

America's History

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Conservative America Ascendant: The Search for Order in an Era of Limits

1973-1991

LEARNING OBJECTIVES

After you have studied this chapter, you students should be able to answer the following questions:

1. How and why did America experience a severe economic crisis in the 1970s?
2. What effect did Jimmy Carter's presidency have on domestic politics?
3. How did expanding social activism lead to a conservative reaction at the end of the decade?
4. Why did President Jimmy Carter fail to develop an effective style of leadership? How did foreign affairs affect his administration?
5. How did the domestic policies of presidents Reagan and Bush reflect the rise of conservatism?
6. What were the most important foreign policy challenges faced by President Jimmy Carter?
7. How and why did the Cold War conclude with an American victory in 1991?
8. How did President George Bush deal with the Middle East?

An Era of Limits

Energy Crisis

Once the world's leading producer, the United States had become heavily dependent on imported oil, mostly from the Persian Gulf. When Middle Eastern states threw off the



remnants of European colonialism, they demanded concessions for access to the fields. In 1960 oil-rich developing countries formed a cartel, the **Organization of Petroleum Exporting Countries (OPEC)**. Conflict between Israel and the neighboring Arab states of Egypt, Syria, and Jordan politicized OPEC between 1967 and 1973. In the **1973 Yom Kippur War**, Egypt and Syria invaded Israel to regain territory lost in the 1967 conflict. Israel prevailed, but only after being resupplied by an emergency American airlift. In October 1973, resentful of American support for Israel, the Arab states in OPEC declared an oil embargo.

The United States scrambled to meet its energy needs in the face of the oil shortage. Congress imposed a national speed limit of 55 miles an hour to conserve fuel and Americans began to buy smaller, more fuel-efficient foreign cars. Sales of American cars slumped. With one of every six jobs in the country generated directly or indirectly by the auto industry, the effects rippled across the economy. Compounding the distress was the raging inflation set off by the oil shortage; prices rose by nearly 20 percent in 1974 alone.

Environmentalism

The energy crisis drove home the realization that the earth's resources were not limitless. The environmental movement was an offshoot of sixties activism, but it had numerous historical precedents. The movement had received a hefty push back in 1962 when biologist Rachael Carson published *Silent Spring*, a stunning analysis of the impact of the pesticide DDT on the food chain. In 1970, on the heels of the Santa Barbara oil spill, Congress passed the National Environmental Policy Act, which created the **Environmental Protection Agency (EPA)**.

A spate of new laws followed: the **Clean Air Act** (1970), the **Occupational Health and Safety Act** (1970), the **Water Pollution Control Act** (1972), and the **Endangered Species Act** (1973). Corporations resented environmental regulations, as did many of their workers, who believed that tightened standards threatened their jobs. By the 1980s, environmentalism starkly divided Americans.



1979 film the China Syndrome was released only 12 days before the accident at Three Mile Island. The film depicted a fictional, but very similar incident at a nuclear power plant.

By 1974, utility companies were operating forty-two nuclear power plants, with a hundred more planned. Environmentalists, however, publicized other dangers of nuclear power: a meltdown would be catastrophic, and so, in slow motion, might be radioactive wastes. These fears seemed to be confirmed in March 1979, when the reactor core at the **Three Mile Island** nuclear plant near Harrisburg, Pennsylvania, came close to meltdown. This near-catastrophe enabled environmentalists to win the battle over nuclear energy. After Three Mile Island, no new nuclear plants were authorized. Today, nuclear reactors account for 20 percent of all U.S. power generation—substantially less than several European nations, but still fourth in the world.

Economic Transformation

In addition to the energy crisis, the economy was beset by a host of longer-term problems. Government spending on the Vietnam War and the Great Society made for a growing federal deficit and spiraling inflation. In the industrial sector, the country faced more robust competition from West Germany and Japan. America's share of world trade dropped from 32

percent in 1955 to 18 percent in 1970 and was headed downward. Many of these economic woes highlighted a transformation in the United States: from an industrial-manufacturing economy to a postindustrial-service one. In the short run, the economy was hit by a devastating combination of unemployment and inflation—*stagflation*.

For ordinary Americans, the reality of stagflation was a noticeable decline in their standard of living. None of the three presidents of the decade—Richard Nixon, Gerald Ford, and Jimmy Carter—had much luck tackling stagflation. Nixon’s New Economic Policy imposed temporary price and wage controls in 1971 in an effort to curb inflation. He removed the United States from the gold standard, allowing the dollar to float in international currency markets. The underlying weaknesses in the U.S. economy remained, however.

Ford’s “Whip Inflation Now” (WIN) campaign urged Americans to cut food waste and to do more with less but was deeply unpopular. Carter’s policies would be similarly



President Gerald Ford (right) and former-Beatle George Harrison

ineffective. America’s economic woes struck hardest at the industrial sector, which began to be dismantled. Worst hit was the steel industry, as foreign steel flooded into the United States during the 1970s. The steel industry was the prime example of what became known as **deindustrialization**. The country was in the throes of an economic transformation that left it largely stripped of its industrial base.

