From John Mack Faragher, Out of Many etc. ed.

interest rates high as the government drove up the cost of borrowing the money it needed to pay its own bills. Foreign investors, attracted by high interest rates on government securities, pushed up the value of the dollar in relation to foreign currencies. The overvalued dollar made it difficult for foreigners to buy American products, while making overseas goods cheaper to American consumers. Basic American industries—steel, autos, textiles—thus found it difficult to compete abroad and at home. In 1980, the United States still enjoyed a trade surplus of $166 billion. By 1987 the nation was indebted to foreigners to the tune of $340 billion. Since World War I, the United States had been the world's leading creditor; in the mid-1980s, it became its biggest debtor (see Figure 30.3).

On Wall Street, the bull market ended abruptly in the fall of 1987. After reaching its new high, the Dow Jones average of thirty leading industrial stocks began to slide downward and then crashed. On October 19, "Black Monday," the Dow lost almost one-quarter of its value. Although the causes for the panic remain uncertain, at the time many commentators pointed to anxiety spurred by the raging federal deficit.

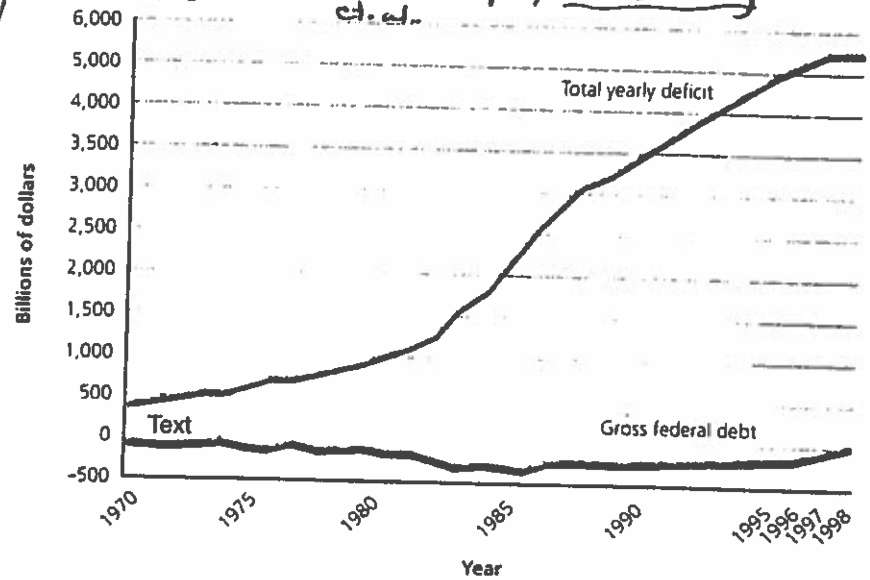


FIGURE 30.3 Federal Budget Deficit and National Debt, 1970–98 Tax cuts combined with huge increases in defense spending created a sharp increase in the budget deficit during the Republican administrations.

SOURCE: *Statistical abstract of the United States*, in Nash et al., *The American People*, 5th ed., p. 988.

Best of Times, Worst of Times

President Reagan set the tone for the era when he responded to a reporter's question asking him what was best about America. "What I want to see above all," Reagan replied, "is that this remains a country where someone can always get rich." The celebration of wealth, moneymaking, and entrepreneurship dominated much of popular culture, politics, and intellectual life in the 1980s, establishing a pattern that would persist into the twenty-first century. The dapper stock speculator Ivan Boesky, who was later indicted for criminal insider trading, echoed Reagan's philosophy and boasted of making more than $100 million on just two deals. "I think greed is healthy," he told cheering business students in 1986: "You can be greedy and still feel good about yourself." However, few Americans in the 1980s could actually live by these principles.

Various data indicated that the nation was moving toward greater inequality, that while income soared for the wealthiest Americans, poverty was also on the rise. Analysts disagreed over the causes of these trends. However, after eight years of tax cuts, defense buildup, growing budget deficits, and record trade imbalances, many Americans feared that the future looked uncertain at best. Two of their most cherished beliefs—that life would improve for most people and their children, and that membership in the comfortable middle class was possible for all who worked for it—looked shaky by the end of the decade (see Tables 30.1, 30.2, and 30.3).

