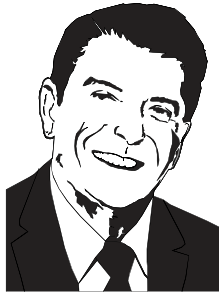


Introduction

Ronald Reagan was one of the most popular Presidents in America's history. He had been a movie actor who photographed well and spoke with a commanding voice. His popularity increased when he survived an assassination attempt shortly after taking office. He entered office at age 70; his second term ended when he was 78. His remarkable energy inspired confidence in the American people. His programs both at home and abroad, however, had mixed results.



President Ronald Reagan

After Reagan served two terms, his Vice President, *George H. W. Bush*, was elected in 1988. During the first three years of his term, Bush faced a weakening economy and military action in foreign countries. His administration was unable to improve economic conditions, and as a result, he was defeated after one term, ending 12 straight years of Republican presidency.

The Reagan Administration

When Ronald Reagan was elected President in 1980, the United States faced many problems, both at home and abroad. The country's economy was sluggish, and the cost of living was rising quickly. The Iranian government was still holding American hostages, and the Cold War with the Soviet Union was intensifying. In addition, the United States was openly involved in the political and military affairs of civil wars in El Salvador and Nicaragua.

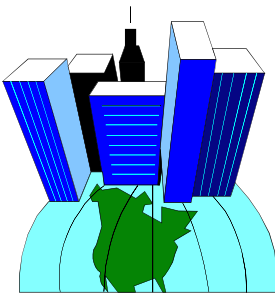
On January 20, 1981, President Reagan took the oath of office. On that same day, the Iranian government released the American hostages who had been held for 444 days, the result of intense negotiations by the Carter administration during its last days. Reagan's administration had begun on a joyous note.

Reagan's Domestic Policy

When President Reagan first took office, the American economy was experiencing both inflation and a recession. To strengthen the economy, Reagan began cutting federal spending for social programs. He hoped this cut in spending would lessen the national debt. He then cut personal and corporate taxes, hoping people and businesses would invest more money

and stimulate economic growth. He also wanted to increase military spending. His economic plan was called **Reaganomics** or *trickle-down economics*. Large tax cuts went to those with the highest incomes. As prosperity returned, the profits at the top would “trickle down” to the middle class and poor.

Congress approved his plan, and inflation came down. The economy, however, stopped moving. People neither bought goods nor invested in business. In addition, decreased government spending for the poor led to the highest levels of unemployment since the Great Depression. After 1982 the economy began to recover, and wealthier Americans began to spend more money. In the 1980s, the rich got richer and the poor poorer. Increased military spending, however, caused the government to sink deeper into debt. These debts led to budget **deficits**—when a government spends more money than it receives from revenue. The budget *deficits* continued to grow. By the end of Reagan’s first term, the national debt had almost doubled.



Reagan's policies were very beneficial to large companies.

President Reagan strongly believed in **private enterprise**. This means he believed private businesses should own the industries and farms, and the government should own as little business as possible. Reagan wanted to let private industry handle the nation’s energy needs. He allowed private businesses to lease federal lands to search for gas and oil. Environmentalists strongly disagreed with his strategy. They believed business would damage the environment in its efforts to find energy sources.

Reagan also believed there was too much government regulation of business. He pushed for the **deregulation**, or ending any government control, of many industries such as the airlines and some banks. He hoped that greater competition would lead to lower prices and better service. The following years saw an upsurge in **mergers**, or large businesses buying out smaller ones.

Although Reagan’s policies were very beneficial to large companies and affluent individuals, they did not help small businesses or low-income citizens. Despite this, Reagan’s approval rating remained high.



Reagan's policies did not help small businesses.

The Election of 1984

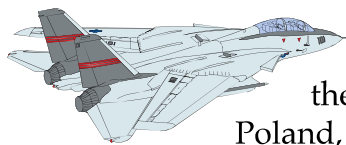
President Ronald Reagan and Vice President George H. W. Bush won the Republican nomination without opposition. The Democratic candidates for President and Vice President were *Walter F. Mondale* and *Geraldine Ferraro*. Other women had been candidates for the executive office before, but Ferraro was the first serious candidate.

A vast majority of American voters were happy with President Reagan, and he was returned to the White House for his second term by a **landslide**.

Reagan's Foreign Policy

President Reagan had long been strongly anti-Communist. American-Soviet relations had declined rapidly in the year following the Soviet invasion of Afghanistan (see Unit 9). The United States foreign policy in the early 1980s was marked by intense hostility toward the Soviet Union. America began a massive arms buildup clearly designed to strengthen its position in a possible war with the Soviet Union. Reagan's policies were similar to President Truman's containment policy in the late 1940s.

