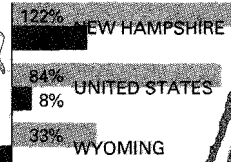
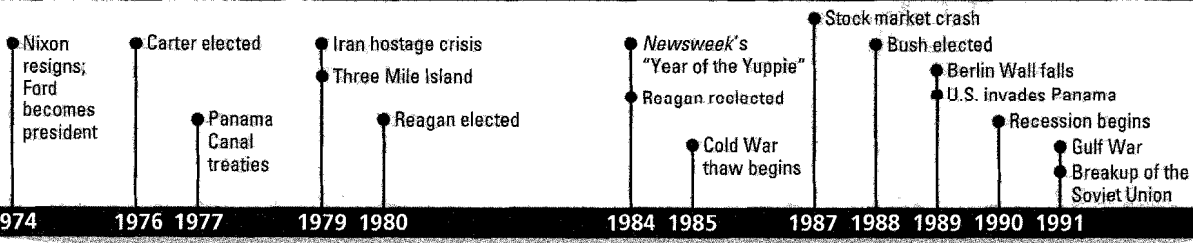
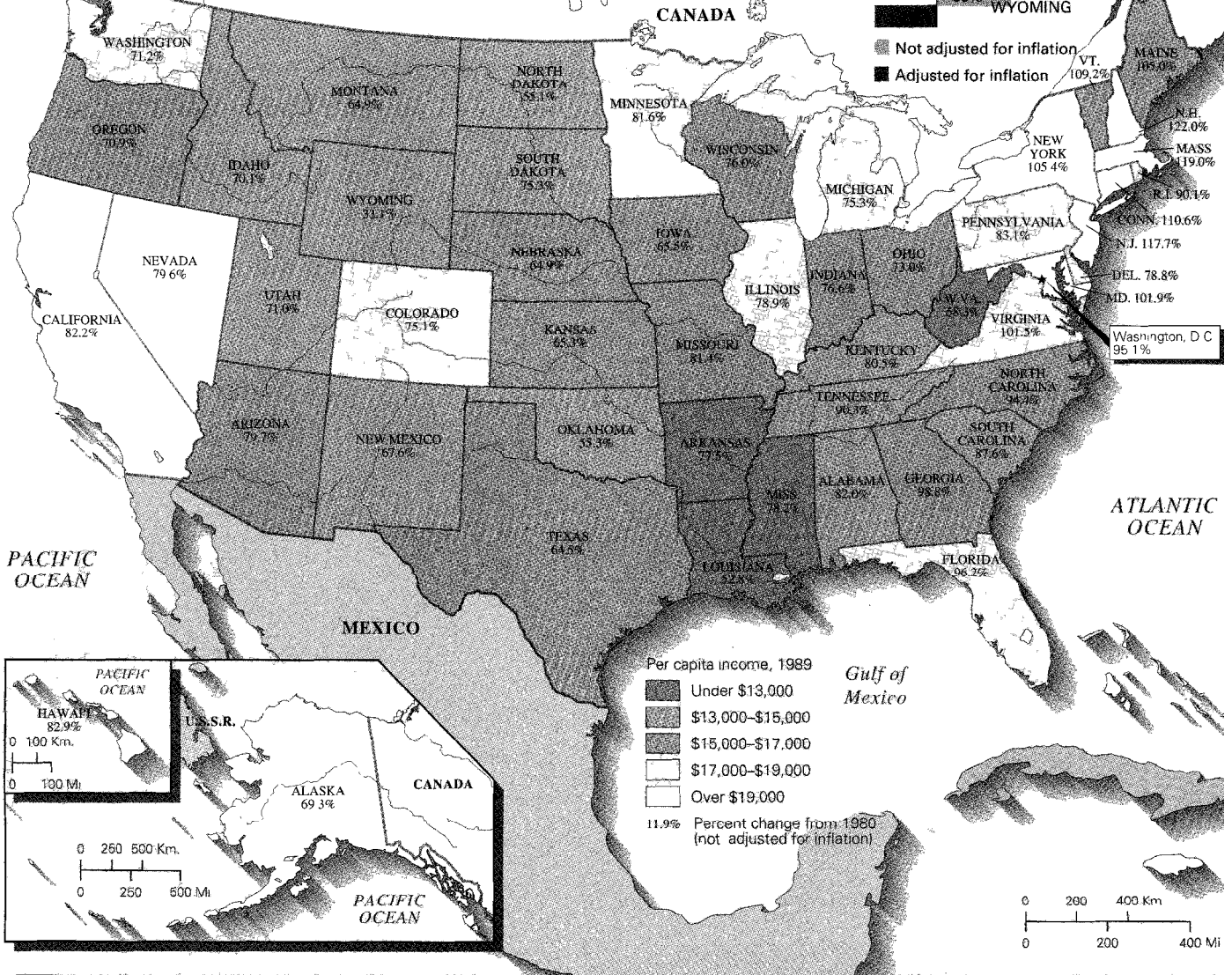


INCREASE IN INCOME, 1980-1989 Personal income rose more rapidly in the 1980s than in any other decade, increasing almost 85 percent. As this map indicates, those increases were not uniform. Some regions and states did better than others. Because the inflation rate was approximately 70 percent during this period, the net gain in income was much less than this map appears to show. The graph to the right shows the increase in income with the 70 percent inflation rate both factored in and not factored in.

Range in percent change in income, 1980-1989



■ Not adjusted for inflation
 ■ Adjusted for inflation



Facing Limits, 1974-1992

Politics of Uncertainty

- What domestic problems did Gerald Ford and Jimmy Carter face? What were the political and economic outcomes of the choices they made?
- What expectations and constraints did Carter face as a Washington outsider?

Carter's Foreign Policy

- What new directions in foreign policy did Carter take? What were the outcomes of those changes?
- What constraints did Carter face in implementing a policy stressing human rights?

Enter Ronald Reagan— Stage Right

- What expectations influenced Americans who chose to vote for Reagan?
-

What was "Reaganomics," and what were the outcomes of Reagan's economic policies for the economy and society?

Asserting World Power

- How did the Reagan administration's expectations about American foreign policy differ from Carter's? How did those views shape the outcomes of Reagan's policies?

In Reagan's Shadow

- What new foreign-policy choices did the United States face as a result of the collapse of the Soviet Union?
- How did the outcome of Reagan's domestic policies shape expectations and outcomes for the Bush administration?

(INTRODUCTION)

Gerald Ford assumed the presidency after the resignation of Richard Nixon and faced an expanding set of policy *constraints* without Nixon's vision or toughness. The economy continued to flounder, and many of Nixon's foreign-policy initiatives, especially regarding détente, were being questioned by his own party. Also, the political cynicism generated by Vietnam and Watergate operated as a *constraint*. The *outcome* was a presidency with few political or foreign-policy "victories." Nevertheless, the Republican party nominated Ford for the presidency in 1976.

As the nation celebrated its two-hundredth birthday, few Americans *expected* the immediate future to match the success of the past. Limits seemed to loom everywhere. The sluggish economy responded to neither liberal nor conservative policy *expectations*. The liberalism that had attacked racism and poverty was out of vogue, challenged by more conservative *choices*. The Silent Majority seemed to set the tone of the nation, rejecting the idea that a more active government can solve problems and favoring a stronger emphasis on more traditional social values. Even James Earl Carter, the Democratic candidate for the presidency in 1976, argued that the U.S. government could not solve every problem. He urged Americans to sacrifice to overcome problems at home and abroad. As president, however, Carter failed to provide an effective domestic or foreign policy.

The 1980 Republican candidate for president, Ronald Reagan, won popular approval by promoting the *expectation* of a renewed America, powerful and prosperous. He attacked liberal economic and social policies and reemphasized a Cold War foreign policy that would "stand tall" against the Soviet "evil empire." During his administration, the economy seemed revitalized, and government was redirected away from costly social programs. Many Americans felt that business had been freed of many needless government controls, traditional social and family values had been properly reasserted, and the Cold War had been all but won.

Expectations
Constraints
Choices
Outcomes

Not everyone agreed that Reagan's *choices* produced a favorable *outcome*. Critics argued that he placed too much emphasis on wealth and too little on the needs of the poor. Others pointed to a massive national debt and a growing trade deficit as serious economic problems. Despite Reagan's personal popularity, as the Reagan administration ended, more and more Americans were uncertain about the *outcome* of Reagan's economic and social policies.

Running in the shadow of Reagan in 1988, Vice President George Bush seized the Republican presidential nomination in a nation that seemed dissatisfied but unable to pinpoint what was wrong and how to fix it. Responding to the lack of consensus in the polls, Bush offered a "kinder, gentler nation" that would show more concern for minorities, the poor, education, and the environment. Easily defeating Michael Dukakis, the Democratic candidate, Bush assumed the presidency but had little desire to implement domestic policy changes. Instead, he *chose* to focus on foreign policy. Taking office as the Soviet Union shattered, he charted foreign policy in a new international setting: the United States was the only superpower. Bush cautiously supported democratic change in the Soviet Union and Eastern Europe and *chose* to commit American military force in Panama and Kuwait. The *outcome* was that Bush's foreign policy, unlike his domestic policies, generated widespread praise.

New Directions, New Limits

- 1974 Nixon resigns; Ford becomes president
Ford pardons Nixon
- 1975 Fall of South Vietnam
Helsinki Summit
Jackson-Vanik Amendment
- 1976 Carter elected president
- 1977 Department of Energy created
Panama Canal treaties
SALT I treaty expires
- 1978 Camp David Accords
Revolution in Iran topples the shah
United States recognizes People's Republic
of China
- 1979 Ayatollah Khomeini assumes power in Iran
Nuclear accident at Three Mile Island,
Pennsylvania
Egyptian-Israeli peace treaty signed in
Washington, D.C.
Chrysler bailout
Hostages seized in Iran
Soviet Union invades Afghanistan
- 1980 Carter applies sanctions against Soviet
Union
SALT II withdrawn from Senate
Iran-Iraq War begins
Reagan elected president
- 1981 Iran releases American hostages
Economic Recovery Tax Act
- 1982 United States sends marines to Lebanon
- 1983 SDI funded
United States invades Grenada
Marine barracks in Beirut destroyed
- 1984 Reagan reelected
Withdrawal of U.S. forces from Lebanon
Boland Amendment
- 1985 Mikhail Gorbachev assumes power in
Soviet Union
Secret arms sales to Iran in exchange for
hostages
Gorbachev-Reagan summit in Geneva
- 1986** U.S. bombing raid on Libya Gorbachev-
Reagan summit in Iceland
- 1987 Iran-Contra hearings
Stock market crash
Intermediate Nuclear Force Treaty
- 1988** U.S. warship shoots down Iranian
passenger jet
Terrorists blow up a Pan American jet over
Scotland
Bush elect president
- 1989 Communism collapses in Eastern Europe
Berlin Wall torn down
United States invades Panama
Chinese government crushes
prodemocracy movement
Gorbachev-Bush summit at Malta
- 1990** Recession begins
Free elections in Nicaragua
Clean Air Act
Iraq invades Kuwait
- 1991 Breakup of Soviet Union
Gulf War
Gorbachev resigns

Uncertainty

When he assumed office in 1974, Gerald **Ford** offered a stark contrast to Richard Nixon. Whereas Nixon was innovative, suspicious, and arrogant, Ford was conservative, trustful, and humble. (He joked that he was a Ford and not a Lincoln.) Responding to Watergate, Ford sought to establish cordial relations with Congress and to restore the people's faith in government. That expectation faded rapidly.

