


Chapter 41

*The American People
Face a New Century,
2001-2014*

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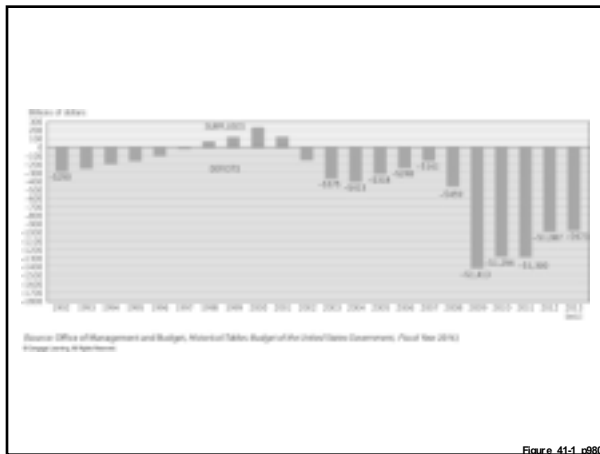


I. Bush Begins

- Bush:
 - Son of forty-first president (“41”), George W. Bush was “43”
 - First presidential offspring since John Quincy Adams to reach White House
 - He promised
 - To bring to Washington conciliatory skills he had honed as Republican governor of Texas
 - Where he worked well with Democratic majority in the state's legislature

I. Bush Begins (cont.)

- Bush as president:
 - More a divider than a uniter; more a crusading ideologue than a “compassionate conservative”
 - Withdrew American support from international health programs that sanctioned abortion:
 - Religious traditionalists cheered; liberals jeered
 - Advocated federally financed faith-based social-welfare initiatives
 - Limited government-sponsored research on embryonic stem cells
 - Americans debated ethics of new biological engineering



I. Bush Begins (cont.)

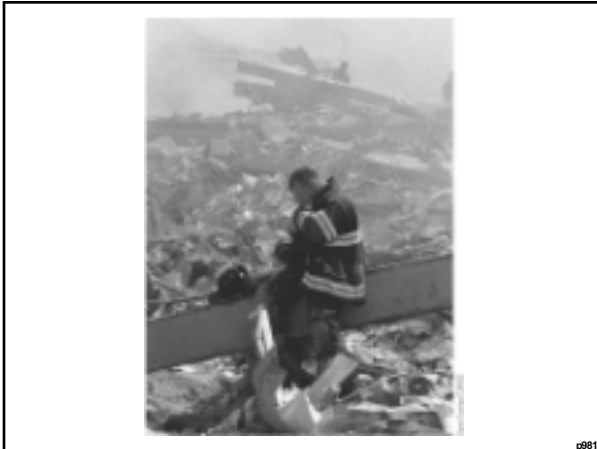
- Pleased corporate heads and angered environmentalists:
 - Challenged scientific findings on ground-water contamination
 - Repudiated international effort to slow global warming in **Kyoto Treaty** (limiting greenhouse gas emissions)
 - Allowed Vice President Cheney to shape energy policy in closed-door meetings with representatives of oil companies
 - Cheney advocated new oil exploration in Arctic National Wildlife Refuge on Alaska's ecologically fragile north coast

I. Bush Begins (cont.)

- Centerpiece was whopping \$1.3 trillion tax cut (2001)
 - Another cut in 2003
 - Combined with softening economy and increasing costs of military actions abroad, cuts turned budget surpluses of late 1990s into yawning deficits
 - Deficit more than \$400 billion in 2004
 - Nearly \$460 billion in 2008 (see Figure 41.1)

II. Terrorism Comes to America

- September 11, 2001, long era of America's impregnable national security violently ended
 - Suicidal terrorists slammed two hijacked airliners, loaded with passengers and jet fuel, into twin towers of New York City's World Trade Center
 - Flew third plane into Pentagon, killing 189
 - Heroic passengers forced fourth hijacked aircraft to crash in rural Pennsylvania, killing all 44 aboard
 - As two skyscrapers collapsed, some 3,000 perished
 - Catastrophic terrorism of **9/11**



II. Terrorism Comes to America (cont.)

- Bush responded to Congress nine days later:
 - Emphasized respect for Islamic religion and Muslim people
 - Identified principal enemy as Osama bin Laden, head of shadowy terrorist network **Al Qaeda**
 - » Since 1998, bin Laden had taken refuge in Afghanistan, ruled by Islamic fundamentalists called the Taliban
 - » Bin Laden drew on Muslim opposition to U.S. policies in Middle East including its growing military presence there as well as its support for Israel
 - » He also benefitted from worldwide resentment of America's enormous economic, military, and cultural power



II. Terrorism Comes to America (cont.)

- When Taliban refused to turn over bin Laden, Bush ordered military campaign against Afghanistan
 - Within three months, U.S. and Afghan rebel forces had overthrown Taliban, but failed to capture bin Laden
 - Confronted without unconventional “asymmetrical warfare”
- Congress in Oct. 2001 quickly passed **USA Patriot Act**
 - Permitted extensive telephone and e-mail surveillance
 - Authorized detention of immigrants suspected of terrorism
- 2002: Congress created Department of Homeland Security
 - To protect nation's borders
 - Ferret out potential attackers

