits Inc. v. Thorton* (1995) that the states could not limit the tenure of federal lawmakers without a constitutional amendment.

Another reflection of Americans’ disillusionment with Washington politics was the ratification in 1992 of the Twenty-seventh Amendment. First proposed by James Madison in 1789, this amendment prohibited members of Congress from raising their own salaries. Future raises could not go into effect until the next session of Congress.

**The Election of 1992**

As expected, George H. Bush was nominated by the Republicans for a second term. After a long career in public service, the president seemed tired and out of touch with average Americans, who were more concerned about their paychecks than with Bush’s foreign policy successes.
William Jefferson Clinton. Among Democrats, Bill Clinton, the youthful governor of Arkansas, emerged from the primaries as his party’s choice for president. The first member of the baby-boom generation to be nominated for president, Clinton proved an articulate and energetic campaigner. He presented himself as a moderate “New Democrat,” who focused on economic issues such as jobs, education, and health care, which were important to the “vital center” of the electorate. The strategy was known among his political advisers as: “It’s the economy, stupid!”

H. Ross Perot. Ross Perot, a Texas billionaire, entered the 1992 race for president as an independent. Able to use his own resources to finance a series of TV commercials, Perot appealed to millions with his anti-Washington, anti-deficit views. On election day, Perot captured nearly 20 percent of the popular vote for the best third-party showing since Theodore Roosevelt and the Bull Moose campaign of 1912.

Results. Despite the serious challenge from Perot, the front-runners still divided up all the electoral votes: 370 for Clinton (and 43 percent of the popular vote), 168 for Bush (37 percent of the popular vote). Clinton and his running mate, Senator Albert Gore of Tennessee, did well in the South and recaptured the majority of the elderly and blue-collar workers from the Republicans. In addition, the Democrats again won control of both houses of Congress. The new Congress better reflected the diversity of the U.S. population. Among its 66 minority members and 48 women was Carol Moseley-Braun of Illinois, the first African-American woman to be elected to the Senate.

Clinton’s First Term (1993–1997)

The early years of Bill Clinton’s presidency were marked by controversies over his cabinet nominations, his failed effort to lift the ban on homosexuals in the military, scandals in the White House travel office, and his connection to the failed Whitewater real estate deal in Arkansas.

Setbacks. During the first two years of the Clinton administration, the Republicans, by filibustering in the Senate, were able to kill the president’s economic stimulus package, campaign-finance reform, environmental bills, and health care reform. The president’s use of his wife, Hillary Rodham Clinton, as the chief architect of his program for universal health coverage backfired. The Clintons’ complicated proposal for managed health care ran into determined opposition from the insurance industry and small business organizations. By the end of 1994, the Republicans had managed to stop all the Democrats’ proposals for health care reform.

Early accomplishments. The Democratic Congress started out in 1993 by passing the Family and Medical Leave Act and the “motor-voter” law that enabled citizens to register to vote as they received their driver’s licenses. The Brady Handgun bill, which mandated a five-day waiting period for the purchase
of handguns, was enacted. In 1994, Congress enacted Clinton’s Anti-Crime Bill, which provided $30 billion in funding for more police protection and crime-prevention programs. The legislation also banned the sale of most assault weapons, which angered the gun lobby. After protracted negotiation and compromise, Congress passed a deficit-reduction budget that included $255 billion in spending cuts and $241 billion in tax increases. Incorporated in this budget were the president’s requests for increased appropriations for education and job training. Clinton also won a notable victory by signing the North American Free Trade Agreement (NAFTA), which created a free-trade zone with Canada and Mexico. Despite these accomplishments, Clinton’s apparent waffling on policies and eagerness to compromise seemed to confirm his negative image, as “Slick Willie.”

**Republicans Take Over Congress**

In the midterm elections of November 1994, the Republicans gained control of both houses of Congress for the first time since 1954. They benefited from the perception that the Democratic Congress was inept and dedicated to increasing taxes and federal regulations. President Clinton adjusted to his party’s defeat by declaring in his 1995 State of the Union address, “The era of big government is over.”

**Zealous reformers.** Newt Gingrich, the newly elected Speaker of the House, led the Republicans in an attack on federal programs and spending outlined in their campaign manifesto, “Contract with America.” While the president and moderates agreed with the goal of a balanced budget, Clinton proposed a “leaner, not meaner” budget. This confrontation resulted in two shutdowns of the federal government in late 1995, which many Americans blamed on an overzealous Congress. Antigovernment reformers were not helped by the mood after the bombing in 1995 of a federal building in Oklahoma City by militia-movement extremists. The bombing took 169 lives, the worst act of terrorism in the nation’s history until the attacks on September 11, 2001.

**Balanced budget.** Finally, in the 1996 election year, Congress and the president compromised on a budget that left Medicare and Social Security benefits intact, limited welfare benefits to five years under the Personal Responsibility and Work Opportunity Act, set some curbs on immigrants, increased the minimum wage, and balanced the budget. The spending cuts and tax increases made during Clinton’s first term, along with record growth in the economy, helped to eliminate the deficit in federal spending in 1998 and produced the first federal surplus since 1969. In his battle with the Republican Congress, President Clinton captured the middle ground by successfully characterizing the Republicans as extremists, and by taking over their more popular positions, such as balancing the budget and reforming welfare. He was also aided in the 1996 election by a fast-growing economy that had produced over 10 million new jobs.
Clinton’s Second Term: Prosperity and Poisonous Politics

During President Clinton’s second term (1997–2001), the United States enjoyed the longest peacetime economic expansion in its history, with annual growth rates of over 4 percent. Technological innovations in computers, the Internet, and wireless communications fueled increased national productivity (a gain of over 5 percent in 1999) and made “e- (or electronic) commerce” part of American life. After years of heavy competition with Europe and Asia, American businesses had become proficient in cutting costs, which both increased their profitability and held down the U.S. inflation rate to 2–3 percent a year. Investors were rewarded with record gains in the stock market (over 22 percent average annual gains in Standard and Poor’s Index of 500 leading stocks). The number of households worth $1 million or more quadrupled in the 1990s, to over 8 million, or one in 14 households. The unemployment rate fell from 7.5 percent in 1992 to a 30-year low of 3.9 percent in 2000, and the unemployment of African Americans and Hispanics was the lowest on record. During the peak of prosperity from 1997–1999, average and lower-income Americans experienced the first gains in real income since 1973. However, the economic boom was over by 2001, and both investors and wage earners faced another recession.

Issues of the surplus. The prosperity of the late 1990s shifted the debate in Washington to what to do with the federal government’s surplus revenues, projected to be $4.6 trillion over the first ten years of the 21st century. In 1997 Congress and the president did compromise on legislation that cut taxes on estates and capital gains, and gave tax credits for families with children and for higher education expenses. As Clinton’s second term progressed, the struggle between the Democratic president and the Republican Congress intensified. The Republicans pressed for more tax revenue cuts, such as the elimination of the “death tax” (estate taxes) and the “marriage penalty” (taxes on two-
income families), while the president held out for using the projected surplus to support Social Security, expand Medicare, and reduce the national debt.

