CHAPTER 32

Running on Empty: The Nation Transformed

ANTICIPATION/REACTION

Directions: Before you begin reading this chapter, in the column entitled “Anticipation” place a check mark beside any of the following seven statements with which you now agree. When you have completed your study of this chapter, come back to this section and in the column entitled “Reaction” place a check mark beside any of the statements with which you then agree. Note any variation in the placement of check marks from anticipation to reaction and explain why you changed your mind.

<table>
<thead>
<tr>
<th>Anticipation</th>
<th>Reaction</th>
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</thead>
<tbody>
<tr>
<td>1. _____ The OPEC oil crisis in 1973 had little impact on the U.S. automobile industry.</td>
<td>1. _____</td>
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<tr>
<td>2. _____ African American voters provided Jimmy Carter’s margin of victory in the 1976 presidential election.</td>
<td>2. _____</td>
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<td>3. _____ Polls showed that a majority of voters actually supported the Equal Rights Amendment (ERA), but it failed ratification anyway.</td>
<td>3. _____</td>
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<td>4. _____ President Carter claimed his foreign policy was based on realism—that he would put national interests above all other considerations.</td>
<td>4. _____</td>
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<td>5. _____ While Ronald Reagan was governor of California, that state’s government spending increased dramatically; while he was president, the national debt nearly tripled.</td>
<td>5. _____</td>
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<td>6. _____ President Reagan referred to Iran as an “evil empire.”</td>
<td>6. _____</td>
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<tr>
<td>7. _____ President Reagan was directly responsible for the two great transformations of the late twentieth century—the collapse of the Soviet Union and the restructuring of American corporations.</td>
<td>7. _____</td>
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LEARNING OBJECTIVES

After reading Chapter 32 you should be able to:

1. Evaluate the impact of the Yom Kippur War, the Arab oil embargos, and OPEC price manipulation in the 1970s.
2. Explain how economic problems, particularly inflation, unemployment, recession, and deficits, have persisted at one time or another since 1974.
3. Explain the origin and eventual resolution of the 1979-81 Iranian hostage crisis.
4. Explain how the “Reagan Revolution” changed America in reference to foreign and domestic policy and the emergence of a “bi-polar” economy and society.

5. Assess the Iran-Contra affair as it relates to U.S. foreign policy and the Reagan Administration.

CHAPTER OVERVIEW

The Oil Crisis

The Yom Kippur War broke out in the Middle East in October 1973. During the brief inconclusive conflict, the United States approved a massive supply of war matériel to Israel. In an attempt to force Western nations to compel Israeli withdrawal from the lands held since the Six Days War of 1967, the Arabs cut off oil shipments to the United States, Japan, and Western Europe. The price of oil quadrupled, and this sent prices soaring for nearly everything else.

Secretary of State Henry Kissinger secured the withdrawal of Israel from some of the territory taken in 1967, and the Arab nations lifted the oil embargo. At the time the United States imported more than a third of its oil. In 1960, the principal oil exporters—Venezuela, Saudi Arabia, Kuwait, Iraq, and Iran—had formed a cartel, OPEC, which now knew that by limiting production they could drive up the price of oil. The days of cheap gasoline had ended. By the end of the 1970s, the small, fuel-efficient Japanese automobiles had captured nearly a third of the entire American market.

Ford as President

Gerald Ford’s brief presidential tenure was untouched by the scandal that had been the undoing of his predecessor. An ordinary person, earnest but limited, Ford appeared unlikely to venture beyond conventional boundaries or to act rashly as had Richard Nixon. Ford identified inflation as the nation’s chief economic culprit and asked patriotic citizens to wear symbolic WIN (Whip Inflation Now) buttons. Almost immediately the economy entered a deep slump when production fell and unemployment rose above nine percent. Ford then asked for tax cuts to stimulate business activity.

The Fall of South Vietnam

When the Hanoi government launched a new offensive in Vietnam, months after the Americans had left, President Ford asked Congress to dispatch arms to help South Vietnam stem the advance. Congress refused to send such aid, and on April 30, 1975, Saigon fell to the Viet Cong and North Vietnamese army and was renamed Ho Chi Minh City.

