Reagan Years
20. Carter, Reagan, Bush
Jimmy Carter
12min11

How did he win?
What was the role of religion?
Why were so many of his plans thwarted?
What was his great foreign policy achievement?
Carter
Jimmy Carter

- “outsider”
- Baptist “born again”
- Attempted reforms
  - Social Security
  - Tax
- Resisted at every turn by Congress
Economy

- High inflation
- High unemployment (>10%)
- Attempted remedies
  - Deficit spending to stimulate demand
  - Then cut fed. Spending
  - deregulation
Economy

- “stagflation”
- Oil crisis
  - By late 70s 40% from OPEC nations
  - Ask public to conserve
Society

- Environment, Pollution
- Civil rights, women's rights
- “draft dodgers”
  - Amnesty
Society

- People have no faith in government
- “malaise”
- “stagflation”
- Energy crisis
Iran Hostage Crisis
Carter had some accomplishments

- Camp David Accords 1978
  - Peace between Egypt and Israel
  - Israel pulls out of Sinai
  - Egypt recognizes right of Israel to exist
Before we look at Reagan, we need to do 2 lessons:
1. Political Spectrum
2. Economic Theory
Political Spectrum Lesson
The US Political Spectrum: 2010

Communism
  
  Socialism

Liberal

Democrat

Independent

Republican

Conservative

Fascism

Progressive

Moderate

Tea Party

Conventional View

Socialist Left

Democrats

Moderates

Fascist Right

Republicans
Many different graphic organizers out there

For this presentation: politicalcompass.org
2008 Election
2012 Primaries

- Authoritarian
  - Rick Santorum
  - Newt Gingrich
  - Barack Obama
  - Mitt Romney

- Libertarian
  - Ron Paul

Left
Right

2012 Primaries
You can take the test yourself and find out where you fall at this stage of your life.

The vocabulary on the test is college-level, so you may need some help.

Question: To what degree are our opinions absorbed from friends and family and community?

PoliticalCompass.org
Evolution of Conservatism
1934
The American Liberty League is founded to defend conservative values of private property and individual enterprise.

1937
Roosevelt’s attempt to “pack” the Supreme Court causes conservative backlash in Congress.

1952
Dwight Eisenhower is elected President as a moderate Republican.

1964
Barry Goldwater runs on a conservative platform and loses to Johnson in a landslide.
1973
The Supreme Court angers social conservatives with its decision to legalize abortion in *Roe v. Wade*.

1980
Conservative Republicans sweep the historic 1980 election.

- Voice for Choice
- Vote Pro Life
- Stop abortion
Lesson 2: Economic Theory
What should the government do when there is a Depression?
Conservative: Do little or nothing

- Laissez-faire
- Adam Smith, *Wealth of Nations*, 1776
- Panic 1819
- Martin van Buren 1837
Liberal: Do a Lot

- FDR's “New Deal”
- Great Depression
John Maynard Keynes

- “General Theory of Employment, Interest, and Money”, 1936
- Dominates government policies in most countries 1930s-1970s, out of favor in 80s and 90s, making a come back since 2008 Great Recession
- Economy should be mix of mostly private, but gov't job is to even out the business cycle
- Sometimes business makes bad decisions
  - Investment
  - Risky loans
  - Bubbles and speculations
Keynes, continued

- Depressions are caused by
  - Bad financial decisions by business
  - Overproduction
- During depression, government steps in to ease the pain and shorten time until recovery
  - Only gov't has this power and size
  - Borrow $$
  - Get $$ to the population
    - Stimulate demand to stimulate business
Keynes, continued

- Cut interest rates
- “infrastructure”
  - Put people to work on roads, bridges, etc. that helps the economy
- Hope for chain of events:
  - People have jobs (gov funded)
  - People have money they want to spend
  - Businesses have a reason to make stuff again
  - Payoff gov debt when the good times come back
Milton Friedman

- “monetarism”
  - Gov controls economy through controlling money supply, that's about all
- Advisor to Reagan
- Minimal gov intervention
- Opposed to Keynes
- “Markets are efficient”
- Gov intervention & regulation hurts economy
Friedman

• Get out of depression & keep economy stable by cutting taxes and increasing money supply
• Hoping for chain of events:
  – Business & investors have more to invest
  – Expand factories etc.
  – Hire more workers
  – Lower unemployment
  – People have money to spend, increase demand, now business has a reason to make more stuff...
Supply Side Economics

• Lower barriers for people to produce goods and services
  – Low taxes
  – Few regulations on business