**Investigations and impeachment.** From the early days of the Clinton presidency, President Clinton, his wife, Hillary, cabinet members, and other associates had been under investigation by Congress and by congressionally appointed independent prosecutors (a legacy of the independent prosecutor law of the Watergate era). Some Democrats viewed these investigations as a “right-wing conspiracy” to overturn the elections of 1992 and 1996. After long and expensive investigations, the Clintons were not charged with illegalities in the Whitewater real estate deal, the firings of White House staff (“Travelgate”), or the political use of FBI files (“Filegate”). However, independent prosecutor Kenneth Starr charged that President Clinton, during his deposition in a civil suit about alleged sexual harassment while governor of Arkansas, had lied about his relations with a young woman who had served as a White House intern.

**Impeachment.** In December 1998, the House voted to impeach the president on two counts, perjury and obstruction of justice. Members of both parties and the public condemned Clinton’s reckless personal behavior, but popular opinion did not support the largely Republican attempt to remove him from office. In the fall elections, Democrats gained House seats and Newt Gingrich resigned as speaker. In February 1999, after a formal trial in the Senate, neither impeachment charge was upheld even by a Senate majority, much less the two-thirds vote needed to remove a president from office. However, the Republicans damaged Clinton’s reputation by making him the first president to be impeached since 1868. A weary Congress in 2000 allowed the controversial law establishing the independent prosecutor’s office to lapse.

**Foreign Policy in the Clinton Administration**

The end of the Cold War, while taking away the Soviet threat, exposed dozens of long-standing ethnic, religious, and cultural conflicts in a world of 190 nations. During Clinton’s first term, Secretary of State Warren Christopher conducted a low-key foreign policy, which critics thought lacked coherent purpose. In 1997 Madeleine K. Albright became the first women to serve as secretary of state. She proved more assertive in the use of American power, but questions still remained about the role of the United States, especially the use of its armed forces for peacekeeping in foreign nations’ internal conflicts.

**Peacekeeping.** The first deaths of U.S. soldiers in humanitarian missions during the Clinton administration came in the civil war in Somalia in 1993. In 1994, after some reluctance, the president sent 20,000 troops into Haiti to restore its elected president, Jean-Bertrand Aristide, after a military coup and deteriorating economic conditions had caused an exodus of Haitians to Florida. The United States also played a key diplomatic role in negotiating an end to British rule and the armed conflict in Northern Ireland in 1998.
Europe. Under President Boris Yeltsin, Russia struggled with attempted economic reforms and rampant corruption. In 2000 his elected successor, Vladimir Putin, had to deal with the physical breakdown of systems, such as Russia’s space station, and the accidental sinking of a nuclear submarine, which killed all on board. Relations with the United States were strained by Russia’s brutal repression of the civil war in Chechnya, the admittance in 1999 of the Czech Republic, Hungary, and Poland to NATO, and by Russia’s support of Serbia in the Balkan wars of the 1990s. In the latter, Serbian dictator Slobodan Milosevic carried out a series of armed conflicts to suppress independence movements in the former Yugoslav provinces of Slovenia, Croatia, Bosnia, and Kosovo. Hundreds of thousands of members of ethnic and religious minorities were killed in a process that was labeled “ethnic cleansing.” A combination of diplomacy, bombing, and troops from NATO countries, including the United States, stopped the bloodshed first in Bosnia in 1995 and again in Kosovo in 1999. The Serbian people themselves removed Milosevic from power in the 2000 election, and an international tribunal tried him for the crime of genocide. These Balkan wars proved to be the worst conflict Europe had seen since World War II, and were a troubling reminder of how World War I had started.

Asia. Nuclear proliferation became a growing concern in the 1990s, when North Korea stepped up its nuclear reactor and missile programs, and India and Pakistan tested nuclear weapons for the first time in 1998. North Korea agreed to halt the development of nuclear weapons after direct negotiations with the Clinton Administration, but later secretly restarted the program. In 1995, 20 years after the fall of Saigon to the Communists, the United States established diplomatic relations with Vietnam. The Clinton administration continued to sign trade agreements with China through his second term, hoping to improve diplomatic relations and encourage reform within China, despite protests from human rights activists and labor unions at home, and Chinese threats to the still-independent island nation of Taiwan.

Middle East. Iraqi leader Saddam Hussein’s continued defiance of UN weapons inspectors led to the suspension of all inspections in 1998. President Clinton responded with a series of air strikes against Iraq, but Hussein remained in power, as support for U.S. economic sanctions declined in Europe and the Middle East. The United States continued to assist in the Israeli-Palestinian peace process, which resulted in the return of home rule to the Palestinians in the Gaza strip and parts of the West Bank territories, and the signing of a peace treaty with King Hussein of Jordan in 1994. The peace process slowed after the assassination of Israeli Prime Minister Yitzak Rabin in 1995, and it broke down late in 2000 over issues of Israeli security and control of Jerusalem. Renewed violence in Israel also provoked a new round of anti-American sentiment in the Islamic world.
Globalization. The surging increases in trade, communications, and the movement of capital around the world during this era were key parts of the process of globalization. Globalization promoted the development of global and regional economic organizations. The World Trade Organization (WTO) was established in 1994 to oversee trade agreements, enforce trade rules, and settle disputes. The powerful International Monetary Fund (IMF) and the World Bank made loans to and supervised the economic policies of poorer nations with debt troubles. The European Union (EU) became a unified market of 15 nations, 12 of which adopted a single currency, the euro, in 2002. The EU planned to grow to 25 European nations, and promised to become an economic superpower of the 21st century. The Group of Seven (G-7), the world’s largest industrial powers (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States), which controlled two-thirds of the world’s wealth, remained the leading economic powers, but China, Russia, Brazil, and India enjoyed rapid development. The growing gap between the rich and poor nations of the world caused tensions, especially over the debts the poor nations owed to powerful banks and the richest nations. Workers and unions in the richest nations often resented globalization, however, because they lost their jobs to cheaper labor markets in the developing world.

A CHANGING AMERICAN SOCIETY

According to the 2000 census, the resident population of the United States was 281.4 million, making it the third most populous nation in the world. The 32.7-million-person increase since 1990 represented a growth rate of 13.2 percent over the decade. The fastest-growing regions of the United States in the 1990s continued to be centered in the West (19.7 percent) and in the South (17.3 percent), while slower growth took place in the Midwest (7.9 percent) and the Northeast (5.9 percent). The South, the most populous region with over 100 million people, and the West would continue to enjoy the shift of congressional representatives and electoral votes to their regions, which had helped to make them the centers of political power. The 2000 census reported that more than 80 percent of U.S. residents lived in the nation’s 280 metropolitan areas, which included cities and their surrounding suburbs.

Race and origins. In the 2000 census, Americans could identify their origins by two or more races for the first time, which 6.8 million people did. The white-only population, while growing in numbers, continued to decline as a percentage of the population, from 87.5 percent in 1970 to 75.1 percent in 2000. This was largely a result of lower birthrates and shifts in sources of immigration. The percentage of black-only population was 12.3 in 2000, up from 11.1 in 1970. However, the Hispanic population, whose origins may be of any race, was the fastest-growing segment of the population. In 2000, for the first time, Hispanics emerged as the largest minority group in the nation,
with 12.5 percent of the U.S. population. Asian Americans also represented another fast-growing part of society, with a population of over 10 million.

By 2000, 10.4 percent of the population was foreign born, the largest percentage since the 1930 census, but well below the levels of foreign born population that the United States had in the 1870s through the 1920s. Immigration accounted for 27.8 percent of the population increase in the 1990s, and was a key stimulus to the economic growth during the decade. Without immigration, it is predicted that the United States could experience a negative population growth by 2030.