An Interim Presidency

Soon after taking office in 1974, Ford pardoned Nixon for any crimes the former president might have committed. The pardon was widely unpopular. Thereafter, Democrats opposed Ford's policies to deal with the problems of inflation, recession, and the federal deficit. He wanted to cut spending, raise interest rates, and cut business taxes. Democrats instead introduced legislation to create jobs and to increase spending for social and educational programs. Ford in turn vetoed these bills. The consequence of the pardon, rising inflation and unemployment, and the battles with Congress was a political stalemate.

Ford fared only slightly better in his foreign policies. Relying heavily on Henry Kissinger, the national security adviser and secretary of state, Ford continued Nixon's policies, including Vietnamization, arms limitation, and détente (see page 678). Trying to maintain the thaw in the Cold War, Ford met with Soviet Premier Leonid Brezhnev and leaders from thirty-three other nations in Helsinki, Finland, in August 1975. Following these negotiations, the United States officially recognized the boundaries of Europe established after World War II. The Soviets in return agreed to respect an extensive list of **human** rights. The Helsinki agreements quickly came under fire as human rights violations continued in the Soviet Union. Congress responded by passing the Jackson-Vanik Amendment, which required the Soviets to allow more Jewish immigration from the Soviet Union before the United

States granted trade agreements. Reading the political climate, Ford backed away from détente.

Ford's efforts to maintain Nixon's pledges of economic and military support for South Vietnam (see page 675) also met with congressional opposition. When North Vietnamese forces seized Saigon in April 1975,

Ford blamed Congress for the Communist victory. Most Americans, however, were happy that the conflict was no longer an American war.

Kissinger was far more successful with his diplomacy in the Middle East (see Map 31.1). Following the Yom Kippur War of October 1973, Kissinger flew between the Israeli and Arab capitals seeking to negotiate the removal of Israeli forces from Arab territory. His so-called shuttle diplomacy continued until September 1975, when Israel agreed to withdraw from some occupied areas and Egypt resigned from the anti-Israeli Arab coalition.

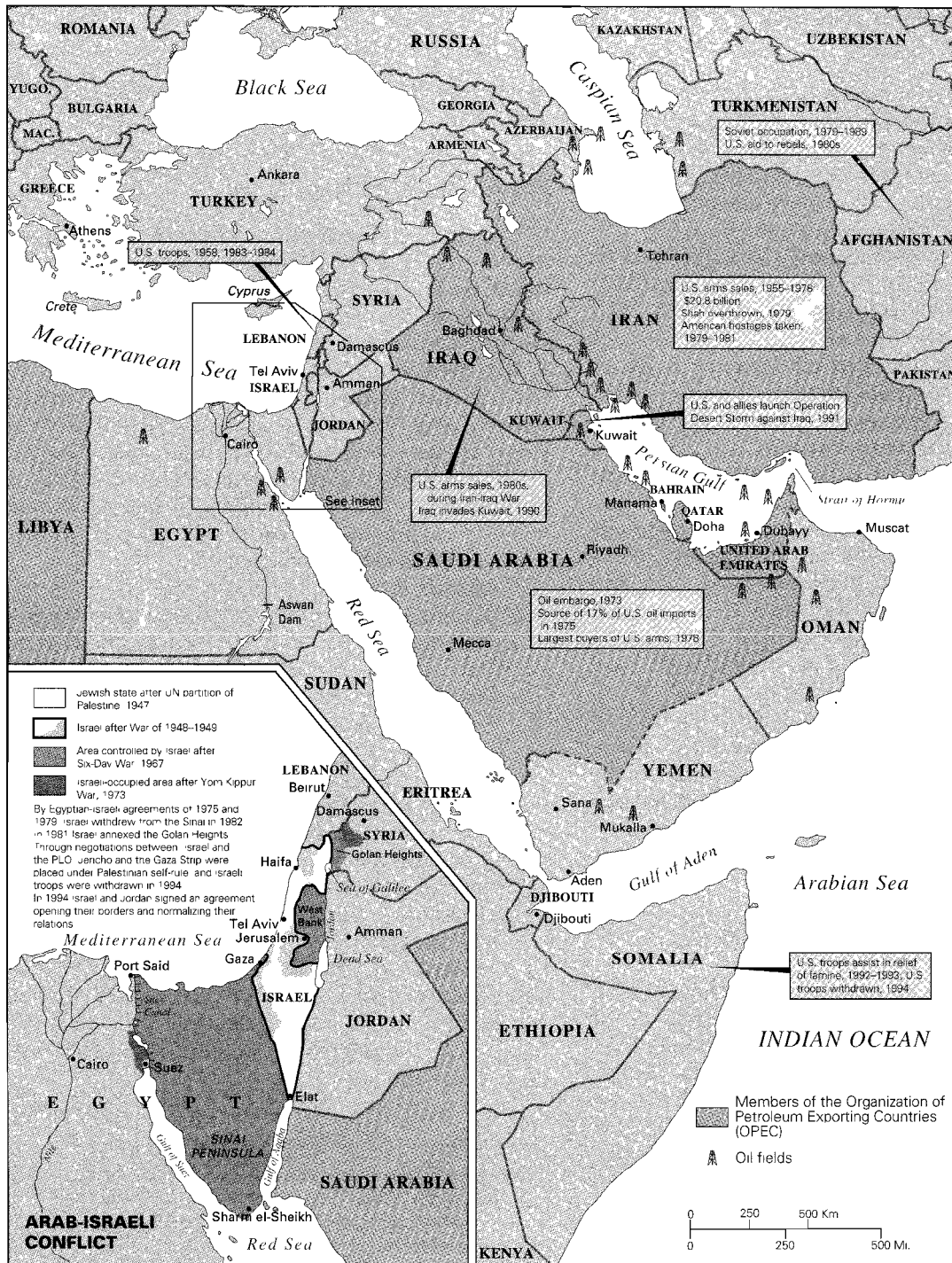
The Bicentennial Election and Jimmy Carter

Against the background of the bicentennial celebration of American independence, Ford sought election in his own right. Although he faced a stiff challenge from California governor Ronald Reagan and the Republican right wing, he gained the nomination.

Ford's Democratic opponent, Jimmy Carter, had no national exposure and little political experience apart from being governor of Georgia. But people in 1976 were fed up with politics and politicians. Carter presented himself as a political outsider

Gerald Ford Michigan congressman who became vice president under Nixon in 1973 after Vice President Agnew resigned; Ford became president in 1974 when Nixon resigned.

human rights Basic rights and freedoms to which all human beings are entitled, including the rights to life, liberty, freedom of thought and expression, and equality before the law.



◆ MAP 31.1 The Middle East Since 1946, the United States has tried to balance strong support for Israel with its need for oil from the Arab states. To support U.S. interests in this volatile region, the United States has funneled large amounts of financial and military aid and used overt and covert force to shape regional governments. Agreements signed in Washington in 1993 and 1994 between Israel and the Palestine Liberation Organization and between Israel and the kingdom of Jordan reduced tensions in the region.

who would heal the wounds of Watergate and Vietnam. He seemed the ideal candidate for the time. In a lackluster campaign, Ford and Carter were vague on issues but expansive on smiles and photo sessions. Carter won a close election, receiving 297 electoral votes to Ford's 240.

Brimming with enthusiasm, Carter arrived in Washington in January 1977. He emphasized that he was an outsider, untouched by the politics of Washington and the lure of special interests and political deals. He pledged an administration of honesty, simplicity, and hard work. Promoting his image as a simple farmer, Carter took the oath of office wearing a plain blue business suit. His message to the people was without frills. "We must simply do our best," he stated, to generate a "new spirit . . . of individual sacrifice for the common good." Portraying himself as the people's president, Carter delivered Roosevelt-style "fireside chats" (see page 544) on radio and television and held "phone-ins" that gave people a chance to talk with their president. The public welcomed Carter's open, informal presidency.

But not everyone was charmed. Some questioned whether Carter had the political flexibility, expertise, and muscle to handle congressional politicians. Traditional Democrats also resented Carter's appointments of Georgia friends to government posts. "I busted my butt for Carter," one Democrat complained, "and there's nobody I know who got an appointment." A rift soon developed between the Washington outsiders on Carter's staff and the insiders in Congress.

Democratic congressional leaders flew into a rage when Carter presented his first budget, which axed eighteen pet projects that would have provided jobs and revenue for home districts. Angry Democrats joined with gleeful Republicans to force Carter to restore many of the cuts. The battle over the budget established a pattern. Congress and President Carter frequently marched in different directions. By mid-1977, most of Carter's proposals were buried in Congress. Criticism increased when allegations of financial mismanagement forced the president's close friend Bert Lance to resign as director of the Office of Management and Budget in September 1977. The Lance affair further eroded public trust in Carter's judgment and

raised questions about the administration's claim of honesty.

Domestic Priorities

Carter faced two major domestic problems: a sluggish economy and high energy costs due to dependence on foreign oil. He concluded that the economy could not improve until the United States stopped consuming more energy than it produced. It was then importing about 60 percent of its oil. Solving the energy imbalance was the "moral equivalent of war," Carter argued. He asked Americans to save energy by lowering thermostats, wearing sweaters, and using public transportation. Turning to Congress, he proposed regulations and taxes to encourage conservation, as well as increases in domestic production.

Lobbyists for automobile, oil, gas, and other industries immediately tried to steer Congress in another direction. They advocated increased oil production, which they said would also create jobs. The development of large oil fields in Alaska's North Slope region made it difficult for many people to believe that there really was an energy crisis. Congress passed only fragments of Carter's plan, creating the Department of Energy in 1977, approving some incentives for conservation, and deregulating the natural gas industry.