II. Terrorism Comes to America (cont.)

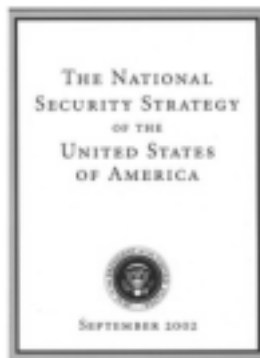
- Bush's Justice Department:
 - Rounded up hundreds of immigrants and held them without habeas corpus (formal charges in open court)
- Bush called for trying suspected terrorists in
 - Military tribunals, where usual rules of evidence and procedure did not apply
- **Guantanamo Detention Camp:**
 - Located on U.S. military base in Cuba
 - Where hundreds of Taliban fighters from Afghanistan languished in legal limbo and demoralizing isolation

II. Terrorism Comes to America (cont.)

- Catastrophic terrorism posed unprecedented challenge to United States
 - For almost 200 years, U.S.A. had been spared foreign attack on mainland
 - Virtually cost-free national security undergirded values of openness and individual freedom that defined distinctive character of American society
 - Now American security and American liberty dangerously imperiled

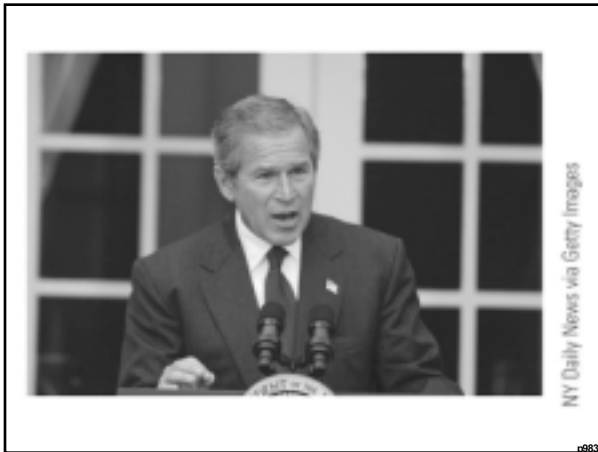
III. Bush Takes the Offensive Against Iraq

- On second day in office, Bush warned he would not tolerate Iraq's continued defiance of UN weapons inspections
- Saddam Hussein expelled inspectors from Iraq in 1998
- Clinton and Congress then declared Saddam's removal ("regime change") an official goal of U.S. policy
- After 9/11, Bush administration focused on Iraq with a vengeance
- Jan. 2002, Bush claimed Iraq, Iran, and North Korea were an "axis of evil" that gravely menaced U.S. security
 - Iran and North Korea had nuclear weapons programs
 - Iran supported terrorist groups in Middle East



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III. Bush Takes the Offensive Against Iraq (cont.)

- Saddam Hussein became main object of Bush's wrath
- Bush willing to wage preemptive war on Iraq
- Began planning for war, unilateral if necessary
- Accused Iraqi regime of all manner of wrongdoing:
 - Oppressed its own people
 - Frustrated weapons inspectors
 - Developed nuclear, chemical, and biological **weapons of mass destruction (WMD)**
 - Supported terrorist organizations like Al Qaeda
 - Suggested a liberated, democratized Iraq might
 - » Provide beacon of hope to Islamic world
 - » Rebalance political situation in Middle East

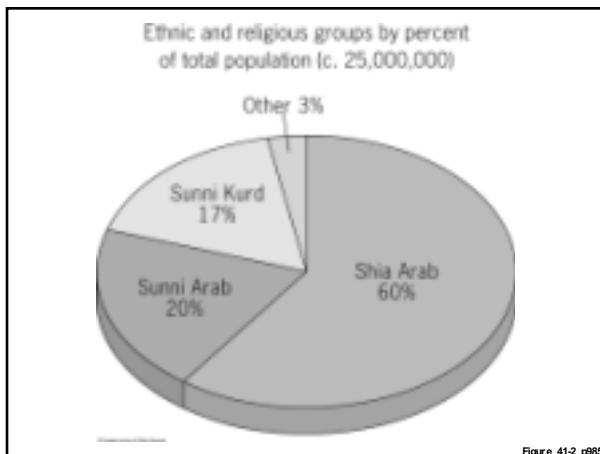
III. Bush Takes the Offensive Against Iraq (cont.)

- Secretary of State Colin Powell urged caution
- Congress passed resolution authorizing president to employ armed force to defend against Iraqi threats to U.S. security and enforce UN resolutions on Iraq
- UN Security Council gave Iraq "a final opportunity to comply with its disarmament obligations" (Nov. 2002)
- UN later declined to authorize use of force
- On March 19, 2003, Bush, with only Britain, launched long-anticipated invasion of Iraq
- Within a month, Baghdad had fallen
- Saddam driven from power and hounded into hiding

III. Bush Takes the Offensive Against Iraq (cont.)

- Saddam found and arrested nine months later
 - Executed in 2006
- On May 1, 2003, Bush on a U.S. aircraft carrier spoke under banner declaring “Mission Accomplished”
 - Announced “major combat operations in Iraq have ended” (see Map 41.1)