A Two-Tiered Society

Until the mid-1970s, the rise in income had been fairly evenly distributed among Americans. During the Reagan presidency, in contrast, affluent Americans gained the most, with the top 1 percent way out in front. Before Reagan took office, a CEO of a major corporation earned about forty times that of a typical blue-collar worker; at

TABLE 30.1

Percentage Share of Aggregate Family Income, 1980–92

	1980	1992
Top 5 Percent	15.3%	17.6%
Highest Fifth	41.6	44.6
Fourth Fifth	24.3	24.0
Third Fifth	17.5	16.5
Second Fifth	11.6	10.5
Lowest Fifth	5.1	4.4

SOURCE: U.S. Bureau of the Census, *Current Population Reports. Consumer Incomes*, Series P-60, Nos. 167 and 184, 1990, 1993. U.S. federal data compiled by Ed Royce, Rollins College.

TABLE 30.2

Share of Total Net Worth of American Families

	1983	1989
Richest 1 percent of families	31%	37%
Next richest 9 percent	35	31
Remaining 90 percent	33	32

SOURCE: *The New York Times*, April 21, 1992, from Federal Reserve Survey of Consumer Finances. Copyright © 1992 The New York Times. Reprinted by permission.

TABLE 30.3

Measures of Average Earnings, 1980–92 (In 1990 Dollars)

Year	Average Weekly Earnings	Average Hourly Earnings
1980	$373.81	$10.59
1985	363.30	10.41
1992	339.37	9.87

SOURCE: U.S. House of Representatives, Committee on Ways and Means, *Overview of Entitlement Programs* (Washington, DC: GPO, 1993), table 35, p. 557. U.S. federal data compiled by Ed Royce, Rollins College.

the end of his second term, the typical CEO made ninety-three times as much. Poverty grew at an alarming rate. The number of fully employed workers earning below poverty-level incomes increased by 50 percent. Nearly one-quarter of all children lived in poverty.

The gains for African Americans achieved by the civil rights movement were steadily eroded. In 1954, the year of the *Brown* v. *Board of Education* decision, black families earned about 53 percent of the income of white families. This figure rose to 60 percent in 1969, peaked at 62 percent in 1975, and steadily dropped during the next decade. By 1992, 33 percent of all African Americans lived in poverty, as did 29 percent of Hispanics (the rate was especially high among Puerto Ricans, yet low among Cuban Americans).

The majority of African Americans, six out of ten, lived in central cities with high unemployment rates, and the bleak prospects took a toll especially on the young. A black child was twice as likely as a white child to die before reaching their first birthday and four times more likely to be killed between the ages of one and four. Among black teenagers, the unemployment rate topped 40 percent; the few jobs available to them were among the lowest paid in the economy. Meanwhile, the high school dropout rate skyrocketed, and the number of serious crimes, such as burglary, car theft, and murder, perpetrated by black teenagers increased at an alarming rate.

Moreover, opportunities for advancement into the middle class were dwindling. By 1980, fewer black students attended integrated schools than in 1954, except in the South, where about half the black students did. The turnabout resulted in part from increasing opposition by white parents to court-ordered school busing, which had served since *Brown* v. *Board of Education* as the principal means of achieving racial balance in urban school systems. In 1975, a major clash between local white residents and black parents and their children occurred in Boston when a federally mandated busing plan was put into operation. During the 1980s, the busing controversy nearly disappeared because federal judges hesitated to mandate such programs. But more important was the change in the racial composition of American cities. As a consequence of "white flight" to the suburbs, big-city school systems were serving mainly African American and Latino children, making the issue of integration moot (see Tables 30.4, 30.5, and 30.6).

New legal rulings closed off important routes to employment in the professions. A 1978 U.S. Supreme Court decision dealt a sharp blow to affirmative action. To ensure acceptance of a minimum number of minority students, the University of California at Davis Medical School had established a quota system under affirmative action guidelines. In 1973 and 1974, the school denied admission to Allan Bakke, a white student. Bakke sued the university for "reverse discrimination," claiming his academic record was better than that of the sixteen minority students who were admitted. The U.S. Supreme Court handed down a five-to-four decision on June 18, 1978,

TABLE 30.4

Number of Poor, Rate of Poverty, and Poverty Line, 1979–92

	1979	1992
Millions of poor	26.1	36.9
Rate of poverty	11.7%	14.5%
Poverty line (family of four)	$7,412	$14,335

SOURCE: U.S. Bureau of the Census, *Current Population Reports: Consumer Income*, Series P-60, Nos. 161 and 185, 1988, 1993. U.S. federal data compiled by Ed Royce, Rollins College.