When oil prices rose in 1978, forced upward by a revolution in Iran, Congress reconsidered Carter's program. By 1980, Congress had approved funds for alternative **fuels** (including nuclear energy) and an excess-profits tax on the oil and gas industry. But Congress made no real effort to develop a comprehensive plan to achieve energy independence.

energy crisis Vulnerability to energy shortages due to dwindling fossil fuels, wasteful energy consumption, and potential embargoes by oil-producing countries.

alternative fuels Sources of energy other than coal, oil, and natural gas; alternative energy sources include solar, geothermal, hydroelectric, and nuclear energy.

The prospects of using nuclear energy as a substitute for oil dimmed considerably after a nuclear power plant at **Three Mile Island** in central Pennsylvania had a serious accident on March 28, 1979. The plant released a cloud of radioactive gas and nearly suffered a **meltdown**. Over a hundred thousand people were evacuated from the surrounding area. After the accident, more than thirty energy companies canceled nuclear building projects. Thus oil, coal, and natural gas remained the primary sources of American energy.

Carter's economic policies fared even worse than his energy policy. To stimulate the economy, Carter asked for tax reforms, the **deregulation** of transportation industries (trucking, railroads, and airlines), and passage of his energy program. He tried to use tighter credit and higher interest rates to curb inflation. Like Ford, he asked workers and producers to hold the line on wages and prices.

Carter lost the battle with inflation. By 1979, inflation was running at 13 percent, the highest rate since 1947. Unemployment, which stood at nearly 7.6 percent, was also high. Carter assumed part of the blame for the nation's economic troubles. But he also blamed the public for its unwillingness to sacrifice. Most people, however, blamed the president for the nation's difficulties.

The stagflation troubling the American economy was largely the product of a changing world economy over which presidents had little control. The booming economies of West Germany, Japan, Korea, and Taiwan cut into American markets, reducing American profits and prosperity. The new cohesion of the **Organization of Petroleum Exporting Countries (OPEC)** following the Arab-Israeli Yom Kippur War of 1973 caused the price of petroleum products to skyrocket during the rest of the decade. Drastically higher energy costs not only added to inflation and unemployment but threatened the nation's industrial base, which depended on inexpensive fuel. In the new global economy, many American industries were unable to match the production costs, retail prices, or quality of goods produced overseas. Japanese manufacturers, once the joke of international commerce, were gobbling up the electronics industry and cutting deeply into the American automobile market. Korea and Taiwan were taking huge bites out of the American textile markets. Many of the nation's primary industries (iron and steel, rubber, automobiles and their parts, clothing, coal) were forced to cut back production, lay off workers, and even close plants.

In 1978, the giant Chrysler Corporation tottered on the brink of bankruptcy. Carter, facing soaring unemployment, agreed to help Chrysler, and in 1979 Congress underwrote a \$1.5 billion private loan for the

automobile maker. Critics called the Chrysler bailout welfare for the rich, but supporters argued that the loan saved jobs. With new models, effective advertising, and more efficient production, Chrysler was making more than \$2.4 billion in profits by 1984, and Chrysler's chief executive officer, Lee Iacocca, was a national hero. Chrysler's success, however, was the exception. From the Great Lakes to the Northeast, the **Rust Belt** spread over the once-vibrant industrial center of the United States.

Carter's

Foreign Policy

Carter's foreign policy was as controversial as his domestic policy. He said that American foreign

Three Mile Island Site of a nuclear power plant near Harrisburg, Pennsylvania; an accident at the plant in 1979 led to a partial meltdown and the release of radioactive gases.

meltdown Severe overheating of a nuclear reactor core, resulting in the melting of the core and the escape of radiation.

deregulation Removal of government regulations from an industry.

Organization of Petroleum Exporting Countries

Economic alliance of oil-producing countries, mostly Arab, formed in 1960; in 1973, OPEC members placed an embargo on the sale of oil to countries allied with Israel.

Rust Belt Industrialized region containing older factories that are barely profitable or that have been closed.

policy had been preoccupied by an "inordinate fear of communism." America's recognition of the People's Republic of China in 1978 reflected Carter's beliefs. He advocated a foreign policy that would safeguard human rights, fight poverty, and promote economic and social development, especially in the Third World. Yet Carter also pursued traditional East-West power politics.

Carter's foreign-policy advisers reflected the split within his own mind over what American foreign policy should attempt to accomplish. **Zbigniew Brzezinski**, the national security adviser, was an uncompromising Cold Warrior who looked for chances to "stick it to the Russians." He worried that Carter's emphasis on human rights might weaken pro-American but abusive regimes in South Korea, Nicaragua, and the Philippines.

Cyrus Vance, Carter's secretary of state, was more broad-minded than Brzezinski. Vance recognized Cold War constraints but wanted to follow policies that focused on human issues and economic development. Clashes between him and Brzezinski were expected, but Carter believed he could bridge the gap between them.

A Good Neighbor and Human Rights

Latin America seemed to Carter and Vance the best place to sound a new tone in American policy. Carter wanted the United States to abandon its "paternalism" and instead fashion policies that considered each Latin American nation's internal priorities. Carter believed that Panama and the Panama Canal presented an excellent opportunity to chart a new course for U.S. policy in Latin America.

When Carter took office, negotiations to turn control of the canal over to Panama had been stalled for years. Carter assigned the canal a high priority. Within a year, two treaties were written that returned ownership and control of the canal to Panama by 1999 and guaranteed the neutrality of the canal. Carter was pleased, but the American public was not. Nearly 80 percent of those asked opposed giving up the canal. Opponents argued that the canal was built and operated by

the United States and should remain that way forever. **Ronald Reagan** labeled the agreement outright appeasement, and conservative Republican senator Jesse Helms of North Carolina promised to kill it in the Senate. He failed, but only barely.

Carter also hoped to promote human rights in Latin America. Conservatives complained that letting human rights drive policy might undermine pro-American governments in Nicaragua and El Salvador. In Nicaragua, the Sandinista **Liberation Front**, a largely Marxist-led organization, was conducting a guerrilla war to oust Anastasio Somoza, who had ruled the country since 1967. Carter considered the corrupt and dictatorial Somoza a liability and stopped all aid to Nicaragua in early 1979. With his national guard disintegrating, Somoza fled to Paraguay in July, taking much of the nation's treasury.

The Sandinistas, led by **Daniel Ortega**, assumed power and promised free elections. Hoping that Ortega would adopt moderate reform programs, Carter asked Congress for \$75 million in aid for the new government. Congress agreed, but the Nicaraguan government became more radical and autocratic. By 1980, the Sandinistas had canceled

Third World Underdeveloped or developing countries of Latin America, Africa, and Asia.

Zbigniew Brzezinski National security adviser who favored Cold War confrontations with the Soviet Union.

Cyrus Vance Secretary of state who wanted the United States to defend human rights and further economic development in the Third World.

Ronald Reagan Fortieth U.S. president; succeeded Jimmy Carter.

Sandinista Liberation Front Leftist guerrilla movement that overthrew the corrupt regime of Anastasio Somoza in Nicaragua in 1979.

Daniel Ortega Sandinista leader who helped establish the revolutionary government that replaced the Somoza regime in 1979 and who served as president of Nicaragua from 1984 to 1990.

autocratic Having unlimited power or authority; despotic.

elections and established close ties with the Soviet Union.

Conservatives attacked Carter's human rights policy for destroying a pro-American leader and allowing a Communist government to be established in Central America. Republican presidential candidate Ronald Reagan denounced the Communist "takeover" of Nicaragua and the Sandinistas' effort to export revolution to neighboring countries. Reagan called for support for the rebel Contras fighting the Sandinistas. Many Contras were former supporters of Somoza and had vowed to overthrow Ortega and restore "democracy." Carter stopped all aid to the Ortega government in early 1981.

Conservatives also called for more American support for El Salvador. There the newly created government of **Jose Napoleon Duarte** faced threats from both the left and the right. On the left were Farabundo Marti National Liberation Front (FMLN) guerrillas, who occupied more and more territory. On the right were elements within the military who used terrorism to eliminate opposition figures. Carter almost cut off military and economic aid when right-wing death squads murdered reform advocate Archbishop Oscar Romero. But FMLN victories prodded Carter to send millions of dollars in equipment and credit to Duarte.

As the election of 1980 neared, Carter's program for human rights in Latin America lay in ruins. He had been forced to break ties with Nicaragua and disregard murder and torture in El Salvador. His one triumph, the canal treaties, was unpopular at home.

The Camp David Accords

Carter credited his success in Panama to his ability to take a new approach to an old issue. He believed that such a tactic could also be used to achieve a peace settlement between Israel and its Arab neighbors (see Map 31.1). To this end, Carter invited Egypt's president, Anwar Sadat, and Israel's prime minister, Menachem Begin, for talks at the presidential retreat at Camp David in Maryland. Surprisingly, both agreed and arrived in Septem-



◆ One of President Carter's greatest triumphs was the signing of the 1978 peace accords between President Anwar Sadat of Egypt (*left*) and Prime Minister Menachem Begin of Israel (*right*). The agreement followed days of personal diplomacy by Carter at the Camp David presidential retreat. Both Sadat and Begin received the Nobel Peace Prize for their efforts. *Jimmy Carter Presidential Library.*

ber 1978. Carter smoothed relations between Sadat and Begin, who did not get along well. Carter carefully negotiated agreements by which Egypt recognized Israel's right to exist and Israel returned the Israeli-occupied Sinai Peninsula to Egypt.

Carter had to rescue the **Camp David Accords** several times before they were ratified. But on March 26, 1979, he watched as Begin and Sadat

Contras Nicaraguan rebels, many of them former followers of Somoza, fighting to overthrow the Sandinista government.

Jose Napoleon Duarte Moderate civilian named to head the government of El Salvador in 1980.

Camp David Accords Treaty signed at Camp David in 1978, in which Israel agreed to return territory captured from Egypt in the Six-Day War in 1967 and Egypt agreed to recognize Israel as a nation.

signed the first peace treaty between an Arab state and Israel. The glow of success was fleeting. Arab leaders and many Egyptians bitterly condemned both the treaty and Sadat and remained committed to the destruction of Israel.

The Collapse of Détente

The most immediate Soviet-American issue that Carter faced was the still-unfinished **SALT II** treaty. Carter decided to negotiate even deeper cuts in nuclear weapons than Ford had proposed. Despite chilly relations, the United States and the Soviet Union were able to reach an agreement on strategic arms limitations in July 1979. Many senators, however, believed that the agreement was too favorable to the Soviets.