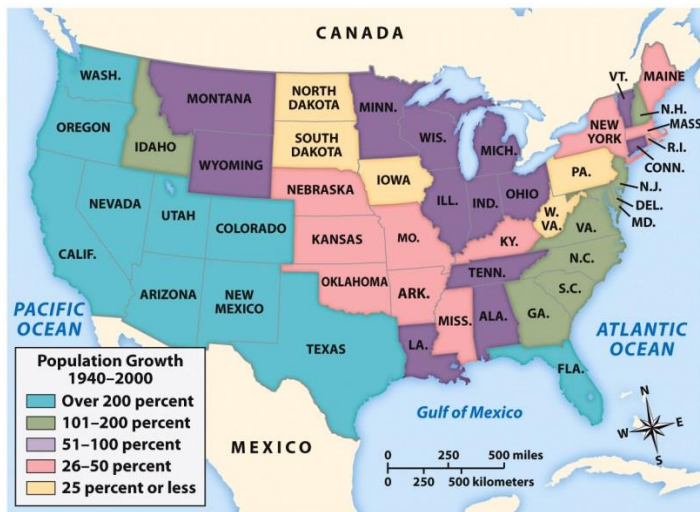
Deindustrialization threw many blue-collar workers out of well-paid union jobs.

Deindustrialization dealt an especially harsh blow to the labor movement, which had facilitated the postwar expansion of that middle class. Instead of seeking higher wages, unions now mainly fought to save jobs. Union membership went into steep decline. With labor’s decline, a main buttress of the New Deal coalition was coming undone. Middle-class flight to the suburbs continued apace, and the “urban crisis” of the 1960s spilled into the “era of limits.” Facing huge price inflation and mounting piles of debt—to finance social services for the poor and to replace disappearing tax revenue—nearly every major American city struggled to pay its bills in the 1970s. Cities faced declining fortunes in these years for many reasons, but one key was the continued loss of residents and businesses to nearby suburbs

Suburbanization and the economic crisis combined powerfully in what became known as the “tax revolt,” a dramatic reversal of the postwar spirit of generous public investment. The premier example was California’s Proposition 13, an initiative that would roll back property taxes, cap future increases for present owners, and require that all tax measures have a two-thirds majority in the legislature. Proposition 13 hobbled public spending in the nation’s most populous state, inspired tax revolts across the country, and helped conservatives define an enduring issue: low taxes.

Politics in Flux, 1974–1980

A search for order characterized national politics in the 1970s as well. Liberals were in retreat, but conservatives had not yet put forth a clear alternative. Seventy-five new Democratic members of the House came to Washington after the 1974 midterm elections, in which they made Watergate and Ford’s pardon of Nixon their top issues. Democratic majorities in both houses of Congress eliminated the House Un-American Activities Committee (HUAC) and reduced the number of votes needed to end a filibuster from 67 to 60. Democrats dismantled the existing committee structure, which had entrenched power in the hands of a few elite committee chairs, and passed the **Ethics in Government Act**.



Growth of population in the Sunbelt

Ironically, the post-Watergate reforms made government *less* efficient and *more* susceptible to special interests—a diffuse power structure actually gave lobbyists more places to exert influence. Influence shifted to party leaders and with little incentive to compromise, the parties grew more rigid, and bi-partisanship became rare. Despite Democratic gains in 1974, liberalism proved unable to stop runaway inflation or speed up economic growth. Conservatives in Congress used this opening to articulate alternatives, especially economic deregulation and tax cuts.

Deindustrialization in the Northeast and Midwest and continued population growth in the **Sunbelt** shifted power toward the West and South. James E. Carter won the Democratic presidential nomination in 1976. Trading on Watergate and his down-home image, Carter pledged to restore morality to the White House. Carter defeated Ford with 50 percent of the popular vote. But Carter’s inexperience showed. Disdainful of the Democratic establishment, Carter relied heavily on inexperienced advisers from Georgia, leading to chilly relations with congressional leaders. Carter was an economic conservative, and his efforts proved ineffective at reigniting economic growth. Then, the Iranian Revolution curtailed oil supplies, and gas prices jumped again. By then, Carter’s approval rating had fallen below 30 percent.

Reform and Reaction in the 1970s

Civil Rights in a New Era

Among the most significant efforts to address the legacy of exclusion against minorities and women was **affirmative action**. Affirmative action, however, did not sit well with many whites, who felt that the deck was being stacked against them. Much of the dissent came from conservative groups that had opposed civil rights all along. They charged affirmative action advocates with “reverse discrimination.”

A major shift in affirmative action policy came in 1978. Allan Bakke, a white man, sued the University of California at Davis Medical School for rejecting him in favor of less-qualified, minority-group candidates. *Bakke v. University of California* upheld affirmative action but rejected a quota system, and thereby also called it into question. Future court rulings and state referenda in the 1990s and 2000s would further limit affirmative action.

Another major civil rights objective—desegregating schools—produced even more controversy and fireworks. Where schools remained highly segregated, the courts endorsed the strategy of busing students to achieve integration. In some, black children rode busses from their neighborhoods to attend previously all-white schools. In others, white children were bused to black or Latino neighborhoods. In the North, where segregated schooling arose from suburban residential patterns, busing orders proved less effective. Postwar suburbanization had produced in the North what law had mandated in the South—segregated schools.