TABLE 30.5

Net New Job Creation by Wage Level, 1979–87

	Number of Net New Jobs Created	Percentage of Net New Jobs Created
Low-wage jobs (less than $11,611)	5,955,000	50.4%
Middle-wage jobs ($11,612 to $46,444)	4,448,000	31.7%
High-wage jobs ($46,445 and above)	1,405,000	11.9%

SOURCE: U.S. Senate, Committee on the Budget, *Wages of American Workers in the 1980s* (Washington, DC: U.S. Government Printing Office, 1988). U.S. federal data compiled by Ed Royce, Rollins College.

TABLE 30.6

Median Family Income and Ratio to White, by Race, and Hispanic Origin, 1980–92 (in 1992 Dollars)

Year	All Races	White	Black	Hispanic
1980	$35,839	$37,341	$21,606 (58%)	$25,087 (67%)
1985	36,164	38,011	21,887 (58%)	25,596 (67%)
1992	36,812	38,909	21,161 (54%)	23,901 (61%)

SOURCE: U.S. Bureau of the Census, *Current Population Reports*, Series P-60, No. 184, 1993. U.S. federal data compiled by Ed Royce, Rollins College.

stating that the use of an "explicit racial classification" in situations where no earlier discrimination had been demonstrated violated the equal protection clause of the Fourteenth Amendment. The Court ordered the University of California to admit Bakke to its medical school. During the 1980s, therefore, affirmative action programs could operate only when "a legacy of unequal treatment" could be proved.

The Feminization of Poverty

While the gap between the rich and poor was growing to its widest point since 1945, the experience of poverty became the lot of primarily women and children. Throughout the era, women with young children continued to enter the labor force at a fast pace, but the majority of jobs available to them paid too little to support their children. It took the financial support of an adult male breadwinner to keep a family out of poverty.

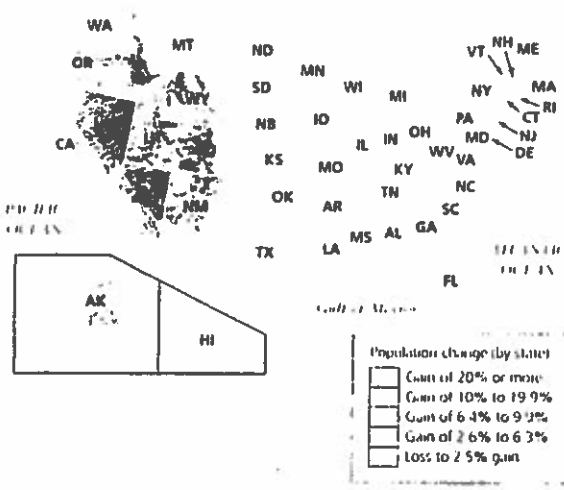
The rising rate of divorce and desertion paralleled the increasing number of women and children in poverty. Most women usually lost ground following a divorce, which now affected nearly half of all new marriages. New no-fault divorce laws lowered or eradicated alimony, pushing even many middle-class women into poverty. Moreover, the majority of men defaulted on child-support payments within one year after separation. Whereas divorced men enjoyed a sizable increase in their standard of living, divorced women and their children suffered a formidable decline.

A sharp rise in teenage pregnancy reinforced this trend. Nearly one in four babies was born to unmarried mothers. Many of these mothers were too young to have gained either the education or skills to secure jobs that paid enough to support themselves and their children. Even with Aid to Families with Dependent Children (AFDC) payments and food stamps, unemployed single mothers could rarely keep their families above the poverty line. By 1992, female-headed households, comprising 13.7 million people, accounted for 37 percent of the nation's poor. Among black women, the number of female-headed families increased in just one decade from 30 percent in 1970 to 47 percent in 1980. More than half of all black babies were now born to unmarried mothers. With few jobs for black men, especially for teenagers, the prospects for two-parent families were dim. Even in prosperous Orange County, by 1990 more than one in ten families was headed by a female householder with no husband present.

Sunbelt/Rustbelt Communities

A distinctive pattern of poverty and prosperity mirrored changes in the nation's political tenor. The bastion of prosperity as well as the bulwark of political conservatism was the Sunbelt, which extended from Florida to Orange County, California. This region boasted a gross product greater than many nations and more cars, television sets, houses, and even miles of paved roads than the rest of the United States, along with a growing number of Republicans.

