

Guide to Reading

Main Idea

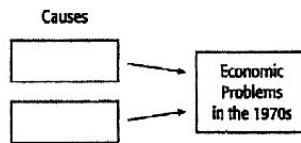
During the 1970s, Presidents Gerald Ford and Jimmy Carter attempted to lead the United States through both domestic and foreign crises.

Key Terms and Names

inflation, embargo, stagflation, Helsinki Accords, Department of Energy

Reading Strategy

Organizing As you read about the administrations of Presidents Ford and Carter, complete a graphic organizer listing the causes of economic problems in the 1970s.



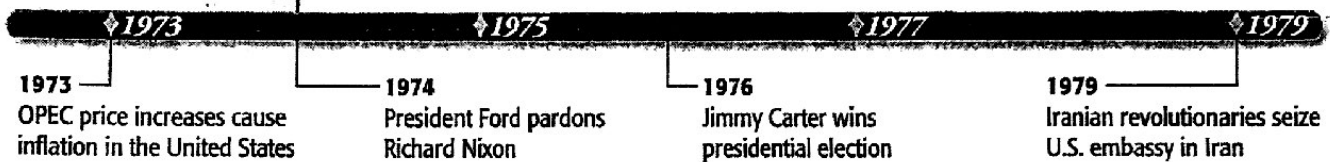
Reading Objectives

- Explain the reasons for economic troubles in the United States during the 1970s.
- Discuss Jimmy Carter's domestic and foreign policies.

Section Theme

Economic Factors A weakening economy and growing energy crisis marred the terms of Ford and Carter.

Preview of Events



★ An American Story ★



Lines of jobseekers at an unemployment office

On a sunny February day in 1977, Ellen Griffith and her fiancé, Roger Everson, both of Nashville, Tennessee, sat together in a place where neither of them dreamed they would be—the state unemployment office. Just a month before, Griffith, a 20-year-old salesclerk in a shopping center, and Everson, 21, had been excitedly making wedding plans. Now, with Everson laid off and Griffith on a reduced work schedule, the young couple had decided to put their future plans on hold. “It cost something to get married, you know,” said Everson.

What had landed the two in this predicament was a one-two punch of a particularly bitter winter and an energy shortage that had gone on for much of the decade. The brutally cold weather in the Midwest and East had increased the demand for oil and fuel, already in short supply throughout the country. In response, the government had asked numerous companies and shops to conserve energy by cutting back on their business hours. As a result, Griffith saw her work schedule slashed from 40 hours per week to 20 hours.

As the couple sat stoically in the unemployment office waiting for their names to be called, Griffith wondered how she would pay her bills on her reduced salary and whatever she might be able to get from the state. “I just feel like we’ve been rained on,” she said glumly.

—adapted from the *New York Times*, February 3, 1977

The Economic Crisis of the 1970s

Since the end of World War II, the American economy had been the envy of the world. During the 1950s and 1960s, many Americans enjoyed remarkable prosperity and had come to assume it was the norm. This prosperity rested in large part on easy access to

raw materials around the world and a strong manufacturing industry at home. By the 1970s, however, both conditions began to disappear.

A Mighty Economic Machine Slows The nation's economic troubles began in the mid-1960s, when President Johnson significantly increased federal deficit spending in an attempt to fund both the Vietnam War and his Great Society program without raising taxes. This pumped large amounts of money into the economy, which spurred inflation, or a rise in the cost of goods.

Rising costs of raw materials due to greater competition for them was another cause of inflation. In particular, the rising cost of oil dealt a strong blow to the nation's economy. More than any other nation, the United States based its economy on the easy availability of cheap and plentiful fossil fuels and had become heavily dependent on imports from the Middle East and Africa.

For years, the **Organization of Petroleum Exporting Countries (OPEC)** sold oil for its member countries. Prices remained low until the early 1970s, when OPEC decided to use oil as a political and economic weapon. In 1973 the Yom Kippur War was raging between Israel and its Arab neighbors. Tension had existed between Israel and the Arab world ever since the founding of modern Israel in 1948. Since most Arab states did not recognize Israel's right to exist, U.S. support of Israel made American relations with Arab states uneasy.