The Women’s Movement and Gay Rights

Much of women’s liberation activism focused on the female body. The women’s health movement founded dozens of medical clinics, encouraged women to become physicians, and educated millions of women about their bodies. To reform anti-abortion laws, activists pushed for remedies in more than thirty state legislatures. Women’s liberationists founded the antirape movement, established rape crisis centers around the nation, and lobbied state legislatures and Congress to reform rape laws.



Phyllis Schlafly

Buoyed by this flourishing of activism, the women’s movement renewed the fight for an Equal Rights Amendment (ERA) to the Constitution. Congress adopted the amendment in 1972 and within just two years, thirty-four of the necessary thirty-eight states had ratified it, and the ERA appeared headed for adoption. Credit for putting the brakes on ERA ratification goes chiefly to a remarkable woman: **Phyllis Schlafly**, a lawyer long active in conservative causes. Despite her own flourishing career, Schlafly and her organization, STOP ERA, advocated traditional roles for women.

The women’s movement had another major goal: winning reproductive rights. Activists pursued two tracks: legislative and judicial. In the early 1960s, abortion was illegal in virtually every state. A decade later, a handful of states, such as New York, Hawaii, California, and Colorado, adopted laws making legal abortions easier to obtain.

The judicial track culminated in *Roe v. Wade* (1973). In that landmark decision, the justices nullified a Texas law that prohibited abortion under any circumstances, even when the woman’s health was at risk, and laid out a new national standard: abortions performed during the first trimester were protected by the right of privacy.

For the women’s movement, *Roe v. Wade* represented a triumph. For evangelical and fundamentalist Christians, Catholics, and conservatives generally, it was a bitter pill. *Roe* polarized what was already a sharply divided public and mobilized conservatives to seek a Supreme Court reversal to limit abortion rights.

The gay rights movement had achieved notable victories as well. These, too, proved controversial. No one embodied the combination of gay liberation and hard-nosed politics better than a San Francisco camera-shop owner named **Harvey Milk**. Milk managed to mobilize the “gay vote” into a powerful bloc, and finally won a city supervisor seat in 1977. After he helped to win passage of a gay rights ordinance in San Francisco, he was assassinated—along with the city’s mayor, George Moscone—by a disgruntled former supervisor named Dan White.

The Supreme Court and the Rights Revolution

After *Brown v. Board of Education* (1954), the court increasingly agreed to hear human rights and civil liberties cases. This shift was led by **Earl Warren**, appointed chief justice in 1953 by Eisenhower. The Warren Court lasted from 1954 until 1969 and established some of the most far-reaching liberal jurisprudence in U.S. history.



Chief Justice Warren
Burger

Right-wing activists detested the Warren Court, accusing its decisions of contributing to social breakdown and rising crime rates. President Nixon came into the presidency promising to appoint conservative-minded justices to the bench. Between 1969 and 1972, he was able to appoint four new justices to the Supreme Court, including the new chief justice, **Warren Burger**. However, the Burger Court refused to scale back the liberal precedents set under Warren.

Other decisions advanced women’s rights. In 1976, the Court ruled that arbitrary distinctions based on sex in the workplace and other arenas were unconstitutional, and in 1986 that sexual harassment violated the Civil Rights Act. In all of their rulings on privacy rights, however, both the Warren and Burger Courts confined their decisions to heterosexuals. The justices were reluctant to move ahead of public attitudes toward homosexuality.

The Rise of the New Right

Barry Goldwater and Ronald Reagan: Champions of the Right

Ronald Reagan came to national prominence in 1964. Speaking to the Republican convention on national television, he delivered a powerful speech supporting the presidential nomination of arch-conservative **Barry Goldwater**. His impassioned rhetoric supporting limited government, low taxation, and law and order won broad support among citizens of the most populous state and made him a force in national politics. Narrowly defeated in his bid for the Republican presidential nomination in

1976, Reagan counted on his growing popularity to make him the party's candidate in 1980.

In 1964, the conservative message preached by Ronald Reagan and Barry Goldwater appealed to few American voters. Then came the series of events that mobilized opposition to the Democratic Party and its liberal agenda: a stagnating economy, the failed war in Vietnam, African American riots, a judiciary that legalized abortion and enforced school busing, and an expanded federal regulatory state. By the mid-1970s, conservatism commanded greater popular support.

Free-Market Economics and Religious Conservatism

The conservative movement resembled a three-legged stool consisting of anticommunism, free-market economics, and religious moralism. Uniting all three in a political coalition was no easy feat. Religious moralists demanded strong government action to implement their faith-based agenda, while economic conservatives favored limited government and free markets. Both groups, however, were ardent anticommunists. In the end, the success of the **New Right** would come to depend on balancing the interests of economic and moral conservatives.

Since the 1950s, **William F. Buckley**, the founder and editor of the *National Review*, and **Milton Friedman**, the Nobel Prize-winning economist at the University of Chicago, had been the most prominent conservative intellectuals. Friedman became a national conservative icon with the publication of *Capitalism and Freedom* (1962). Conservative think-tanks, including the Heritage Foundation, the American Enterprise Institute, and the Cato Institute issued policy proposals that attacked liberal legislation and the permissive culture they claimed it had spawned.