The Senate was still debating the treaty in December when the Soviet Union invaded neighboring Afghanistan. Claiming that the Afghan government had asked for help against **Islamic fundamentalist** rebels, Soviet leader Brezhnev sent in eighty thousand troops. Carter called the invasion the "gravest threat to peace since 1945." He withdrew the SALT II agreements from the Senate, halted grain shipments to the Soviet Union, and announced an American boycott of the 1980 Moscow Olympics. The invasion ended Carter's ambiguous Soviet policy. He now called for military superiority and a renewed arms race. He also began providing support for the **mujahedeen**, the Afghan resistance fighters.

The Iranian Revolution

Islamic fundamentalism affected far more than just Afghanistan. It was also behind the 1978 revolution in Iran, which toppled the pro-American ruler, Shah Reza Pahlavi. Since Eisenhower, the United States had supported the shah as a barrier to Soviet influence in the region. The shah had received billions of dollars in American weapons and aid, but his regime had become increasingly repressive. Led by Ayatollah **Ruhollah Khomeini**, a Shiite Muslim sect that condemned the contamination of Iranian culture by Western ideas and values headed the opposition. Khomeini returned to Iran from exile in Paris in February 1979, when the Shiites and the Iranian military forced the shah to flee. The Ayatollah Khomeini then set in motion a repressive fundamentalist Islamic revolution that attacked the United States as the main source of evil in the world.

Carter ended American aid to Iran, ordered Americans home, and reduced the embassy staff in Tehran. After the exiled shah entered a New York hospital to receive cancer treatments, an angry Iranian mob stormed the

American embassy in Tehran on November 4, 1979, and took the staff hostage. These Americans were then paraded through the streets and subjected to numerous abuses as the Iranians demanded the return of the shah for trial. The press quickly dubbed the crisis "America Held Hostage."

Carter weighed the conflicting options identified by his advisers. Brzezinski wanted to use military force to free the hostages. Vance argued for negotiation, hoping that Iranian moderates would find a way to free the hostages. Carter sided with Vance and through the **Palestine Liberation Organization (PLO)** was able to negotiate freedom for thirteen hostages, mostly women and African

SALT II Proposal made in 1979 that the United States and the Soviet Union limit the numbers of strategic nuclear missiles in each country; Congress never approved the treaty.

Islamic fundamentalist Member of a movement calling for the replacement of Western secular values and attitudes with traditional Islamic values and an orthodox Muslim state.

mujahedeen Afghan resistance movement, supplied with arms by the United States, that fought the Soviets after the invasion of Afghanistan in 1979.

Ayatollah Ruhollah Khomeini Iranian Shiite leader who was exiled for his opposition to the shah but who returned to Iran in 1979 after the shah's downfall and established a new constitution giving himself supreme powers.

Palestine Liberation Organization Political and military organization of Palestinians originally dedicated to opposing the state of Israel through terrorism and other means.

Americans. As further discussions failed, American frustration and anger grew. In April 1980, Carter agreed with Brzezinski and ordered a military rescue mission. The operation was a disaster. A violent dust storm in the Iranian desert caused three helicopters to malfunction. Carter scratched the mission. Vance, who had opposed the operation, resigned.

Diplomatic efforts through the Canadians and the Algerians eventually resulted in an agreement in late 1980 to release the hostages. By that time, the shah had died of cancer, and Iran was at war with Iraq and needed the assets that Carter had frozen. On January 20, 1981, the last day of the Carter presidency, the hostages were freed, after 444 days of captivity.

Enter Ronald Reagan— Stage Right

According to Republicans in 1980, Carter's failure to free the hostages was typical of his administration's ineptness. Inflation remained at 12.4 percent, and unemployment was near 8 percent. Republicans claimed that Carter was incapable of maintaining either American honor abroad or prosperity at home. Ronald Reagan, a movie actor turned conservative politician, offered voters a clear alternative to Carter. The former California governor easily outran CIA director George Bush in 1980 to become the Republican candidate. Reagan named Bush his running mate. Liberal Republican John Anderson protested his party's turn to the right by running as an independent.

In his campaign for the presidency, Reagan argued that the federal government had grown too large and powerful. He promised to reduce the role of government and to lower taxes, freeing American ingenuity and competitiveness. Across the country, taxes had become a hot issue. In 1978, California had passed **Proposition 13**, which placed a limit on property taxes.

Reagan was a smooth campaigner with a sense of humor. He quipped, "A recession is when your neighbor loses his job. A depression is when you

lose yours. A recovery is when Jimmy Carter loses his." Reagan presented himself as the "citizen politician, speaking out for the ideas, values, and common sense of everyday Americans." His conservative agenda called for more power for the individual and less power for the federal government. A vote for Reagan, his supporters claimed, would restore American pride, power, and traditions.

Reagan's message was welcome news not only to Republicans but also to many living in the Sunbelt (see chapter opener map for Chapter 30). By 1980, the region's population exceeded that of the industrial North and East. Politically, the Sunbelt exhibited conservative populism that opposed the power of the federal government. White southerners equated "liberal" government with altering traditional racial norms, and a "sagebrush rebellion" in the western Sunbelt opposed federal control and regulation of land and natural resources. Many westerners argued that federal environmental and land-use regulations blocked growth and economic development in the West. Throughout the Sunbelt, Reagan found enthusiastic voters ready to reject liberal, activist government. Further contributing to Republican totals were voters mobilized by the New Right, as well as younger voters attracted by the economic goals and social stability Republicans promised. Except for the size of Reagan's majority, the outcome of the election of 1980 was never in doubt.

Reagan emerged with 51 percent of the popular vote, compared to 41 percent for Carter and 7 percent for Anderson. Reagan's electoral count

Proposition 13 Measure adopted by referendum in California in 1978 cutting local property taxes by more than 50 percent.

"sagebrush rebellion" A 1980s political movement in western states opposing federal regulations over land and natural resources.

New Right Conservative movement opposing the political and social reforms that developed in the late 1960s and demanding less government intervention in the economy and a return to traditional values; it was a major political force by the 1980s.

was even more impressive: 489 to 49. Republicans gained a majority in the Senate and narrowed the Democratic majority in the House substantially. It appeared that a new conservative era was beginning.

The Moral Majority and the

New Right

Reagan's campaign pulled vital support from the New Right. A loosely knit alliance that combined political and social conservatives, the New Right opposed the social and cultural changes spawned during the 1960s and 1970s. The New Right's social agenda promoted the movement's views of correct family and moral values, condemning abortion, pornography, and homosexuality. To mobilize support, the New Right pioneered the use of direct-mail campaigns that targeted specific segments of the population.

Highly visible among New Right groups were evangelical Christian sects, many of whose ministers were **televangelists**. With donations that exceeded a billion dollars a year, they did not hesitate to mix religion and politics. Jerry Falwell's **Moral Majority** promoted Ronald Reagan on more than five hundred television and radio stations. Falwell called on listeners to wage political war against politicians whose views on the Bible, homosexuality, prayer in schools, abortion, and communism were too liberal. Although many of the television evangelists were sincere, some were susceptible to the lure of wealth and power. In the most publicized scandal, Jim Bakker, whose "Praise the Lord" radio and television shows and enterprises earned millions of dollars, was denounced for forcing women of his church to have sex with him. He was also found guilty of fraud and conspiracy and sentenced to prison in 1987. Other scandals and abuses weakened the electronic ministry by the 1990s.

Reaganism

Reagan brought to the White House a clear and simple vision of the type of America he wanted. Called the "Great Communicator" by the press,

he and his staff used imagery and the media expertly. Reagan did not create the policies to realize his vision; instead, he delegated authority to the cabinet and executive staff while he set the grand agenda.

Once in office, Reagan hit hard at the economic crisis of inflation, high interest rates, and unemployment. The administration's economic formula to restore the economy was deceptively simple: increase military spending, reduce taxes, and end government restrictions.

This formula derived from **supply-side economics**. Supply-siders believed that lowering taxes would actually increase tax revenues by increasing the amount of money available for investments. Budget director David Stockman fashioned a tax package and budget that reduced income and corporate taxes and slashed federal spending on social programs. The **Economic Recovery Tax Act**, passed in 1981, cut income and most business taxes by an average of 25 percent. Upper-income levels received the largest tax reduction. Stockman later admitted that the tax act was really a "Trojan Horse" to help the rich. Conservative Democrats joined with Republicans to cut \$25 billion from social programs, including food stamps, Aid to Families with Dependent Children, and jobs and housing programs. Reagan also ended Nixon's federal revenue-sharing programs (see page 678) and reduced the amount of federal money paid to the states for Medicare and Medicaid programs. To

televangelist Protestant evangelist minister who conducts television broadcasts; many such ministers used their broadcasts as a forum for defending conservative values.

Moral Majority Right-wing religious organization led by televangelist Jerry Falwell that had an active political lobby in the 1980s on issues such as opposition to abortion and the Equal Rights Amendment.

supply-side economics Theory that reducing taxes on the wealthy and increasing the money available for investment will stimulate the economy and eventually benefit everyone.

Economic Recovery Tax Act Law passed in 1981 that cut income taxes by 25 percent across the board and further reduced taxes on the wealthy.

halt inflation, Federal Reserve chairman Paul Volker pushed interest rates upward.

Cutting taxes and domestic spending was only part of the Reagan agenda for economic growth. Another aim of **Reaganomics** was to free businesses and corporations from restrictive regulations. This aim was most visible in environmental regulations. Interior Secretary James Watt sought to open federally controlled land, coastal waters, and wetlands to mining, lumber, oil, and gas companies. The Environmental Protection Agency under Anne Gorsuch Burford weakened enforcement of federal guidelines for reducing air and water pollution and the cleanup of toxic-waste sites.

Reagan's economic policies were not immediately effective. Although inflation fell from 12 percent in 1980 to 4 percent by 1982, economic growth failed to materialize. Unemployment climbed over 10 percent in one of the worst recessions since World War II, and small businesses and farms faced bankruptcy in increasing numbers. The trade deficit skyrocketed from a surplus in 1980 to a \$111 billion deficit in 1984, and the federal deficit swelled alarmingly. Reagan called for patience, saying that his economic programs eventually would work.

Suddenly, in 1983, the recession ended. Unemployment dropped to 7.5 percent. Many conservative economists and Republicans praised the administration's policies for the recovery. Others said that the recovery had less to do with Reagan's policies than with increases in world trade and the lowering of oil prices. Critics also pointed out that the national "recovery" was selective. The West Coast was doing well, but the Rust Belt was still rusting. But most Americans simply sought to make the most of renewed prosperity.