IV. Owning Iraq

- Post-Saddam Iraq devolved into seething cauldron of violence
 - Sunni and Shia Muslims clashed violently, especially in Baghdad
 - Both groups attacked American forces
 - Especially after U.S. decision to disband Iraqi army
 - Locally-grown insurgency spread, and occupying Iraq became ever more perilous for American troops
 - Hatred for Americans worsened:
 - With revelations in April 2004 of Iraqi prisoners tortured and humiliated at **Abu Ghraib prison**

IV. Owning Iraq (cont.)

- Amid chaos, jihadist terrorists moved into Iraq
 - No previous link between Saddam and Al Qaeda existed
- Three battles:
 - (1) Shia-Sunni ethnic violence
 - (2) Counter-occupation insurgency
 - (3) Jihadist terrorism
 - All three fed spiraling maelstrom of bloodshed
 - By end of 2006, more Americans had died in Iraq than in attack of September 11 (see Thinking Globally section)

IV. Owning Iraq (cont.)

- Almost from arrival, U.S. forces began preparing to withdraw
- Mid-2004, U.S. military ceded political power and limited sovereignty to interim Iraqi government
- Series of national elections followed in 2005
- Millions of Iraqis voted for national assembly to draft a constitution and, later, for parliamentary representatives and a president
- Under Iraq's new government, violent tensions existed
 - Sunnis feared reprisals by majority Shia government
 - Losing at ballot box, many Sunnis turned to violence



V. Reelecting George W. Bush

- 21st-century America deeply divided:
 - Civil libertarians worried government trampling on personal freedom
 - Corporate fraud fed rampant disillusionment with business community
 - Cultural tensions over rights of gays and lesbians
 - Affirmative action sparked debate when Supreme Court permitted some preferential treatment in admitting minority law students (University of Michigan, 2003)

V. Reelecting George W. Bush (cont.)

- Bush positioned himself for reelection:
 - Proclaimed tax cuts had spurred economic growth
 - Championed **No Child Left Behind Act** (2002)
 - Mandated sanctions against schools that failed to meet federal performance standards
 - Played to cultural conservatives:
 - By opposing stem cell research
 - By call for constitutional amendment to ban gay marriage
 - Promoted himself as stalwart leader in wartime

V. Reelecting George W. Bush (cont.)

- Democrats:
 - Chose John Kerry as nominee
 - He pushed progressive visions of government
 - Counted on Vietnam War record
- Election results:
 - Bush received first popular vote majority by presidential candidate in more than a decade—60,639,281 to 57,355,978—and won Electoral College, 286 to 252
 - This time his victory clear, constitutional, and uncontested



VI. Bush's Bruising Second Term

- Bush claimed he had “political capital” to spend on aggressive domestic agenda
 - Appointed two conservative Supreme Court justices: John G. Roberts and Samuel A. Alito
 - Overplayed his hand when he proposed to privatize much of Social Security
 - Opposed by AARP and other liberal groups
 - Idea faded away within six months of his reelection
 - Same fate for amendment to ban same-sex marriage

VI. Bush's Bruising Second Term (cont.)

- Immigration reform opposed by many Republicans:
 - Claimed illegals usurped tax dollars, jobs, and privileges
- Immigrant advocates wanted process to legalize undocumented aliens so they are protected
- Bush worked without bipartisan group on compromise
 - Establish guest-worker program for undocumented workers and “path to citizenship” after paying fine
 - Bill successfully opposed by nativists, by businesses, and by immigrant advocates because compromise pleased no one

VI. Bush's Bruising Second Term (cont.)

- Scandals:
 - Cheney's chief of staff convicted of perjury in 2005 from investigation into leak that exposed identity of CIA agent as retaliation against her antiwar husband
 - Dec. 2005, journalists discovered government conducting illegal wiretapsurveillance on
 - U.S. citizens inside United States in violation of federal law

VI. Bush's Bruising Second Term (cont.)

- **Hurricane Katrina** (late August 2005):
 - Devastated New Orleans and much of Gulf Coast
 - Flooded 80% of historic city
 - Caused 1,300 deaths and \$150 billion in damages
 - Bush's Federal Emergency Management Agency (FEMA) proved pathetically inept in New Orleans
- Many came to see Bush as impetuous, unreflective, and frequently feckless leader



VI. Bush's Bruising Second Term (cont.)

– Charges of dictatorial power-grabbing, cronyism, and incompetence mounted in Bush's second term:

- Republicans fell victim in 2006 elections
- Democrats regained control of both houses of Congress:
 - For first time since they had lost them to Gingrich revolution of 1994 (see Chap. 40)
 - California Democrat Nancy Pelosi became first woman to serve as Speaker of the House
- Biggest factor in Democrat's win was mishandling of war in Iraq
 - Pre-war claims about WMD and Iraq's connections to Al Qaeda and 9/11 all proved false

VI. Bush's Bruising Second Term (cont.)

- By late 2005, majority of Americans considered Iraq war a mistake
- Defense Department under Secretary Donald Rumsfeld badly mismanaged events in Iraq
 - He resigned after Republicans' "thumping" in 2006
- Still no peace in Iraq:
 - Death toll, Iraqi and American alike, continued to rise
 - Bush administration attempted to gain greater control in early 2007 with "surge" of 20,000 additional troops
 - Surge brought modest measure of stability to Iraq
 - As 2008 election cycle began, public opinion solidified strongly against the war