Jerry Falwell pictured with President Ronald Reagan

The most striking addition to the conservative coalition was the Religious Right. The perception that American society had become immoral combined with the influence of a new generation of popular ministers, made politics relevant. Conservative Protestants and Catholics joined together in a tentative alliance, as the Religious Right condemned divorce, abortion, premarital sex, and feminism. Charismatic television evangelists such as **Pat Robertson** and **Jerry Falwell** emerged as the champions of a morality-based political agenda during the late 1970s. In 1979, Falwell established the prominent political lobby, the **Moral Majority**. Backed by behind-the-scenes conservative strategists such as **Paul Weyrich**, the Moral

Majority boasted 400,000 members and \$1.5 million in contributions in its first year. It would be the organizational vehicle for transforming the increasing number of Americans who identified as Evangelical Christians into a religious political movement.

Other conservative organizations also played a role in what was a rising tide for the conservative movement. Phyllis Schlafly's STOP ERA, which became the Eagle Forum in 1975, continued to advocate for conservative public policy. In 1977, conservative psychologist James Dobson founded Focus on the Family as a succession of conservative organizations continued to emerge in the 1980s, including the Family Research Council.

By the late 1970s, the New Right had developed a conservative message that commanded much greater popular support than Goldwater's program had. Religious and free-market conservatives joined with traditional anticommunist hard-liners in a broad coalition that attacked welfare state liberalism, social permissiveness, and an allegedly weak and defensive foreign policy. Ronald Reagan expertly appealed to all of these conservative constituencies and captured the Republican presidential nomination in 1980.

The Carter Presidential Interregnum

Carter had an idealistic vision of American leadership in world affairs. He presented himself as the anti-Nixon, a world leader who rejected Henry Kissinger's "realism" in favor of human rights and peacemaking. He withdrew economic and military aid from some repressive regimes, signed a treaty turning control of the Panama Canal over to Panama, and crafted a "framework for peace," between Egypt and Israel. While Carter deplored what he called the "inordinate fear of Communism," his efforts at improving relations with the Soviet Union foundered.

After ordering an embargo on wheat shipments to the Soviet Union and withdrawing SALT II from Senate consideration, Carter called for increased defense spending and declared an American boycott of the 1980 summer Olympics in Moscow. With the support of Congress, he began providing covert assistance to anti-Soviet fighters in Afghanistan, some of whom, including Osama bin Laden, would metamorphose into anti-American Islamic radicals decades later.



US Embassy staff taken hostage by Iranian students

Carter's ultimate undoing came in Iran, however. Since the 1940s, Iran had been ruled by the Shah ("King"), Muhammad Reza Pahlavi. Ousted by a democratically elected parliament in the early 1950s, Pahlavi sought and received the assistance of the CIA, which helped him reclaim power in 1953. Early in 1979, the Shah was driven into exile by a revolution that brought the fundamentalist Shiite cleric Ayatollah Ruhollah Khomeini to power. When the United States admitted the deposed Shah into the country for cancer treatment, Iranian students seized the U.S. embassy in Tehran, taking sixty-six Americans hostages. The captors demanded that the Shah be returned to Iran for trial. Carter refused and instead suspended arms sales to Iran and froze Iranian assets.

For the next fourteen months, the hostage crisis paralyzed Carter’s presidency. Several months later, however, a stunning development changed the calculus on both sides: Iraq, led by Saddam Hussein, invaded Iran. Desperate to focus his nation’s attention on Iraq’s invasion, Khomeini began to talk with the United States about releasing the hostages. The hostages were finally released the day after Carter left office—a final indignity endured by a well-intentioned but ineffectual president.

President Carter’s sinking popularity hurt his bid for reelection. When he was barely re-nominated for the presidency, Carter’s approval rating was historically low: a mere 21 percent of Americans believed that he was an effective president. Economically,



millions of citizens were suffering from stagnant wages, high inflation, crippling mortgage rates, and an unemployment rate of nearly 8 percent.

With Carter on the defensive, Reagan remained upbeat and decisive. To emphasize his intention to be a formidable international leader, Reagan hinted that he would take strong action to win the hostages’ return. To signal his rejection of liberal policies, he declared his opposition to affirmative action and forced busing and promised to get “the government off our backs.” Reagan effectively appealed to the many Americans who felt financially insecure. He

emphasized the hardships facing working- and middle-class Americans in an era of “stagflation” and asked them: “Are you better off today than you were four years ago?”

Carter received only 41 percent of the vote. Independent candidate John Anderson garnered 8 percent, and Reagan won with 51 percent of the popular vote. The Republicans elected thirty-three new members of the House of Representatives and twelve new senators, which gave them control of the U.S. Senate for the first time since 1954.

The Dawning of the Conservative Age

The Reagan Coalition

The core of the Republican Party remained relatively affluent, white, Protestant voters who supported balanced budgets, opposed government activism, feared crime and communism, and believed in a strong national defense, but **Reagan Republicanism** also attracted middle-class suburbanites and migrants to the Sunbelt states who endorsed the conservative agenda of combating crime and limiting social welfare spending. This emerging Republican coalition was joined by a large and electorally key group of former Democrats - southern whites who had been gradually moving toward the Republican Party since 1964. Reagan capitalized on the “Southern Strategy” developed by Richard Nixon’s. Many southern whites had lost confidence in the Democratic Party, but one factor stood out: the party’s support for civil rights. After 1980, southern whites would remain a cornerstone of the Republican coalition.