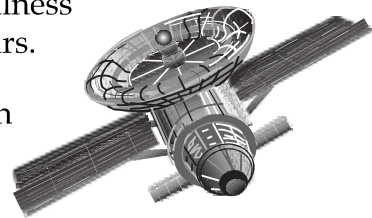
Soviet-American Relations



Relations between the United States and Soviet Union grew worse. President Reagan warned the Soviets not to interfere in the problems of Poland, where the independent labor union, *Solidarity*, threatened the power of the Communist Party. Meanwhile, he planned to install modern nuclear missiles in Europe. The missiles would be a part of NATO's defense against a Soviet attack.

Fearing further Soviet expansion, Reagan began to build a strong defense system. He also wanted a new weapons system, nicknamed **Star Wars**, that could defend the United States from enemy attack by placing defense systems in outer space. The usefulness of this program has been questioned in recent years.

In 1984 President Reagan agreed to new talks with the Soviet Union, and relations between the two countries began to improve. Relations with the Soviet Union continued to improve after



Mikhail Gorbachev became general secretary of the Communist Party and leader of the Soviet Union in 1985. The Soviet Union began a drastic move toward democracy, and Gorbachev represented a new generation of Soviet leaders. He and President Reagan held several important meetings in which they agreed to arms control and signed the Intermediate Range Nuclear Forces Treaty (INF) in December 1987. This treaty eliminated two types of weapons systems in Europe and allowed on-site inspections of military installations. Gorbachev's new policies were just the beginning of the massive changes which would take place in the Soviet Union. Once again, the Cold War appeared to be ending. Americans began to talk about the enormous savings that would result from decreased defense spending.



Mikhail Gorbachev

The Middle East

The Middle East had long been an important region to the economy of the United States. Much of the oil used in the country's automobiles and industries was imported from the Middle East. Consequently, the price of oil had a strong influence on the American economy. During unstable or wartime periods in the Middle East, oil became scarce and its price rose.



Middle East

After his election, President Reagan said that he wanted a strong United States presence in the oil-rich Middle East. Iran and Iraq were at war, and Lebanon was in a civil war. American marines were sent with an international force to Lebanon to prevent the spread of war. In 1983, **terrorists** attacked the United States Marine barracks, killing 241 marines. *Terrorists* are groups who use violence to intimidate a government into granting their demands. Following the attack, the United States pulled its troops out of Lebanon. Later, several Americans were taken hostage in Lebanon. They remained in captivity until 1991.

The President decided to respond to terrorist attacks in the Middle East. He believed that many terrorists were supported by Libya's President, *Mohamar Khadaffi*. A quick air attack by the United States on Libya seemed to slow terrorism for a while.

Latin America

The United States also became involved in civil wars in Nicaragua and El Salvador, two poor Central American nations. In Nicaragua in the early 1980s, President Reagan supported the rebels, called **Contras**, in their efforts to overthrow the Communist government. Congress however, passed the Boland Amendment banning further military aid to the *Contras* for two years.

In the middle of Reagan's second term, it was learned that members of his staff had secretly sold arms to Iran with the funds being used to aid the Contra rebels in Nicaragua. A congressional committee investigated this illegal activity in 1987. *Oliver North*, a lieutenant in the Marine Corps, *John Poindexter*, the President's national security advisor, and others were found guilty of supplying arms to the rebels. North's conviction was overturned, but Poindexter received a six-month jail term. Although President Reagan was never tied directly to the Iran-Contra affair, the scandal damaged his popularity, and many Americans began to believe that Reagan was not sufficiently involved in the affairs of his own government.

Reagan also increased aid to the government of El Salvador, the smallest nation in Central America. He accused the rebels there of being Communists and receiving aid from Cuba and the Soviet Union. The Reagan administration insisted that a rebel victory in El Salvador would give the Soviet Union a foothold in Latin America.

In the tiny Caribbean island of Grenada, pro-Communist rebels overthrew the government. Reagan believed that the Soviets and Cuba were going to use the island as a military base, so in October of 1983, he sent an invasion force to retake Grenada. The rebel government was replaced with a new government who was friendly to the United States. Eighteen American soldiers died in the attack, but many Americans believed that the invasion was necessary for the security of the United States.



Latin America

The Election of 1988

In 1988 the first African American became a serious candidate for President. He was *Jesse Jackson* and he called his supporters the **Rainbow Coalition**. He called his coalition a *rainbow* because it was composed of people from many different races and cultures, and represented minorities and women. Jackson ran a vigorous, but unsuccessful, campaign for the Democratic nomination, and the eventual Democratic candidate was *Michael S. Dukakis*, the three-term governor of Massachusetts.