VII. The Presidential Election of 2008

- Election truly “open” for first time in 80 years:
 - Democratic race:
 - Fiercely fought contest between first term Illinois senator Barack Obama and former First Lady and sitting New York senator Hillary Rodham Clinton
 - Obama narrowly prevailed, surviving Clinton’s attacks on his experience
 - Obama promised voters a “postpartisan” politics
 - Picked foreign-policy-savvy Delaware senator Joseph Biden as running mate to bolster national security credentials

VII. The Presidential Election of 2008 (cont.)

- Republicans nominated Arizona senator John McCain:
 - Self-styled “maverick” and Vietnam War hero
 - Had record of supporting bipartisan legislation
 - Picked Sarah Palin as running mate
 - She galvanized conservative Republican base
- Obama:
 - Raised \$700 million from small donors via internet:
 - Seized advantage in both “air war” (television) and
 - “Ground war” (door-to-door campaigning by volunteers)

VII. The Presidential Election of 2008 (cont.)

- His television debates favorably impressed many voters
- Campaign slogan, “Yes we can,” excited hope and enthusiasm
- Sudden economic maelstrom gave his campaign a boost
- American housing price bubble:
 - Fed by years of Federal Reserve's easy-money policies
 - And private banking system's lax lending practices and complex, highly risky loans
 - Long era of cheap and abundant credit abruptly ended
 - 2008 collapse in real estate values generated tsunami of mortgage defaults, especially “subprime” borrowers



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TABLE 41.1 World Public Opinion of the United States

Question: Do you have a very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable opinion of the United States? (percentage favorable)

	2000	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Britain	83%	77%	79	58%	57%	54%	57%	53%	60%	62%	67%	60%	58%
France	62	63	43	37	43	39	39	42	73	73	70	69	64
Germany	79	64	45	36	43	37	30	31	64	63	62	52	53
Spain	50	—	36	—	41	33	34	35	56	61	64	56	62
Russia	37	61	36	42	32	43	41	46	44	37	56	52	51
Indonesia	75	61	55	—	39	36	35	37	63	59	54	—	54
Pakistan	25	10	13	25	25	27	15	19	16	17	12	12	11
Jordan	—	23	5	5	21	13	20	19	25	21	13	12	14
Turkey	52	30	15	30	25	13	9	12	14	17	18	15	21
Algeria	46	—	60	—	—	63	76	66	79	83	—	—	80
Japan	77	72	—	—	—	63	61	59	59	66	63	72	60
India	—	—	—	—	—	—	—	—	—	—	40	40	—
China	—	—	—	—	62	67	54	61	67	56	64	65	60

Source: Pew Global Attitudes Project 2013, “America’s Global Image Remains More Positive than Clinton’s.”
 Accessed at: <http://www.pewglobal.org>

Table 41-1 r291

VII. The Presidential Election of 2008 (cont.)

- As homeowners defaulted, mortgage-backed securities nosedived in value
- Aggressive “**deleveraging**”—selling assets at ever-declining prices—took place worldwide
- Some debts could not be unloaded at any price, and credit markets soon froze *everywhere*
- After Wall Street firm of Lehman Brothers collapsed in Sept. 2008, stocks fell dramatically
- Gravest financial hurricane since Great Depression of 1930s gathered ever-increasing force (see Figure 41.3)



Figure 41.3 p992

VII. The Presidential Election of 2008 (cont.)

— Bush administration actions:

- Nationalized two biggest mortgage companies:
 - Federal National Mortgage Association (“Fannie Mae”)
 - Federal Home Mortgage Corporation (“Freddie Mac”)
- Took over world's biggest insurance company
 - American International Group (AIG)
- Treasury secretary Henry Paulson persuaded Congress to create Troubled Assets Relief Program (TARP):
 - Authorized \$700 billion to buy “toxic” assets
 - Injected cash directly into nation's biggest banks and corporations
 - Will probably only cost \$21 billion when loans repaid

VII. The Presidential Election of 2008 (cont.)

- Obama called for reviving economy without public
 - Investments in alternative energy and infrastructure repair
- Voters delivered historic victory to Obama:
 - Garnered 53% of popular vote
 - Won traditional Republican strongholds such as Virginia, Nevada, and Colorado
 - Won Electoral College 365 to 173 (see Map 41.2)
 - Democrats enlarged majorities in House and in Senate

VII. The Presidential Election of 2008 (cont.)

- Reflected long-term demographic developments
 - Obama won without support from young, from educated professionals, and from racial and ethnic minorities
 - This coalition a formidable political force by 2008
- Obama's election opened new chapter in long-vexed history of American race relations
- Confronted first African American president with daunting challenge of:
 - Governing country embroiled in two wars
 - As it sank into deepest economic abyss since 1930s