Now OPEC announced that its members would

embargo, or stop shipping, petroleum to countries that supported Israel, namely the United States and some Western European nations. OPEC also raised the price of crude oil by 70 percent, and then by another 130 percent a few months later.

Even before the oil embargo, President Nixon and Congress had tried to protect the American people from rising world oil prices by imposing a complex system of price controls. These controls forced oil companies to charge consumers low prices for gasoline and heating oil, even though the price of imported crude oil was rising. Oil companies could afford to do this because some of the oil they bought came from low-priced domestic sources. After OPEC raised its prices, however, the price controls created an oil shortage. There was not enough cheap oil available domestically to supply demand, and oil companies could no longer afford to pay world oil prices and still make a profit. If there had been no price controls, gasoline prices would have risen—but there would not have been an oil shortage.

Although the embargo ended a few months after it began, oil prices continued to rise. OPEC raised prices three more times in the 1970s and again in 1980. By that time, the price of a barrel of crude oil had risen from \$3 in 1973 to \$30 in 1980. The dramatic increase helped accelerate inflation throughout the American economy.

ECONOMICS

A Stagnant Economy Another economic problem was the decline of the manufacturing sector. In the years following World War II, the United States had dominated international trade, but by the 1970s, it faced increased international competition. Many manufacturing plants were now decades old and less efficient than the newer plants that Japan and European industrial nations built after the war.

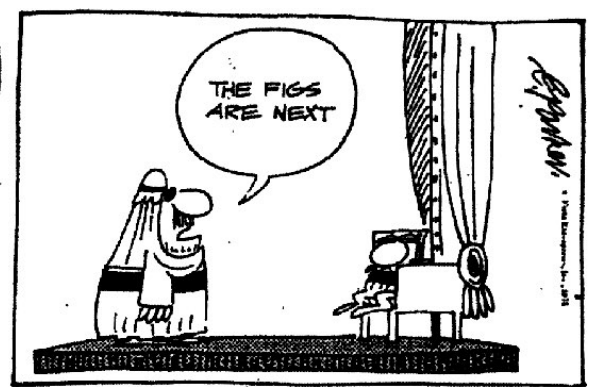
These factors forced many factories to close, and millions of workers lost their jobs. The result was a growing pool of unemployed and underemployed workers.

Thus in the early 1970s President Nixon faced a new and puzzling economic dilemma that came to be known as "stagflation," a combination of rising prices and economic stagnation. Economists who

Picturing History

A Scarce Commodity Americans had to schedule their lives around the availability of gasoline during the OPEC oil embargo. Why did OPEC institute the embargo?





Analyzing Political Cartoons

Coping With Shortages Cartoonist Brant Parker reflected the public's frustration over the oil shortages of the 1970s. What message does the cartoonist convey with the statement "the figs are next"?

emphasized the demand side of economic theory, including supporters of Keynesianism, did not think that inflation and recession could occur at the same time. They believed that demand drives prices and that inflation would only occur in a booming economy when demand for goods was high. As a result, they did not know what fiscal policy the government should pursue. Increased spending might help end the recession, but it would increase inflation. Raising taxes might slow inflation but would prolong the recession.

Nixon decided to focus on controlling inflation. The government moved first to cut spending and raise taxes. The president hoped that higher taxes would prompt Americans to spend less, which would ease the demand on goods and drive down prices. Congress and much of the public, however, protested the idea of a tax hike. Nixon then tried to reduce consumer spending by getting the Federal Reserve Board to raise interest rates. When this failed, the president tried to stop inflation by imposing a 90-day freeze on wages and prices and then issuing federal regulations limiting future wage and price increases. This had little success.

Reading Check Explaining How did President Nixon attempt to stop stagflation?

Ford Takes Over

When Nixon resigned in 1974, the nation's inflation rate was still high, despite many efforts to reduce prices. Meanwhile, the unemployment rate was over five percent. It would now be up to Gerald Ford to confront stagflation.

Most Americans considered Gerald Ford a decent and honest if-not-particularly dynamic leader. When he became vice president, Ford had readily acknowl-

edged his bland personality. "I'm a Ford, not a Lincoln," he said. Still, the new president boasted excellent credentials, including a degree from Yale Law School, naval service during World War II, and service in the House of Representatives since 1949. His fellow Republicans had elected him as minority leader in 1965. Ford would need to draw on all his experience during his time in office.