The Power of Money

Reagan's support for American business and opposition to government restrictions placed an emphasis on success, profits, and individual gain. While some argued that the new business culture was based on greed, others pointed to the creativity of American capitalism. Developments such as

personal computers affected almost every segment of American society. With Apple and IBM leading the way, personal computers restructured the process of handling information and offered new choices for nearly everyone. Bill Gates, who developed software and programs for personal computers, took advantage of these new opportunities to become America's youngest billionaire (see Individual Choices: Bill Gates).

Among the most successful people during the 1980s were financial wizards like Donald Trump, T. Boone

Pickens, and Ivan Boesky. Trump, who proclaimed himself the king of the "megadeal," commanded national attention for both his business ventures and his social life. His ghost-written books glorified him as the master of manipulating the economic system for personal gain. Speculators took advantage of government deregulation to sell **junk bonds** to finance **leveraged buyouts**. Riding the crest of the speculative boom, they amassed vast fortunes by arranging to have huge conglomerates gobble up smaller, vulnerable companies. "Buy high, sell higher," *Fortune* proclaimed.

The culture of success filled newspapers, magazines, television, and movies, celebrating people who were making big money and living accordingly. The lifestyle of success captivated young Americans. Those about to enter the work force increasingly considered financial success as their main goal in life. In 1974, only 46 percent of college freshmen and high school seniors listed being "financially successful" as their first priority. In 1986, 73 percent of college freshmen put being "very well off financially" as their priority.

Reaganomics Economic beliefs and policies of the Reagan administration, including the belief that tax cuts for the wealthy and deregulation of industry would benefit the economy.

trade deficit Amount by which imports exceed exports.

junk bond Corporate bond having a high yield and high risk.

leveraged buyout Use of a target company's asset value to finance the debt incurred in acquiring the company.

Leading the Computer Revolution

In December 1974, Bill Gates, a sophomore at Harvard, and his high school friend Paul Allen claimed that they could write a computer program for a new personal computer, the Altair 8080, which came unassembled and cost \$397. Neither Gates nor Allen had seen the computer or the microchip that made the Altair run, but they were positive that the advent of personal computing was the beginning of a new era in information processing. "We realized that the revolution" had started, Gates recalled, and "there was no question of where life would focus." Gates and Allen chose to be a part of the revolution.

Having read only sketchy information about the Altair 8080, Gates and Allen invaded the Harvard computer lab and worked day and night for eight weeks. Ignoring his classes and sometimes sleeping at the keyboard, Gates modified the computer language BASIC to fit the Altair. They had no idea if the program would work—"If we had read the book wrong . . . we were hosed," Allen recalled. He then flew to New Mexico to demonstrate the program. Fortunately, it worked, and Gates and Allen were on the cutting edge of the computer revolution. Allen stayed to work for the computer company. Gates finished his academic year at Harvard. Then, over the objections of his parents, he chose to drop out of Harvard and join Allen. At 19, he and Allen formed Microsoft, a company to write software for personal computers. Microsoft made Gates, at age 31, the youngest billionaire in America.

Gates's obsession with computers began in 1968, when his high school in Seattle arranged computer time on a local company's machine.

Bill Gates

In 1974, Bill Gates made an eventful choice. Along with a friend from high school, Paul Allen, the Harvard sophomore decided to create an operating system for a new development in the computer world: the personal computer (PC). The system worked, and Gates left Harvard and formed Microsoft, creating MS-DOS and software packages for what soon became the personal computer revolution. By 1986, his operating system dominated the computer world, and he became the country's youngest billionaire. Corbis-Bettmann.

"We were off in our own world," he remembered. "Nobody quite understood the thing but I wanted to figure out exactly what it could do." At the age of 13, he was "hired" by the company—paid with computer time—to find bugs in the system. Three years later, with Allen, Gates formed a company to analyze automobile traffic data by computer. They made about \$20,000 until the government offered to analyze the traffic for no cost.

In 1980, their expectations rising, Gates and Allen agreed to design an operating system to run the software for IBM's entry into the personal computing field. IBM was already a giant in large business and institutional computers, and it was expected that IBM's personal computers would greatly expand the popularity and uses of personal computers. In 1980, each computer company wanted to capture and keep users by having a unique operating system to run software. IBM wanted Microsoft to formulate a new, exclusive system. Gates and Allen began by buying an existing system QDOS, the "quick and dirty operating system"—and modifying it. Within a year, they had created, in great secrecy, Microsoft DOS (MS-DOS).

IBM's personal computers became the industry's leader and were soon being cloned by other companies. Gates chose to offer MS-DOS to other companies. At first, IBM was reluctant to share "its" system, but both companies benefited. By the 1990s, only two major operating systems still existed for personal computers: Apple and MS-DOS. Microsoft had become the industry giant and Gates the country's richest man.

Looking toward the twenty-first century, Gates continues to seek better and more innovative applications for personal computers, telecommunications, and information processing. His newest challenge is to integrate multimedia and communication systems with an interactive software package more effectively. Still pursuing his choice to be at the forefront of a revolution, Gates looks confidently toward a

bright future. "We are going to create the software that puts a computer on every desk and in every home," he said. A billionaire, Paul Allen left Microsoft in 1983 and has since invested in and worked to develop companies in the high-technology, communications, and information delivery fields.

Although new technology and innovative ideas created some millionaires, many others were the beneficiaries of the government. Reagan's tax and economic policies favored the wealthy. The wealthiest 1 percent of Americans saw their slice of the economic pie grow from 8.1 percent to 15 percent during the Reagan years. The majority of American workers and families during the same period lost income. Still, the media spotlighted people making millions. College graduates hoping to become highly paid professionals applied to law, business, and other postgraduate schools in droves.

Not everyone was captivated by the Reagan boom. Social critic Tom Wolfe complained of a "Me Generation" that was self-indulgent and materialistic. Some economists warned that the stock market's climb rested on a weak foundation of shaky credit and fast profits. Such credit and profits, they argued, were related neither to actual economic growth nor to an increase in real buying power and wages.

On "Black Monday," October 19, 1987, their fears came true. The stock market dropped 508 points, the largest single decline in American history. Images of the 1929 Crash and the Great Depression reared up. The Reagan administration was shaken, but the Federal Reserve acted quickly to lower interest rates and to pump money into the economy. The Fed's action stopped the panic selling, and the stock market slowly turned upward again. Some warned, however, that the stock market still did not reflect real economic health and argued that more trouble lay ahead.

They soon had additional evidence when the savings and loan system began edging toward collapse. Until 1982, government regulations permitted savings and loan associations (S&Ls) to lend money only for single-family homes. In that year, the Reagan administration lifted nearly all restrictions on lending by S&Ls. Many S&L operators jumped into risky ventures such as office buildings, shopping malls, and junk bonds. Losses were covered by the Federal Savings and Loan Insurance Corporation (FSLIC). It was a no-lose situation for the S&L operators. If they gambled wrong, the government paid for their mistakes.

Corruption, bad loans, poor judgment, and a slowing economy soon pricked the S&L bubble. As real-estate values slumped in 1987, many S&Ls began losing vast sums of money. Some closed their doors. Charles Keating, president of Lincoln Savings and Loan in California, lost more than \$2.6 billion of depositors' money. To keep his operation from being investigated, he made sizable "political" contributions to several senators. Eventually convicted of fraud, Keating was not alone in bending and breaking the law. He and scores of others left the S&L industry in ruins. The federal government had to cover more than \$500 billion in losses.

By the late 1980s, the financial boom was fading along with the reputations of many who had ridden it. Donald Trump had to sell his airline and most of his real estate to pay creditors. Boesky was arrested for **insider trading** and sentenced to three years in prison.

Reputations fell in the Reagan administration as well. Secretary of the Interior James Watt and Attorney General Edwin Meese resigned following revelations that they had received money and favors for helping some businesses gain lucrative government contracts. They were not alone. Over a hundred members of the Reagan administration were found guilty of illegal behavior. Reagan was untouched by the scandals, however, and his popularity remained high. Some called him the "Teflon President" because no criticism seemed to stick to him.

Reagan's Second Term

Throughout the presidential campaign of 1984, Republicans credited Reagan's leadership and poli-

savings and loan associations Financial institutions originally founded to provide home mortgage loans; deregulation during the Reagan era allowed them to speculate in risky ventures and led to many S&L failures.

insider trading Trading of stocks by someone who has access to confidential information about the companies involved.

cies for renewed prosperity, restored military superiority, and "standing tall" against communism throughout the world. Using the theme "Morning in America," Reagan's re-election campaign projected a new day of economic expansion, morality, and national power. Reagan avoided specific issues while announcing that big-government liberalism was dead.

After a divisive primary season, former vice president Walter **Mondale** won the Democratic nomination. He refused to concede that liberalism was dead. He called for revitalizing social programs. He selected Geraldine Ferraro, a congresswoman from New York, to be his vice-presidential candidate. Although many people applauded Mon-dale for selecting a woman, others complained that Ferraro was not the best-qualified woman for the job.

Reagan won an overwhelming victory, taking 59 percent of the popular vote and carrying every state except Mondale's Minnesota. Only the poor, African Americans, and Latinos voted Democrat. A majority of organized labor, women, Catholics, white southerners, farmers, and the middle and upper classes voted for Reagan's Republican vision of "Morning in America."

A growing cloud, however, hung over Reagan's American morning: the soaring budget deficit. During his first administration, the annual deficit had gone from \$73.8 billion to over \$200 billion. Although reducing the deficit had bipartisan support, how to do it remained a partisan issue. Most Democrats took the view that cuts in military spending were needed. They argued that a large part of the deficit came from military spending, which had risen from \$164 billion in 1980 to \$228 billion in 1985. Republicans countered by blaming the debt on wasteful social programs.

In late 1985, a coalition of Republicans and Democrats passed the Gramm-Rudman-Hollings Act, which established a maximum debt level and ordered across-the-board cuts if the budget failed to match the level set. The plan never worked effectively. By 1989, federal expenditures had climbed to \$1,065 billion a year, and the national debt stood at nearly \$3 trillion, requiring an annual interest payment of \$200 million. The United States

had become the world's largest debtor nation. With the deficit seemingly out of control, many advocated a constitutional amendment to require a balanced budget.

Asserting

World Power

As a candidate in 1980, Reagan had promised to re-establish the United States as the leader of the world. To accomplish that goal, he believed it was necessary to overcome what he termed the "Vietnam syndrome": the unwillingness to use military force to defend U.S. interests. As president, Reagan promised no lack of resolve to support those interests.