**Aging and the family.** As the United States becomes more ethnically diverse, the population is also “graying,” with a steady increase in life expectancy. By 2000, 35 million people were over 65 (12.3 percent), but the fastest-growing segment of the population was those 85 and over. As the baby-boom generation ages, there is growing concern about health care, prescription drugs, senior housing, and Social Security. It is estimated that in 2030 there will be only about two workers for every person receiving Social Security.

The decline of the traditional family and the growing number of single-parent families had become another national concern. The number of families headed by a female with no husband soared from 5.5 million (10.7 percent) in 1970 to 12.8 million (17.6 percent) in 2000. Single women headed an alarming 47.2 percent of black families in 2000, but the same trend was also evident in white and Hispanic households with children under 18. Children in these families often grew up in poverty and without adequate support.

**Income and wealth.** In many ways, American were achieving the American dream. Homeownership continued to climb during the prosperity of the 1990s to 67.4 percent of all households, up from 62.9 percent in 1970. Per-capita money income in constant (inflation-adjusted) dollars rose dramatically, from $12,275 in 1970 to $22,199 in 2000. However, the distribution of income varied widely by race, gender, and education. For example, the median income in 2000 was $53,256 for white families, $35,054 for Hispanic families, and $34,192 for black families. High school graduates earned only half the income of their college-educated counterparts.

Even more pronounced was the growing concentration of wealth among the richest Americans. In 1999 the top fifth of American households earned over half of all income, up from 44.2 percent in 1977. All other categories saw their share of income decline. The average after-tax income actually declined between 1977 and 1997 for the lowest three-fifths of households. The United States entered the 21st century as the richest country in the world. But of all the leading industrialized nations, it also had the largest gap between lowest and highest paid workers and the greatest concentration of wealth among the top-earning households. Some critics of the change called it the new Gilded Age.
Challenges of the Early 21st Century

The United States entered the 21st century with unrivaled economic and military dominance in the world, but international terrorism, economic problems, and government mismanagement exposed the nation’s vulnerability.

Disputed Election of 2000

The presidential election of 2000 was the closest since 1876, and the first to be settled by the Supreme Court. President Clinton’s Vice President, Al Gore, easily gained the nomination of the Democratic party, selecting Senator Joseph Lieberman of Connecticut as his running mate. Governor George W. Bush of Texas, eldest son of former President George H. Bush, won the nomination of the Republican party, and selected Dick Cheney, a veteran of the Reagan and elder Bush administrations, as his running mate. Both candidates fought over the moderate and independent vote, Gore as a champion of “working families” and Bush running as “a compassionate conservative.” Ralph Nader, the candidate for the Green party, ran a distant third, but he probably took enough votes from Gore to make a difference in Florida and other states.

Gore received over 500,000 more popular votes nationwide than Bush, but victory hinged on who won Florida’s 25 electoral votes. Bush led by only 537 popular votes in Florida after a partial recount. Then the Democrats asked for manual recounts of the error-prone punch cards. The Supreme Court of Florida ordered recounts of all the votes, but the U.S. Supreme Court overruled them in a split 5-4 decision that matched the party loyalty of the justices. In Bush v. Gore, the majority ruled that the varying standards used in Florida’s recount
violated the Equal-Protection Clause of the Fourteenth Amendment. Al Gore ended the election crisis by accepting the ruling. Governor Bush won with 271 electoral votes against Gore’s 266. (One elector abstained.)

### Political Polarization

The early 21st century elections revealed a nation politically divided into a conservative south and west, and a more liberal northeast and east and west coasts. The more traditional, religious, and nationalist rural areas and small towns went Republican, while the more diverse, tolerant, and international-minded urban centers voted Democrat. The shift of Southern, white conservatives after the 1960s from the Democratic to the Republican party transformed American politics. In the 1990s, Southern conservatives like Newt Gingrich of Georgia, Tom DeLay of Texas, and Trent Lott of Mississippi took over the leadership of the Republican party, making it more conservative and partisan. As the party of Lincoln became the party of Ronald Reagan, moderate Republicans lost influence and elections. In the state legislatures, both parties gerrymandered congressional districts to create “safe seats,” which rewarded partisanship and discouraged compromise in Congress.

### Domestic Policies and Problems

President George W. Bush aggressively pushed his conservative agenda: tax cuts, deregulation, federal aid to faith-based organizations, pro-life legislation,
school choice, privatization of Social Security and Medicare, drilling for oil and gas in the Alaska wildlife refuge, and voluntary environmental standards for industry.

**Republican tax cuts.** In 2001, Congress passed a $1.35 trillion dollar tax cut spread over ten years. The bill lowered the top tax bracket, gradually eliminated estates taxes, increased the child tax credit and limits for IRA and 401(k) contributions, and gave all taxpayers an immediate tax rebate. In 2003, President Bush pushed through another round of tax cuts for stock dividends, capital gains, and married couples. Democrats criticized the tax cuts for giving most of the benefits to the richest 5 percent of the population, and for contributing to the doubling of the national debt during the Bush presidency from about $5 to $10 trillion.

**Educational and health reform.** President Bush championed the bipartisan No Child Left Behind Act. It aimed to improve student performance and close the gap between well-to-do and poor students in the public schools through nationwide testing of all students, student transfer rights to better schools, improved reading programs, and the training of high-quality teachers. Republicans also passed laws to give seniors in Medicare the option to enroll in private insurance companies. Congress also fulfilled a campaign promise by President Bush to provide prescription drug coverage for seniors. Democrats criticized the legislation as primarily designed to profit insurance and drug companies.

**Economic bubbles and corruption.** The technology boom of the 1990s peaked in 2000, and was over by 2002. The stock market crashed; the Dow Jones Average fell by 38 percent. The unemployment rate climbed to 6 percent, and the number of people living in poverty increased for the first time in eight years. Fraud and dishonesty committed by business leaders also hurt the stock market and consumer confidence in the economy. For example, the large corporations Enron and World Com had “cooked their books” (falsified stated earnings and profits) with the help of accounting companies. The Federal Reserve fought the recession by cutting interest rates to 1.25 percent, the lowest in 50 years. The end of the technology boom-bust cycle (1995–2002) encouraged many investors to move into real estate, which created another speculative “bubble” (2002–2007) that would burst with even more tragic consequences in Bush’s second term.

**The War on Terrorism**

Terrorism dominated U.S. foreign policy after September 11, 2001. George W. Bush entered the White House with no foreign policy experience, but surrounded himself with veterans of prior Republican administrations. General Colin Powell became his Secretary of State, the first African American to hold the job. President Bush’s confident and aggressive approach against
terrorism won over many Americans, but his administration often alienated other nations.

**Roots of terrorism.** The United States was faulted by many in the Arab world for siding with Israel in the deadly cycle of Palestinian terror-bombing and Israeli reprisals. However, the causes of anti-Americanism often went deeper. After World War I, the Ottoman Empire, the last of the Islamic empires, was replaced in the Middle East by Western-style, secular nation-states. Religious fundamentalists decried modernization and the corruption of the “House of Islam,” an ancient Islamic ideal of a realm governed by the precepts of the Koran. The stationing of U.S. troops in the Middle East after the Gulf War was seen as another violation of their lands. Islamic extremists, such as Osama bin Laden and the supporters of Al Qaeda (“The Base”), preached *jihad*, or holy war against the “Jews and Crusaders.” The restrictive economic and political conditions in the Middle East also provided a fertile breeding ground for recruiting extremists.