Ford Pardons Nixon On September 8, 1974, Ford announced that he would grant a "full, free, and absolute pardon" to Richard Nixon for any crimes he "committed or may have committed or taken part in" while president. "This is an American tragedy in which we all have played a part," he told the nation. "It could go on and on and on, or someone must write the end to it."

Ford insisted he was acting not out of sympathy for Nixon, but in the public interest. Ford's position was that he wanted to avoid the division that charges against Nixon and a public trial would create. Nonetheless, the pardon aroused fierce criticism. Ford's approval ratings soon plunged from 71 percent to 50 percent.

Ford Tries to "Whip" Inflation By 1975 the American economy was in its worst recession since the Great Depression, with unemployment at nearly nine percent. Rejecting the notion of mandatory wage and price controls to reduce inflation, Ford requested voluntary controls. Under a plan known as WIN—Whip Inflation Now—he urged Americans to cut back on their oil and gas consumption. The plan stirred up little enthusiasm and eventually failed. The president then turned to cutting government spending and advocating higher interest rates to curb inflation. This too failed.



Picturing History

Reassuring Presence After the turmoil of Watergate, President Gerald Ford, shown here with First Lady Betty Ford, was a comforting leader, but he was unable to solve the problem of inflation. Through what methods did Ford try to “whip inflation now”?

As Ford attempted to revive the economy, he also attempted to limit federal authority, balance the budget, and keep taxes low. Ford vetoed more than 50 bills that the Democratic-led Congress passed during the first two years of his administration.

Ford’s Foreign Policy In foreign policy, Ford continued Nixon’s general strategy. Ford kept Kissinger on as secretary of state and continued to pursue détente with the Soviets and the Chinese. In August 1975 he met with leaders of NATO and the Warsaw Pact to sign the **Helsinki Accords**. Under the accords, the parties recognized the borders of Eastern Europe established at the end of World War II. The Soviets in return promised to uphold certain basic human rights, including the right to move across national borders. The subsequent Soviet failure to uphold these basic rights turned many Americans against détente.

Ford also encountered problems in Southeast Asia. In May 1975, Cambodia seized the *Mayaguez*, an American cargo ship traveling near its shores, claiming that it had been on an intelligence-gathering mission. Calling the ship’s seizure an “act of piracy,” Ford dispatched U.S. Marines to retrieve it. Cambodia released the crew before the marines arrived.

The Election of 1976 As the 1976 presidential election approached, Americans were pessimistic and unsure of the future. With rising inflation and unemployment, many citizens were undergoing an adverse change of lifestyle. There were equally serious problems in foreign affairs. Political turmoil in developing nations threatened world stability, while the Soviet Union was pursuing an aggressive foreign policy. Americans therefore looked to elect a man who could meet these challenges.

The presidential race pitted Gerald Ford against James Earl Carter, Jr., or Jimmy Carter, as he liked to be called. Carter was somewhat of a political outsider. A former governor of Georgia, Carter had no national political experience. Nonetheless, he had won the Democratic primary with an inspiring and well-organized campaign. Carter sought to take advantage of his outsider image, promising to restore morality and honesty to the federal government. He also promised new programs for energy development, tax reform, welfare reform, and national medical care.

More than the programs he proposed, it was Carter’s image as a moral and upstanding individual that attracted most supporters. Ford meanwhile characterized Carter as a liberal whose social program spending would produce higher rates of inflation and require tax increases.

In the end, Carter edged Ford with 50.1 percent of the popular vote to Ford’s 47.9 percent, while capturing 297 electoral votes to Ford’s 240. On Inauguration Day, to demonstrate his man-of-the-people style, Carter declined the traditional limousine ride and walked from the Capitol to the White House.

Reading Check **Examining** What steps did President Ford take to try to control inflation?

Carter Battles the Economic Crisis

Carter devoted much of his domestic agenda to trying to fix the economy. At first he tried to end the recession and reduce unemployment by increasing government spending and cutting taxes. When inflation surged in 1978, he changed his mind. He delayed the tax cuts and vetoed the spending programs he had himself proposed to Congress. He then tried to ease inflation by reducing the money supply and raising interest rates. His main focus, however, was on the energy crisis. In the end, none of his efforts succeeded.