Cold War Renewed

At the center of Reagan's view of the world was his hostility toward the Soviet Union. He believed that the Soviet Union was an "evil empire" that would "commit any crime" to achieve world conquest. America's grand role was to defend global freedom against communism. Large increases in the military budget were necessary, Reagan argued, to close the "window of vulnerability" that Carter had created by allowing the Soviets to pull ahead in the arms race.

With almost no dissent, Congress funded Reagan's military budget. More funds were made available for nuclear weapons and new aircraft, including the B-1 bomber and Stealth fighters and bombers. The navy was enlarged; the army received more tanks and helicopters. The most controversial program called for a new defense system that would use x-ray lasers to blast incoming

Walter Mondale Minnesota senator who was vice president under Jimmy Carter and ran unsuccessfully for president on the Democratic ticket in 1984.



- ◆ After declaring the Soviet Union an "evil empire" responsible for nearly all the world's problems, President Reagan (*left*) reversed course in 1988 and opened productive discussions with Soviet reformer Mikhail Gorbachev (*right*). The outcome was an intermediate-range nuclear force treaty that helped end the Cold War, as well as reduce the overall number of nuclear missiles. Here the two leaders pose in front of St. Basil Cathedral in Moscow. *Corbis-Bettmann.*

Soviet missiles. The **Strategic Defense Initiative (SDI)**, or Star Wars, as it was soon dubbed, became Reagan's military priority. Between 1983 and 1989, Congress provided over \$17 billion for Star Wars research despite criticism that Star Wars owed more to science fiction than to science. By 1989, Reagan had added over \$100 billion a year to the military budget.

Numerous defense contractors took advantage of the money being lavished on defense. With billions of dollars available, government and industry officials padded their expense accounts and exchanged bribes and kickbacks on an unprecedented scale. They falsified test results and inflated costs artificially. Billion-dollar cost overruns became commonplace. Critics loudly opposed the military shopping spree but had little effect on Congress or the public.

The Middle East

The Middle East presented the Reagan administration with a complex series of problems that, except for Afghanistan, resisted being explained as Communist aggression. In Afghanistan, the CIA continued to supply the mujahedeen with arms to use against Soviet and Afghan forces. Elsewhere in the Middle East, problems involving Arab nationalism, Arab-Israeli disputes, and terrorism could not be so readily understood in a Cold War context.

As Reagan assumed office, Yassir Arafat's Palestine Liberation Organization had increased its raids against Israel, and shadowy militant Islamic groups had begun a campaign of terrorism against Israel and its Western supporters. Throughout the Mediterranean region, terrorists kidnapped Americans and Europeans, hijacked planes and ships, and attacked airports. Reagan linked the terrorists to Communist organizations, the PLO, and various Arab nations. With American encouragement, Israel invaded neighboring southern Lebanon in 1982 to halt terrorist attacks and to suppress the PLO. As Israeli forces approached the capital city of Beirut, all semblance of internal stability collapsed. A smoldering civil war between Christians and Muslims raged anew.

As part of an international peacekeeping effort, the United States sent nearly two thousand marines

Strategic Defense Initiative Research program designed to create an effective defense against nuclear attack; President Reagan asked Congress to fund SDI in 1983.

to Beirut. They quickly became a target for Muslim terrorists. In October 1983, a suicide driver rammed a truck filled with explosives into the marine barracks at the Beirut airport, killing 241 marines. Reagan denounced the terrorist attack but quietly made plans for the marines' removal. In January 1984, the United States withdrew its forces from Lebanon, where the civil war still raged. In Lebanon, there were no victories.

Nor were there any easy solutions in the **Persian Gulf**. The **Iran-Iraq War**, which started in 1980, created two problems for American foreign policy: protecting vital shipments of oil and ensuring that neither Iran nor Iraq emerged from the war as a dominant power. The Reagan administration provided money and weapons secretly to both sides. When Iranian forces attacked several oil tankers in 1986, American warships began escorting all oil tankers in the gulf. Clashes between American and Iranian forces occurred, one of which mistakenly resulted in the shooting down of an Iranian airliner. When the Iran-Iraq War ended in 1988, it had cost over 2 million lives. American intelligence concluded that neither country could threaten the rest of the region immediately.

To counterbalance Iran and Iraq, the United States supplied Saudi Arabia with sophisticated radar detection planes, tanks, and fighter aircraft. Stores of American military supplies were also buried in the Saudi desert in case of future need.

Farther west, in North Africa, Reagan faced off against **Muammar Qaddafi**, the vehemently anti-American ruler of Libya. Reagan denounced Libya as a "rogue" nation that actively supported the PLO and terrorist groups. In April 1986, terrorists bombed a disco popular among American troops in West Berlin, wounding several and killing an American soldier. Reagan ordered a reprisal raid after American intelligence tied Qaddafi to the terrorists. American planes bombed several targets in Libya, including Qaddafi's quarters, killing a young adopted daughter. The United States had shown Qaddafi "that we could get people close to him," bragged one official.

Although Qaddafi remained in power, what seemed important to most Americans was that the United States had responded to terrorism. The White House continued to call for the economic and political isolation of Qaddafi, particularly after investigations suggested that Libya had aided the terrorists who blew up a Pan American airliner over Lockerbie, Scotland, in December 1988, murdering over 250 people.

Central America and the Caribbean

In Central America and the Caribbean, Reagan thought that any hint of Communist influence justified American action. In the southern Caribbean, Reagan focused on the

tiny island of Grenada, where a Marxist government had ruled since independence from Britain in 1979.

In October 1983, the radical New Jewel movement took control of Grenada. The Reagan administration immediately expressed concern about the new government, the construction of a large airport runway by Cuban "advisers," and the potential threat to about five hundred Americans attending medical school on the island. (The students did not think they were in any danger.) On October 25, Reagan ordered American forces to invade Grenada. More than two thousand American soldiers quickly overcame minimal opposition, brought home the American students, and installed a pro-American government. The administration basked in the light of public approval.

Determined to uphold his campaign pledge to defeat communism in Central America, Reagan

Persian Gulf Arm of the Arabian Sea that includes the ports of several major oil-producing Arab countries, including Iran, Saudi Arabia, Kuwait, and Iraq.

Iran-Iraq War War between Iran and Iraq that broke out in 1980 over control of a disputed waterway and ended in 1988 with more than 2 million dead.

Muammar Qaddafi Libyan political leader who seized power in a military coup in 1969 and imposed socialist policies and Islamic orthodoxy on the country.

Grenada Country in the West Indies that achieved independence from Britain in 1979 and was invaded by U.S. forces in 1983.

provided billions of dollars in aid to the El Salvadorian government and the Contra "freedom fighters" in Nicaragua. Although the public and Congress strongly supported Reagan's invasion of Grenada, his efforts in Central America stirred considerable opposition. Some critics were disturbed by reports of human rights violations by "death squads" linked to the El Salvadorian military. Many feared that Central America would become another Vietnam. When the press uncovered large-scale American covert aid to the Contras, including the CIA's mining of Nicaraguan harbors in 1984, Congress passed legislation drafted by Representative Edward Boland that allowed only humanitarian aid to the Contras.

Reagan and CIA director William Casey soon sought ways to work around the **Boland Amendment**. In the fall of 1985, the White House believed that it had found a way to do so. National security advisers Robert McFarlane and John Poindexter arranged for the secret sale of arms to Iran. In return, Iran agreed to use its influence with terrorist groups in Lebanon who held American hostages. The cash that Iran paid for the arms was then to be routed to the Contras, allowing them to purchase supplies and weapons.

When the press broke word of the so-called arms-for-hostages deal, a special White House commission and a congressional committee began separate investigations in 1987. Both uncovered evidence that the CIA and the National Security Council had acted without congressional approval and that members of both organizations had lied to Congress to keep their operation secret. McFarlane, Poindexter, and National Security Council aide Oliver North were found guilty and sentenced to prison terms. Although neither investigation uncovered proof that Reagan knew of the operation, some of his closest aides were clearly involved. The scandal damaged his image and that of his presidency.

Reagan and Gorbachev

Reagan made no attempt to improve relations with the Soviet superpower during his first term. He suddenly changed course early in his second term. He called for the resumption of arms limitation talks, and when Soviet leader Konstantin Cher-

nenko died in March 1985, he invited Chernenko's successor, Mikhail **S. Gorbachev**, to the United States.

Gorbachev differed from previous Soviet leaders. He was determined to breathe new life into the Soviet economy, which was stagnating under the weight of military spending and government inefficiency and corruption. He also wanted to institute reforms that would provide more political and civil rights to the Soviet people.

Gorbachev declined Reagan's invitation but agreed to a summit meeting in Geneva in November 1985. The two leaders at first jostled with each other. Reagan condemned the Soviets for human rights abuses, their involvement in Afghanistan, and their aid to Communist factions fighting in Angola and Ethiopia. Gorbachev attacked the proposed development of SDI. But when Gorbachev showed an interest in Hollywood, his relationship with the former movie actor improved. The two leaders left Geneva with a growing fondness for each other.

Gorbachev shocked Reagan when they met again in October 1986 in Reykjavik, Iceland, by proposing a 50 percent reduction in strategic weapons over a five-year period and, less surprisingly, the nondeployment of SDI for ten years. Without consulting his advisers, Reagan responded that the two powers should eliminate all strategic missiles within ten years but allow the development of SDI. The summit ended without an agreement, to the relief of American advisers who considered Reagan's idea of eliminating all nuclear missiles a dangerous one.

Still, Soviet-American negotiations on arms limitations continued with new optimism. By December 1987, negotiators had reached an agreement that eliminated Soviet and American intermediate-range missiles from Europe. Reagan and Gor-

Boland Amendment Motion approved by Congress in 1984 that barred the CIA from using funds to give direct or indirect aid to the Nicaraguan Contras.

Mikhail S. Gorbachev Soviet leader who came to power in 1985; he introduced political and economic reforms and then found himself presiding over the breakup of the Soviet Union.

bachev signed the **Intermediate** Nuclear Force Treaty in Washington during their December 1987 summit. Throughout 1988, Soviet-American relations continued to improve. Gorbachev withdrew Soviet forces from Afghanistan, the Senate approved the Intermediate Nuclear Force Treaty, and Reagan visited Moscow. It seemed that the Cold War was over.

In Reagan's

Shadow

As Republicans got ready for the 1988 election, the torch of Reaganism passed to Reagan's vice president, **George Bush**. Bush had devoted many years to public service and had held several important posts under Presidents Nixon and Ford: ambassador to the United Nations, chairman of the Republican National Committee, ambassador to China, and director of the CIA. After gaining the Republican nomination, Bush selected as his running mate a young, conservative, and virtually unknown Indiana senator, J. Danforth Quayle.

