

Study Packet: Ford, Carter, and the New Conservatism **1974 – 2001**

The Ford Presidency

Gerald Ford

Gerald Ford was in many respects the opposite of Nixon. Although a partisan Republican, he was well liked and free from any hint of scandal. Ford almost immediately encountered controversy when in September, 1974 he offered to pardon Nixon. Nixon accepted the offer, although he admitted no wrongdoing and had not yet been charged with a crime.



The Economy

Ford also faced major economic problems, which he approached somewhat inconsistently. Saying that inflation was the major problem, he called for voluntary restraints and asked citizens to wear WIN (Whip Inflation Now) buttons. The economy went into decline. Ford asked for tax cuts to stimulate business and argued against spending for social programs.

When New York City approached bankruptcy in 1975, Ford at first opposed federal aid, but changed his mind when the Senate and House Banking Committees guaranteed the loans.

Vietnam

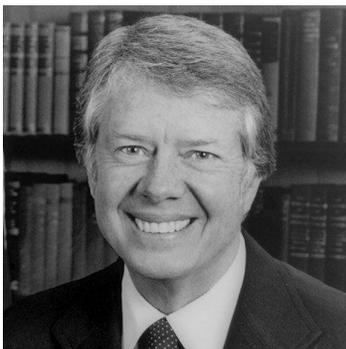
As North Vietnamese forces pushed back the South Vietnamese, Ford asked Congress to provide more arms for the South. Congress rejected the request, and in April 1975 Saigon fell to the North Vietnamese.



Election of 1976

Ronald Reagan, formerly a movie actor and governor of California, opposed Ford for the Republican nomination, but Ford won by a slim margin. The Democrats nominated James Earl Carter, formerly governor of Georgia, who ran on the basis of his integrity and lack of Washington connections. Carter, with Senator Walter Mondale of Minnesota as the vice-presidential candidate, defeated Ford narrowly.

Carter's Moderate Liberalism



Jimmy Carter

Carter sought to conduct the presidency on democratic and moral principles. His administration gained a reputation for proposing complex programs to Congress and then not continuing to support them through the legislative process.

The Economy

Carter approached economic problems inconsistently. In 1978, he proposed voluntary wage and price guidelines. Although somewhat successful, the guidelines did not apply to oil, housing, and food. Carter then named Paul A. Volcker as chairman of the Federal Reserve Board. Volcker tightened the money supply in order to reduce inflation, but this action caused interest rates to go even higher. High interest rates

depressed sales of automobiles and houses, which in turn increased unemployment. By 1980, unemployment stood at 7.5 percent, interest at 20 percent, and inflation at 12 percent.

Domestic Achievements

Carter offered amnesty to Americans who had fled the draft and gone to other countries during the Vietnam War. He established the Departments of Energy and Education and placed the civil service on a merit basis. He created a “superfund” for cleanup of chemical waste dumps, established controls of strip mining, and protected 100 million acres of Alaskan wilderness from development.

Carter’s Foreign Policy

Human Rights

Carter sought to base foreign policy on human rights, but was criticized for inconsistency and lack of attention to American interests.

Panama Canal

Carter negotiated a controversial treaty with Panama, affirmed by the Senate in 1978, that provided for the transfer of ownership of the canal to Panama in 1999 and guaranteed its neutrality.

China

Carter ended official recognition of Taiwan and in 1979 recognized the People’s Republic of China. Conservatives called the decision a “sell-out.”

SALT II

In 1979, the administration signed the Strategic Arms Limitation Treaty (SALT II) with the Soviet Union. The treaty set a ceiling of 2,250 bombers and missiles for each side, and established limits on warheads and new weapons systems. It never passed the Senate.



Camp David Accords

In 1978, Carter negotiated the Camp David Agreement between Israel and Egypt. Bringing Anwar Sadat, president of Egypt, and Menachem Begin, prime minister of Israel, to Camp David for two weeks in September 1978, Carter sought to end the state of war that existed between the two countries. Israel promised to return occupied land in the Sinai to Egypt in exchange for Egyptian recognition, a process completed in 1982. An agreement to negotiate the Palestinian refugee problem proved ineffective.

Afghanistan

The policy of détente went into decline. Carter criticized Soviet restrictions on political freedom and reluctance to allow dissidents and Jews to emigrate. In December 1979, the Soviet Union invaded Afghanistan. Carter stopped shipments of grain and technology to the Soviet Union, withdrew SALT II from the Senate and barred Americans from competing in the 1980 summer Olympics in Moscow.

The Iranian Crisis

The Iranian Revolution

In 1978, a revolution forced the shah of Iran to flee the country, replacing him with a religious leader, Ayatollah Ruhollah Khomeini. Because the United States had supported the shah with arms and money, the revolutionaries were strongly anti-American, calling the United States the “Great Satan.”



Hostages

After Carter allowed the exiled shah to come to the United States for medical treatment in October 1979, some 400 Iranians broke into the American embassy in Teheran on November 4, taking the occupants captive. They demanded that the shah be returned to Iran for trial and that his wealth be confiscated and given to Iran. Carter rejected these demands; Instead, he froze Iranian assets in the United States and established a trade embargo against Iran. He also appealed to the United Nations and the World Court. The Iranians eventually freed the African-American and women hostages, but retained 52 others.