Much of the Sunbelt's growth depended on a huge outlay of federal funds, including defense spending and the allocation of Social Security benefits. The number of residents over age sixty-five increased by 30 percent during the 1970s, reaching 26 million by the time President Reagan took office. Armed with retirement packages won decades earlier, huge "golden age" migrations created new communities in Florida, Arizona, and southern California. Immigrants from Latin America, the Caribbean, and Asia joined Americans fleeing the depressed Northeast to boost the region's population (see Map 30.4).



MAP 30.4 Population Shifts, 1970–80 Industrial decline in the Northeast coincided with an economic boom in the Sunbelt, encouraging millions of Americans to head for warmer climates and better jobs.

The Sunbelt witnessed a dramatic turnaround in demographic and economic trends. Southern cities reversed the century-long trend of out-migration among African Americans. The Southwest and West changed yet more dramatically. Aided by air conditioning, water diversions, public improvements, and large-scale development and subsidies to agribusiness, California became the nation's most populous state; Texas moved to third, behind New York. Former farms and deserts were turned almost overnight into huge metropolitan areas ringed by new automobile-dependent suburbs. Phoenix grew from 664,000 in 1960 to 1,509,000 in 1980, Las Vegas from 127,000 to 463,000 (see Figure 30.4).

Much Sunbelt wealth tended to be temporary or sharply cyclical, producing a boom-and-bust economy. Corporate office buildings in cities such as Houston emptied almost as fast as they filled. Income was also distributed unevenly. Older Hispanic populations made only modest gains, while recent Mexican immigrants and Indian peoples suffered from a combination of low wages and poor public services. The Sunbelt states directed their tax and federal dollars to strengthening police forces, building roads or sanitation systems for the expanding suburbs, and creating budget surpluses, in contrast to eastern and midwestern states, which continued to spend significantly on public housing, education, and mass transit.

The "Rustbelt" states, longtime centers of voting strength for the Democratic Party, meanwhile suffered severe population losses accompanying the sharp decline of manufacturing. The production of steel, automobiles, and heavy machinery suffered from foreign competition and from new, more efficient factories that opened in the South. Of the nineteen metropolitan areas that lost population, all were old manufacturing centers, topped by New York, Cleveland, Pittsburgh, Boston, Philadelphia, and Buffalo. The rural areas of the Midwest and Plains States also lost population, as farmers abandoned land that no longer produced a decent livelihood. By the time Reagan began his second term, the rural poverty rate was twice that of metropolitan areas.

Epidemics: Drugs, AIDS, Homelessness

Illegal drug addiction and drug trafficking took on frightening new dimensions in the early 1980s. Even the urban poor could afford the new arrival, "crack," a cheap, smokable, and highly addictive form of cocaine. The crack trade spawned a new generation of young drug dealers who were willing to risk jail and death for enormous profits. In city after city, drug wars over turf took the lives of dealers and innocents, both caught in the escalating violence.

In 1982, the Reagan administration declared a highly publicized "war on drugs," a multibillion-dollar paramilitary