The bombing of the World Trade Center in New York City in 1993 brought home for the first time the threat posed by Islamic extremists. In 1998, the United States responded to the terrorist bombing of two U.S. embassies in Kenya and Tanzania by bombing Al Qaeda camps in Afghanistan and the Sudan. Their leader, Osama bin Laden, had fled to Afghanistan and allied himself with the Taliban, the Islamic fundamentalists who had taken over Afghanistan. In 2000, U.S. armed forces also learned the nature of “asymmetric” warfare conducted by terrorists, when two suicide bombers in a small rubber boat nearly sank a billion dollar warship, the U.S.S. *Cole*, docked in Yemen.

**September 11, 2001.** The coordinated attacks by Al Qaeda terrorists in commercial airliners on the twin towers of the World Trade Center in New York City, the Pentagon near Washington, D.C., and a fourth plane that crashed in Pennsylvania claimed nearly 3,000 lives. The attacks galvanized public opinion as nothing since the Japanese attack on Pearl Harbor in 1941, and they empowered the Bush administration to take action.

**War in Afghanistan.** President Bush declared that he wanted Osama bin Laden and other Al Qaeda leaders “Dead or Alive.” After the Taliban refused to turn over bin Laden and his associates, their government was quickly overthrown in the fall of 2001 by a combination of U.S. bombing, the anti-Taliban Northern Alliance troops, and U.S. Special Forces. U.S. and Afghan forces continued to pursue the remnants of Al Qaeda in the mountains bordering Pakistan, but they failed to capture bin Laden. A pro-American leader, Hamid Karzai, became head of the government in Kabul, but Afghanistan remained unstable and divided by the Taliban insurgency and tribal conflicts.

**Homeland security.** After the 9/11 attacks, most Americans were willing to accept background checks and airport searches. The Patriot Acts of 2001 and 2003 gave unparalleled powers to the U.S. government to obtain information
and expand surveillance and arrest powers. A growing number of Americans, though, were troubled by unlimited wiretaps without court orders, military tribunals, and the imprisonment of suspects indefinitely in Guantánamo, Cuba.

To enhance security, a new Homeland Security Department was created by combining over 20 federal agencies with 170,000 employees, including Customs, Immigration and Naturalization, the Coast Guard, and the Secret Service. This was the largest reorganization of government since the creation of the Department of Defense after World War II. Many in Congress questioned why the FBI and CIA were left out of the new department. In 2004, a bipartisan commission on terrorism criticized the FBI and the CIA, as well as the Defense Department, for failing to work together to “connect the dots” that may have uncovered the 9/11 plot. Congress followed up on their recommendations, creating a Director of National Intelligence with the difficult job of coordinating the intelligence activities of all agencies.

**Bush II foreign policy.** President Bush worked with European nations to expand the European Union and NATO, help admit China to the World Trade Organization, and broker conflicts between two nuclear powers: India and Pakistan. However, the Bush administration refused to join the Kyoto Accord to prevent global warming, walked out of a U.N. conference on racism, abandoned the 1972 Anti-Ballistic Missile Treaty with Russia, and for years would not negotiate with North Korea or Iran. Critics questioned whether the administration valued cooperation with the nations of the world or instead followed a unilateralist approach. The President argued, in what became known as the “Bush Doctrine,” that the old policies of containment and deterrence were no longer effective in a world of stateless terrorism. To protect America, the president claimed that the United States would be justified in using preemptive attacks to stop the acquisition and use of weapons of mass destruction (WMDs) by terrorists and by nations that support terrorism.

**Iraq War.** President Bush, in his 2002 State of the Union Address, singled out Iraq, North Korea, and Iran as the “axis of evil.” While U.S. intelligence agencies were finding no link between Iraq’s Saddam Hussein and the September 11, 2001, attacks, the Bush administration pursued a preemptive attack on Iraq before Saddam Hussein could build and distribute WMDs (nuclear and biological) to terrorists. Late in 2002, Secretary of State Powell negotiated an inspection plan with the U.N. Security Council, which Iraq accepted. In the following months, the U.N. inspectors failed to find WMDs in Iraq. Nevertheless, the Bush administration continued to present claims of their existence based on intelligence information that proved false.

In early 2003, President Bush declared that Iraq had not complied with numerous U.N. resolutions, and that “the game was over.” Without support of the U.N. Security Council, the United States launched air attacks on Iraq on March 19. In less than four weeks, U.S. armed forces, with the support of the
British and other allies, overran Iraqi forces, captured the capital city, Baghdad, and ended Hussein’s dictatorship. When U.S. forces could not find WMDs in Iraq, criticism of the “war of choice” and the “regime change” mounted both at home and overseas.

The defeat of the Iraq army and the capture of Saddam Hussein in late 2003 did not end the violence in Iraq. Diverse groups of insurgents (Sunni followers of the former dictator, Shiite militias, and foreign fighters, including Al Qaeda) continued to attacked U.S. and allied troops, Westerners, and one another. Violence between Sunni and Shiite groups raised fears of a civil war that would split the country apart. Millions of Iraqis fled the country or were displaced by the sectarian attacks. This violence slowed both the political and physical reconstruction of Iraq. The Bush administration was widely criticized for going into Iraq without sufficient troops to control the country and for disbanding the Iraqi army. Pictures of the barbaric treatment of prisoners by U.S. troops at Abu Ghraib further diminished America’s reputation in Iraq and around the world.

**Elections of 2004 and a Bush Second Term**

The Democrats approached the elections of 2004 optimistic that they could unseat the incumbent president burdened by an increasing unpopular war and limited economic recovery. Democratic voters selected Senator John Kerry of Massachusetts as their presidential candidate. Kerry selected a primary rival, Senator John Edwards of North Carolina, as his running mate. The Republicans successfully energized their conservative base on issues such as the war against terrorism, more tax cuts, and opposition to gay marriage and abortion. Republicans successfully painted Kerry as a “flip-flopper” on issues and a “tax-and-spend liberal.” Senator Kerry did not respond effectively to attacks (such as the so-called “Swiftboat” ads) that questioned his military service and patriotism.

President Bush received 51 percent of the popular vote and captured 286 electoral votes to Kerry’s 252. The country remained divided much as in 2000. (See the electoral map on page 662.) Republicans in 2004 added Iowa and New Mexico, while losing New Hampshire to the Democrats. Republicans also expanded their majorities in the Senate and House, and continued to gain on the state level, especially in the South. All this left the party in the strongest position it enjoyed since the 1920s.

**Four more years at war.** The reconstruction of Iraq had made some headway by 2005 when the Iraqis held their first election, created a national assembly, and selected a prime minister and cabinet ministries. The Sunni minority that had ruled Iraq under Hussein began to work with the Shiite majority and the Kurds in the new government. At first, these steps did little to reduce violence, which killed on the average 100 Americans and 3,000 Iraqis a month. In the United States, the bipartisan Iraqi Study Group recommended steps to
have the Iraqis take greater responsibility for their country and set a timeline for U.S. withdrawal. President Bush rejected a timetable, and in early 2007 sent an additional 30,000 troops in a “surge” to establish order. By late 2008, militia violence and American deaths were down in Iraq, and the United States had started to turn over control of the provinces to the Iraqi government.