In April 1980, Carter ordered a marine rescue attempt, but it collapsed after several helicopters broke down and another crashed, killing eight men. Secretary of State Cyrus Vance resigned in protest before the raid began, and Carter was widely criticized for the attempted raid.



The Election of 1980

The Democrats

Carter, whose standing in polls had dropped to about 25 percent in 1979, successfully withstood a challenge from Senator Edward M. Kennedy for the Democratic presidential nomination.



The Republicans

The Republicans nominated Ronald Reagan of California, who had narrowly lost the 1976 nomination and was the leading spokesman for American conservatism. Reagan chose George Bush, a New Englander transplanted to Texas and former CIA director, as his vice-presidential candidate. One of Reagan's opponents, Congressman John Anderson of Illinois, continued the presidential campaign on a third-party ticket.

The Campaign

While Carter defended his record, Reagan called for reductions in government spending and taxes and said he would transfer more power from the federal government to the states. He advocated what were coming to be called traditional values – family, religion, hard work, and patriotism.

Reagan's Victory

Reagan won by a large electoral majority, and the Republicans gained control of the Senate and increased their representation in the House.

American Hostages

After extensive negotiations with Iran, in which Algeria acted as an intermediary, Carter released Iranian assets and the hostages were freed on January 20, 1981, 444 days after being taken captive and on the day of Reagan's inauguration.

The Reagan Presidency: Attacking Big Government

Tax Policy

An ideological though pragmatic conservative, Ronald Reagan acted quickly and forcefully to change the direction of government policy. He placed priority on cutting taxes. His approach was based on “supply-side” economics, the idea that if government left more money in the hands of the people, they would invest rather than spend the excess on consumer goods. The results would be greater production, more jobs, and greater prosperity, and thus more income for the government despite lower tax rates.

Economic Recovery Tax Act

Reagan asked for a 30 percent tax cut, and despite fears of inflation on the part of Congress, in August 1981 obtained a 25 percent tax cut, spread over three years. The percentage was the same for everyone; hence high-income people received greater savings than middle- and low-income individuals. To encourage investment, capital gains, gift, and inheritance taxes were reduced and business taxes liberalized. Anyone with earned income was also allowed to invest up to \$2,000 a year in an individual retirement account (IRA), deferring all taxes on both the principle and its earnings until retirement.

Government Spending

Congress passed the Budget Reconciliation Act in 1981, cutting \$39 billion from domestic programs, including education, food stamps, public housing, and the National Endowments for the Arts and Humanities. While cutting domestic programs, Reagan increased the defense budget by \$12 billion.

Increasing Revenue

Because of rising deficits, Reagan and Congress increased taxes in various ways. The 1982 Tax Equity and Fiscal Responsibility Act reversed some concessions made to business in 1981. Social Security benefits became taxable income in 1983. In 1984, the Deficit Reduction Act increased taxes by another \$50 billion. But the deficit continued to increase.

Assassination Attempt

John W. Hinckley shot Reagan in the chest on March 30, 1981. The president was wounded but made a swift recovery. His popularity increased, possibly helping his legislative program.

Antitrust

Reagan ended ongoing antitrust suits against International Business Machines (IBM) and American Telephone and Telegraph (AT&T), thereby fulfilling his promise to reduce government interference with business.

Women and Minorities

Although Reagan appointed Sandra Day O'Connor to the Supreme Court, his administration gave fewer of its appointments to women and minorities than had the Carter administration. The Reagan administration also opposed "equal pay for equal work" and renewal of the Voting Rights Act of 1965.



Problems with Appointed Officials

A number of Reagan appointees were accused of conflict of interest, including Anne Gorsuch Burford and Rita Lavelle of the Environmental Protection Agency, Edwin Meese, presidential advisor and later attorney general, and Michael Deaver, the deputy chief of staff. Ray Donovan, secretary of labor, was indicted but acquitted of charges that he had made payoffs to government officials while he was in private business. By the end of Reagan's term, more than 100 of his officials had been accused of questionable activities.

Asserting American Power

Soviet Union

Reagan took a hard line against the Soviet Union, calling it an "evil empire." He placed new cruise missiles in Europe, despite considerable opposition from Europeans.

Election of 1984

The Democrats

Walter Mondale, a former senator from Minnesota and vice president under Carter, won the Democratic nomination over Senator Gary Hart and Jesse Jackson, an African-American civil rights leader. Mondale chose Geraldine Ferraro, a congresswoman from New York, as his running mate. Mondale

criticized Reagan for his budget deficits, high unemployment and interest rates, and reduction of spending on social services.

The Reagan Victory

The Republicans renominated Ronald Reagan and George Bush. Reagan drew support from groups such as the Moral Majority. Reagan appealed to other voters because of his strong stand against the Soviet Union and the lowering of inflation, interest rates, and unemployment. He defeated Mondale by gaining nearly 60 percent of the vote, breaking apart the Democratic coalition of industrial workers, farmers, and the poor that had existed since the days of Franklin Roosevelt. Reagan's success did not help Republicans in Congress, however, where they lost two seats in the Senate and gained little in the House.

Second-Term Foreign Concerns

Libya

Reagan challenged Muammar al-Qadhafi, the anti-American leader of Libya, by sending Sixth Fleet ships within the Gulf of Sidra, which Qadhafi claimed. When Libyan gunboats challenged the American ships, American planes destroyed the gunboats and bombed installations on the Libyan shoreline. Soon after, a West German night club popular among American servicemen was bombed, killing a soldier and a civilian. Reagan, believing the bombing was ordered directly by Qadhafi, launched an air strike from Great Britain against Libyan bases in April 1986.

