

The Reagan Years

1981-1989

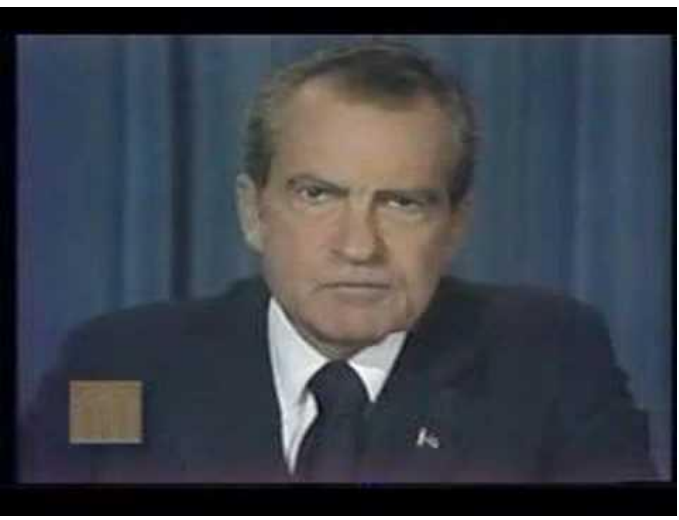
Late 1970s and President Carter



The late '70s saw America as a tired and bewildered nation.

- The economy was suffering from **stagflation**.
- The Vietnam War had left a **legacy of division** and bitterness.
- The Watergate Scandal left **Americans cynical about government**
- In 1979, there was an Islamic Fundamentalist Revolution in Iran and the American embassy was taken hostage. Carter was unable to negotiate their release. An attempted commando raid failed and Carter would lose the 1980 election. Ronald Reagan becomes the next president.

1970s Images



Domestic Policies



President Reagan believed that **individuals, businesses and local governments were able to solve problems better than federal government programs could.** He set out to reduce the role of the federal government in American life.

Reagan reversed the trend that had begun with the New Deal: that the federal government should help to solve all major domestic problems.

Reagan's Domestic Policies cont.

- **Tax Cuts and Domestic Spending.**

When Reagan took office, the key problems facing the nation were rising prices and high unemployment.

Reagan tried to ease unemployment by cutting taxes on businesses and the wealthy. He believed that this would result in more investment in new businesses, leading to production of more goods and the creation of more jobs.

To help pay for his tax cuts, Reagan reduced spending on government welfare and education programs. He also reduced government regulations.

Reagan's Domestic Policies cont.

- Increased Military Spending.

While cutting taxes, Reagan increased military spending sharply. He believed the armed forces were not strong enough to confront the Soviet Union. New military spending created a demand for many goods and services, which helped the economy to grow. However, the government did not collect enough taxes to pay for this military buildup and had to borrow money. The national debt doubled under President Reagan.

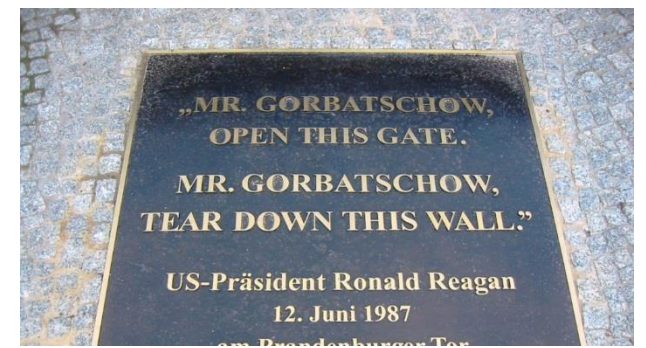
In order to curb inflation, which had plagued the economy in the 1970s, the Federal reserve tightened credit. This led to a recession in 1981-82, but then the economy rebounded and continued to grow with low inflation, which dropped to 4% by 1988.

Foreign Policy Under Reagan

As President, Reagan set out to restore American confidence. He believed that the U.S. should act as the world's defender of freedom and democracy.

- **The Reagan Doctrine.** Reagan announced that the US would go beyond trying to stop communism from spreading. Instead, the US would aid rebels fighting to free their countries from communist control. Under this policy, the US sent weapons to groups fighting communism in Afghanistan and other countries. In 1983, Reagan sent marines to Grenada in the Caribbean, just after communists had taken control, and defeated them. This prevented Cuba and the Soviet Union from using Grenada to spread communism to other areas.

Foreign Policy Under Reagan cont.



- **The Thawing of the Cold War.**

When Reagan became President, the Soviet Union was still a dangerous enemy. To help protect the nation, Reagan approved spending for research on anti-missile defense systems, known as Strategic Defense Initiative or “Star Wars.”

Reagan spoke in Berlin and urged Soviet President Gorbachev to “tear down this wall!”

The failures of the Soviet economic and political systems finally forced the communist leadership to introduce changes, giving their citizens a larger voice in government.

Soviet President Mikhail Gorbachev agreed to allow peaceful change in eastern European countries like Poland, East Germany and Czechoslovakia. Presidents Reagan and Gorbachev held a number of meetings, and in 1987 they signed a major agreement to dismantle thousands of intermediate range nuclear missiles.

