

# **SOCIAL AND ECONOMIC CRISIS IN AMERICA**

## **1963-1981**

Just as the country was starting to begin to feel positive about its rivalry in the Cold War with Russia and the seemingly positive steps forward in the civil rights arena, the assassination of President Kennedy began a series of crisis in America, and when combined with the problems in foreign relations (i.e. Vietnam and Iran), made many Americans feel as though the American way of life was failing.

### **ASSASSINATION OF KENNEDY**

On November 22, 1963, while riding in the open presidential automobile in a motorcade in Dallas, TX, President Kennedy was killed by a rifleman firing from a building overlooking the street. When the news broke, there were rumors that extreme rightists were somehow guilty and there was also apprehension that a foreign enemy might have been responsible. But evidence indicated that it was the act of an unbalanced individual, Lee Harvey Oswald, who himself was shot a few days later while in the custody of Dallas police by a local businessman, Jack Ruby. Vice President Johnson, who was touring with the Kennedy motorcade, took the oath of office as President. In an emotional speech to the nation, the new President pledged to continue Kennedy's policies.

### **JOHNSON'S EARLY VICTORIES**

Johnson soon won enactment of the Kennedy's income tax reduction that Congress had been delaying. He won the support of businesses by reducing the budget to demonstrate his economy-mindedness. Defense expenditures were reduced but more was spent on education, health and welfare. In his State of the Union message in January 1964, he began to take a stance independent of the Kennedy program but not contradictory to it. He called for a war on poverty and secured the enactment of the Economic Opportunity Act eight months later. The program established a domestic peace corps, vocational training, part-time employment for youth and federal funds to the states to fight poverty.

In June 1964, the Senate for its first time voted to end a filibuster to bring passage of Kennedy's Civil Rights Act of 1964. In substance the bill strengthened provisions to secure voting rights for blacks, sought to prevent discrimination in employment and in the use of public accommodations. The Civil Rights Act would help alleviate the poverty that prevailed so much more among blacks than whites.

### **THE GREAT SOCIETY**

In the election of 1964 Johnson defeated Barry Goldwater 42 million to 26 million votes with Goldwater winning only his home state of Arizona and five states of the South. Using the Kennedy memory, the Democrats also picked many more seats in Congress. This election gave the Democrats and Johnson the ability to enact, beginning in 1965, a flood of legislation unprecedented since the early days of the New Deal. The Civil Rights Act of 1965 authorized the Attorney General to send federal registrars to register voters where fewer than 50 percent of the people of voting age had voted in 1964. The war on poverty was accelerated with expansion of the Economic Opportunity Act, aid to depressed areas, and aid to youth. Public schools for the first time were given large-scale federal funds, including parochial schools, under a formula that gave aid according to the number of needy children in a district. Aid to higher education, including grants of scholarships, was increased. The Medicare program of health insurance for those over 65 finally became law after a 20-year struggle. Other legislation provided aid to medical education and research and funds to fight water and air pollution.

The Department of Housing and Urban Development was created and the first black to serve in a cabinet position was appointed in 1966 as its first secretary, Robert Weaver. Also, a Department of Transportation was created to coordinate the federal relations with the various modes of interstate transportation. A new immigration law changed fundamentally the basic immigration of law of 1924 with its discriminatory quota

system. The national quotas were dropped; now immigrants qualified on basis of education and skills or because of having relatives in the US.

In January 1966, President Johnson proposed further legislation to Congress, but the cost of the war in Vietnam began to compete strongly for funds and Congress resisted some of his requests. Urban rehabilitation received more money and financing provided for continuing earlier programs. In 1968 Congress passed an open-housing law forbidding discrimination in about 30 percent of sales and rentals and billions of dollars were voted for low-income housing.

While the nation may have been straining itself financially, unemployment remained at an irreducible minimum and prosperity was greater than ever except for the unemployable and the unskilled in the ghettos.