Soviet Union

After Mikhail S. Gorbachev became the premier of the Soviet Union in March 1985 and took a more flexible approach toward both domestic and foreign affairs, Reagan softened his anti-Soviet stance. But despite the Soviets' assurances that they would honor the unratified SALT II agreement, Reagan argued that they in fact had not adhered to the pact; as a result, he sought to expand and modernize the American defense system.



Arms Control

Reagan and Gorbachev had difficulty in reaching an agreement on arms limitations at summit talks in 1985 and 1986. Finally, in December 1987, they signed an agreement eliminating medium-range missiles from Europe.



Iran-Contra

Near the end of 1986, a scandal arose involving William Casey, head of the CIA, Lieutenant Colonel Oliver North of the National Security Council, Admiral John Poindexter, national security advisor, and Robert McFarlane, former national security advisor. In 1985 and 1986, they had sold arms to the Iranians in hopes of encouraging them to use their influence in getting American hostages in Lebanon released. The profits from these sales were then diverted to the Nicaraguan *Contras* in an attempt to get around congressional restrictions on funding the *Contras*. The President was forced to appoint a special prosecutor, and Congress held hearings on the affair in May 1987.

Nicaragua

The Reagan administration did not support a peace plan signed by five Central American nations in 1987, but the following year the Sandinistas and the *Contras* agreed on a cease-fire.

Second-Term Domestic Affairs

Tax Reform

The Tax Reform Act of 1986 lowered tax rates, changing the highest rate on personal income from 50 percent to 28 percent and on corporate taxes from 46 percent to 34 percent. At the same time, it removed many tax shelters and tax credits. The law did away with the concept of progressive taxation, the

requirement that the percentage of income taxed increased as income increased. Instead, over a two-year period it established two rates, 15 percent on incomes below \$17,850 for individuals and \$29,750 for families and 28 percent on incomes above these amounts. The tax system would no longer be used as an instrument of social policy.

Economic Patterns

Unemployment declined, reaching 6.6 percent in 1986, while inflation fell as low as 2.2 percent during the first quarter of that year. The stock market was bullish through mid-1987.

Agriculture

With the general slowing of inflation, and the decline of world agricultural prices, many American farmers began to descend into bankruptcy in the mid-1980s, often dragging the rural banks that had made them the loans into bankruptcy as well. Although it lifted the ban on wheat exports to the Soviet Union, the Reagan administration reduced price supports and opposed debt relief passed by Congress.

Deficits

The federal deficit reached \$179 billion in 1985. At about the same time, the United States experienced trade deficits of more than \$100 billion annually, partly because management and engineering skills had fallen behind Japan and Germany, and partly because the United States provided an open market to foreign businesses. In the mid-1980s, the United States became a debtor nation for the first time since World War I. Consumer debt also rose from \$300 billion in 1980 to \$500 billion in 1986.

Black Monday

On October 19, 1987, labeled “Black Monday” on Wall Street, the Dow Jones Industrial Average dropped more than 500 points, or over 20 percent. Between August 25 and October 20, the market lost over a trillion dollars in paper value. Fearing a recession, Congress in November 1987 reduced 1988 taxes by \$30 billion.

NASA

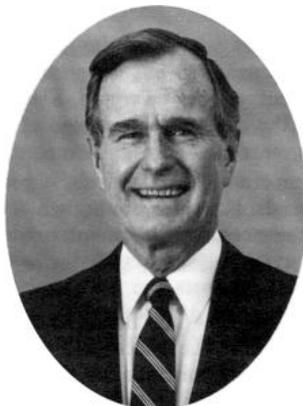
The explosion of the space shuttle *Challenger* soon after take-off in February 1986 damaged NASA’s credibility and reinforced doubts about the complex technology required to implement the Strategic Defense Initiative. All aboard perished, including a New Hampshire teacher.



Supreme Court

Reagan reshaped the Court. In 1986, he replaced Chief Justice Warren C. Burger with Associate Justice William H. Rehnquist, probably the most conservative member of the Court. Although failing in his nomination of Robert Bork for associate justice, Reagan successfully appointed other conservatives to the Court: Sandra Day O’Connor, Antonin Scalia, and Anthony Kennedy.

Election of 1988



The Candidates

After a sex scandal eliminated Senator Gary Hart from the race for the Democratic presidential nomination, Governor Michael Dukakis of Massachusetts emerged as the victor over his major challenger, Jesse Jackson. He chose Senator Lloyd Bentsen of Texas as his vice-presidential running mate. Vice President George Bush, after a slow start in the primaries, won the Republican nomination. He chose Senator Dan Quayle of Indiana as his running mate. Bush easily defeated Dukakis, but the Republicans were unable to make any inroads in Congress.