The Religious Right proved crucial to the Republican victory as well. It called for a constitutional ban on abortion, voluntary prayer in public schools, and a mandatory death penalty for certain crimes. Reagan's broad coalition attracted the allegiance of blue-collar Catholics alarmed by antiwar protesters and rising welfare expenditures and hostile to feminist demands. Some observers saw these voters, which many called "**Reagan Democrats**," as coming from the "silent majority" that Nixon had swung into the Republican fold in 1968 and 1972. They lived in heavily industrialized midwestern states such as Michigan, Ohio, and Illinois and had been a core part of the Democratic coalition for three decades. Reagan's victory in the 1980s hinged on both a revival of right-wing conservative activism and broad dissatisfaction with liberal Democrats.

Conservatives in Power

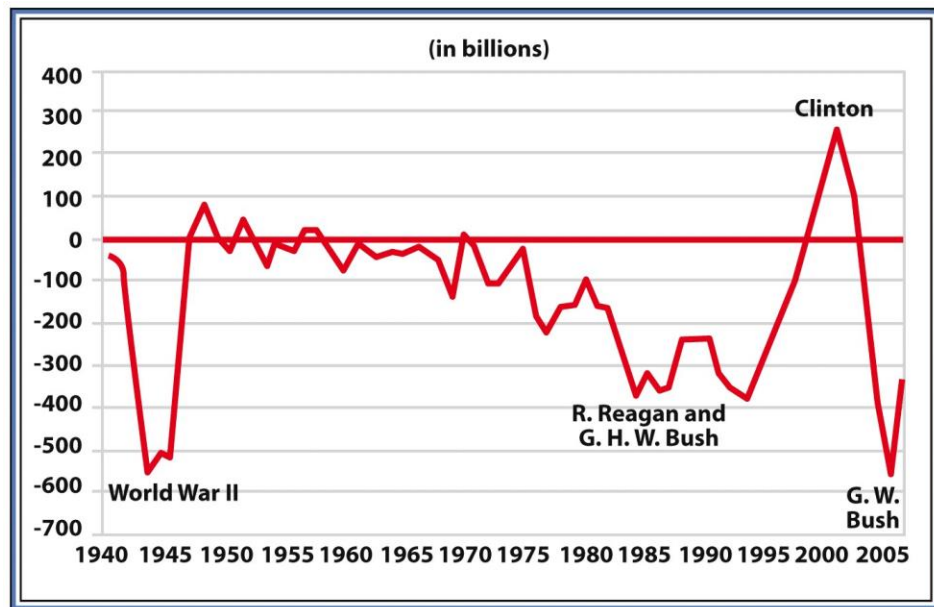
In his first year in office, Reagan and his chief advisor, James A. Baker III, set out to roll back federal taxes, social welfare spending, and the regulatory bureaucracy. They advocated a vast increase in defense spending and an end to détente with the Soviet Union. To match the resurgent economies of Germany and Japan, they set out to restore American leadership of the world's capitalist societies and to inspire renewed faith in "free markets."

To achieve its economic objectives, the new administration advanced a set of policies, dubbed "**Reaganomics**," to increase the production (and thus, the supply) of goods. The theory underlying **supply-side economics**, as this approach was called, emphasized investment in productive enterprises. According to supply-side theorists, the best way to bolster investment was to reduce the taxes paid by corporations and wealthy Americans, who could then use these funds to expand production. Supply-siders maintained that the resulting economic expansion would increase government revenues and offset the loss of tax dollars stemming from the original tax cuts. Meanwhile, the increasing supply would generate its own demand, as consumers stepped forward to buy ever more goods. Supply-side theory presumed—in fact, gambled—that future tax revenues would make up for present tax cuts. Reagan took advantage of Republican control of the Senate to win congressional approval of the 1981 Economic Recovery Tax Act (ERTA), a massive tax cut that embodied supply-side principles. The act reduced income tax rates for most Americans by 23 percent over three years. For the wealthiest Americans the highest marginal tax rate dropped from 70 to 50 percent.

David Stockman, Reagan's budget director, hoped to match a reduction in tax revenue with a cutback in federal expenditures and proposed substantial cuts in Social Security and Medicare. But Congress, and even the president himself, rejected his idea; they were not willing to antagonize middle-class and elderly voters who viewed these government entitlements as sacred. Social Security and Medicare, next to defense spending, were by far the nation's largest budget items; reductions in other programs would not achieve the savings the administration desired. This contradiction between

New Right Republican ideology and political reality would continue to frustrate the party into the twenty-first century.

As spending cuts fell short, the federal budget deficit increased dramatically. Military spending contributed a large share of the growing federal debt. Reagan and Defense Secretary Caspar Weinberger pushed through Congress a five-year, \$1.2 trillion military spending program. By the time Reagan left office, the total federal debt had tripled, rising from \$930 billion in 1981 to \$2.8 trillion in 1989. The rising annual deficits of the 1980s contradicted Reagan’s pledge of fiscal conservatism. Deregulation of prices in the trucking, airline, and railroad industries had begun under President Carter in the late 1970s, but Reagan expanded the mandate to include cutting back on government protections of consumers, workers, and the environment. To reduce the reach of federal regulatory agencies, the Reagan administration cut their budgets by an average of 12 percent.