Ford Versus Carter

Ford’s record on the economy and foreign policy did not inspire confidence. Former California Governor Ronald Reagan, who advocated a reduction in the size of the national government and a firm stance in foreign affairs, challenged him for the Republican nomination. After a protracted
struggle, Ford barely secured the nomination. Meanwhile, Democrats chose the previously unknown former Governor of Georgia, James Earl “Jimmy” Carter, Jr., to oppose Ford. Carter effectively utilized television, organized at the grassroots, and stressed his lack of connection with the Washington establishment. During the campaign, Carter called attention to his integrity and deep religious faith, but both candidates were vague with respect to the issues. Carter won 297 and Ford 241 electoral votes, with pivotal support from organized labor and a coalition of white southerners and African Americans.

The Carter Presidency

Carter set a tone of democratic simplicity and moral fervor, but his administration did not fare well. He put so many Georgians in important positions that the administration took on a parochial character. Carter also submitted complicated proposals to Congress but failed to follow up with the necessary consultation and lobbying.

A National Malaise

Carter tended to blame others, including the general public, for the nation’s economic woes. In the summer of 1979, he identified a “moral and spiritual crisis” that had sapped the nation’s energies and undermined civic pride. This “malaise speech” made the president appear weak and ineffective. The economic downturn, though triggered by the energy crisis, had more fundamental causes. Many companies had become too big and complacent. Workers’ boredom with “dull, repetitive, seemingly meaningless tasks” of the workplace lowered productivity. Union membership slipped from one-third of the workforce in the 1950s to one-fourth by 1978, and one-sixth by the 1990s.

Stagflation: The Weird Economy

Recessions are part of the business cycle: When economies overheat, they cool down. But the crisis after 1973 was unique because the rising tide of unemployment had failed to extinguish inflation. Millions lost jobs as wages and prices continued to rise. The term “stagflation” (a combination of stagnation and inflation) was coined to describe the anomaly. The 1971 inflation rate of five percent had so alarmed President Nixon that he had imposed a price freeze. By 1979 inflation had soared to 13 percent. Unemployment ranged from six to 10 percent, nearly twice the usual postwar level.

Such inflation had devastating effects on the retired, the poor, and others living on fixed incomes. Congress raised the minimum wage and approved a cost of living index in Social Security to protect the poor and retirees, an action that made balancing the budget politically difficult. When wages and salaries rose, taxes automatically increased because larger dollar incomes thrust people into “bracket creep.” There were state and local “taxpayer revolts” as many turned against long-accepted but expensive government programs for aiding the poor. Soaring mortgages made it difficult to sell homes. Double-digit interest rates hurt small businesses seeking to expand. Savings and loan institutions were especially hard hit because they were saddled with mortgages made when rates were as low as four percent.
Families Under Stress

In addition to the recurring inflation, the price of oil tripled in 1979. Gasoline prices surpassed $1 a gallon. Ford stock lost half its value, and Chrysler tottered near bankruptcy until it was saved by a $1.2 billion federal loan guarantee. When male workers in the automobile factories and steel mills lost their relatively high-paying jobs, their spouses took low-paying jobs in stores, offices, and restaurants. Texas Democratic Senator Lloyd M. Bentsen, Jr., observed that the McDonald’s fast-food chain employed more people than U.S. Steel. Overextended families had little time to shop for, prepare, and enjoy leisurely meals around the dinner table. Such families “deserved a break,” according to the McDonald’s jingle.

For women, the recession struck at the worst possible time. It divided women into two camps, the professional/intellectual elite and the underpaid underclass. The Equal Rights Amendment was a casualty of this division. Conservative lawyer Phyllis Schlafly spearheaded a successful nationwide campaign against the ERA. She argued that it would subject young women to the draft, deprive divorced women of alimony and child custody, and make married women legally responsible for providing 50 percent of household income. Her words struck a responsive chord among low-wage-earning women. The ERA fell three states short of ratification.

Cold War or Détente?

In foreign affairs Carter announced that “basic human rights” would receive highest priority. He cut off aid to Chile and Argentina because of human rights violations. He successfully negotiated treaties with Panama that provided for the transfer of the Panama Canal to that republic on December 31, 1999. He extended diplomatic ties to Communist China and abandoned the defense pact with Taiwan.