Bush Abandons Reaganomics

Budget Deficit

Soon after George Bush took office as president on January 20, 1989, the budget deficit for 1990 was estimated at \$143 billion. With deficit estimates continuing to grow, Bush held a “budget summit” with congressional leaders in May 1990, and his administration continued talks throughout the summer. In September, the administration and Congress agreed to increase taxes on gasoline, tobacco, and alcohol, establish an excise tax on luxury items, and raise Medicare taxes. Cuts were also to be made in Medicare and other domestic programs. The 1991 deficit was now estimated to be over \$290 billion. The following month, Congress approved the plan, hoping to cut a cumulative amount of \$500 billion from the deficit over the next five years. In a straight party vote – Republicans voting against and Democrats voting in favor – Congress in December gave the power to decide whether new tax and spending proposals violated the deficit-cutting agreement to the Congressional Budget office. This power had been in the hands of the White House Office of Management and Budget.

Savings and Loan Debacle

With the savings and loan industry in financial trouble in February 1989, largely because of bad real-estate loans, Bush proposed to close or sell 350 institutions, to be paid for by the sale of government bonds. In July, he signed a bill which created the Resolution Trust Corporation to oversee the closure and merging of savings and loans, and which provided \$166 billion over 10 years to cover the bad debts. Estimates of the total cost of the debacle ran to upward of \$300 billion.

Scandals in the Financial Markets

Charges of insider trading, stock manipulation, and falsification of records resulted in Drexel Burnham Lambert, a major securities firm, pleading guilty in December 1988 to six violations of federal law. The company filed for bankruptcy and Michael Milken, its “junk bond king” (junk bonds are bonds below an investment grade of BB or Bb, which because of their risk carry a two- to three-point interest advantage) pleaded guilty to conspiracy, among other charges, in 1990. Meanwhile, in July 1989, 46 futures traders at the Chicago Mercantile Exchange were charged with racketeering.

Economic Slowdown

The gross national product slowed from 4.4 percent in 1988 to 2.9 percent in 1989. Unemployment gradually began to increase, reaching 6.8 percent in March 1991, a three-year high. Every sector of the economy except for medical services and all geographical areas experienced the slowdown. The “Big Three” automakers posted record losses and Pan American and Eastern Airlines entered bankruptcy proceedings. In September 1991, the Federal Reserve lowered the interest rate.

Other Domestic Issues Under Bush

Exxon Valdez

After the *Exxon Valdez* spilled more than 240,000 barrels of oil into Alaska’s Prince William Sound in March 1989, the federal government ordered Exxon Corporation to develop a clean-up plan, which it carried out until the weather prevented it from continuing in September. The *Valdez* captain, Joseph Hazelwood, was found guilty of negligence the following year. Exxon, the state of Alaska, and the U.S. Justice Department reached a settlement in October 1991 requiring Exxon to pay \$1.025 billion in fines and restitution through 2001.

Congressional Ethics Violations

After the House Ethics Committee released a report charging that Speaker Jim Wright had violated rules regulating acceptance of gifts and outside income, Wright resigned in May 1989. A short time later, the Democratic whip Tony Coelho resigned because of alleged improper use of campaign funds.

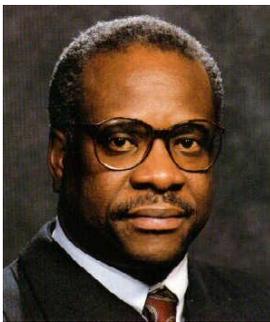
Pollution

The Clean Air Act, passed in October 1990 and updating the 1970 law, mandated that the level of emissions was to be reduced 50 percent by the year 2000. Cleaner gasolines were to be developed, cities were to reduce ozone (an ingredient in photochemical smog), and nitrogen oxide emissions were to be cut by one third.

Civil Rights

The Americans with Disabilities Act, passed in July 1990, barred discrimination against people with physical or mental disabilities. In October 1990, Bush vetoed the Civil Rights Act on the grounds that it established quotas, but a year later he accepted a slightly revised version that, among other things, required that employers in discrimination suits prove that their hiring practices are not discriminatory.

Supreme Court Appointments

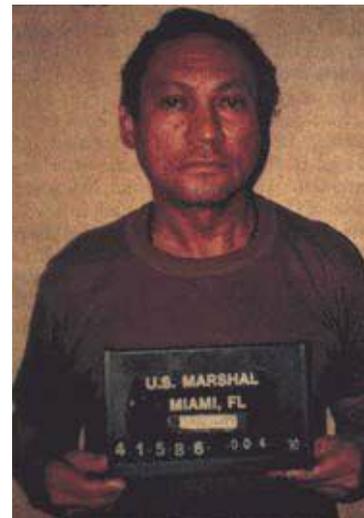


Bush continued to reshape the Supreme Court in a conservative direction when, upon the retirement of Justice William J. Brennan, he successfully nominated Judge David Souter of the U.S. Court of Appeals in 1989. Two years later, Bush nominated a conservative African-American, Judge Clarence Thomas, also of the U.S. Court of Appeals, upon the retirement of Justice Thurgood Marshall. Thomas's nomination stirred up opposition from the NAACP and other liberal groups, which supported affirmative action and abortion rights. Dramatic charges of sexual harassment against Thomas from Anita Hill, a University of Oklahoma law professor, were revealed only days before the nomination was to go to the Senate. The charges provoked a reopening of Judiciary Committee hearings, which were nationally televised. Nonetheless, Thomas narrowly won confirmation in October 1991.