The Annual Federal Budget Deficit (or surplus) 1940-2010

Having attained two of his prime goals—a major tax cut and a dramatic increase in defense spending—Reagan did not seriously attempt to scale back big government and the welfare state. When he left office in 1989, federal spending stood at 22.1 percent of the gross domestic product (GDP) and federal taxes at 19 percent of GDP, both virtually the same as in 1981. In the meantime, though, the federal debt had tripled in size, and the number of government workers had increased from 2.9 to 3.1 million. Historians continue to debate whether there was a “Reagan Revolution.” Even if he did not achieve everything many of his supporters desired, however, Reagan left an indelible imprint on politics, public policy, and American culture.

During his two terms, Reagan appointed 368 federal court judges—most of them with conservative credentials—and three Supreme Court justices: **Antonin Scalia**, **Sandra Day O’Connor**, and **Anthony Kennedy**. Ironically, the latter two turned out to be far

less devoted to New Right conservatism than Reagan and his supporters imagined. Reagan also elevated **Justice William Rehnquist**, a conservative Nixon appointee, to the position of chief justice. Under Rehnquist's leadership (1986–2005), the Court's conservatives took an activist stance, limiting the reach of federal laws, ending court-ordered busing, and endorsing constitutional protection of property rights. On controversial issues such as individual liberties, abortion rights, affirmative action, and the rights of criminal defendants, the presence of O'Connor enabled the Court to resist the rightward drift and to maintain a moderate position. As a result, the justices scaled back, but did not usually overturn, the liberal rulings of the Warren and Burger Courts.

Another conservative legacy was the slow national response to one of the worst disease epidemics of the postwar decades: HIV and AIDS. In 1981, American physicians identified HIV as a new virus—one that was causing the deaths of hundreds of gay men, who were prominent among the earliest carriers of the disease. Within the United States, AIDS took nearly a hundred thousand lives in the 1980s—more than were lost in the Korean and Vietnam Wars combined. However, because its most prominent early victims were gay men, President Reagan, emboldened by New Right conservatives, hesitated in declaring a national health emergency. Between 1981 and 1986, as the epidemic spread, the administration took little action and prevented the surgeon general from speaking forthrightly to the nation about the disease. In Reagan's last years in office the administration finally began to devote federal resources to treatment for HIV and AIDS patients and research into possible vaccines. But the delay had proved costly, inhumane, and embarrassing.

Morning in America

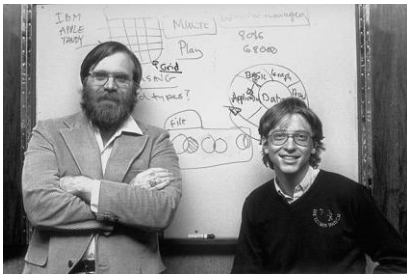
Reagan's tax cuts had barely taken effect when he was forced to reverse course. High interest rates set by the Federal Reserve Board had cut the runaway inflation of the Carter years, but sent the economy into a recession in 1981–1982 that put 10 million Americans out of work and shuttered 17,000 businesses. Unemployment neared 10 percent, the highest rate since the Great Depression. Reagan was forced to negotiate a tax *increase* with Congress in 1982—to the loud complaints of supply-side diehards. The president's job rating plummeted, and in the 1982 midterm elections Democrats picked up twenty-six seats in the House of Representatives and seven state governorships.

Fortunately for Reagan, the economy had recovered by 1983, restoring the president's job approval rating just in time for the 1984 presidential election. During the campaign, Reagan emphasized the economic resurgence, touring the country promoting his tax policies and the nation's new prosperity. The Democrats nominated former vice president **Walter Mondale** of Minnesota. Reagan won a landslide victory, losing only Minnesota and the District of Columbia. Still, Democrats retained their majority in the House and, in 1986, regained control of the Senate.

By 1985, for the first time since 1915, the United States registered a negative balance of international payments. It now imported more goods and capital than it exported.

The country became a debtor (rather than a creditor) nation. The rapid ascent of the Japanese economy to become the world's second largest was a key factor in this historic reversal. Meanwhile, American businesses grappled with a worrisome decline in productivity. Because managers wanted to cut costs, the wages of most employees stagnated. Further, because of foreign competition, the number of high-paying, union-protected manufacturing jobs shrank.

By 1985, more people in the United States worked for McDonald's slinging Big Macs than rolled out rails, girders, and sheet steel in the nation's steel industry. Middle-class Americans also found themselves with less economic security as corporations reduced the number, pay, and pensions of middle-level managers and accountants. A brief return to competitiveness in the second half of the 1980s masked the steady long-term transformation of the economy that had begun in the 1970s. The nation's heavy industries—steel, autos, and chemicals—continued to lose market share to global competitors. Increasingly, financial services, medical services, computer technology—*service* industries broadly speaking—were the leading sectors of growth. This shift in the underlying foundation of the American economy, from manufacturing to service, from making *things* to producing *services*, would have long-term consequences for the global competitiveness of U.S. industries and the value of the dollar. The economic growth of the second half of the 1980s popularized the materialistic values championed by the free marketeers. In the 1980s, Americans celebrated wealth accumulation in ways unseen since the 1920s.