### **THE GREAT SOCIETY FALTERS**

Factors related to the Vietnam War ended the expansion of the Great Society. The competition of domestic demands with military pressures strained the national resources. Prices and wages rose faster than in any time since the Korean War. Rationing and price fixing did not seem necessary (and would have never received popular support), but the President's great persuasive powers did not quite do the job. The Congressional Election of 1966 brought more conservative Democrats to Congress; they often combined with the Southern wing to vote with the Republicans. There was much criticism that the Great Society was trying to do too much too soon. Money was distributed through 170 different programs, requiring specialists to keep up with the different sources of federal funds. Much of the money expended failed to achieve what had been expected. Riots made ghettos in large cities throughout the country resemble battlefields similar to the evening newscasts of Vietnam and brought "white backlash" which hurt the administration. Demonstrations of doves, peaceniks, hippies, and followers of the New Left protesting the Vietnam War further weakened the Democrats.

The ambitions of the Kennedy clan, with Robert Kennedy now as its head, split the ranks of the Democrats. Kennedy had advised his brother to send the first large troops to Vietnam but now found openings to criticize Johnson's part in the war. Many analysts criticized the President for "lack of style" (which they had admired in Kennedy) and the President's "commoner" background in Texas. Some states in the Deep South resented the gains made by black Americans.

### **"BLACK AMERICA " UNREST**

The frustration of the black American with ghetto life in the cities of the North and the West Coast expressed itself in radicalism and violence beginning in 1964. Until then nonviolence as practiced by Martin Luther King and the leaders of the NAACP had characterized black demonstrations.

### **REMAINING FRUSTRATIONS OF BLACKS**

Northern blacks encountered a bewildering frustration because of de facto segregation in the cities. Blacks attended inferior schools in slums to which they were confined by selling practices of realtors and discrimination by landlords. Others were locked in by low incomes; these black slums came to be called ghettos. To overcome these handicaps blacks demanded that their children be "bused" to schools in other parts of town and demanded open housing laws. Blacks picketed and boycotted businesses to force employers to hire more blacks in all kinds of jobs. In the Deep South school integration had hardly begun by 1964, except for a few high profile cases. On the television screens the discrepancy between white and black American living standards was apparent to all. Though frustrations continued, much actual progress had been made in meeting the needs of blacks. For example, the number of blacks employed in responsible, well-paid jobs had doubled (however, the base number of the ratio was very low to begin with).

## **THE ADVOCACY OF VIOLENCE AND RADICAL SOLUTIONS**

Most of the violence attending the Black Revolution up to 1965 originated with whites in organization such as the KKK. Beginning in 1964 black leaders came forward in the North to repudiate nonviolence. The best known groups were the Black Muslims, led by Malcom X, and the Black Panthers, led by Stokely Carmichael. These groups advocated Black Nationalism and separateness. In 1966 the Black Power concept caught on among blacks tired of the slow change in attitudes of whites. Black Power meant, among other things, the cooperation of blacks among themselves to gain economic and political power; to some it meant threats and resort to violence and guerrilla warfare. In the "long hot summer" of 1964 riots erupted in black sections of many large cities in the North. In 1965 the Watts riot in Los Angeles resulted in the death of 34 people and the destruction by fire of \$35 million in property. In the summers of 1966 and 1967 a great many more riots broke out, many of them of major proportions. Commissions, such as the Kerner Commission, were appointed to study the causes of the riots. They recommended job opportunities, better transportation, more hospitals, improved housing and more social services. However, the expenses of the war in Vietnam and the "white backlash" to this violence caused even the curtailment of antipoverty programs. In April 1968, the black civil rights movement received a crushing blow when Martin Luther King was assassinated. The assassination was followed by rioting, looting and arson in cities all over the nation by blacks visibly upset with the condition of their struggle. Congress immediately passed the Civil Rights Act of 1968 providing for open housing in all federal housing programs. In the summers of 1968 and 1969 rioting among the black population was greatly reduced. However, in 1969 the Nixon administration advocated a go-slow policy in integration of public schools and visibly slackened the enforcement of the recently enacted civil rights acts. To many blacks, it seemed as though the country was returning to its pre-Brown v. Board of Education days.

## **THE ELECTION OF 1968**

Both the Vietnam War, with its related issues of inflation and the draft, and the Black Revolution and its subsequent "white backlash" created a background of discontent in 1968. The election year was one of violence and the surprise elimination of one of the candidates for the presidential nomination; Senator Robert Kennedy was assassinated by a disgruntled immigrant from the Middle East, Sirhan Sirhan, as he was making great progress toward winning in the Democratic nomination for President. Mob violence raged near the Democratic National Convention in Chicago where the city police clashed with young demonstrators of such New Left groups as the Students for a Democratic Society.