Carter’s Soviet policy fluctuated between the divergent approaches of Secretary of State Cyrus Vance, a conciliator, and National Security Advisor Zbigniew Brzezinski, a “Cold Warrior” native of Poland. He signed a new Strategic Arms Limitation Treaty with the Soviets in 1979. When the Soviets invaded Afghanistan, Carter withdrew SALT II from Senate consideration, halted the shipment of American grain and technology to Moscow, and refused to allow American athletes to compete in the Olympic Games held in Moscow in the summer of 1980. Carter’s main diplomatic achievement was the Camp David Accords, by which Israel and Egypt ended the state of war that had existed between them since 1948.

The Iran Crisis: Origins

During World War II, Great Britain, the Soviet Union, and later the United States occupied Iran and forced its pro-German shah into exile, replacing him with his 22-year-old son, Muhammad Reza Pahlavi. Liberal and nationalist elements thereafter gained power in Iran, led by premier Muhammad Musaddig. In 1953, a CIA coup known as Operation Ajax succeeded in overthrowing Musaddig. The action turned many Iranians against the United States and the shah, who purchased American arms. In 1977, riots and demonstrations convulsed Iran, as over 10,000 civilians were killed. In January 1979, the shah was forced to flee, and a revolutionary government headed by a religious leader, the Ayatollah Khomeini, assumed power. Khomeini denounced the United States as the “Great Satan,” whose support of the shah, he claimed, had
caused the Iranian people untold suffering. When President Carter allowed the shah to come to the United States for medical treatment, some 400 armed Muslim militants broke into the American Embassy compound in Teheran and took everyone captive.

The Iran Crisis: Carter’s Dilemma

The Iranian militants said they would hold the hostages until the United States returned the shah for trial as a traitor and surrendered the shah’s wealth to the Iranian government. Carter instead froze Iranian assets and banned trade with Iran until the hostages were freed. Months passed, and the shah, terminally ill, left the United States for Panama. In April 1980, Carter ordered a team of marine commandos flown into Iran by helicopters to try to free the hostages. The unsuccessful raid ended tragically, as several helicopters broke down, and eight commandos were killed in a crash.

The Election of 1980

Despite the failure of the hostage rescue attempt and continued stagflation, President Carter was renominated on the first ballot at the Democratic party convention. The Republicans turned to Ronald Reagan, who at 69 was the oldest person ever nominated for president by a major party. Another Reagan primary opponent, liberal Illinois Congressman John Anderson, bolted the GOP and ran in the general election as an independent.

Reagan had been a controversial governor, in part because, despite his professed conservatism, government spending in California increased dramatically during his two terms. Reagan’s defense of patriotism, religion, family life, and old-fashioned virtues won him considerable backing. He vowed to cut spending and taxes, balance the budget, and control inflation. Reagan benefited from the high interest rates and sluggish economy and won a popular majority and an electoral landslide. The Republicans gained a Senate majority for the first time since 1953 and reduced the Democratic majority in the House. Carter devoted his last weeks in office to the continuing hostage crisis. Just as Reagan was being inaugurated, the remaining 52 hostages were freed after 444 days in captivity.

Reagan As President

With his amiable style, Reagan tried to change the direction of the nation. He urged the return of some federal functions to the states and called for decreased government regulations. He proposed increasing military expenditures. Reagan acquired the wrath of organized labor by breaking an illegal strike of air traffic controllers.

Under Reagan’s urging, Congress reduced expenditures on some domestic programs, but not on Social Security and Medicare “entitlements.” Congress also adopted Reagan’s proposal to reduce income taxes over three years. Reagan reasoned that a tax cut would spur investment, increase production, create more jobs and prosperity, and therefore bring more income to government despite lower tax rates. Reagan eliminated many government regulations affecting businesses, but insisted that heavy expenditures for military buildup were necessary.
The continuing turmoil in the Middle East prompted Reagan to send troops to Lebanon as part of an international peacekeeping force. Tragedy resulted in October 1983, when a fanatical Muslim crashed a truck loaded with explosives into an airport building housing the American marines. The structure collapsed, and 239 marines were killed. Early in 1984 Reagan removed the remaining troops.