Paul Allen and Bill Gates

Scientists had devised the first computers for military purposes during World War II. Cold War military research subsequently funded the construction of large mainframe computers, but they were too bulky for personal use. Between the 1950s and the 1970s, concluding with the development of the microprocessor in 1971, each generation of computers grew faster and smaller. **Apple Computers**, founded in 1976, began producing small, individual computers that could be easily used by a single person. When Apple enjoyed success, other companies scrambled to get into the market. **International Business Machines (IBM)** offered

its first personal computer in 1981, but Apple Corporation's 1984 Macintosh computer (later shortened to Mac) became the first run-away commercial success for a personal computer. In 1975, **Bill Gates** and **Paul Allen** founded the **Microsoft Corporation**, whose MS-DOS and Windows operating systems soon dominated the software industry.

In three decades, the computer had moved from a few military research centers to thousands of corporate offices and then to millions of peoples' homes. In an age that celebrated free-market capitalism, government research and government funding had played an enormous role in the development of the most important technology since television.

The End of the Cold War

U.S.-Soviet Relations in a New Era

When Reagan assumed the presidency in 1981, he broke with his immediate predecessors in Cold War strategy. Nixon regarded himself as a “realist” in foreign affairs, which meant advancing the national interest without regard to ideology. His policy of **détente** with the Soviet Union and China embodied this realist view. Carter endorsed détente and continued to push for relaxing Cold War tensions. This worked for a time, but the Soviet invasion of Afghanistan empowered hard-liners in the U.S. Congress and forced Carter to take a tougher line—which he did with the Olympic boycott and grain embargo.

Conservatives did not believe in détente. Neither did they believe in the containment policy that had guided U.S. Cold War strategy since 1947. Reagan and his advisors wanted to *defeat* the Soviet Union. His administration pursued a two-pronged strategy toward that end. First, it abandoned détente and set about rearming America. This buildup in American military strength, reasoned **Secretary of Defense Caspar Weinberger**, would force the Soviets into an arms race that would strain their economy and cause domestic unrest. Second, the president supported CIA initiatives to roll back Soviet influence in the developing world by funding anticommunist movements in Angola, Mozambique, Afghanistan, and Central America. As a result, Reagan supported repressive, right-wing regimes, particularly in Guatemala, Nicaragua, and El Salvador.

In Guatemala, this approach produced a brutal military rule—thousands of opponents of the government were executed or kidnapped. In Nicaragua, Reagan actively encouraged a coup against the left-wing Sandinista government, which had overthrown the U.S.-backed strongman, Anastasio Somoza. And in El Salvador, the U.S.-backed government maintained secret “death-squads,” which murdered members of the opposition. In each case, Reagan blocked Soviet influence, but the damage done to local communities and to the international reputation of the United States, as in Vietnam, was great.

For years, Reagan had denounced Iran as an “outlaw state” and a supporter of terrorism. But in 1985, he wanted its help. To win Iran’s assistance in freeing two dozen American hostages, the administration sold arms to the Iran without public or congressional knowledge. While this secret arms deal was diplomatically and politically controversial, the use of resulting profits in Nicaragua was explicitly illegal. To overthrow the democratically elected Sandinistas, which the president accused of threatening U.S. business interests, Reagan ordered the Central Intelligence Agency (CIA) to assist an armed opposition group called the **Contras**. Although Reagan praised the Contras as “freedom fighters,” Congress worried that the president and other executive branch agencies were assuming war-making powers that the Constitution reserved to the legislature. In 1984, Congress banned the CIA and any other government agency from providing any military support to the Contras.

Oliver North, a lieutenant colonel in the U.S. Marines and an aide to the National Security Council, defied that ban. With the tacit or explicit consent of high-ranking administration officials, including the president, North used the profits from the Iranian arms deal to assist the Contras. Still swayed by Reagan’s charm, the public accepted his convenient loss of memory. Nonetheless, the **Iran-Contra affair** resulted in the prosecution of Colonel North and several other officials and jeopardized the president’s reputation.

The Soviet system of state socialism and central economic planning had transformed Russia from an agricultural to an industrial society between 1917 and the 1950s. But it had done so inefficiently. Most enterprises hoarded raw materials, employed too many workers, and did not develop new products. The Russian economy fell farther and farther behind those of capitalist societies, and most people in the Soviet bloc endured a low standard of living.



Time Magazine cover, March 1985, featuring Mikhail Gorbachev

Mikhail Gorbachev, a younger Russian leader, recognized the need for internal economic reform and an end to the war in Afghanistan. He introduced policies of *glasnost* (openness) and *perestroika* (economic restructuring), which encouraged widespread criticism of the rigid institutions and authoritarian controls of the Communist regime. To lessen tensions with the United States, Gorbachev met with Reagan and by 1987, they had agreed to eliminate all intermediate-range nuclear missiles based in Europe. A year later, Gorbachev ordered Soviet troops out of Afghanistan, and Reagan replaced many of his hard-line advisors with policymakers who favored a renewal of détente.