Bush Assumes Office

The 1988 campaign proved to be a dull affair. Both Bush and Democratic nominee Michael Dukakis, governor of Massachusetts, lacked flair and style. Dukakis ignored most issues and focused on his personal integrity and success in revitalizing the Massachusetts economy. Bush promised to fight drugs and crime, to take a special interest in education and the environment, and not to raise taxes. "Read my lips, no new taxes," he said. Negative campaigning, which aimed at discrediting the opponent rather than addressing issues, dominated the airwaves in 1988. Republican ads were very effective and put Dukakis on the defensive. One focused on Willie Horton, an African-American convicted of murder and imprisoned in Massachusetts, Dukakis's home state. While out of prison on a weekend pass, Horton raped a white woman. Lee Atwater, Bush's campaign manager, said that by the time he was through running the Horton ad, the public would believe that Horton was Dukakis's running mate.

Bush won election easily, gaining 79 percent of the electoral vote and 54 percent of the popular vote. The victory was not as sweet as Bush hoped it would be. His political **coattails** were very short. The Democrats remained the majority party in both houses of Congress.

Bush and a New International Order

Shortly after becoming president, Bush had to respond to unexpected and rapid changes in the Communist world, from Nicaragua to the Soviet Union. Within the Soviet Union, Mikhail Gorbachev's politics of glasnost and **perestroika** were producing political and religious freedom, reducing censorship and repression, and starting the development of a capitalist-style economy. Soviet armed forces were being withdrawn from Afghanistan and Eastern Europe (see Map 31.2).

The Bush administration voiced cautious support for Gorbachev's efforts. In December 1989, Bush met with Gorbachev on the island of Malta in the Mediterranean Sea. Gorbachev declared that the Cold War was over. Bush more prudently stated that they were working toward "a lasting peace." Later, Gorbachev visited Washington and signed agreements to improve trade and reduce

Intermediate Nuclear Force Treaty Treaty signed in 1987 by Reagan and Gorbachev that provided for the destruction of all U.S. and Soviet medium-range nuclear missiles and for verification with on-site inspections.

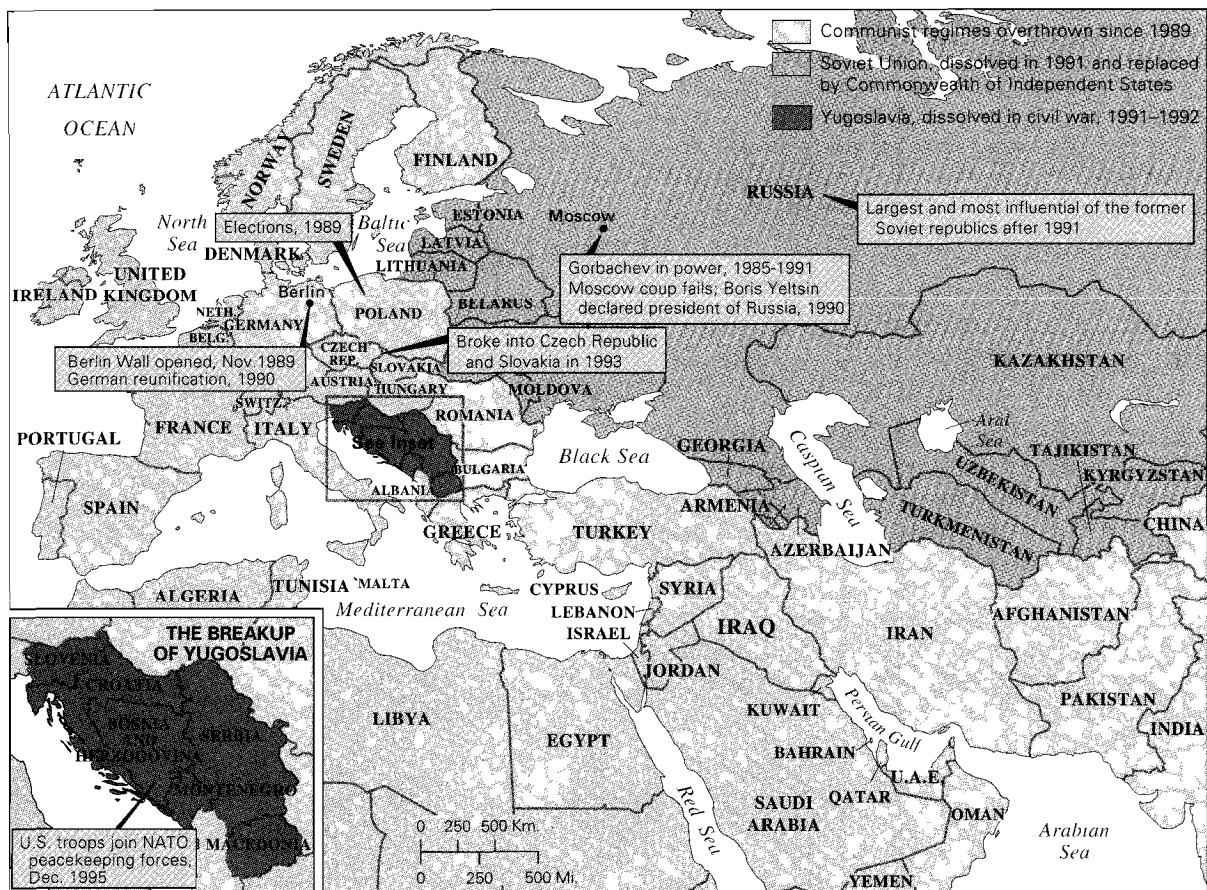
George Bush Politician and diplomat who was vice president under Ronald Reagan and was later elected president of the United States.

negative campaigning Presenting a political opponent as weak, dishonest, or untrustworthy instead of addressing basic political issues.

political coattails The result of voters casting their votes for all members of a political party based on voting for one particular member, generally the highest-ranking candidate on the ticket.

glasnost Policy under Gorbachev that allowed freedom of thought and candid discussion of social problems.

perestroika The restructuring of the Soviet economy and bureaucracy that began in the mid-1980s.



◆ **MAP 31.2 The Fall of Communism** As the Soviet Union collapsed and lost its control over the countries of Eastern Europe, the map of Eastern Europe and Central Asia changed. The Soviet Union disappeared into history, replaced by fifteen new national units. In Eastern Europe, West and East Germany merged, Czechoslovakia divided into two nations, and Yugoslavia broke into five feuding states.

the size of conventional and nuclear arsenals. He was cheered in the United States and around the world. At home, however, his popularity fell as the Soviet economy continued its downward spiral. Attacked by people wanting more reform and by hard-line Communists who feared any reform, Gorbachev asked the United States, Japan, and Western Europe to provide economic support to prevent "chaos and civil wars" in the Soviet Union.

Unable to slow the rush toward reform, the hard-liners on August 19, 1991, attempted a coup. They confined Gorbachev to his vacation home along the Black Sea and outlawed all political par

ties. In Moscow, **Boris Yeltsin**, leader of the Russian Republic, declared the coup illegal and called on the Russian people to resist. Over 150,000 Muscovites surrounded the Russian parliament building to defend Yeltsin. Faced with popular opposition in Moscow and other cities, the coup collapsed

Boris Yeltsin Russian parliamentary leader who was elected president of the new Russian Republic in 1991 and promised increased democratic and economic reforms.

within seventy-two hours. Released from captivity, Gorbachev announced that he was again in control of the Soviet Union.

By 1992, there was no Soviet Union to command. All that remained was a weak federation, the **Commonwealth of Independent States**. Power rested not with Gorbachev, who soon retired from office, but with the independent republics and especially with Yeltsin.

The collapse of the Soviet Union both simplified and complicated U.S. foreign policy. The threat of war with the Soviet Union was gone, but the new relationship between the United States and the former Soviet Union had not yet been determined. Bush recognized the independent republics and Yeltsin as the spokesman for the Russian Republic and for the Commonwealth. In a June 1992 visit to Washington, Yeltsin announced that Russia was ready to eliminate nearly all of its land-based strategic missiles. Bush applauded the arms reduction proposal, promised increased economic support, and hoped that Yeltsin could bring some stability to what had once been the Soviet Union. Yeltsin, however, could barely provide stability for Russia.

Even before the Soviet Union collapsed, communism was in retreat throughout Eastern Europe. In December 1988, Gorbachev announced that the Soviet Union would no longer intervene in Eastern Europe. Within a year, Poland had a new constitution, a free market economy, and a non-Communist government. In 1989, workers tore down the **Berlin** Wall. As the wall crumbled, so too did the Communist governments of East Germany, Hungary, Bulgaria, Czechoslovakia, and Romania. By the end of 1990, a unified Germany existed, and the Baltic states of Latvia, Estonia, and Lithuania had declared their independence from the Soviet Union.

The Bush administration hoped that free market economies and stable, democratic governments would emerge in the former Soviet bloc. In some nations, there was peaceful movement toward both; in others, there was increased regional and ethnic conflict. Yugoslavia's collapse in 1991 led to a series of bloody conflicts among rival ethnic groups. By 1994, over a hundred thousand people had died, many of them in Bosnia, where Muslims fought better-armed Christian Serbs who were trying to dismember the Bosnian republic.

The breeze of democracy was not limited to Eastern Europe. In the People's Republic of China, Central America, and South Africa, similar movements were taking place. Chinese university students sought an end to the authoritarian policies of Deng Xiaoping. Prodemocracy protesters took to the streets in Beijing and other Chinese cities, demanding political, economic, and civil freedoms. They filled **Tiananmen** Square in Beijing, erecting a "Goddess of Liberty" statue that looked like the Statue of Liberty. Rather than relinquishing power, however, China's leaders resorted to force on June 4, 1989. Police and army forces brutally cleared the square and arrested many leaders of the democracy movement. Thousands were killed or injured as the movement for democracy across China was crushed. President Bush condemned the violent repression but resisted demands for sanctions against China. He argued that sanctions would make the Chinese leadership even more brutal.

Bush's policy toward South Africa drew praise for supporting democratic change. In South Africa, the goal was to end apartheid. In 1988, after South African president P. W. Botha had brutally repressed anti-apartheid demonstrations, Congress instituted economic sanctions. As Bush applauded the willingness of South Africa's new president,

Commonwealth of Independent States Weak federation of the former Soviet republics that replaced the Soviet Union in 1992 and soon gave way to total independence of the member countries.

Berlin Wall Wall that the Communist East German government built in 1961 to divide East and West Berlin; it was torn down in 1989 as the Cold War ended.

Bosnia Region of the former Yugoslavia; its major city is Sarajevo.