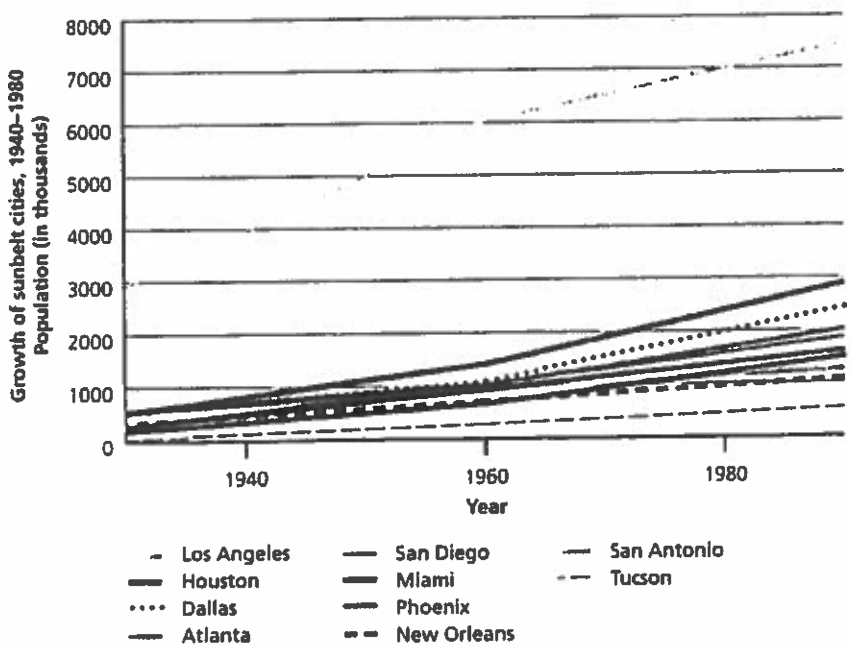


FIGURE 30.4 Growth of Sunbelt Cities, 1940–80 The old industrial cities in the Northeast and Midwest steadily lost population to the southern and western decentralized cities and their surrounding suburbs.

SOURCE: From Statistical abstract of the United States, in Nash et al., *The American People*, 5th ed., p. 988. Reprinted by permission of Longman Publishing Group, a division of Pearson Education.

In May 1987, members of the Lesbian and Gay Community Services in downtown Manhattan organized ACT-UP. Protesting what they perceived to be the Reagan administration's mismanagement of the AIDS crisis, they used nonviolent direct action, which often took the form of dramatic acts of civil disobedience. ACT-UP grew to more than seventy chapters in the United States and around the world.

operation to halt drug trafficking. Critics charged that the war on drugs focused on supply from abroad when it needed to look at demand here at home. They urged more federal money for drug education, treatment, and rehabilitation, dismissing as insufficient First Lady Nancy Reagan's "Just Say No" campaign aimed at children. Drug addiction and drug use, they argued, were primarily health problems, not law enforcement issues. The Reagan administration held firm in its policy and, moreover, named drug trafficking a major threat to national security.

Also new to the 1980s was the outbreak of the AIDS epidemic. In 1981, doctors began encountering a puzzling new medical phenomenon. Young homosexual men were dying suddenly from opportunistic infections such as pneumonia and cancer caused by a mysterious viral disease that damaged the body's immune system. Researchers at the Centers for Disease Control (CDC) in Atlanta called the new disease Acquired Immune Deficiency Syndrome (AIDS) and identified the means of transmission as the exchange of bodily fluids, such as semen and blood. Because the majority of early victims were homosexual men who acquired AIDS through sexual contact, many Americans perceived AIDS as a disease of homosexuals. But other victims became infected through intravenous drug use, blood transfusions, heterosexual transmission, or birth from AIDS-carrying mothers.

AIDS provoked fear, anguish, and anger. It also brought an upsurge of organization and political involvement. In city after city, the gay community responded to the AIDS crisis with energy and determination. Most gay men changed their sexual habits, practicing "safe sex" to lessen the chances of infection. President Reagan, playing to antigay prejudices, had largely ignored the epidemic. By the time he left office, the CDC had confirmed 82,764 AIDS cases and 46,344 deaths.

Homelessness emerged as a chronic social problem during the 1980s. Often disoriented, shoeless, and forlorn, street people in growing numbers slept over heating grates, on subways, and in parks. Homeless people wandered city sidewalks panhandling and struggling to find scraps of food. In the early 1980s, the Department of Housing and Urban Development placed the number of the nation's homeless at between 250,000 and 350,000. Advocates for the homeless estimated that the number was as high as 3 million.

Who were the homeless? Analysts agreed that at least a third were mental patients who had been discharged from psychiatric hospitals amid the deinstitutionalization trend of the 1970s. Many more were alcoholics and drug addicts unable to hold jobs. But the ranks of the homeless also included female-headed families, battered women, Vietnam veterans, AIDS victims, and elderly people with no place to go. Some critics pointed to the decline in decent housing for poor people and the deterioration of the nation's health care system as the major causes.

Toward a New World Order

Throughout his presidency, Reagan campaigned to restore American leadership in world affairs. He revived Cold War patriotism and championed U.S. intervention in the Third World, especially in the Caribbean and Central America. His infusion of funds into national security programs had enormous consequences for the domestic economy as well as for the nation's status as a global power. Yet along with hard-line exhortations against the Soviet Union and international terrorism, the Reagan administration also pursued a less ideological, more pragmatic approach in key foreign policy decisions. Most important, sweeping and unanticipated internal changes within the Soviet Union made the entire Cold War framework of international affairs largely irrelevant by the late 1980s.