In Afghanistan, the Taliban stepped up their attacks. For the first time, the number of Americans killed there outnumbered those killed in Iraq. President Bush turned over to the next president two unresolved wars and incomplete efforts to deal with nuclear threats from Iran and North Korea. The Bush administration, though, did have the satisfaction of knowing that there had not been another major terrorist attack in the United States since September 11, 2001.

**Washington politics.** After his reelection victory in 2004, President Bush pushed hard to get laws passed that would privatize Social Security by encouraging Americans to invest part of their Social Security payroll deductions in various market investments. His administration also failed to pass immigration reform, which was criticized by conservatives as “amnesty” for illegal immigrants. When a strong hurricane hit the Gulf Coast and flooded New Orleans in August 2005, the Federal Emergency Management Agency (FEMA) failed both to anticipate and respond to the crisis. More than 1,000 people died, and tens of thousands of others (mostly poor people) were left in desperate conditions. Republicans were further tarnished by scandals involving taking bribes from lobbyists, charges of perjury and obstruction of justice, improper relations with congressional pages, and the resignation of the Republican majority leader of the House, Tom DeLay, over his gerrymandering scheme in Texas. These failures, along with dissatisfaction with the Iraq War, helped the Democrats win control of both houses of Congress in 2006. President Bush, however, did leave a lasting impact on the federal courts by appointing two conservatives to the Supreme Court—John Roberts (as Chief Justice) and Samuel Alito—and increasing conservative majorities in the federal appellate courts.

**Financial crisis of 2007–2009.** The housing boom of 2002–2007 was fueled by risky subprime mortgages and speculators who borrowed to “flip” properties for a quick profit. Wall Street firms packaged these high-risk loans into a variety of complex investments (“securitization”), and sold them to investors around the world. Investments worth trillions of dollars lost value as loan foreclosures climbed, the real estate bubble burst, and housing prices collapsed. Many banks and financial institutions at home and overseas faced failure as investors panicked. This resulted in a credit or “liquidity” crisis, because banks either lacked funds or were afraid to make the loans to businesses and consumers necessary for the day-to-day functioning of the economy.

As the crisis deepened within credit markets, Americans were also hit with soaring gas prices (well over $4 a gallon), stock market declines of more than
40 percent, and rising unemployment. In early 2008, the federal government tried a $170 billion stimulus package and took over a few critical financial institutions, such as Fannie Mae and Freddie Mac. The panic in the markets in September, following the bankruptcy of the large Wall Street investment bank Lehman Brothers, forced the Bush administration to ask Congress for additional funds to help U.S. banks and restore the credit markets. The controversial Economic Stabilization Act of 2008 was passed, creating a $700 billion Troubled Assets Relief Program (TARP) to purchase failing assets that included mortgages and mortgage related securities. This was attacked by both conservatives as “socialism” and liberals as a bailout of the Wall Street executives who had caused the problems. Like the Great Depression of 1929, the causes of this crash will be debated for years. Suspected causes were a Federal Reserve policy of low interest rates and a political atmosphere that discouraged regulation of financial institutions. What we do know is that the crisis had a significant impact on the 2008 election.

**Election of 2008**

For the Democrats, Senator Hillary Clinton of New York, wife of former President Clinton, was the early favorite to become the first woman to head a national ticket. However, the big surprise of this election came after a long primary battle. A 47-year-old, charismatic, African-American, junior senator from Illinois, Barack Obama, captured the Democratic nomination for president. Obama chose as his running mate Joseph Biden of Delaware, an experienced member of the Senate. In the shadow of the unpopular Bush administration, the Republicans nominated Senator John McCain of Arizona, a Vietnam War hero and a political “maverick” who hoped to appeal to undecided voters. McCain selected Governor Sarah Palin of Alaska, a 44-year-old, relatively unknown politician. She became only the second woman to run for the vice presidency on a major political party ticket.

After the party conventions, the McCain-Palin ticket led in the polls, but the economic crisis, Obama’s message for change, and his grassroots and well-funded campaign helped the Democrats win in November. The Obama-Biden ticket gained 7,000,000 more votes than McCain-Palin. Obama won with a decisive 364 electoral votes to McCain’s 174 by taking eight states (including Florida, Ohio, Virginia, and North Carolina) that had been won by Bush in 2004. The Democrats also increased their majorities in the House and Senate well beyond their victories in 2006.

**An Historic Change in the Face of Crisis**

The election of the first African American as president of the United States was historic, but Barack Obama and the Democrats now faced the country’s worst economic crisis since the Great Depression, two unfinished U.S. wars, and a world increasingly skeptical of U.S. power and leadership.
Presidential Transition

The political and policy differences between President Bush and President-elect Obama did not keep them from working cooperatively for a smooth changeover of administrations during the months between the election and the inauguration.

The economy. The rapidly growing economic crisis dominated the transition. With the support of President-elect Obama, President Bush asked Congress to approve the use of the second half of the controversial TARP funding—$350 billion. And following Obama’s request, Bush used over $10 billion of TARP funds to support the failing automakers General Motors (GM) and Chrysler Corporation.

Cabinet. President Obama appointed his strongest Democratic primary challenger, Hillary Clinton, as Secretary of State and Eric Holder as the first African-American Attorney General. Obama reappointed Robert Gates, President Bush’s Secretary of Defense, to the same position. Obama promised higher ethical standards for his appointments, but a number of his candidates had to withdraw over questions about their failure to pay taxes or prior work as lobbyists.

Inauguration

On a sunny, cold January 20, 2009, the eyes of the nation and much of the world focused on Washington, D.C., for the historic oath-taking of the nation’s 44th American President. A joyous crowd estimated at more than 1.5 million, the largest ever to witness a presidential inauguration, gathered around the U.S.
Capitol at noontime. In a thoughtful inaugural address, the President spoke of a “new era of responsibility” and “the work of remaking America.”

First 100 Days

Ever since Franklin D. Roosevelt, a new president’s work has often been judged by the accomplishments of the administration’s first 100 days in office. With the growing economic crisis that many compared to the Great Depression, this time frame was readily applied to the new Obama administration. While economic concerns would dominate, there were also efforts to fulfill campaign promises and reverse numerous actions of the Bush administration.

Executive orders. President Obama signed a range of orders in a direct effort to overturn actions of the Bush administration. In his early days in office, Obama started the process of closing the U.S. prison at Guantánamo Bay, Cuba. He placed a formal ban on torture by requiring that Army field manuals be used as the guide for interrogating terrorist suspects. The new President also expanded stem-cell research and ended restrictions on federal funding of overseas health organizations that provided abortions.