**Four More Years**

Reagan was nominated for a second term in 1984 without opposition, while the Democratic nomination went to Walter Mondale, Carter’s vice-president. Mondale selected New York Representative Geraldine Ferraro, a Catholic and Italian American from Queens, as his running mate, the first woman ever given such a nomination.

Reagan consolidated the support of social conservatives, the group that Nixon had termed the “silent majority.” A Reagan supporter, the Reverend Jerry Falwell, formed the Moral Majority in 1979 to lobby against drugs, communism, homosexuality, abortion, and “coddling” of criminals. Reagan secured the support of blue-collar workers and white southerners who had previously been Democratic. Reagan benefited from voter tendency to support a sitting president when the economy seemed strong and the nation was at peace. Mondale dampened his chances when he announced that he would raise taxes if elected.

Reagan lost only in Mondale’s Minnesota and in the District of Columbia. The Democratic tactic of nominating a woman for vice-president failed, as a majority of women supported Reagan. Reagan’s triumph was largely personal, for the GOP made only minimal gains in the House and lost two Senate seats.

**“The Reagan Revolution”**

When Mikhail S. Gorbachev became the Soviet premier and communist party general secretary in 1985, he seemed to encourage political debate in his country, a policy called glasnost. He also promoted perestroika, the stimulation of the Soviet economy by rewarding individual achievement. In 1986, Reagan, having abandoned his earlier comments about a Soviet “evil empire,” met in a summit with Gorbachev in Reykjavik, Iceland, to discuss arms control. The summit deadlocked when Reagan refused to abandon the strategic defense initiative, a proposal to prevent a nuclear first strike against the United States. At a subsequent summit in 1988, Reagan and Gorbachev signed a treaty eliminating medium-range nuclear missiles.

NASA’s Apollo program had sent six expeditions to the moon between 1969 and 1972. The agency then launched the Skylab orbiting space station in 1973. Next, shortly after the beginning of Reagan’s first term, the manned space shuttle Columbia, launched by rocket power, was able, after orbiting for several days, to return to earth intact and reusable. Shuttle flights continued for five years without problems. Then in January 1986, the Challenger exploded after takeoff, and space flights did not resume until 1989.

The Income Tax Act of 1986 reduced the top levy on personal incomes from 50 to 28 percent and the tax on corporate profits from 46 to 34 percent. The law abolished numerous tax shelters and special credits used by some to reduce their tax bill.
Like Nixon earlier, Reagan attempted to move the Supreme Court in a more conservative direction but was only partially successful. He appointed Sandra Day O’Connor as the first woman justice and by 1988 had appointed three Supreme Court justices and over half of the members of the federal judiciary.

**Change and Uncertainty**

In the 1970s and 1980s, many immigrants poured into the United States from Asia and Latin America. Some were refugees fleeing repressive regimes in Vietnam, Cuba, Haiti, and Central America. Others came illegally across the Mexican border. In 1986, Congressional legislation granted amnesty to some illegal immigrants and imposed civil sanctions on employers who hired “undocumented” aliens.

Family life underwent drastic change by the 1970s and 1980s, as the family with a “breadwinner father” and “housewife and mother” was in danger of ceasing to be the norm. The number of single-parent families living in poverty increased by 46 percent between 1979 and 1987. More than a million marriages ended in divorce, and rampant cohabitation and illegitimacy gained tolerance. By the middle 1980s the number of abortions averaged 1.3 million per year.

**AIDS**

In June 1981, the Centers for Disease Control in Atlanta alerted health officials to an outbreak of a rare bacterial infection in Los Angeles, where five victims were healthy young homosexual men, and within months, all had died. By 1982, the CDC called the disease Acquired Immune-Deficiency Syndrome. AIDS was caused by the lethal Human Immunodeficiency Virus (HIV) that destroys the body’s defenses against infection. AIDS wreaked havoc among homosexual men who engaged in anal intercourse, and intravenous drug users who shared needles. Soon HIV contaminated blood banks, and some recipients of transfusions came down with AIDS.

In 1983, Congress voted for $12 million for AIDS research and treatment. Two years later, amid widespread public interest, the actor Rock Hudson, an old friend of President Reagan’s, confirmed that he was dying of AIDS. No cure has been found, and by 1999, the number of AIDS-related deaths approached 400,000. The spread of AIDS led to an emphasis on the use of condoms, which were distributed for free in many public high schools.