Vice President Hubert H. Humphrey, representing the Johnson administration, won the Democratic nomination on the first ballot. Senator Edmund Muskie of Maine was chosen for Vice President. As for the Republican Party, the Presidential nominee Nixon chose as his running mate, in a "Southern strategy," was Governor Spiro Agnew of Maryland.

Domestic discontent at the continuance of the Vietnam War outweighed public satisfaction with the booming economy. The results of political polls and the failure of Humphrey to catch on with the voters indicated that Nixon had a strong chance of winning. Consequently, he conducted a guarded campaign and avoided a strongly partisan role. The Southern and reactionary viewpoint found a spokesman in the third-party candidacy of ex-Governor George Wallace of Alabama. As in the 1960 election, results were close. Nixon's popular lead was than one-percent of the vote, but Nixon won a strong majority in the electoral college. Wallace won five states of the Deep South. The Republican gained seats in Congress, but the Democrats held a strong nominal majority of both houses.

## **THE DISTRESS OF INFLATION**

The economic pressures forced Nixon to have to deal with an economy with both high unemployment and inflation. For two and one-half years Nixon pursued a doctrinaire hands-off policy toward inflation, relying upon a highly restrictive monetary policy, including high interest rates to rein in the inflationary economic boom. Interest rates reached new highs for period going back as far as the Civil War. Federal spending was substantially curbed except for defense expenditures. But in August 1971, Nixon gave in to pleadings of economists and businessmen and proved himself a pragmatist by adopting a "New Economic Policy" of

wage and price controls. Phase I began with a wage-price-rent-freeze and ended convertibility of the dollar into gold. In Phase II, November 1971, Nixon tried to return to voluntarism by lifting controls except in certain problem areas of food, health care and construction. In Phase III, January 1973, Nixon terminated mandatory wage and price controls, but the termination had been ordered too soon. Therefore, in June 1973, Nixon ordered a 60-day price freeze (Phase III1/2) to give time to prepare Phase IV wage-price policies.

In preparation for the election of 1972 the administration had pursued a policy of reduce interest rates and massive increases in the money supply in order to stimulate the economy for election year. After the election the supposedly independent Federal Reserve Board was permitted again to resume tight money policies and high interest rates. Interest rates rose month after month until the high levels of 1970 brought back the falling security markets of 1969-1970. But consumer prices rose more sharply than at any time since the Korean War after Phase III of Nixon's decontrol went into effect. Employment also reached new highs; nevertheless many jobs went unfilled in spite of five-percent rate of unemployment. Prices of meat and other agricultural commodities increased sharply during the first half of 1973 so that Nixon began to put in effect curbs on certain exports. In February, the dollar was again devalued, this time by ten-percent. It was hoped that devaluation, making American dollars cheaper in terms of other currencies, would promote exports, discourage imports, and end trade deficits.

### **THE WATERGATE AFFAIR**

This scandal began with the arrest of five men who had gained illegal entry Democratic National Committee headquarters in the Watergate building in Washington DC on the night of June 17, 1972. James McCord, a former CIA operative and then a security officer for the Committee to RE-Elect the President, as well as four others, were working apparently under the direction of aides closest to the President. Police confiscated "bugging" and photocopy equipment from the burglars.

The trial and conviction of the Watergate intruders brought exposure of the scandal. Newspapermen's investigations and confessions of participants seeking reduced sentences brought out the shocking criminal activities by Nixon. In the Congress in 1972, hearings conducted by Senator Sam Ervin of North Carolina brought confessions from public officials and undercover men. The discovery that the President had bugged his own offices to record conversations led Judge Sirica, who conducted the Watergate Five trials, to subpoena the tapes. The President refused to yield them claiming the information was vital to the national security of the US and could not be made public. After several months the tapes were released to a special prosecutor by order of the Supreme Court in the historic case Nixon v. United States. The tapes revealed the clear responsibility of the President for ordering the illegal activities as well as lying to the public to deny and cover these activities.

### **AGNEW'S RESIGNATION**

Vice President Agnew further damaged the administration when, in October 1973, he was fined \$10,000 and placed on probation for income tax evasion in connection with acceptance of about \$100,000 in graft money when he was governor of Maryland. His resignation made him the second Vice President to resign. (In 1832 John Calhoun resigned in protest against President Jackson.) Nixon, according to the 25th Amendment, appointed Michigan Congressman Gerald Ford to the position.