Despite an increasing national deficit, rising inflation, and foreign-policy scandals, most Americans were economically comfortable, and they gave credit to Reagan and Bush for their comfort. Vice President, George H. W. Bush, was nominated as the Republican candidate for President over Senator *Robert Dole* of Kansas in the early primary. Bush selected *Danforth Quayle III* as his vice presidential running mate.

Bush handily won the presidency primarily with a promise of no new taxes and a balanced budget, despite running what many believed to be a negative campaign. The Democrats kept control of both Houses of Congress, and this would later prove to be a stumbling block for the passage of Bush's programs.

The Bush Administration

President George H. W. Bush took office at a time when economic recovery that had begun under President Reagan appeared to be stable and strong. Bush began his term committed to not raising taxes, but he soon began to realize that balancing the budget would require taxes to be raised. Bush spent much of his time between 1988 and 1991 trying to solve foreign problems.



President George
H. W. Bush

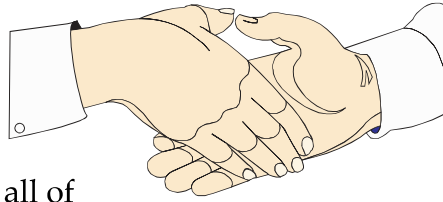
President Bush's Foreign Policy

Although the sagging economy was the main problem during Bush's first two years in office, political tension in other parts of the world often overshadowed it. Bush took office amid incredible changes in the Communist bloc nations. Ongoing problems in the Middle East would also require military involvement on the part of the United States.

Eastern Europe and the Soviet Union: The Cold War Ends

The most dramatic changes in world politics in recent times began in March of 1985 when Gorbachev became head of the Communist Party. He restored private ownership of land, ended most government censorship, and held free elections. He reduced the number of troops in Eastern Europe and allowed non-Communist parties to organize in East Germany and Poland.

The Cold War finally came to an end when the people in Eastern European countries rebelled and broke away from Communist control. In the winter of 1989, democratic revolutions took place in all of the Eastern European countries. One of the most dramatic revolutions was the peaceful revolution in East Germany. The people tore down the Berlin Wall that had been built in 1961. East and West Germany were reunited as one Germany in 1990.



By 1990 the United States and the Soviet Union continued friendly relations as Soviet Party leader Mikhail Gorbachev and President Bush met several times to discuss continued plans for arms controls. The United States government agreed to provide economic assistance if the Soviet Union followed its policy of **glasnost**. "*Glasnost*" is a Russian term meaning *openness*. It referred to the Soviet's new efforts at bringing democratic reforms to the Soviet Union.

Old-line Communist leaders were opposed to reform and attempted to take over the party and force Gorbachev out. Fourteen non-Russian republics declared their independence and became known as the Commonwealth of Independent States. Gorbachev resigned and by the end of 1991, after 74 years, the Soviet Union no longer existed. In February of 1992, *Boris Yeltsin*, President of Russia, and President Bush declared an end to the Cold War and a new beginning of friendship and partnership.

The Soviet Union was not the only nation to break apart in the early '90s. In 1991, Yugoslavia dissolved as ethnic hatreds among Muslims, Serbs, and Croats turned into a brutal civil war, and in 1993 Czechoslovakia peacefully split into two republics. The Cold War was over, but conflict in the nations of Eastern Europe would continue to be a problem for the United States in the years to come.

Invasion of Panama

The end of the Cold War did not mean the end of all wars. President Bush became aware of corruption in the government of Panama in Central America. *Manuel Noriega*, the dictator of Panama, was accused of operating a large drug ring. Angry that Noriega was misusing his office and shipping illegal drugs to the United States, President Bush decided to take action.

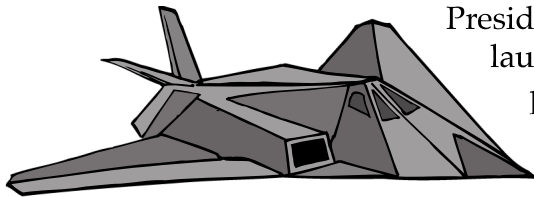


In December of 1989, he sent American military forces on a surprise invasion of Panama. Noriega was captured and a new government was installed. The new government promised to end corruption and restore democracy in Panama.

The Persian Gulf Crisis

Iraq and Kuwait: Operation Desert Storm

In August of 1990, Iraqi dictator *Saddam Hussein* invaded neighboring Kuwait, defeated Kuwait's small army, and announced to the world that he had **annexed** Kuwait. Iraq and Kuwait are located in the oil-rich Persian Gulf region. Iraq had the largest military in the Middle East. It also was believed that Iraq had nuclear and chemical weapons that it would use against their enemies. Kuwait, with Saudi Arabia who was afraid it was next to be invaded by Iraq, appealed to the United States for military aid (see map on page 304).