**The New Merger Movement**

The Reagan administration’s abandonment of strict enforcement of antitrust laws encouraged a new trend toward mergers in which unrelated companies swallowed up one another. Corporate raiders raised cash by issuing high-interest bonds secured by the assets of the company purchased. The broker Michael Milkin emerged as the “king” of “junk bonds.” The system enabled a small company or an individual to buy a corporation. One deal led to another. In 1985, the R. J. Reynolds Tobacco Company bought Nabisco for $4.9 billion. Three years later, RJR Nabisco was itself consumed for $24.9 billion.
During the 1980s, one-fifth of Fortune 500 companies were taken over, merged, or forced to go private; in all, some 25,000 mergers and acquisitions were successfully undertaken; their total value was nearly a half-trillion dollars.

“A Job for Life”: Layoffs Hit Home

Most corporations coped with their debts by either selling assets, or they cut costs through layoffs. Nearly 100,000 steelworkers lost their jobs. “A job for life” has long been IBM’s unofficial slogan, but the crippled high-tech giant eliminated 80,000 jobs between 1985 and 1994. Many of the lost jobs went abroad, where labor costs were lower and unions nonexistent. In 1980, Xerox of America transferred contracts to Japan; six years later Ford began building the chassis for its Mustang in Japan. In 1984, Nike closed its American shoe factory and moved operations to Indonesia. In addition, to the corporate debt, the total federal debt grew from $900 million in 1981 to $2.5 trillion in 1989. President Reagan’s insistence on coupling increased military spending and income tax reductions produced huge annual federal deficits.

A “Bipolar” Economy, a Fractured Society

In 1982, the economy began to gain strength, and by the late 1980s, it was growing at a rate not seen since the early 1960s. Many economists warned that the rise in stock prices was excessive. On a single day in 1987, the Dow-Jones industrial average fell 508 points to 1738. Prices, however, quickly recovered and embarked on yet another long period of growth. The economy was undergoing a transformation of historic proportions. “Rust belt” factories closed, and new technology industries sprouted in the “Silicon Valley” of California, outside Boston, and in booming cities like Austin, Texas, and Seattle, Washington.

The Reagan tax cuts had disproportionately benefited the wealthy, as had the extraordinary rise of the stock market. As Reagan left office, the economy consisted of two separate components: a diminishing sector of traditional heavy industry and an advancing high-tech and service sector. This “bipolar” economy also impacted society. The standard of living of the poorest fifth of the population declined nine percent during the 1980s, while that of the wealthiest fifth had risen by 20 percent.

The Iran-Contra Arms Deal

In 1979, leftist rebels known as the Sandinistas, supported by the Soviet Union and Cuba, overthrew the Nicaraguan regime of Anastasio Somoza. President Reagan, determined to force the Sandinistas from power, backed elements in Nicaragua known as the Contras and in 1981 persuaded Congress to provide arms to these “freedom fighters.” The Contras made little progress, and Congress banned further military aid. Reagan then sought to persuade other countries and private American groups to assist the Contras.

Iran, meanwhile, was believed responsible for the fact that a number of Americans were being held hostage by terrorists in Lebanon. Reagan sought a way to free the captive Americans. In 1985, Reagan allowed the indirect shipment of arms to Iran by way of Israel, in an attempt to gain release of the hostages. Then in January 1986, he authorized the secret sale of American
weapons directly to Iran, a transaction arranged by Marine Lieutenant Colonel Oliver North. North used $12 million of the profits from the Iranian arms sales to buy weapons for the Contras, a violation of the Congressional ban on such aid. When news of the sales to Iran and the diversion of profits to supply the Contras came to light, North was fired, and Reagan appointed a special prosecutor to investigate.

Reagan said that he knew nothing about the diversion of aid to the Contras, but polls showed that a majority of Americans did not believe him. Iran-Contra undermined Reagan’s influence with Congress and dampened his political reputation, though he remained personally popular with the public.