Economic actions. Faced with growing unemployment, a weak stock market, continuing uncertainty in the banking system, and low public confidence in the economy, the Obama administration took a number of actions to stabilize the economy:

- **American Recovery and Reinvestment Act of 2009** provided $787 billion in economic stimulus designed to create or save 3.5 billion jobs. $288 billion, the largest share, was for tax relief. $144 billion was for state and local fiscal aid. The balance of the package was for construction projects, health care, education, and renewable energy.
- **The Public-Private Investment Program for Legacy Assets** used $75 to $100 million in TARP funds along with the involvement of the FDIC and Federal Reserve together with private investors to purchase up to $1 trillion in bad mortgage-back securities (commonly called “toxic assets”) from banks to restore confidence in those banks and increase the availability of credit for businesses and consumers.
- **Changes in Financial System Regulations**, proposed in March 2009 by Treasury Secretary Timothy Geithner, included (1) proposing stronger financial standards, including a systemic risk regulator, on large financial institutions whose failure would endanger the entire financial system; and (2) extending federal financial regulations (including the power to take over major nonbank financial institutions) on large hedge funds as well as on all trading in financial derivatives—the complex financial instruments that led to much of the crisis.
Aid to the Auto Industry. With General Motors and Chrysler Corporation near collapse, the Obama administration became deeply involved in the development of recovery plans. Unprecedented government actions included: (1) requesting the resignation of the CEO of General Motors; (2) guiding Chrysler into a bankruptcy plan that involved $8 billion of additional U.S. government aid and new ownership that could include the United Auto Workers health trust owning over 50 percent of the company and smaller shares held by Fiat, the Italian automaker, and the U.S. and Canadian governments; (3) guiding GM into a bankruptcy similar to Chrysler’s.

International security. While reassurances were made about U.S. concerns with many foreign areas (including Iraq, Afghanistan, Pakistan, Korea, Israel, Palestine, and Mexico), immediate policy statements were made for:

- Iraq. In late February 2009, the President proposed a plan that would have most U.S. troops leave Iraq by August 2010. A “transitional force” of 35,000 to 50,000 troops would remain to assist Iraqi security forces and fight terrorism. All of the troops would be withdrawn by the end of 2011, as was agreed upon in 2008 by the Bush administration and the Iraqi government.

- Afghanistan. The Obama administration conducted a series of reviews of U.S. policy in Afghanistan, which the President felt had been neglected due to U.S. preoccupation with Iraq. New policies were being considered in light of the Taliban’s resurgence there, the weakening of
the Afghan government, and the growing instability in neighboring Pakistan. President Obama initially approved adding 17,000 troops to U.S. forces in Afghanistan and later called for 4,000 more troops to train the Afghan army and police. Obama said the troop increases would be made possible partially because of U.S. troop withdrawals from Iraq.

- **Mexico.** The Mexican government’s efforts to break the illegal drug trade have been met by violent opposition in Mexico. In 2008, more than 5,800 Mexicans were killed in this conflict between government forces and drug cartels. Mexican President Felipe Calderon was the first foreign leader to meet Obama after the 2008 U.S. elections. Soon after taking office, the Obama administration publicly recognized the United States’ role as the major source for the money and guns supporting the Mexican drug cartels. President Obama promised continued aid to Mexico to fight drug trafficking as well as an updated and comprehensive U.S. drug policy in the near future.

**Campaign initiatives.** President Obama insisted that his administration could both deal with the economic situation and follow through with long promised reforms, particularly in health care, education, and energy. Many Republicans and some Democrats questioned this broad strategy given a projected $1.75 trillion budget deficit for 2009 (the largest in history) and a $3.55 trillion budget for 2010.

While the President’s initial efforts at bipartisanship were largely rejected by the Republicans, his Democratic party’s control of Congress has enabled him to act decisively. His personal popularity remains high both nationally and worldwide in face of widespread concern about the economy. Many future decisions and actions face the President as the economy remains uncertain and numerous unstable international situations continue.
Ideas about freedom are central to the study of American History. Eric Foner in *The Story of American Freedom* (1999) traced America’s thoughts about freedom from the struggle for independence through the Reagan era. In the Civil War, both sides fought in the name of freedom, but for the South the right to enslave others was a “freedom.” The Reconstruction, Progressive, New Deal and Civil Rights eras enlarged our ideas about freedom to include equal rights for all and increased political and economic protections, largely guaranteed by the federal government. During the Reagan Revolution, freedom was frequently defined as the liberation from “big government” and federal regulations. Foner attributed this change to reactions to forced desegregation in the 1950s and 1960s and federal court rulings promoting equality, privacy, abortion rights, and the banning of prayers in public schools. The Cold War against Communism also encouraged some to equate American freedom with unregulated capitalism.

While Foner saw freedom “as an essentially contested concept,” David Hackett Fischer in *Liberty and Freedom* (2005) pursued its meaning through a study of American visual expressions, customs, and what Tocqueville called “habits of the heart.” Fischer’s analysis of the images and symbols of liberty and freedom from the Liberty Trees of the American Revolution through the protest posters of the late 20th century revealed the rich diversity of traditions about freedom that eluded abstract definitions. Hackett concluded that what keeps America free is its diversity of traditions about freedom, and that the gravest threat to freedom comes from those incapable of imagining any vision of freedom except their own.
**KEY NAMES, EVENTS, AND TERMS**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition/Event</th>
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<tbody>
<tr>
<td>conservatism</td>
<td>political ideology</td>
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<td>religious fundamentalism</td>
<td>belief in religious principles</td>
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<td>political action committees (PACs)</td>
<td>groups formed to support candidates</td>
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<td>abortion rights; <em>Roe v. Wade</em></td>
<td>Supreme Court decision on abortion rights</td>
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<td>reverse discrimination</td>
<td>unfair treatment of minorities</td>
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<td><em>Regents of University of California v. Bakke</em></td>
<td>Supreme Court decision on affirmative action</td>
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<td>Ronald Reagan</td>
<td>40th President of the United States</td>
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<td>supply-side economics (Reaganomics)</td>
<td>economic policy</td>
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<td>Sandra Day O'Connor; William Rehnquist</td>
<td>Supreme Court justices</td>
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<td>budget and trade deficits</td>
<td>financial deficits and trade imbalances</td>
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<td>“evil empire”</td>
<td>term used by Reagan</td>
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<td>Strategic Defense Initiative (Star Wars)</td>
<td>defense program</td>
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<td>Nicaragua; Sandinistas; Iran-contra affair</td>
<td>conflicts involving these entities</td>
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<td>Middle East; Palestine Liberation Organization</td>
<td>regions and organizations</td>
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<td>Mikhail Gorbachev; glasnost, perestroika</td>
<td>political and economic reforms in the USSR</td>
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<td>George H. Bush, Dan Quayle</td>
<td>41st President and Vice President of the United States</td>
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<tr>
<td>Soviet Union breakup; end of Cold War</td>
<td>collapse of the Soviet Union</td>
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<td>Boris Yeltsin</td>
<td>President of the Russian Federation</td>
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<td>Panama invasion (1989)</td>
<td>military action in Panama</td>
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<td>Saddam Hussein</td>
<td>President of Iraq</td>
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<td>Persian Gulf War (1991)</td>
<td>military action in the Gulf War</td>
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<td>Operation Desert Storm</td>
<td>military operation in the Gulf War</td>
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<td>Americans With Disabilities Act (1990)</td>
<td>civil rights legislation</td>
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<td>William (Bill) Clinton, Albert Gore</td>
<td>42nd President and Vice President of the United States</td>
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<td>North American Free Trade Agreement (NAFTA)</td>
<td>trade agreement</td>
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<td>Oklahoma City bombing</td>
<td>terrorist attack</td>
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<td>e-commerce</td>
<td>electronic commerce</td>
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<td>Clinton impeachment and trial</td>
<td>legal proceedings</td>
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<td>Madeleine K. Albright</td>
<td>United Nations Ambassador</td>
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<td>Yugoslavia breakup; Balkan Wars: Bosnia, Kosovo; “ethnic cleansing”</td>
<td>conflicts in the Balkans</td>
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<td>nuclear proliferation</td>
<td>development of nuclear weapons</td>
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<td>globalization</td>
<td>economic and cultural integration</td>
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<td>World Trade Organization</td>
<td>international organization</td>
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<td>European Union (EU); euro</td>
<td>economic and monetary union</td>
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<td>metropolitan areas</td>
<td>urban areas</td>
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<td>George W. Bush, Dick Cheney</td>
<td>43rd President and Vice President of the United States</td>
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<td><em>Bush v. Gore</em></td>
<td>Supreme Court decision on Florida recount</td>
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<td>education reform; No Child Left Behind Act</td>
<td>education legislation</td>
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<td>corporate corruption</td>
<td>unethical business practices</td>
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<td>campaign-finance reform</td>
<td>regulation of campaign spending</td>
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<td>terrorism, war on September 11, 2001 attacks on the U.S.</td>
<td>9/11 attacks</td>
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<td>al Qaeda; Osama bin Laden</td>
<td>terrorist organizations</td>
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<td>Afghanistan</td>
<td>region in Asia</td>
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<td>“axis of evil”</td>
<td>term used by Bush</td>
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<td>Homeland Security Department</td>
<td>federal agency</td>
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<td>Iraq; “weapons of mass destruction”</td>
<td>weapons development and use</td>
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<td>“regime change”</td>
<td>political change</td>
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<tr>
<td>preemptive strike</td>
<td>military action</td>
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<td>UN inspections</td>
<td>monitoring inspections</td>
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<td>Colin Powell</td>
<td>United Nations Ambassador</td>
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<td>Iraq war; Operation Iraqi Freedom</td>
<td>military action in Iraq</td>
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<td>Troubled Assets Relief Program (TARP)</td>
<td>financial assistance program</td>
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<td>Hillary Clinton</td>
<td>44th President</td>
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<td>Barack Obama, Joe Biden</td>
<td>44th President and Vice President of the United States</td>
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MULTIPLE-CHOICE QUESTIONS