Bush's Activist Foreign Policy

Panama

Since coming to office, the Bush administration had been concerned with Panamanian dictator Manuel Noriega because he allegedly provided an important link in the drug traffic between South America and the United States. After economic sanctions, diplomatic efforts, and an October 1989 coup failed to oust Noriega, Bush ordered 12,000 troops into Panama on December 20. The Americans installed a new government headed by Guillermo Endara, who had earlier apparently won a presidential election which was then nullified by Noriega. On January 3, 1990, Noriega surrendered to the Americans and was taken to the United States to stand trial on drug-trafficking charges, a trial that began in September 1991. Found guilty in 1992, he was sentenced to 40 years' imprisonment. Twenty-three United States soldiers and three American civilians were killed in the Panamanian operation. The Panamanians lost nearly 300 soldiers and more than 500 civilians.



China

After the death in April 1989, of reformer Hu Yaobang, formerly general secretary and chairman of the Chinese Communist party, students began pro-democracy marches in Beijing. By the middle of



May, more than one million people were gathering in Beijing's Tiananmen Square and elsewhere in China, calling for political reform. Martial law was imposed and in early June the army fired on the demonstrators. Estimates of the death toll in the wake of the nationwide crackdown on demonstrators ranged between 500 and 7000. In July 1989, U.S. National Security Advisor Brent Scowcroft and Deputy Secretary of State Lawrence Eagleburger secretly met with Chinese leaders. When they again met the Chinese in December and revealed their earlier meeting, the Bush administration faced a storm of criticism for its

policy of "constructive engagement" from opponents arguing that sanctions were needed. Although establishing sanctions on China in 1991 on high-technology satellite-part exports, Bush continued to support renewal of China's Most Favored Nation trading status.

Collapse of East European Communism

Bush-Gorbachev Summits

Amid the collapse of communism in Eastern Europe, Bush met with Mikhail Gorbachev in Malta from December 1 through 3, 1989; the two leaders appeared to agree that the Cold War was over. On May

30 and 31, 1990, Bush and Gorbachev met in Washington to discuss the possible reunification of Germany, and signed a trade treaty between the United States and the Soviet Union. The meeting of the two leaders in Helsinki on September 9 addressed strategies for the developing Persian Gulf crisis. At the meeting of the "Group of 7" nations (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States) in July 1991, Gorbachev requested economic aid from the West. A short time later, on July 30 and 31,



Bush met Gorbachev in Moscow, where they signed the Strategic Arms Reduction Treaty (START), which cut United States and Soviet nuclear arsenals by 30 percent, and pushed for Middle Eastern talks.

Persian Gulf Crisis

July 1990: Saddam Hussein of Iraq charged that Kuwait had conspired with the United States to keep oil prices low and began massing troops at the Iraq-Kuwait border.

August 1990: On August 2, Iraq invaded Kuwait, an act that Bush denounced as “naked aggression.” One day later, 100,000 Iraqi soldiers were poised south of Kuwait City, near the Saudi Arabian border. The United States quickly banned most trade with Iraq, froze Iraqi and Kuwaiti assets in the United States, and sent aircraft carriers to the Persian Gulf. After the U.N. Security Council condemned the invasion, on August 6, Bush ordered the deployment of air, sea, and land forces to Saudi Arabia, dubbing the operation “Desert Shield.” At the end of August, there were 100,000 American soldiers in Saudi Arabia.

September 1990: Bush encouraged Egypt to support American policy by forgiving Egypt its debt to the United States. He also obtained pledges of financial support from Saudi Arabia, Kuwait, and Japan, among other nations, to help pay for the operation.

October 1990: On October 29, the Security Council warned Hussein that further actions might be taken if he did not withdraw from Kuwait.

November 1990: On November 29, Bush ordered that U.S. forces be increased to more than 400,000. On November 29, the United Nations set January 15, 1991, as the deadline for Iraqi withdrawal from Kuwait.

January 1991: On January 9, Iraq’s foreign minister, Tariq Aziz, rejected a letter written by Bush to Hussein. Three days later, after an extensive debate, Congress authorized the use of force in the gulf. On January 17, an international force including the United States, Great Britain, Italy, Saudi Arabia, and

Kuwait launched an air and missile attack on Iraq and occupied Kuwait. The United States called the effort “Operation Desert Storm.” Under the overall command of army general H. Norman Schwarzkopf, the military effort emphasized high-technology weapons, including F-15E fighter bombers, F-117A stealth fighters, Tomahawk cruise missiles, and Patriot antimissile missiles. Beginning on January 17, Iraq sent SCUD missiles into Israel in an effort to draw that country into the war and hopefully break up the U.S.-Arabian coalition. On January 22 and 23, Hussein’s forces set Kuwaiti oil fields on fire and spilled oil into the gulf.



February 1991: On February 23, the allied ground assault began. Four days later, Bush announced that Kuwait was liberated and ordered offensive operations to cease. The United Nations established the terms for the cease-fire: Iraqi annexation of Kuwait to be rescinded, Iraq to accept liability for damages and return Kuwaiti property, Iraq to end all military actions and identify mines and booby traps, and Iraq to release captives.

April 1991: On April 3, the Security Council approved a resolution to establish a permanent cease-fire; Iraq accepted U.N. terms on April 6. The next day the United States began airlifting food to Kurdish refugees on the Iraq-Turkey border who were fleeing the Kurdish rebellion against Hussein, a rebellion that was seemingly encouraged by Bush, who nonetheless refused to become militarily involved. The United States estimated that 100,000 Iraqis had been killed during the war, while the Americans had lost about 115 lives.