**PEOPLE, PLACES, AND THINGS**

*Define the following:*

“malaise speech” __________________________

____________________________________

stagflation ____________________________

____________________________________

glasnost _______________________________

____________________________________

perestroika ____________________________

____________________________________

strategic defense initiative ________________

____________________________________

space shuttle ____________________________

____________________________________

Human Immunodeficiency Virus _______________

____________________________________

“junk bonds” ____________________________

____________________________________
“rust belt” ________________________________________________________________

Describe the following:
WIN ____________________________________________________________________
______________________________________________________________________________
Camp David Agreement ____________________________________________________
______________________________________________________________________________
Challenger __________________________________________________________________
______________________________________________________________________________
Yom Kippur War __________________________________________________________
______________________________________________________________________________
Identify the following:
Anwar Sadat _____________________________________________________________
______________________________________________________________________________
Cyrus Vance _____________________________________________________________
______________________________________________________________________________
Muhammad Reza Pahlavi ___________________________________________________
______________________________________________________________________________
Walter Mondale __________________________________________________________
______________________________________________________________________________
Geraldine Ferraro __________________________________________________________
______________________________________________________________________________
Jerry Falwell ___________________________________________________________
**MAP EXERCISE**

Refer to the world map below. Place the correct letter that corresponds with the location of these cities:

1. Baghdad  
2. Beijing  
3. Beirut  
4. Berlin  
5. Bogota  
6. Buenos Aires  
7. Cairo  
8. Capetown  
9. Caracas  
10. Damascus  
11. Havana  
12. Ho Chi Minh City  
13. Jerusalem  
14. Kabul  
15. London  
16. Managua  
17. Mexico City  
18. Montreal  
19. Moscow  
20. Paris  
21. Reykjavik  
22. Rio de Janeiro  
23. San Salvador  
24. Seoul  
25. Teheran  
26. Tripoli
SELF-TEST

Multiple-Choice Questions

1. The fallout from the Yom Kippur War in 1973 revealed that
   A. the U.S. economy was vulnerable to its dependence on foreign oil imports.
   B. the United States had become an oil-exporting nation.
   C. Arab nations’ oil production had little effect on world oil prices.
   D. nations in the OPEC oil cartel were fragmented and unable to cooperate.

2. President Ford identified _____ as the chief economic problem of his administration.
   A. unemployment
   B. overproduction
   C. high taxes
   D. inflation

3. When North Vietnam initiated a two-year plan to conquer South Vietnam, President Ford
   A. urged Congress to provide arms to South Vietnam.
   B. sent Secretary of State Henry Kissinger to try to negotiate a cease fire.
   C. ordered U.S. bombers and military advisors to South Vietnam.
   D. did nothing.

4. All of the following statements about the 1976 presidential election between Jimmy Carter
   and Gerald Ford are true EXCEPT
   A. Carter repeatedly called attention to his integrity and deep religious faith.
   B. both candidates were precise with respect to the issues.
   C. Ford erroneously claimed that the Soviet Union did not dominate Eastern Europe.
   D. Carter emphasized his lack of connection to the Washington establishment and his
     inexperience in national politics.

5. Generally, the Carter presidency was notable for
   A. its tone of complexity and moral laxness.
   B. encouraging Congress to act without proposals from the administration.
   C. its reputation for the administration’s failure to support its own proposals to
     Congress.
   D. the president’s ability to concentrate on many matters at a time.

6. The economic downturn of the 1970s was the result of all the following EXCEPT
   A. the energy shortage.
   B. many companies had become too big and complacent.
   C. workers’ boredom had lowered productivity.
   D. growing union membership made labor unions too powerful.

7. The economic downturn after 1973 was unusual in that for the first time in the nation’s
   history
   A. the federal government spent more than it received in taxes.
   B. rising unemployment did not lower inflation.
   C. increased spending power caused an upward pressure on prices.
   D. government action made matters worse.
8. Opponents of the Equal Rights Amendment argued that it would do all of the following EXCEPT
   A. subject women to the military draft.
   B. make it unconstitutional to deny both men and women equal rights.
   C. make wives legally responsible for half of a household’s income.
   D. deprive divorced women of alimony and child custody.

9. In 1980, President Carter reacted strongly when the Soviet Union invaded
   A. Iraq.
   B. Tibet.
   C. Afghanistan.
   D. Taiwan.