VIII. Obama in the White House

- Even as Obama gave his inaugural address:
 - Home construction declined dramatically
 - Mortgage foreclosures soared
 - Countless businesses closed
 - Economy lost 700,000 jobs a month
 - Unemployment rate climbed above 10%—highest level since early 1980s
 - Perhaps heralding return to catastrophic joblessness of Great Depression of 1930s

VIII. Obama in the White House (cont.)

- Obama immediately addressed crisis, including huge “stimulus” bill—**American Relief and Recovery Act**:
 - Contained nearly a trillion dollars of tax cuts
 - New spending for jobs, infrastructure projects, relief to state and local governments
- Government also shored up bankrupt automakers General Motors and Chrysler as well as threatened banks and insurance companies
- Nonpartisan Congressional Budget Office estimated these measures saved up to three million jobs

VIII. Obama in the White House (cont.)

- By mid-2009, rapid economic decline halted
- Economy began to expand, though very slowly
- First steps toward growth feeble and faltering:
 - Unemployment rate stayed above 9%
 - Millions of Americans lost jobs and homes
 - Many more succumbed to anxiety and fear
 - Anxious consumers cut back on spending which weakened already sluggish recovery
- Obama sought liberal goal of health care reform
 - When Republicans refused to join effort, Obama had to rely solely on Democratic support

VIII. Obama in the White House (cont.)

– Patient Protection and Affordable Care Act:

- March 2010, new health-care law (“Obamacare”)
- Mandated all Americans purchase health insurance starting in 2014
- Required states establish “exchanges” where individuals and small businesses could purchase health-care insurance at competitive rates
- Prohibited insurers from denying coverage to anyone with preexisting medical condition
- Allowed children up to age 26 to remain covered by their parents’ health plan

VIII. Obama in the White House (cont.)

- Some subsidies provided to help pay for private insurance
- Medicaid for poorer Americans expanded
- Price of act estimated at \$940 billion over 10 years
- Experts predicted bill’s cost-cutting measure would reduce federal deficit by more than \$1 trillion over 20 years

– 2010 Wall Street Reform and Consumer Protection Act:

- Major overhaul of nation’s financial regulatory system
- Aimed to curb risky, high-flying practices that contributed to 2008 debacle by:
 - New controls on banks, investment houses, and stock markets
 - New truth-in-lending rules to protect consumers

IX. Back to Backlash

– Obama reaped few political rewards from these legislative achievements because:

- His efforts halted, but did not reverse, economy’s decline
- Deficits ballooned because of (a) Obama’s stimulus, (b) Bush’s tax cuts, and (c) drop in revenue from recession
- Critics on left wanted Obama to do more, while critics on right claimed he was doing too much
- Vehement attacks on health care reform accused Obama of
 - Promoting “socialism” and “unconstitutional” control over individuals
- “Tea Party” arose to challenge Obama’s policies, mid-2009

IX. Back to Backlash (cont.)

- Backed by wealthy donors, Tea Party galvanized hyper-conservative grassroots constituency that pushed Republican party sharply to right
- Congressional Republicans fought Obama tooth and nail
- President's successes and failures:
 - Appointed two Supreme Court Justices:
 - Sonia Sotomayor, first Hispanic (2009); Elena Kagan (2010)
 - “Cap-and-trade” bill on greenhouse gases failed because of Republican minority's opposition
 - His approval ratings slipped and his party slid downhill without him
 - 2010 midterm elections: Republicans gained six seats in Senate and 63 in House (gave them control of House)

IX. Back to Backlash (cont.)

- Obama's other accomplishments in late 2010:
 - \$858 billion package that extended unemployment benefits as well as Bush-era tax cuts
 - Repeal of “Don't Ask Don't Tell” policy on gays in military
 - Renewed nuclear arms reduction treaty (New START, or Strategic Arms Reduction Treaty) with Russia
- Legislative productivity ground to halt without new Congress
 - because Republicans played game of fiscal “chicken” over debt ceiling (mid-2011), S&P downgraded credit rating of U.S. government for first time in history
 - Republicans forced Obama to agree to big spending cuts without no tax increases
 - Disillusionment without both parties increased



X. New Directions in Foreign Policy

- Obama inherited wars in Iraq and Afghanistan, as well as other foreign policy headaches
- Sought to chart more tempered, pragmatic policy:
 - Repair frayed alliances, forge new arms control agreements, and reduce anti-Americanism abroad
- Sought to wind down Iraq war:
 - Announced in 2009, U.S. combat operations would end in summer 2010 without all combat troops out in 2011
 - Last U.S. troops left in December 2011
 - Nearly 5,000 Americans died in Iraq, and many more Iraqis

X. New Directions in Foreign Policy (cont.)

- Obama declared Afghan war necessary to defeat Al Qaeda and prevent future terrorism
 - Afghan *jihadi* (militant Islamic) fighters grew stronger against government plagued by incompetence and corruption
 - Taliban and Al Qaeda found refuge across border in Pakistan
- Dec. 2009: Obama declared U.S. troops would begin withdrawing by 2011, but to achieve that goal he was deploying 30,000 more troops to combat insurgency
- Despite deployment and changes in U.S. strategy, little progress made in Afghanistan
- U.S. forces, however, killed Osama bin Laden (May 2011)