• Greater supply of goods and services should be available at lower prices
  – People should start to buy again
  – Should create jobs
  – Gov will actually collect more taxes by taxing less because more buying-selling going on to be taxed
“stimulus”

- Adding money to the economy to try to make things better – to “stimulate” it
- “Keynesian” - would get $$$ to citizens through public works projects, lend $$ to banks and very low rates
- “Monetarist” - would increase money supply, get money to businesses through cuts in tax and cuts in number of rules
Ronald Reagan
Ronald Reagan
Conservative Revolt

- reduce size of federal gov't
- cut taxes
- (increase military spending)
- deregulation of economy
- return to traditional values
- balance federal budget
Election of 1980

- Turning point
- “new Right”
- ↓ role of gov. in economy
- ↓ funding for social programs
- ↑ Christian values
  - “Moral Majority”
“Reagan Revolution”

**Keynesian Economics**
- During depression, gov' borrows money to transfer to public
  - Increase demand – create jobs
  - Gov. goes into debt for now
  - When good times return, gov. payoff debt

**Supply Side Economics**
- Reverse of Keynes
- Spur business growth by increasing $$$ businesses have, increase $$$ pubic has
  - Business – make jobs
  - People – save & spend more, thus stimulate demand
  - Low tax
  - Minimal regulation
- “Trickle Down” Economics didn't work – cut in tax did not increase gov. revenue and inequality increased.
Some good news...

- 1981 recession hurt (>10% unemp.) but...
- 1982 recovery
  - Both unemployment and inflation <10%
Foreign Policy

- Military buildup
- Soviets = evil empire
  - Then efforts to mend fences
- SDI (“Star Wars”)
- Latin America
  - El Salvador
  - Nicaragua
  - Grenada
Tax Rates 1979-1990

Top Marginal Tax Rates, 1979–1990

Source: Citizens for Tax Justice
Compare


- **Dollars (in billions)**

**National Debt as a Percentage of GDP, 1980–1992**

- **Percent of Gross Domestic Product (GDP)**

*Source: Statistical Abstract of the United States*
Debate: Recovery 1982

- Some economists believe the US economy rebounded so strongly after the 1982 Reagan Recession because of massive military spending
  - It's a form of stimulus
  - Isn't this Keynesian?
  - Did the Depression end after WW 2
    - Massive gov spending on military put people to work
  - Is this what Eisenhower warned us about?
Debate: Recovery 1982

- Others credit deregulation, tax cuts, more laissez-faire attitude of government spurs business growth
The Reagan Years
George W. Bush
Bush
Under Bush (1st)

- Poland = free
- Berlin Wall falls
- Soviet Union crumbles
- Persian Gulf War
Gulf War

January – February 1991
Historical Context

1. Iraq invades Kuwait, Aug 1990
2. UN sanctions Iraq
3. UN authorized force to liberate Kuwait
4. Rapid coalition success drives Iraqis out and pushes toward Baghdad
Causes of the Conflict

- Iraq claims grievances against Kuwait
Opposing Groups

- Iraq

- Coalition of 30 international forces led by the United States
Viewpoints: Iraq

- economic war was being waged by Kuwait;
- Kuwait, originally part of the Ottoman vilayet of Basra, was now properly regarded as part of Iraq;
Viewpoints: Iraq

- encroachment on Iraqi territory
- stolen Iraqi oil
- refusing to pay off debts incurred in the defense of the Arab nation in Iran-Iraq war;
Viewpoints: Kuwait and the West

- Denied Iraqi viewpoints
- Iraq would gain control of oil
- Kuwait = sovereign nation
Extent Conflict was resolved?

- Stopped short of toppling Saddam Hussein
- Kuwait liberated
- Economic sanctions
Extent Conflict was resolved?

- UN regular inspection of Iraq to prevent WMDs
- China upgrades army Tech after seeing highly effective US military tech
Extent Conflict was resolved?

- Radical Muslims fueled
- “no-fly” zones
  - Regular sorties to maintain
  - Regular bombing of Iraqi anti-aircraft
Reagan-Bush Era

- Bush’s Economic Troubles
  - Strong economy falters ’88
  - Deficit forces raising taxes despite promise (“Read my lips…”)
  - Banking crisis – due to deregulation, banks failed because of risky loans
  - Credit crunch – economy slows b/c loans not available
Reagan-Bush Era

- Conservatives on the Court
  - Reagan & Bush appointed 5 conservative justices