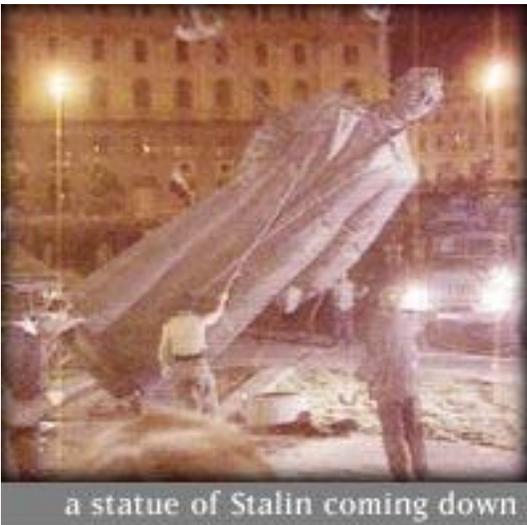


Toward a Middle East Conference

On February 6, 1991, the United States had set out its postwar goals for the Middle East. These included regional arms control and security arrangements, international aid for reconstruction of Iraq and Kuwait, and resolution of the Israeli-Palestinian conflict. Immediately after cessation of the conflict, Secretary of State James Baker toured the Middle East attempting to promote a conference to address the problems of the region. After several more negotiating sessions, Saudi Arabia, Syria, Jordan, and Lebanon had accepted the United States proposal for an Arab-Israeli peace conference by the middle of July; Israel conditionally accepted in early August. Despite continuing conflict with Iraq, including U.N. inspections of its nuclear capabilities, and new Israeli settlements in disputed territory which kept the conference agreement tenuous, the nations met in Madrid, Spain, at the end of October. Bilateral talks in early November between Israel and the Arabs concentrated on procedural issues.

Breakup of the Soviet Union

Collapse of Soviet Communism and the End of the Cold War



a statue of Stalin coming down

The Soviet Union began to break up in 1990, when Lithuania declared its independence. In the aftermath of an attempted coup by hard-line Communists later that year, other Soviet republics followed suit. For the United States, the collapse of the U.S.S.R. meant that the Cold War, which had begun in 1945, was finally over. The United States was now the world's only superpower. In September 1991, President Bush announced that the United States would carry out the unilateral removal and destruction of ground-based tactical nuclear weapons in Europe and Asia, removal of nuclear-armed Tomahawk cruise missiles from surface ships and submarines, immediate destruction of intercontinental ballistic missiles covered by the START treaty, and an end to the 24-hour alert for strategic bombers which the United States had maintained for decades.

Gorbachev responded the next month by announcing the immediate deactivation of intercontinental ballistic missiles covered by START, removal of all short-range missiles from Soviet ships, submarines, and aircraft, and destruction of all ground-based tactical nuclear weapons. He also said that the Soviet Union would reduce its forces by 700,000 troops, and he placed all long-range nuclear missiles under a single command.

New foreign policy challenges emerged, however. Yugoslavia broke up into several different nations, and the region was plunged into a brutal war. Conflict threatened other parts of the world as well. The disintegration of the Soviet Union meant more nations had nuclear weapons, as several of the former Soviet republics had access.

Clinton Years



1996 Election Results

	ELECTORAL VOTE	POPULAR VOTE (%)
Bill Clinton <i>(Democratic)</i>	370	44,909,889 (43.01)
George Bush <i>(Republican)</i>	168	39,104,545 (37.45)
Ross Perot <i>(Independent)</i>	0	19,742,267 (18.91)
Other candidates	—	669,958 (0.63)

Clinton believed the issue of the 1992 campaign had been the economy and immediately called an economic summit to develop programs. [The key issue in 1992 was the continuing recession (“it’s the economy, stupid!”)] [Other reasons for Clinton victory in 1992: (1) Bush seemed preoccupied with foreign policy (2) Clinton used his Southern base to break the Republican hold (3) he was an effective speaker] After considerable debate in Congress, the majority of Clinton’s proposals were rejected. However, the economy began to recover helped by the lowest interest rates in several decades. Clinton addressed the deficit in his 1993 budget reform, which was narrowly passed in the House and passed with a tie vote in the Senate. Many programs were cut, the size of the bureaucracy reduced, and the yearly deficit shrunk to less than \$250 billion in Clinton’s first 2 years without touching entitlement programs. The gridlock in Washington appeared ended as Congress passed and the president signed a Family and Medical Leave Bill, which Bush had vetoed. Clinton was also successful in getting a Crime Bill, which included a ban on assault weapons. In addition, he was committed to improving world trade and was able to get both NAFTA and GATT approved by Congress. Clinton and his administration chose to focus on Health Care reform in 1993. The effort, led by a committee chaired by Mrs. Clinton failed after much lobbying pressure. Many conflicting proposals were debated in Congress but no compromise could be reached. An attempt was then made at welfare reform, which also failed. Clinton lost support immediately after his inauguration when he followed his campaign promise and tried to open the military services to gays. A compromise was reached, but Clinton’s popularity in the polls, his status as a minority president, and his apparent wavering in decision making hampered his ability to lead.