1. The conservative movement by 1980 was supported by all of the following EXCEPT
   (A) Moral Majority
   (B) advocates of gun control
   (C) opponents of affirmative action
   (D) critics of “secular humanism”
   (E) citizens against increased taxes

2. All of the following were part of Reaganesm EXCEPT
   (A) cuts of benefits from Medicare and Social Security to seniors
   (B) a dramatic reduction in personal income taxes
   (C) deregulation of business and industry
   (D) tough stand against federal labor unions, such as PATCO
   (E) the theory of supply-side economics

3. Ronald Reagan’s greatest strength or achievement as president was
   (A) the reduction of federal deficits
   (B) his hands-on administration of the federal government
   (C) initiating the improvement of relations with the Soviet Union
   (D) his ability to communicate traditional values and restore confidence
   (E) increasing the standard of living of middle-class Americans

4. All of the following were true of the Iran-contra affair EXCEPT
   (A) Reagan advisers tried to exchange American hostages for a weapons deal
   (B) antitank and antiaircraft missiles were sold to Iran
   (C) funds were used to support rebels against Saddam Hussein
   (D) the arms deal violated the law and congressional restrictions
   (E) Democrats hoped that the scandal would help them in the 1988 election

5. President George H. Bush received his greatest public approval for
   (A) the appointment of the first African American to the Supreme Court
   (B) his conduct of foreign affairs in the Middle East
   (C) his landmark legislation to improve American education
   (D) holding the line against tax increases
   (E) the invasion of Grenada

6. The election of Bill Clinton in 1992 was most closely associated with the slogan or phrase:
   (A) “It’s the economy, stupid!”
   (B) “Government is not the solution, it is the problem.”
   (C) “Teflon president”
   (D) “Read my lips—no new taxes.”
   (E) “baby-boomers” and “yuppies”

7. Which of the following was NOT true of the American economy during the Reagan and George H. Bush administrations?
(A) The upper 20 percent of households gained a larger share of the national income.
(B) The national debt increased over four times of what it was in 1980.
(C) The median family income remained stagnant.
(D) The United States became a debtor nation for the first time since World War I.
(E) Deregulation reduced the competitiveness of American business.

8. Clinton’s popularity during his presidency can be attributed mainly to
(A) willingness to take on unpopular causes, such as gay rights
(B) successes in foreign affairs and peacekeeping
(C) improving economic conditions for average Americans
(D) ability to work with Congress
(E) incremental approach to legislation

9. The extreme partisanship of the Clinton era is illustrated by all of the following EXCEPT:
(A) shutdowns of the federal government
(B) debates over tax cuts
(C) investigations by independent prosecutors
(D) impeachment and trial of Clinton
(E) NAFTA and Chinese trade agreements

10. Which of the following problems during the Clinton presidency presented the most serious possibility of developing into an international crisis?
(A) conflict in northern Ireland
(B) civil war in Somalia
(C) nuclear weapons program in North Korea
(D) civil war in the Balkans
(E) terrorism in Yemen

11. For the nation in the last two decades of the 20th century
(A) the fastest population growth was centered in the Northeast and Midwest states
(B) the increased birthrate contributed to a younger median age
(C) a growing percentage of adults and children lived in nuclear families
(D) Hispanic Americans became the fastest growing and largest minority group
(E) the reduction in violent crime contributed to smaller prison populations

12. The growing strength of the Republican party in Congress and on the national level in the 1980s and 1990s can be primarily attributed to the
(A) campaign finance and election reform championed by Republicans in the 1970s
(B) shift of white conservative voters in the South from the Democratic to the Republican party
(C) conservative fiscal policies and debt reduction under the Reagan and two Bush administrations
(D) improper behavior by and impeachment of Bill Clinton
(E) voters’ fears of terrorist attacks and interest in homeland security
13. The LEAST controversial actions of President George W. Bush were regarding:
   (A) war in Iraq
   (B) hurricane Katrina
   (C) immigration reform
   (D) economic crisis of 2007–2009
   (E) “No Child Left Behind” educational program

14. The election of Barack Obama in 2008 can be most directly attributed to:
   (A) his selection of Joe Biden to be Vice President
   (B) his education and energy reform proposals
   (C) public distrust of John McCain
   (D) economic crisis of 2007–2009
   (E) war in Iraq

ESSAY QUESTIONS

1. Analyze the causes of the resurgence of conservative politics in the United States in the 1980s and 1990s.

2. Evaluate the role of TWO of the following in ending the Cold War:
   - Ronald Reagan
   - Mikhail Gorbachev
   - Boris Yeltsin
   - George H. Bush

3. Assess the impact of the Reagan administration on the politics and the economy of the United States.

4. To what extent were the peacekeeping efforts of the United States successful in TWO of the following areas during the George H. Bush and Clinton presidencies?
   - Middle East
   - Europe
   - Western Hemisphere

5. Analyze the political decisions and economic changes in the 1990s that helped to create the prosperity experienced during the Clinton presidency.

6. How and why did terrorism become a focus of American foreign policy after the end of the Cold War?

DOCUMENTS AND READINGS

**DOCUMENT A. CRITIQUE OF BIG GOVERNMENT**

When Ronald Reagan became the 40th President of the United States at 69 years of age, he was the oldest person to assume the presidency. More important, he was the most conservative politician to occupy the White House in 50 years. In the following selections from his first inaugural address, the president presented his views on the federal government.