A “War” Against Consumption Carter felt that the nation’s most serious problem was its dependence on foreign oil. In one of his first national addresses, he tried to rally Americans to support what he termed a “war” against rising energy consumption. “Our decision about energy will test the character of the American people and the ability of the President and Congress to govern this nation,” Carter stated.

Carter proposed a national energy program to conserve oil and to promote the use of coal and renewable energy sources such as solar power. He persuaded Congress to create a **Department of Energy** and also asked Americans to make personal sacrifices to reduce their energy consumption. Most of the public complied as best they could, although many ignored the president’s suggestion.

At the same time, many business leaders and economists urged the president and Congress to deregulate the oil industry. The regulations, first imposed as part of President Nixon’s price control plan, limited the ability of oil companies to pass on OPEC price increases to American consumers. As a result, oil companies found it difficult to make a profit, and they lacked the capital to invest in new domestic oil wells. These regulations, combined with OPEC price increases, helped create the energy crisis of the 1970s. Carter agreed to support deregulation but insisted on a “windfall profits tax” to prevent oil companies from overcharging consumers. The tax, however, conflicted with the basic idea of deregulation, which was to free up corporate capital for use in searching for new sources of oil. In the end, Carter’s contradictory plan did not solve the country’s energy crisis.

In the summer of 1979, instability in the Middle East produced a second major fuel shortage and deepened the nation’s economic problems. Under increasing pressure to act, Carter made several proposals in a television address. The speech was notable for Carter’s bleak assessment of the national condition. He complained about a “crisis of confidence” that had struck “at the very heart and soul of our national will.” The address became known as the “malaise” speech, although Carter had not specifically used that word. Many Americans interpreted the speech not as a timely warning but as Carter blaming the people for his failures.

Carter’s Leadership Problems In retrospect, President Carter’s difficulties in solving the nation’s economic problems lay in his inexperience and inability to work with Congress. Carter, who was proud of his outsider status, made little effort to reach

out to Washington’s legislative leaders. As a result, Congress blocked many of his energy proposals.

Carter also failed to translate his ideas into a concrete set of goals to inspire the nation. He offered no unifying theme for his administration, but instead followed a cautious middle course that left people confused. By 1979 public opinion polls showed that Carter’s popularity had dropped lower than President Nixon’s during Watergate.

Reading Check **Summarizing** To what did President Carter devote much of his domestic agenda?

Carter’s Foreign Policy

In contrast to his uncertain leadership at home, Carter’s foreign policy was more clearly defined. A man of strong religious beliefs, Carter argued that the United States must try to be “right and honest and truthful and decent” in dealing with other nations. Yet it was on the international front that President Carter suffered one of his most devastating defeats.

Picturing History

Change of Pace Jimmy Carter underscored his campaign image of being a new kind of politician by walking to the White House after his inauguration. What about Carter’s image in 1976 might have been appealing to the public?



HOSTAGE TO TERROR

Bound and blindfolded, American diplomat Jerry Miele is led out of the U.S. embassy in Tehran, Iran, after militants stormed the building on November 4, 1979. Ten months earlier, an Islamic fundamentalist revolution had overthrown the Shah of Iran, a staunch American ally. President Carter's decision to allow the ailing Shah to seek medical treatment in the United States led to the embassy takeover. Of the Americans taken captive, 52 were held for more than a year. The crisis contributed to Carter's defeat in the presidential election in 1980.



Morality in Foreign Policy Carter had set the tone for his foreign policy in his inaugural speech, when he announced, "Our commitment to human rights must be absolute. . . . The powerful must not persecute the weak, and human dignity must be enhanced." With the help of his foreign policy team—including Andrew Young, the first African American ambassador to the United Nations—Carter strove to achieve these goals.

The president put his principles into practice in Latin America. To remove a major symbol of U.S. interventionism in the region, he moved to give the Panamanians control of the Panama Canal. The United States had built and run the canal since 1903. In 1978 the president won Senate ratification of two Panama Canal treaties, which transferred control of the canal to Panama on December 31, 1999.