Tiananmen Square City square in Beijing where army forces attacked student protesters in 1989, crushing the prodemocracy movement in China.

apartheid Official policy of racial segregation in South Africa; its outcome was political, legal, and economic discrimination against blacks and other people of color.

economic sanctions Trade restrictions that several nations acting together impose on a country that has violated international law.

F. W. de Klerk, to work with Nelson Mandela and other black Africans to end apartheid. Bush lifted the sanctions once it became apparent that substantial progress was being made. In April 1994, South Africa held its first multiracial free elections, electing Mandela president.

In Central America, Bush broke with Reagan's policies (see pages 703-704) by reducing aid to the Contras and encouraging negotiations. His actions contributed to the acceptance of the Contadora Plan negotiated by a coalition of Central American nations. Under this plan, the Contras agreed to halt their military operations, and the Ortega government agreed to hold free elections. Opposition candidate Violeta de Chamorro defeated Daniel Ortega in 1990. Although friction between Sandinista and Contra supporters continued, the peaceful change in government effectively ended a bitter struggle.

In El Salvador, American-supported peace negotiations also ended a civil war. Antigovernment rebels agreed to a cease-fire and to participate in future elections. Bush proudly boasted that American efforts in both El Salvador and Nicaragua helped to produce more democratic governments.

Protecting American interests Abroad

By mid-1991, almost everyone agreed that the Cold War was over. The Soviet Union and Soviet communism had collapsed. The United States stood as the sole superpower. Liberals and moderates called for a "peace dividend," money taken from the military budget and allocated for social programs. But Bush resisted any sizable cuts in the military budget. The world was still a dangerous place, he warned, and needed the military strength of the United States.

One place where Bush exercised that strength was in Panama. During his presidential campaign, he had promised a crackdown on the flow of drugs into the United States. In December 1989, he ordered American forces into Panama to arrest Panamanian dictator Manuel Noriega on drug-related charges. Implicated in the torture and murder of his political enemies, Noriega was actively involved in the transshipment of Colombian drugs to the United States.

Within seventy-two hours, American forces were in charge of the country. American casualties were light (twenty-three lost their lives). Some three thousand Panamanians died, almost all civilians. A Miami court found Noriega guilty of drug-related offenses, and he was sentenced to prison in 1992. Panama, however, remained a major route for smuggling drugs into the United States.

By the fall of 1990, President Bush faced a much more serious threat from Saddam Hussein, the authoritarian ruler of Iraq. Saddam claimed that the oil-rich sheikdom of Kuwait, which had long been friendly to the United States, was waging economic war against Iraq. Believing that the United States would not intervene, Saddam invaded and quickly overran Kuwait in early August 1990.

Many worried that Saddam intended to control the Persian Gulf region's oil fields, which held over 40 percent of the world's oil. Within hours of the invasion, Bush warned, "This [action] will not stand." Bush helped organize a multinational force of over 700,000, including 500,000 Americans, which was sent to Saudi Arabia in an effort to convince Iraq to withdraw from Kuwait. Many believed that the economic sanctions imposed by the United Nations would force Iraq to leave Kuwait. Bush worked within the United Nations to set a deadline of January 15, 1991, for Iraqi withdrawal from Kuwait.

Eighteen hours after the deadline expired, aircraft of the United Nations coalition began the **Gulf War** with devastating attacks on Iraqi positions in Kuwait and on Iraq itself. For nearly forty days, a

Contadora Plan Pact signed by the presidents of five Central American nations in 1987; it called for cease-fires in conflicts in the region and for democratic reforms.

Manuel Noriega Panamanian dictator who was captured by U.S. invasion forces in 1989 and taken to the United States to be tried for drug trafficking.

Saddam Hussein Iraqi ruler who annexed Kuwait in 1990, triggering the Gulf War.

Gulf War War in the Persian Gulf region in 1991 triggered by the Iraqi invasion of Kuwait; a U.S.-led coalition defeated Iraqi forces and freed Kuwait.

high-tech air attack pounded the Iraqis. Saddam had promised, however, that the ground war would be the "mother of all battles." Concern about casualties among the coalition forces was great. Nevertheless, General Norman Schwarzkopf, coalition force commander, was confident of victory and ridiculed the Iraqi leader's military ability: Saddam is "neither a strategist, nor is he schooled in the operational arts, nor is he a tactician, nor is he a general, nor is he a soldier. Other than that he is a great military man."

The ground offensive, called Operation Desert Storm, started the night of February 23. In Kuwait, thousands of demoralized Iraqi soldiers, many of whom had gone without food and water for days, surrendered to advancing coalition forces. Within four days, coalition forces were mopping up the remaining resistance. They liberated Kuwait and humiliated the Iraqi army thoroughly. Estimates of Iraqi losses ranged from 70,000 to 115,000 killed. The United States lost fewer than 150. It was indeed the "mother of all victories," Americans quipped. Some, however, speculated that the offensive should have continued until all of the Iraqi army had been destroyed and Saddam ousted from power.

By the summer of 1991, the United States could claim victory in two wars, the Gulf War and the Cold War. It was clearly the diplomatic and military leader of the world.

A Kinder, Gentler Nation at Home?

Bush entered the White House in 1989 promising a "kinder, gentler nation." Many praised Bush for his apparent rediscovery of social issues. But others concluded from Bush's promise not to increase taxes that substantial action was unlikely.

They were correct. Bush's domestic policy reflected his belief that there was nothing fundamentally wrong with American society or the economy. He saw no reason for extensive new social programs.

Bush did support some social and environmental initiatives. By the end of his first year in office, he could point to legislation that protected disabled Americans against discrimination (the Americans with Disabilities Act) and reduced smokestack and auto emissions and acid rain (the

Clean Air Act). Bush also noted that the minimum wage had risen from \$3.35 to \$4.25 an hour. Only two problem areas seemed to exist: the economy and his broken pledge on taxes.

In mid-1990, in part because of oil-price increases caused by Iraq's invasion of Kuwait, the nation entered into a recession. The recession, plus the growing national deficit, convinced Bush to work with Congress to raise taxes, despite his "no new taxes" pledge. Bush believed that by 1992, the recession would be over, the national debt would be reduced, and voters would happily re-elect him. The recession deepened, however, and lasted into 1992.

The recession lasted longer than Bush expected for several reasons. Fewer American goods were being sold overseas because of a slowdown in the world economy. American firms responded by downsizing to be more competitive. Between July 1990 and July 1993, over 1.9 million people lost their jobs. Sharply rising federal spending and the ever-increasing deficit also contributed to the length of the recession. Despite Bush's pledges to hold down federal spending, during his term the budget skyrocketed, reaching \$1.5 trillion in 1992. At the same time, family income dropped below 1980 levels, to \$37,300 from a 1980 high of \$38,900. Consumers, caught between increasing unemployment, falling wages, and inflation, saw personal savings and confidence in the economy shrink.

Bush did little to halt the economic slide. He responded to Democrats' calls for tax cuts for the middle class, increased and extended unemployment benefits, and other social programs with vetoes and by asking for reductions in capital gains taxes. The result was political gridlock. Bush looked increasingly vulnerable as the November 1992 election approached. Unlike Reagan, Bush seemed incapable of projecting the image of a leader who knew where the nation and the world should be going.

capital gains Profits made from selling assets such as securities and real estate.

SUMMARY

The years between Nixon's resignation and 1992 were ones of changing *expectations*. During the presidencies of Ford and Carter, the nation seemed beset by *constraints* that limited its domestic prosperity and international status. The policy *choices* that Ford and Carter made neither recaptured people's faith in the nation nor established national goals. In his foreign policy, Carter chose to de-emphasize Cold War relationships and give more attention to human rights and Third World problems. The *outcome*, many believed, was a weakening of America's world position.

Reagan rejected Carter's notion that Americans should sacrifice to overcome the limits facing the nation. He argued that the only *constraint* on American greatness was government's excessive regulation and interference in society. He promised to reassert American power and renew the offensive in the Cold War. As president, Reagan *chose* a conservative program to restore the nation's values, honor, and international prestige. He fulfilled many conservative *expectations* by reducing support for some social programs, easing and eliminating some government regulations, and exerting American power around the world—altering the structure of Soviet-American relations. Supporters

Expectations
Constraints
Choices
Outcomes

claimed that the *outcome* of Reagan's *choices* was a prosperous nation that faced few *constraints*. They applauded Reagan's assessment that his administration had *chosen* to "change a nation, and instead . . . changed a world."

Bush inherited the *expectations* that the Reagan administration had generated. But unlike Reagan, he could not project an image of strong and visionary leadership. Finding fewer *constraints* and more opportunities in the conduct of foreign policy, Bush directed most of his attention to world affairs. As the Soviet Union and communism in Eastern Europe collapsed, Bush gained public approval for his foreign policies, also demonstrating American strength and resolve in Panama and the Persian Gulf. His foreign-policy successes, however, only highlighted his weakness in domestic policy as the nation found itself mired in a nagging recession that sapped the public's confidence in Republican leadership and the economy.

SUGGESTED READINGS

Burroughs, Bryan, and John Helyar. *Barbarians at the Gate: The Fall of RJR Nabisco* (1990).

A novel-like account (also a made-for-television movie) of hostile takeovers, leveraged buyouts, and the politics of greed that revolved around the Nabisco company.

Cannon, Lou. *President Reagan: The Role of a Lifetime* (1992).

The most complete and detailed account of the Reagan presidency from a generally positive perspective.

Duffy, Michael, and Don Goodgame. *Marching in Place: The Status Quo Presidency of George Bush* (1992).

An insightful but critical analysis of the Bush presidency.

Gaddis, John L. *The United States and the End of the Cold War* (1992).

An excellent narrative of events in the Soviet Union and the United States that led to the end of the Cold

War, as well as a useful analysis of the problems facing the United States in the post-Cold War world.

Kaufman, Burton. *The Presidency of James Earl Carter, Jr.* (1993).

A well-balanced account and analysis of Carter's presidency and the changing political values of the 1970s.

Schaller, Michael. *Reckoning with Reagan* (1992).

A brief but scholarly analysis of the Reagan administration and the society and values that supported the Reagan revolution.

Sifry, Micah L., and Christopher Cerf, eds. *The Gulf War Reader* (1991).

A collection of essays and documents that provides both insight into and an excellent overview of the Gulf War.

Wolfe, Tom. *Bonfire of the Vanities* (1987).

A best-selling novel (also a movie) about the inside world of financial deals and the quest for power and wealth.

Wall Street (1988).

A movie that provides another example of financial wheeling and dealing and Yuppies in search of wealth and power.