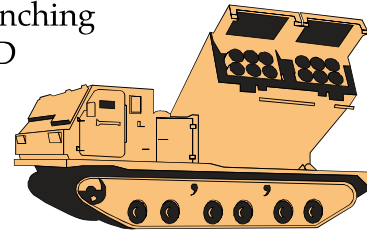


President George H. W. Bush quickly launched Operation Desert Shield, a plan to send a large number of American troops to Saudi Arabia. President Bush also asked for, and received, United Nation assistance to form an international **coalition** of 28 nations, including Britain, France, and the Arab nations of Saudi Arabia, Egypt, and Syria, who opposed Iraq's **aggression** and pledged troops. The United Nations also passed a **resolution** giving Iraq until January 15, 1991 to withdraw or United Nations' forces would *use all necessary means* to remove Iraq from Kuwait. The *coalition* worked frantically for the next five months hoping to resolve the conflict peacefully. Economic **sanctions** against Hussein were put in place, but neither **diplomacy** nor *sanctions* worked as Hussein's army continued to occupy Kuwait.

Meanwhile, the United Nations began a massive military buildup in the Persian Gulf area. Continued efforts at a peaceful solution failed, and fueled by reports of the **atrocities** being committed against the people of Kuwait, the war began.

On January 16, the United Nations' forces began intense air strikes against Iraq as the world watched live Cable News Network (CNN) television

coverage. Iraq responded with resistance by launching short range ballistic mobile missiles called SCUD missiles against civilian and military targets in Saudi Arabia and Israel. United States Patriot missiles destroyed most of the SCUDs before they could reach their target. The air war lasted for 37 days.

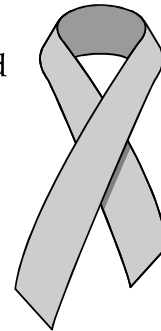


missile launcher

On February 23, the much-anticipated ground war began, and on February 27, Saddam Hussein accepted a cease-fire. Kuwait was liberated. The entire war, which was called **Desert Storm**, lasted about six weeks. The Iraqi army was devastated. Problems with Iraq, however, did not end. Saddam Hussein was still in power, and United Nations' weapons inspections and economic sanctions provided for in the cease-fire truce continued to be a source of conflict even after Bush was no longer President.

Domestic Issues during the Bush Administration

In the spring and summer of 1991, President George H. W. Bush attempted to solve some of the problems in the United States. He promised to improve education and to continue to fight illegal drugs and crime. Other issues facing the country included rising costs of health care and the spread of the disease called Acquired Immune Deficiency Syndrome or **AIDS**—a contagious disease that limits the body's ability to fight off disease. There is no cure at this time, but new drugs that slow the spread of the virus in a person's system gives doctors and patients new hopes that a cure will soon be found.



AIDS awareness ribbon

The economy was in recession, and the national debt had risen to almost \$4.5 trillion. Major cities were experiencing severe economic difficulties. Many American businesses were moving operations to other countries where the price of labor was cheap, leaving many American workers without jobs. In every city, the number of unemployed and homeless people continued to rise.

Hundreds of savings and loan associations (S & Ls) and banks collapsed due to bad investments and corrupt practices by their managers. The taxpayer had to pay for the billions of dollars lost by these companies.

The Election of 1992

President George H. W. Bush's popularity with American voters seesawed between 1991 and 1992. His approval rating reached an all-time high in 1991 after *Desert Storm*, and he was the Republican candidate in the presidential election of 1992. William Jefferson Clinton, governor of Arkansas, was the Democratic candidate, and Ross Perot, a businessman, ran as an Independent candidate. Bush's lack of attention to the sinking domestic economy and his broken promise of no new taxes led to his loss in the 1992 election in which Clinton received 43 percent of the popular vote. Bush received 38 percent of the vote, and Perot received 19 percent.



President Bill Clinton

Summary

President Reagan began his presidency on a high note as American hostages were released by Iran. *Reaganomics*, however, did not improve the American economy until 1982. Although his plan reduced inflation, it increased recession. By the end of his presidency, the economy had grown stronger. Reagan believed that the federal government had too much power. He worked to cut back federal spending and regulations. His poor relations with the Soviet Union gradually improved.

The Cold War ended when democratic revolutions took place in Eastern Europe. During President George H. W. Bush's first three years in office, he sent United States troops to fight in Panama and Iraq. In Bush's third year in office, he faced many problems in the United States, including a faltering economy, an increase in crime, and a decline in the public opinion polls. President Bush was defeated for reelection in 1992, ending 12 years of Republican control of the White House.