Most dramatically, Carter singled out the Soviet Union as a violator of human rights. He strongly condemned, for example, the Soviet practice of imprisoning people who protested against the government. Relations between the two superpowers suffered a further setback when Soviet troops invaded the Central

Asian nation of Afghanistan in December 1979. Carter responded by imposing an embargo on the sale of grain to the Soviet Union and boycotting the 1980 Summer Olympic Games in Moscow. Under the Carter administration, *détente* virtually collapsed.

Triumph and Failure in the Middle East It was in the volatile Middle East that President Carter met his greatest foreign policy triumph and his greatest failure. In 1978 Carter helped broker a historic peace treaty, known as the **Camp David Accords**, between Israel and Egypt, two nations that had been bitter enemies for decades. The treaty was formally signed in 1979. Most other Arab nations in the region opposed the treaty, but it marked a first step to achieving peace in the Middle East.

Just months after the Camp David Accords, Carter encountered a crisis in Iran. The United States had long supported Iran's monarch, the Shah, because Iran was a major oil supplier and a buffer against Soviet expansion in the Middle East. The Shah, however, had grown increasingly unpopular in Iran. He was a repressive ruler and had

The Islamic clergy fiercely opposed the Shah's reforms. Opposition to the Shah grew, and in January 1979 protesters forced him to flee. An Islamic republic was then declared.

The new regime, headed by religious leader Ayatollah Khomeini, distrusted the United States because of its ties to the Shah. In November 1979, revolutionaries stormed the American embassy in Tehran and held 52 Americans hostage. The militants threatened to kill the hostages or try them as spies.

The Carter administration tried unsuccessfully to negotiate for the hostages' release. In April 1980, as pressure mounted, Carter approved a daring rescue attempt. To the nation's dismay, the rescue mission failed when several helicopters malfunctioned and one crashed in the desert. Eight servicemen died in the accident. Hamilton Jordan, President Carter's chief of staff, described the gloomy atmosphere in the White House the day after the crash:

“I arrived at the White House a few minutes before the President went on television to tell the nation about the catastrophe. He looked exhausted and careworn. . . . The mood at the senior staff meeting was somber and awkward. I sensed that we were all uncomfortable, like when a loved one dies and friends don't quite know what to say. . . . After the meeting, I wandered around the White House. . . . My thoughts kept returning to the bodies [of the servicemen] in the desert.”

—quoted in *Crisis: The Last Year of the Carter Presidency*

World Geography Connection

The Islamic State TAKS Practice

In establishing an Islamic republic, the Ayatollah Khomeini created a state in which the codes and beliefs of Islam guide politics and thus direct nearly every aspect of life. Mullahs, or Islamic religious leaders, became political leaders as well, which allowed them to impose Islamic codes on Iranian citizens. In a religious state, religious practices are not a matter of choice but the law of the land. Politics and religion have joined forces in other parts of the Islamic world as well. In 1996 a group known as the Taliban transformed Afghanistan into an Islamic state. From insisting that men grow beards to forbidding women to work outside the home, Afghanistan's leaders enforced a social order based on an interpretation of Islam. *What long-held American principle does the creation of a religious state violate?*

The crisis continued into the fall of 1980. Every night, news programs reminded viewers how many days the hostages had been held. The president's inability to free the hostages cost him support in the 1980 presidential election. Negotiations with Iran continued right up to Carter's last day in office. Ironically, on January 20, 1981, the day Carter left office, Iran released the Americans, ending their 444 days in captivity.

 **Reading Check** **Summarizing** What was President Carter's main foreign policy theme?

TAKS Practice

SECTION 3 ASSESSMENT

Checking for Understanding

- Define:** inflation, embargo, stagflation.
- Identify:** Helsinki Accords, Department of Energy.
- Identify** the achievement and failure President Carter experienced in the Middle East during his administration.

Reviewing Themes

- Economic Factors** How did President Carter attempt to deal with the nation's energy crisis?

Critical Thinking

- Evaluating** Do you think President Ford should have pardoned Richard Nixon? Why or why not?
- Organizing** Complete a graphic organizer similar to the one below by listing the ways that President Carter applied his human rights ideas to his foreign policy.



Analyzing Visuals

- Analyzing Photographs** Study the photograph on page 848. What effect do you think images such as this one had on Americans who were living or traveling in other countries?

Writing About History

- Expository Writing** Write an essay identifying what you believe to be President Carter's most important foreign policy achievement. Explain your choice.