Clinton, the first post-Cold War president, had to deal with the Soviet’s nuclear arsenal now held by four nations, continued fighting in Bosnia, the failure of the U.N. mission, Restore Hope, in Somalia, and a commitment to restore the democratically elected president of Haiti. The huge trade deficit, especially with Japan, continued. Congress and Clinton unsuccessfully tried to link human rights to trade with China. Clinton, in 1993, was able to preside over the signing of peace accords between the PLO and Israel in which the two sides agreed to negotiate a settlement. In 1994 he presided over signing of the peace treaty between Israel and Jordan.

In spite of the improved economy many people did not see their lives improving. There was great discontent. In the 1994 mid-term elections the Republicans capitalized on this national mood presenting a ten point *Contract with America* designed by Newt Gingrich, the House Minority Leader. They promised to address ten issues from a balanced budget amendment to congressional term limitations within the first 100 days of the new Congress. With less than 40 percent of those eligible voting, the Republicans gained control of both the Senate and the House for the first time in 40 years. On the first day of the 104th Congress, the House changed many of its rules of operation. The House considered all ten points of the Contract and passed nine in the first 100 days, but the Senate acted more slowly modifying several of the proposals. Clinton threatened to veto several measures claiming they were “mean spirited” and detrimental

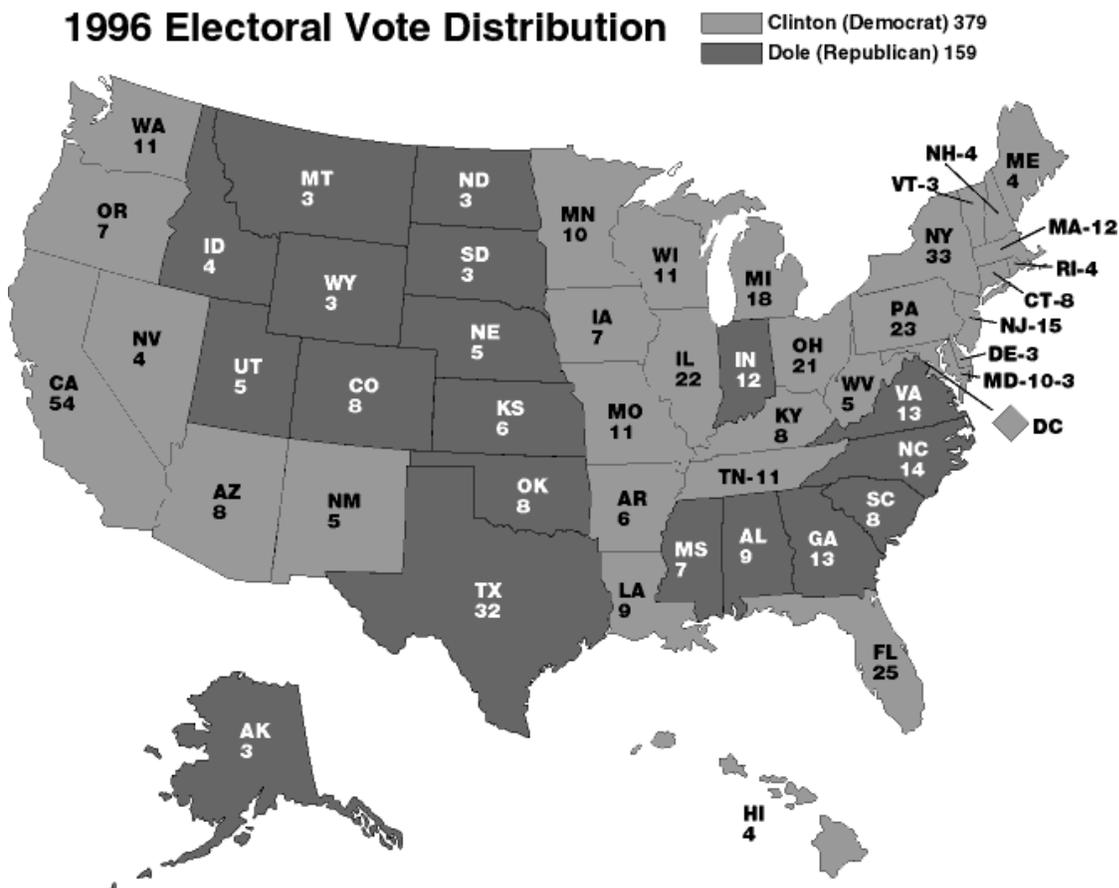
for many individuals. During the summer, action slowed, lengthy discussions ensued on how to balance the budget, and the Republicans introduced many bills aimed at reducing federal government regulations. Democrats claimed these would destroy the environmental protection created during the previous 30 years as well as the protection provided by food and drug legislation. As the August 1995 Congressional recess began, few laws had been passed and intense debate continued. It appeared that gridlock had returned to Washington. Welfare reform remained an unresolved issue but Republicans promised to address it before the next election. The biggest debate centered on balancing the budget, which Republicans claimed could only be done by changing Medicare. The future of Affirmative Action was another issue dividing the parties. Clinton, after a lengthy analysis of its role in U.S. society, spoke strongly in its favor. The future of Affirmative Action seemed certain to be an issue in the 1996 Presidential primaries along with abortion, the balanced budget, and gun control legislation.

The Election of 1996

Bill Clinton made a remarkable political comeback in 1996. In the budget battle with the Republicans, the president often captured the middle ground by successfully characterizing the Republicans as extremists, or by taking over their more popular positions, such as balancing the budget and reforming welfare. The Clinton administration would also take credit for the growing economy that produced 10 million new jobs during its first term and the reduction in crime.