X. New Directions in Foreign Policy (cont.)

- Obama made good on pledge to begin troop withdrawals from Afghanistan in 2011
 - By start of 2014, 38,000 troops remained, but full withdrawal scheduled by end of year
- In Afghanistan and elsewhere, Obama increasingly relied on unmanned “drone” attacks
 - Use of remotely piloted aircraft raised outcry at home and abroad, especially when used on U.S. citizens overseas
 - Critics argued U.S. citizens, even if known terrorists, deserved right to trial by jury prior to execution

X. New Directions in Foreign Policy (cont.)

- Obama rolled back some of Bush's antiterrorism policies (e.g., Obama banned water-boarding)
- Obama tried to close Guantanamo Bay detention facility, but Congress blocked effort
 - Dozens captured after 9/11 continued to languish in Guantanamo facility without little prospect of release

XI. The Politics of Inequality

- High unemployment and anemic economic growth sharpened debate over class, inequality, and role of government in economy
 - Many angry at financial sector's soaring incomes and political clout
 - Fall 2011, “**Occupy Wall Street**” movement start
 - Eclectic urban protests focused on rising inequality
 - “We Are the 99 Percent” slogan targeted concentration of wealth and income by top 1% of Americans
 - Protesters eventually left, but brought new attention to issue





XI. The Politics of Inequality (cont.)

- In late 1990s and early 2000s, rich got much richer
- Middle-class incomes stagnated
- Poor left without ever-shrinking share of economic pie
- Between 1968 and 2012, share of income going to top 20% swelled from 40% to 51% (see Table 41.2)
 - For top 5%, share increased from 15% to 22.3%
 - For top 1%, share increased from 8.4% to 19.3%
- Average chief executive earned 20 times average worker income in 1965; by 2012, they earned 273x

TABLE 41.3 Widening Income Inequality

Share of Aggregate Income	1980	1990	2000	2010	2012
Lowest fifth	4.2	3.8	3.6	3.3	3.2
Second fifth	10.2	9.8	9.5	8.3	8.3
Third fifth	16.8	15.9	14.8	14.6	14.4
Fourth fifth	24.7	24.0	23.0	23.4	23.0
Highest fifth	44.1	46.5	49.6	50.3	51.0
Top 5%	16.5	18.5	22.1	23.3	22.3
Top 1%	8.2	13.0	16.5	17.5	16.3

During the last two decades of the twentieth century, the top fifth of the country's households made significant gains in income, while everyone else lost ground. The top 5 percent made even greater leaps—and the top 1 percent, greater still. (Note, however, that the figures for the top 1 percent are not directly comparable to the figures for the quintiles and top 5 percent. Data for the top 1 percent were derived from IRS records, while the other figures come from Census surveys.)

(Source: Statistical Abstract of the United States, 2010; U.S. Census Bureau, Current Population Reports: Income, Poverty, and Inequality; Fact data on income inequality, <http://www.bls.gov/data/income-ineq/>; Table B2032ncd.xls)

Table 41.3, 1998

XI. The Politics of Inequality (cont.)

- 2012: 46.5 million poor = 15% of population
 - Up from 11.3% in 1973
 - Poor: 9.7% of non-Latino whites; 27.2% of blacks, 25.6% of Latinos, and 11.7% of Asians
- Inequality trend evident in many industrial societies, but most pronounced in U.S.A.
 - Americans no longer world's wealthiest people
 - Several nations had higher per capita incomes and more equitable distributions of wealth (See Figure 41.4)

XI. The Politics of Inequality (cont.)

- What caused widening income gap?
- Tax and fiscal policies from Reagan to Bushes favored wealthy (see Table 41.3), but many larger factors as well:
 - Intensifying global economic competition
 - Shrinkage in high-paying manufacturing jobs for semi-skilled and unskilled workers
 - Greater economic rewards commanded by educated workers in high-tech industries
 - Rise of financial sector as percentage of GDP
 - Decline of unions
 - Growth of part-time and temporary work
 - Rising tide of relatively low-skill immigrants

XI. The Politics of Inequality (cont.)

- Growing tendency of educated men and women to marry one another and both work, creating households with very high incomes
- Educational opportunities perpetuated inequality:
 - » Underfunding of many poor urban schools
 - » Soaring costs of higher education
- Major changes in U.S. economy:
 - » At start of 20th century, U.S. Steel Corp. flagship business of America's booming industrial revolution
 - » A generation later, it was General Motors
 - » After WWII, rise of International Business Machines (IBM)
 - » Later Microsoft and Apple symbolized yet another transformation
 - » Apple only employed 43,000 in 2012, compared without GM's more than 600,000 in 1960s