### **NIXON'S RESIGNATION**

The White House tapes, when finally released, revealed Nixon's guilt of felony in the Watergate coverup. They revealed the sordid, vulgar conversations and amorality of the President and the men he employed. Not only Democrats, but conservative Republicans, whose party had been badly besmirched by their leader, demanded his resignation. The House Judiciary Committee recommended three articles of impeachment, for the abuse of presidential powers, and for refusal to be subpoenaed by the Committee. Republican leaders went to the White House to inform the President that the full House vote would be almost unanimous to impeach and he had not supporters in the Senate. Nixon resigned on August 9, 1974 and returned to his home in California.

## **FORD'S PARDON OF NIXON**

A firestorm of criticism greeted President Ford's pardon of former President Nixon just a month after he announced his resignation. Ford felt that he had to close on one of the saddest chapters in American history. He announced he was pardoning Nixon for any crimes he may have committed while serving as President. The pardon short-circuited the investigation by the Watergate special prosecutor who was about to indict the former President. The pardon of Nixon hurt Ford's approval ratings and led to his defeat to Jimmy Carter of Georgia in the Presidential Election of 1976.

## **CARTER AS PRESIDENT**

After the inauguration ceremony, Jimmy Carter symbolized his populist values by walking down Pennsylvania Avenue with his family to the White House. One of his first acts in office was the pardon of about 10,000 Vietnam War draft dodgers living in Canada.

Even though there was a solid Democratic majority in Congress, Carter ran into early conflicts with party leaders. In fact his inability to get along with Congress, along with congressional veto overrides, became significant features of his administration.

Early legislation by Congress included authority to reorganize the federal bureaucracy. Congress created a new Department of Energy in 1977 and Carter appointed Nixon's Secretary of Defense, James Schlesinger, as the department's first head. Immediately the new cabinet department ran into difficulty with Congress. Instead of promoting government regulation, Carter proposed an increase in domestic oil production and a reduction of oil consumption to deal with a burgeoning oil shortage. Congress did not pass a proposed 10 cents a gallon gas tax. The Three Mile Island nuclear reactor meltdown in 1979 caused great public concern over the future potential use of nuclear energy as a substitute for oil.

Congress also rejected Carter proposals to reform the welfare system, the electoral college, and campaign financing. It imposed restrictions on Carter's ability to formulate the federal budget through provisions of the 1974 Budget Act.

There were early legislative victories when Congress approved Carter's proposal to reorganize the federal bureaucracy. Jobs for the unemployed were created, taxes were nominally reduced, minimum wages were raised (even though this act certainly increased inflation), and Social Security payroll taxes were increased to try to offset some of the inflationary spending increases. Another cabinet position, the Department of Education with Shirley Hufstедler as first head, was created in 1979.

## **THE ENERGY CRISIS**

Ever since the Arab oil embargo of 1973 ended, American importation of foreign oil increased for many years. This dependence on foreign oil, predominately from the Arab states, conflicted with the US policy of supporting Israel. The OPEC nations established a cartel to control production and raise oil prices, thus creating a trade deficit for the United States. This resulting foreign trade deficit, coupled with high inflation, steadily eroded the value of the dollar. The American economy temporarily became hostage to Arab oil producers. The price of a gallon of gasoline soared and many stations were unable to meet demand with the high cost of wholesale gasoline. As time passed, no resolution of the energy problem was achieved, and when coupled with the problems with Iran, the President was blamed for the weakened state of the US in relation to other countries, both politically, economically, and militarily.

## **THE ECONOMY**

Oil prices were skyrocketing and so was US inflation. In 1979 the country saw inflation increase to double-digit levels, and was soon faced with double-digit unemployment as employers looked to stay profitable. Usually, as unemployment rises, inflationary pressures decrease. However, the oil crisis was keeping the inflationary pressures high. Besides the energy crisis, the country was facing a high trade imbalance, which further puts upward pressure on inflation. Carter was also unable to work with Congress to achieve a balanced budget and deficit spending continued, which keeps interest rates higher and puts upward pressure on unemployment. Economic conditions had reached the point that many leading economists were left scratching their heads without the ability to answer the questions on how to fix the problem of the US economy.