These United States are confronted with an economic affliction of great proportion. We suffer from the longest and one of the worst sustained inflations in our national history. It distorts our economic decisions, penalizes thrift, and crushes the struggling young and the fixed-income elderly alike. . . . Those who work are denied a fair return for their labor by a tax system which penalizes successful achievement and keeps us from maintaining full productivity. . . .
In this present crisis, government is not the solution to our problem; government is the problem. From time to time we’ve been tempted to believe that society has become too complex to be managed by self-rule, that government by an elite group is superior to government for, by, and of the people. Well, if no one among us is capable of governing himself, then who among us has the capacity to govern someone else?

... It is my intention to curb the size and influence of the federal establishment and to demand recognition of the distinction between the powers granted to the Federal government and those reserved to the States or to the people. All of us need to be reminded that the Federal government did not create the States; the States created the Federal Government...

... It is no coincidence that our present troubles parallel and are proportionate to the intervention and intrusion in our lives that result from unnecessary and excessive growth of government. It is time for us to realize that we’re too great a nation to limit ourselves to small dreams...

In the days ahead I will propose removing the roadblocks that have slowed our economy and reduced productivity. ... It is time to reawaken this industrial giant, to get government back within its means, and to lighten our punitive tax burden. And these will be our first priorities, and on these principles there will be no compromise. ... 

President Ronald Reagan, 
Inaugural Address, January 20, 1981

**DOCUMENT B. AN EVIL EMPIRE**

President Reagan faced opposition to his costly military buildup both at home and overseas. He was also criticized for his undiplomatic statements, such as calling the Soviet Union “an evil empire,” a term from the movie *Star Wars* (1977). However, supporters countered that Reagan was right and that his policies brought down communism decades before it would have collapsed on its own.

Yes, let us pray for the salvation of all of those who live in totalitarian darkness—pray they will discover the joy of knowing God. But until they do, let us be aware that while they preach the supremacy of the state, declare its omnipotence over individual man, and predict its eventual domination of all peoples on the Earth, they are the focus of evil in the modern world. ... But if history teaches anything, it teaches that simple-minded appeasement or wishful thinking about our adversaries is folly. It means the betrayal of our past, the squandering of our freedom.
So, I urge you to speak out against those who would place the United States in a position of military and moral inferiority. . . . So, in your discussions of the nuclear-freeze proposals, I urge you to beware of the temptation of pride—the temptation of blithely declaring yourselves above it all and label both sides equally at fault, to ignore the facts of history and the aggressive impulses of an evil empire, to simply call the arms race a giant misunderstanding and thereby remove yourself from the struggle between right and wrong and good and evil.

I believe we shall rise to the challenge. I believe that communism is another sad, bizarre chapter in human history whose last pages even now are being written. . . .

Yes, change your world. One of our Founding Fathers, Thomas Paine, said, “We have it within our power to begin the world over again.”

President Ronald Reagan,
Remarks at the Convention of Evangelicals, March 8, 1983

DOCUMENT C. THE GULF WAR AND THE NEW WORLD ORDER

As the Cold War came to a conclusion, many Americans questioned what would be the future role of the United States in the world. What would be the role of NATO? the United Nations? The invasion of oil-rich Kuwait by Iraq provided some answers.

The United States, together with the United Nations, exhausted every means at our disposal to bring this crisis to a peaceful end. However, Saddam clearly felt that by stalling and threatening and defying the United Nations, he could weaken the forces arrayed against him.

While the world waited, Saddam Hussein met every overture of peace with open contempt. While the world prayed for peace, Saddam prepared for war. . . .

Saddam was warned over and over again to comply with the will of the United Nations: Leave Kuwait, or be driven out. Saddam has arrogantly rejected all warnings. Instead, he tried to make this a dispute between Iraq and the United States of America.

Well, he failed. Tonight, 28 nations—countries from 5 continents, Europe and Asia, Africa and the Arab League—have forces in the Gulf area standing shoulder to shoulder against Saddam Hussein. These countries had hoped the use of force could be avoided. Regrettably, we now believe that only force will make him leave. . . .
This is an historic moment. We have in this past year made great progress in ending the long era of conflict and cold war. We have before us the opportunity to forge for ourselves and for future generations a new world order—a world where the rule of law, not the law of the jungle, governs the conduct of nations. When we are successful—and we will be—we have a real chance at this new world order, an order in which a credible United Nations can use its peacekeeping role to fulfill the promise and vision of the U.N.’s founders.

President George H. Bush,
Address to the Nation, January 16, 1990

DOCUMENT D. COMPETING IN THE NEW WORLD ECONOMY

Many Democrats, especially those with close ties to labor unions, opposed the North American Free Trade Agreement because they feared U.S. jobs would be exported to Mexico, which had much lower wage scales. President Clinton proved a “new” or centrist Democrat by finally supporting the treaty after resolving some reservations about it. He made the following statement after the Senate narrowly passed the treaty.

Tonight’s vote is a defining moment for our nation. At a time when many of our people are hurting from the strains of this tough global economy, we chose to compete, not to retreat, to lead a new world economy, to lead as America has done so often in the past. The debate over NAFTA has been contentious. Men and women of good will raised strong arguments for and against this agreement. But every participant in this debate wanted the same things: more jobs, more security, more opportunity for every American.

NAFTA is a big step, but just the first step in our effort to expand trade and spark an economic revival here and around the world. One legitimate point that the opponents of NAFTA made is that we will do even better in the global economy if we have a training system and retraining system and a job placement system for our workers worthy of the challenges they face. We simply must guarantee our workers the training and education they need to compete in the global marketplace. And I call on the coalition that passed NAFTA to help me early next year to present to Congress and pass a world-class reemployment system that will give our working people the security of knowing that they’ll be able always to get the training they need as economic conditions change.
We’ve faced choices before like the one we faced tonight, whether to turn inward or turn outward. After World War I, the United States turned inward and built a wall of protection around our economy. The result was a depression and ultimately another world war. After the Second World War, we made a very different choice. We turned outward. We built a system of expanded trade and collective security. We rebuilt the economies of our former foes . . . [and] created the great American middle class.

Tonight, with the cold war over, our Nation is facing that choice again. And tonight, I am proud to say, we have not flinched. Tonight the leaders of both parties found common ground in supporting the common good. We voted for the future tonight. We once again showed our strength. We once again showed our self-confidence, even in this difficult time. Our people are winners. And I believe we showed tonight we are ready together to compete and win and to shape the world of the 21st century.

President Bill Clinton,
Statement at news conference, November 17, 1993

ANALYZING THE DOCUMENTS

1. What are the explicit and implied criticisms of the federal government contained in Reagan’s speech?

2. The containment policy had governed U.S. relations with the Soviet Union since the administration of President Truman. How would you describe President Reagan’s policy toward the Soviet Union? Was it the containment policy?

3. Based on the reading and the events of the Gulf War, explain President Bush’s concept of the “new world order.” How does it increase the significance of the United Nations?

4. Why did President Clinton consider increased training and education as a necessary follow-up to the passage of the North American Free Trade Agreement?

5. The 1980s marked the end of the Cold War and the growth of domestic opposition to the policies of the New Deal and the Great Society. How do these readings reflect on these changes?

6. Does the statistical table on page 661 provide evidence for the analysis of Reagan’s policies found in the cartoon on page 645? What other factors could have caused the changes in the distribution of income from 1977 to 1999?