Senator Robert (Bob) Dole of Kansas, majority leader of the Senate, emerged as an early winner in the Republican presidential primaries. Dole elected Representative Jack Kemp as his candidate for vice president, but their campaign, which emphasized a 15 percent across-the-board tax cut, never captured the imagination of the voters, who were generally optimistic about the economy. Character attacks and massive campaign spending by both sides did little to bring voters to the polls, and fewer than 50 percent of the eligible voters cast ballots in the general election.

In November 1996, William Jefferson Clinton became the first Democrat since Franklin Roosevelt to be reelected president. The Clinton-Gore ticket won 31 states with 379 electoral votes (49.2 percent of the popular vote), while Dole-Kemp took 19 states with 159 electoral votes (40.8 percent of the popular vote). Ross Perot ran a distant third with no electoral votes (8.5 percent of the popular vote) and had little impact on the election. The Republicans, however, could celebrate retaining both houses of Congress, which they had not done since the 1920s.



Domestic Policy

Clinton sought a legacy as a preservationist by signing executive orders that set aside vast expanses of public lands, especially in the West

Foreign Policy

During his second term, Clinton faced continued political unrest and civil war in the Balkans. In 1999 the Serbian government attacked ethnic Albanians in Kosovo, a province of Serbia. In response, NATO forces, led by the United States, bombed Serbia. Several weeks of bombing forced Serbian forces to withdraw from Kosovo. Meanwhile, Clinton was instrumental in bringing about a historic peace movement in Northern Ireland, while the land-for-peace accord he tried to broker between the Palestinians and Israel proved elusive. Clinton also continued to seek a policy of expanding international trade by relaxing or eliminating trade barriers.

Campaign Finance Reform Fails to Pass

Though the issue of the influence of money on politics was not new, increasingly high levels of campaign spending and the contributions necessary to make such spending possible began to receive significant attention. Several bills were proposed in Congress, and Clinton pledged to support reform; by the end of his presidency in January 2001, however, no bill had passed.

Historic Economic Boom Falters:

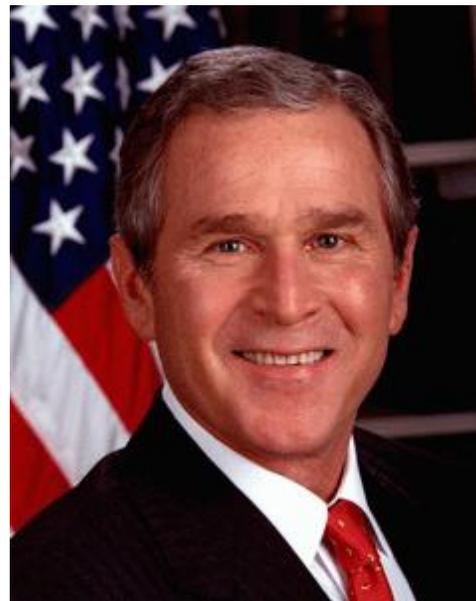
As of February 1, 2000, the U.S. economy had enjoyed its longest stretch of uninterrupted growth in the nation's history. Much of the growth, which had begun in March 1991, was fueled by a new industry, electronic commerce on the Internet. Stock prices generally rose, but share prices for Internet companies rose especially fast, soaring to extraordinary heights. In 2000, investors came to see e-business' and high-tech stock prices as unreasonably high. A number of such stocks tumbled, with some losing as much as 90 percent of their value. Soon many formerly high-flying Internet companies were folding and by the close of 2000 the future of the surviving e-businesses, as well as the economy as whole, was uncertain.

Impeachment and Acquittal

In December 1998 Clinton was impeached by the House and in January and February 1999 he was tried and acquitted by the Senate on charges that he had lied about an adulterous affair with a White House intern.

The Election of 2000

The Democrats nominated Vice President Al Gore for president and Senator Joseph Lieberman for vice president. The Republican Party nominated Texas Governor George W. Bush (son of President George Bush). After some conflict, the Reform party nominated Patrick Buchanan. The Green party ran Ralph Nader. After one of the tightest presidential elections ever, highlighted by a withdrawn initial concession by Gore, a recount in Florida, and several court challenges, Bush was declared the winner.



Looking Toward the 21st Century

President Clinton in 1996 ran on the campaign slogan, “Building a Bridge to the 21st Century.” Futurists such as Alvin and Heidi Toffler, who study changes and trends in society, predicted that the information revolution of the late 20th century would transform human society as much as the agricultural and industrial revolutions of earlier centuries. Computers, fax machines, the Internet, satellites, and other forms of electronic communications were transforming the United States and creating a new global society. Those who could learn to use and afford to purchase the new technologies, would have a distinct advantage in the 21st century. However, many Americans, especially in the urban centers, where up to 40 percent of the children lived in poverty, were in danger of becoming the have-nots of the information age. For the second Clinton administration – the final one of the 20th century – high-quality education remained the key to personal and national economic development in the 21st century.

* The 2nd worst terrorist incident in US history occurred in these years with the bombing of the Federal Building in Oklahoma City. Timothy McVeigh was convicted and executed for his role in the bombing.



* The worst terrorist incident in US history occurred on September 11, 2001 with the suicide bombings of the World Trade Centers and Pentagon in New York City and Washington D.C.