As Gorbachev’s efforts revealed the flaws of the Soviet system, the peoples of Eastern and Central Europe demanded the ouster of their Communist governments. In Poland, the Roman Catholic Church and its pope—Polish-born John Paul II—joined with **Solidarity**, the trade union movement, to overthrow the pro-Soviet regime. Soviet troops did not intervene, and a series of peaceful uprisings created a new political order throughout the region. The destruction of the Berlin Wall in 1989 symbolized the end of Communist rule in Central Europe.

Soviet military leaders seized power in August 1991 and arrested Gorbachev. But widespread popular opposition led by Boris Yeltsin, the president of the Russian Republic, thwarted their efforts to oust Gorbachev from office. This failure broke the dominance of the Communist Party. On December 25, 1991, the Union of Soviet Socialist Republics formally dissolved to make way for an eleven-member Commonwealth of Independent States (CIS). The Russian Republic assumed leadership of the CIS, but the Soviet Union was no more. The collapse of the Soviet Union was the result of internal weaknesses of the Communist economy. External pressure from the United States played an important, though secondary, role.

A New Political Order at Home and Abroad

Determined not to divide the country, Reagan did not actively push controversial policies espoused by the Religious Right. While Reagan failed to roll back the social welfare and regulatory state of the New Deal–Great Society era, he changed the dynamic of American politics. His antigovernment rhetoric won many adherents, as did his bold and fiscally dangerous tax cuts. George H. W. Bush, Reagan’s vice president and successor, was not beloved by conservatives but he possessed an insider’s familiarity with government and a long list of powerful allies, accumulated over three decades of public service. Bush’s route to the White House reflected the post-Reagan alignments in American politics. In the primaries, he faced a spirited challenge from Pat Robertson, the archconservative televangelist.

On the Democratic side, Jesse Jackson became the first African American to challenge for a major-party nomination, winning eleven states in primary and caucus voting. However, the much less charismatic Massachusetts governor, Michael Dukakis, emerged as the Democratic nominee. Bush won with 53 percent of the vote, a larger margin of victory than Reagan’s in 1980.

The end of the Cold War left the United States as the only military superpower and raised the prospect of a “new world order” dominated by the United States and its European and Asian allies. But American officials and diplomats now confronted an array of regional, religious, and ethnic conflicts that defied easy solutions. None were more pressing or more complex than those in the Middle East. Middle Eastern conflicts would dominate the foreign policy of the United States for the next two decades, replacing the Cold War at the center of American geopolitics.



Egyptian President Anwar Sadat, US President Jimmy Carter, and Israeli Prime Minister Menachem Begin shake hands following the agreement of the Camp David Accords.

After Carter’s 1979 Egypt-Israel treaty at Camp David, there were few bright spots in U.S.-Middle Eastern diplomacy. In 1982, the Reagan administration supported Israel’s invasion of Lebanon, a military operation intended to destroy the Palestine Liberation Organization (PLO). When Lebanese militants, angered at U.S. intervention on behalf of Israel, killed 241 American marines, Reagan abruptly withdrew the forces. Three years later, Palestinians living in the Gaza Strip and along the West Bank of the Jordan River—territories occupied by Israel since 1967—mounted an *intifada*, a civilian uprising against Israeli authority. In response, American diplomats stepped up their efforts to persuade the PLO and Arab nations to accept the legitimacy of Israel and to convince the Israelis to allow the creation of a Palestinian state. Neither initiative met with much success.

American interest in a reliable supply of oil from the region led the United States into a short but consequential war in the Persian Gulf in the early 1990s. In August 1990, Iraq went to war to expand its boundaries and oil supply. Iraqi troops quickly

conquered the small oil-rich neighbor of Kuwait, and threatened Saudi Arabia, the site of one-fifth of the world’s known oil reserves and an informal ally of the United States. To preserve Western access to oil, President Bush sponsored a series of resolutions in the United Nations Security Council calling for Iraqi withdrawal from Kuwait. Bush then successfully prodded the UN to authorize the use of force, and the president organized a military coalition of thirty-four nations.



US forces fight in Kuwait during Operation Desert Storm to remove Iraqi forces from the country

Dividing mostly along party lines, the Republican-led House of Representatives authorized American participation by a vote of 252 to 182, and the Democratic-led Senate agreed by the close margin of 52 to 47. The coalition forces led by the United States quickly won the war for the “liberation of Kuwait.” Bush wisely decided against occupying Iraq and removing Saddam Hussein from power and instead, he won passage of UN Resolution 687, which imposed economic sanctions against Iraq.

The military victory, low incidence of American casualties, and quick withdrawal produced a euphoric reaction at home. But Saddam Hussein remained a formidable power in the region. His alleged ambitions were one factor that, in March 2003, would cause Bush’s son, President George W. Bush, to initiate another war in Iraq—one that would be much more protracted, expensive, and bloody for Americans and Iraqis alike. The post–Cold War world promised to be a *multipolar* one, with great centers of power in Europe, the United States, and East Asia, and seemingly intractable conflict in the Middle East.