2009



2009

	U.S.	CANADA	GERMANY	JAPAN	FINLAND	HONG KONG	U.K.	KOREA	ITALY	FRANCE	CZECH	SPAIN
Income inequality (Gini Coefficient) after taxes and transfers	0.380	0.320	0.286	0.206	0.269	0.475	0.340	0.311	0.319	0.303	0.310	0.330
Unemployment rate	7.3	7.1	5.3	4.3	6.1	3.1	5.7	5.2	12.6	5.0	7.6	26.3
Level of democracy	8.11	8.98	8.34	8.88	9.73	8.42	8.20	8.13	7.83	7.74	8.19	8.03
Life expectancy at birth	79.35	81.67	80.44	84.40	81.85	81.75	80.42	79.80	80.03	81.66	78.21	81.47
Food insecurity	30	8	8	6	8	7	13	18	9	10	13	11
Prison population rate (per 100,000)	767	158	77	31	47	126	149	98	101	100	162	194
Students math scores	481	538	514	536	476	563	486	534	483	485	499	484
Student science scores	497	525	526	547	465	553	514	536	494	489	506	496

Sources: CIA, "The World Factbook"; Organization for Economic Cooperation and Development, Statistics and Programme for International Student Assessment; Economist Intelligence Unit, Democracy Index 2012; Gallup Worldpoll; Human Development Report.

Figure 41-4 p1000

TABLE 41.3 Who Pays Federal Income Taxes? (share of U.S. income tax, by income percentile)		
Income Group (Base income shown as of 2011)	1994	2011
Top 1% (above \$388,903)	28.9%	35.1%
Top 5% (above \$167,728)	47.5	56.5
Top 10% (above \$120,136)	59.3	68.3
Top 25% (above \$70,482)	79.6	85.6
Top 50% (above \$34,821)	95.2	97.7
Bottom 50% (below \$34,821)	4.8	2.9

Because the United States has long had a "progressive" federal income-tax system, in which tax obligations are distributed according to ability to pay, widening income inequality was reflected in a redistribution of tax burdens. Starting in the booming 1990s, the rich did indeed get richer—but they also paid an increasing fraction of the total federal tax take. These figures help explain why tax cuts benefit the wealthy more than middle-income earners and the poor.

(Source: Internal Revenue Service data, Tax Foundation; <https://taxfoundation.org/sites/default/files/docs/T408.pdf>)

Table 41-3 p1000

XII. Battling for the White House in 2012

- Obama sought reelection based on
 - Stewardship of economy during crisis
 - Health care law
 - Winding down two unpopular wars
 - Promised to restore tax rates of 1990s on high earners
- Mitt Romney gained Republican nomination after long, feisty primary season
 - Selected conservative Paul Ryan as running mate

XII. Battling for the White House in 2012 (cont.)

- Prior to politics, Romney worked in management consulting and private equity
- Had been moderate governor of Massachusetts, but became more conservative to gain nomination
 - Promised to repeal Affordable Care Act and Wall Street Reform Act, cut taxes, and slash domestic spending
- Republicans attacked Obama's concern about inequality as “class warfare”
- Debate over money in politics increased after 2010 *Citizens United* decision by Supreme Court

XII. Battling for the White House in 2012 (cont.)

- In 5-4 decision, Court ruled first Amendment banned any effort to restrict political donations by corporations, unions, and advocacy groups
- Spurred proliferation of “super PACS” that could spend unlimited amounts as long as avoided any direct contributions to candidates and parties
- Non-profit advocacy groups not required to disclose source of their funds
- More than \$2 billion spent during 2012 presidential election = most expensive in American history

XII. Battling for the White House in 2012 (cont.)

- Obama won decisive victory over Romney
 - Popular vote: 65,915,796 to 60,933,500
 - Electoral count: 332 to 206
- Democrats held onto Senate
- Republicans held onto House
- Powerful demographic trends helped Obama's win
 - See Map 41.4 for growing importance of Obama's multiracial coalition, especially growth of Latino vote as well as declining share of electorate held by whites



XIII. Second-Term Stalemate

- 2012 election not change intense opposition of congressional Republicans to Obama
 - Legislative gridlock and budget brinksmanship remain norm
 - Result: 16-day government closure in Oct. 2013
 - Unlike 2011, GOP House backed down and raised debt ceiling in Oct. 2013 and in Feb. 2014

XIII. Second-Term Stalemate (cont.)

- Divided government and ideologically sorted parties made grand compromises unlikely
 - Rapid aging of population will create big long-term fiscal issues for Social Security and Medicare:
 - 2012: more than 13% of population over age of 65
 - By 2050: maybe 20% of population over 65
 - Big problem of “unfunded liability”
 - Compromise difficult because of (1) electoral power of elderly, (2) Republican no-new-taxes orthodoxy, and (3) intractable partisan warfare (see Figure 41.5)



XIV. Citizenship and Civil Rights

- Immigration reform, especially regarding 11 million “illegals,” also remained unresolved
 - Obama made issue centerpiece of second term because GOP interest in Latino voters created possibilities
 - Senate passed bill offering undocumented immigrants route to citizenship in mid-2013
 - GOP House refused to bring bill to vote