10. President Carter’s most striking diplomatic achievement was
    A. completing a second Strategic Arms Limitation Treaty (SALT II) with the Soviet Union.
    B. exchanging ambassadors with the People’s Republic of China.
    C. arranging for the transfer of the Panama Canal to Panama.
    D. ending war between Egypt and Israel with the Camp David Agreement.

11. In 1953, a Central Intelligence Agency (CIA) coup overthrew the government of
    A. Iraq.
    B. Guatemala.
    C. Iran.
    D. Chile.

12. When Iranian militants seized the American embassy and took U.S. personnel hostage, President Carter reacted in all of the following ways EXCEPT
    A. banning trade with Iran.
    B. freezing Iranian assets in the United States.
    C. deporting the former shah of Iran, who was then living in the United States.
    D. ordering a team of army commandos to Iran to try to free the hostages.

13. Early in his first administration, President Reagan crushed the illegal strike of the _____ union.
    A. air-controllers
    B. steel workers
    C. garment workers
    D. computer programmers

14. When President Reagan presented his legislative proposals to Congress in 1981, Congress refused to enact legislation to
    A. lower income taxes.
    B. increase defense spending.
    C. reduce spending on welfare, food stamps, and student loans.
    D. reduce spending on “entitlement” programs, such as Social Security and Medicare.
15. The first woman appointed to the Supreme Court was
   A. Geraldine Ferraro.
   B. Sandra Day O’Connor.
   C. Barbara Jordan.
   D. Germaine Greer.

16. President Reagan’s Strategic Defense Initiative was
   A. a treaty with the Soviet Union eliminating medium-range nuclear missiles.
   B. an agreement with Premier Gorbachev to work toward total nuclear disarmament.
   C. a space-based system of anti-ballistic missile defenses.
   D. a renewed effort to gain Senate ratification of the stalled SALT II agreement.

17. The vast majority of new immigrants who entered the United States after the Immigration Act of 1965 came from
   A. Africa and the Middle East.
   B. Southern and Eastern Europe.
   C. Asia and Latin America.
   D. Northern and Western Europe.

18. The 1980s witnessed all of the following EXCEPT
   A. a mad frenzy of corporate mergers.
   B. the outbreak of the AIDS epidemic.
   C. an extraordinary decline in stock market price over the course of the decade.
   D. the economy transforming from heavy industry to high tech and service.

19. President Reagan’s taxation and government spending policies resulted in
   A. a more even distribution of national wealth.
   B. the federal debt more than doubling.
   C. shrinking annual federal deficits.
   D. greater benefits for the unemployed.

20. The Iran-Contra deal involved all of the following EXCEPT the
   A. secret sale of U.S.-made weapons to Iran.
   B. illegal sale of arms to Nicaragua.
   C. resignation of the national security advisor.
   D. defeat of the Sandinista armies in Nicaragua.

Essay Questions

1. What events worked to the advantage and disadvantage of the little-known Jimmy Carter in his remarkable bid for the White House in 1976?

2. Discuss President Reagan’s successes and failures in his attempt to reduce the size and scope of the national government.

3. Explain the difficult choices that President Carter faced in his handling of the Iranian hostage crisis over the 444 days of captivity.
4. How and why did the Iran-Contra affair undermine the effectiveness of the Reagan administration? Explain the roles of Oliver North and John Poindexter.

5. Discuss the massive national and international trends of the 1980s that led to establishment of the “bi-polar” economy.

CRITICAL THINKING EXERCISE

Some events and ideas are primarily supported by Democrats; others by Republicans; still others draw the backing of both parties. Place a “D” beside each selection primarily identified with Democrats; an “R” beside each choice identified mostly with Republicans; a “B” beside each selection supported by both parties; and an “N” beside each selection identified with neither party.

_____ 1. Reaganomics
_____ 2. School desegregation
_____ 3. Outlawing flag desecration
_____ 4. “Tax the rich”
_____ 5. Foreign aid to Israel and Egypt
_____ 6. Minimum wage increases
_____ 7. Détente
_____ 8. Military spending cuts
_____ 9. Balance the budget through a constitutional amendment
_____10. Urban enterprise zones
_____11. More progressivism in income taxes
_____12. Arms control agreements
_____13. “Fairness” in the tax code
_____14. Nationalization of natural resources
_____15. Strengthening environmental laws