

US History

The Conservative Revolution

Learning Target:

I can examine difficulties during Reagan's second term in office and compare this to his legacy.

3. Reagan's Second Term

1984 Election

The Candidates –

Ronald Reagan (Republican) –

- The incumbent
- Asked the nation if they were better off than they were four years ago
- Voters seemed to say yes

Walter Mondale (Democrat) –

- Carter's Vice President
- Chose Geraldine Ferraro as his running mate (first woman on a major party ticket)

The Results –

- The strength of the economy and Reagan's popularity allowed him to win in a landslide
- Reagan took 59% of the popular vote and all of the electoral votes except D.C. and Minnesota

Economic Concerns

The Deficit –

- Had topped \$200 billion in 1985
- Congress passed legislation requiring across the board spending cuts if the deficit got too big
- Tax Reform Law (1986) eliminated special tax breaks to increase government income

The Stock Market –

- Reagan's tax cuts and deregulation stimulated a stock market boom
- Insider trading
 - Use of confidential financial info for personal gain
 - Became widespread due to deregulation
 - Several large brokerage firms pleaded guilty to insider trading
 - Eroded investors' trust in stockbrokers
- Oct. 19, 1987 the market crashed and lost half a \$1 trillion dollars
- Slowly recovered

The S & L Scandal –

- Savings and Loan Banks made home mortgage loans to many people
- Deregulated to allow riskier but more profitable investments
- Many made investments that were too risky and collapsed when the market crashed
- Lost \$2.6 billion in depositors' savings
- Government had to pay the insurance (FDIC) on billions of losses
- Numerous bank officials were prosecuted for their role in the scandal and the cover-up

The Iran-Contra Affair

The Sandinistas –

- A Marxist government in Nicaragua that had seized power in 1979
- Reagan feared the Sandinistas revolution would spread communism in Latin America

The Contras –

- CIA trained and armed Nicaraguan guerillas known as the Contras
- Named after the Spanish word for counterrevolutionaries

Congress –

- Funding of the Contras violated American policy on intervening in other nation's affairs
- Congress discovered this mission in 1984 and cut military aid to the Contras

Iran Arms Sale –

- Secret sale of arms to Iran to encourage the release of hostages in Lebanon
- Profits of the secret sale were funneled to the Contras without Congress' knowledge

Oliver North –

- When Congress discovered the money still going to the Contra's they held hearings
- Blame fell to the marine lieutenant colonel that made the arrangements, Oliver North
- Reagan claimed no knowledge of the operation
- Still criticized for lack of control of the government

The Reagan Legacy

Approval Rating –

- Despite several scandals Reagan's popularity was still high
- When he left office in 1989 his approval rating was 60%

Foreign Policy –

- The improved relationship between the US and the USSR was on big reason for his popularity
- Developed close relationship with Mikhail Gorbachev that helped end the Cold War
- Also signed the Intermediate Nuclear Forces Treaty in 1987 with the Soviets

Domestic Policy –

- Many Americans did better economically during Reagan's term in office
- He also reduced the size of the government which he promised to do
- Economy did begin to struggle during the end of his presidency but not enough to hurt his legacy