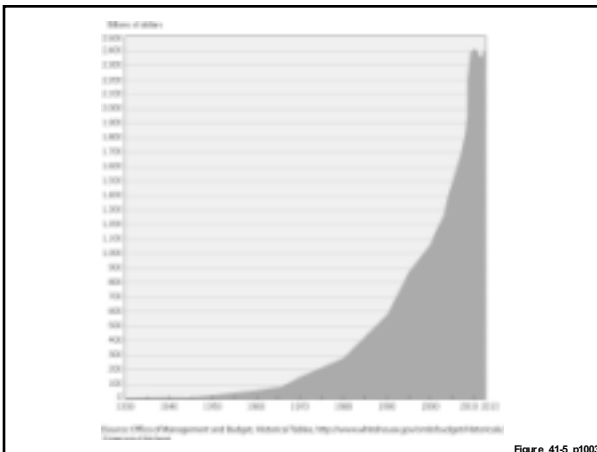


Figure 41-5 p1003

XIV. Citizenship and Civil Rights (cont.)

- GOP opposition reflected fears that “illegals” competed for jobs and used public services
 - Economic crisis increased such anxieties
- 2010: Arizona passed harsh anti-immigrant law
 - Police must detain someone if there was “reasonable suspicion” that person was illegal
 - Similar laws passed in Alabama, Georgia, and South Carolina before 2012 Supreme Court decision invalidated parts of Arizona law





XIV. Citizenship and Civil Rights (cont.)

- In *Shelby County vs. Holder* (2013), Court
 - Blocked part of 1965 Voting Rights Act that required federal oversight of changes to voting laws in areas without history of racial discrimination
 - Intensified debate over state-level voter ID laws
 - Supporters argued such laws prevented voter fraud
 - Critics argued such laws penalized minority, poor, and young voters



XIV. Citizenship and Civil Rights (cont.)

- 2013: Court voided Defense of Marriage Act:
 - 1996 act denied federal benefits to same-sex couples
 - Decision encouraged movement to legalize gay marriage
 - Reflected broader cultural acceptance of homosexuality

XIV. Citizenship and Civil Rights (cont.)

- Obama criticized in second term when revealed his administration approved NSA spying:
 - National Security Administration looked at phone and internet communications, both domestic and foreign
 - Reflected debate over security vs. civil liberties
 - As well as growing role of Internet in daily life
 - First created by government for Cold War intelligence sharing, World Wide Web spread rapidly into homes, schools, and offices in 1990s

XIV. Citizenship and Civil Rights (cont.)

- Americans increasingly used Internet to shop, work, pay bills, communicate, electronically bond without others
- Democratizing effect spreading power and information while upending traditional media, business, and politics
- Growing use increased vulnerability to unwanted intrusions by businesses, governments, or criminals



XIV. The American Prospect

- United States both an old and a new country
 - One of longest traditions of democratic government
 - One of first nations to industrialize
 - Republic also youthful without characteristics of innovation, entrepreneurship, and risk-taking
 - As in early 20th century, U.S.A. at start of 21st century a nation rejuvenated by immigrants
 - U.S. economy remains engine of global economic growth, in part because of U.S. inventions as well as global appeal of U.S. popular culture



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XIV. The American Prospect (cont.)

- History of U.S. struggle to offer opportunity, tolerance, and justice to different groups provides lessons for other nations
- Key challenges remain for United States:
 - Opportunities and ethical choices of breakthroughs in genetics, bioengineering, communications
 - Global climate change
 - Inequality and prejudice
 - Fear and anxiety from 9/11 attacks
 - Free-market capitalism can produce material abundance as well as abundant misery (Great Recession of 2008)
 - In addressing these challenges, Americans can gain wisdom by understanding their past

CHRONOLOGY

- 2000** George W. Bush wins presidency in Electoral College; Al Gore loses popular vote
- 2001** Bush's \$1.3 trillion tax cut passes Congress
Congress passes the Child Left Behind Act
Terrorists attack New York City and Washington, D.C., on September 11
U.S. invades Afghanistan
Congress passes USA Patriot Act
- 2002** Bush labels Iraq, Iran, and North Korea "axis of evil"
Congress authorizes use of force against Iraq
U.S. Security Council demands that Iraq comply with weapons inspections
Republicans win control of the Senate
- 2003** U.S. invades Iraq
Second Bush tax cut
Saddam Hussein captured in Iraq
Supreme Court narrowly approves affirmative action
- 2004** Gay marriage controversy erupts
Iraq invasion government withdraws
Bush defeats Kerry for presidency
- 2005** Iraq elects permanent government but quickly descends into sectarian conflict
- 2006** Saddam Hussein executed
Democrats retake control of Congress
- 2007** U.S. troop surge in Iraq
- 2008** Barack Obama elected 44th president of the United States
- 2009** American Recovery and Reinvestment Act passed
- 2010** Patient Protection and Affordable Care Act passed
Wall Street Reform and Consumer Protection Act passed
"Don't Ask, Don't Tell" policy repealed
Supreme Court decision in *Obamacare* upheld
Federal Election Commission
Republicans retake control of the House
- 2011** U.S. withdraws from Iraq
U.S. begins troop withdrawal from Afghanistan
U.S. forces kill Osama bin Laden
First debt ceiling crisis between President Obama and the GOP-led House
- 2012** Supreme Court upholds the Affordable Care Act
Obama defeats Romney in re-election
- 2013** Supreme Court rejects Section 8 of the Voting Rights Act
Supreme Court rules the Defense of Marriage Act unconstitutional
Second debt ceiling crisis between President Obama and GOP-led House
Budget dispute causes a seven-day federal government shutdown

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