**Chapter 32, Section 3: Ford and Carter**

**I. The Economic Crisis of the 1970s** *(pages 963–965)*

**A.** By the 1970s, America’s economic boom turned into a decade of hard times.

**B.** The economic troubles began in the mid-1960s. President Johnson increased federal deficit spending to fund the Vietnam War and the Great Society program without raising taxes. Pumping large amounts of money into the economy created **inflation,** or a rise in the cost of goods.

**C.** In 1973 the **Organization of Petroleum Exporting Countries** (OPEC) announced an **embargo,** or the stopping of shipping, of petroleum to countries that supported Israel. The price of a barrel of crude oil increased from $3 in 1973 to $30 in 1980.

**D.** The high prices for oil-based products meant that Americans had less money to spend on other goods, tipping the economy into a recession.

**E.** Increased international competition for manufactured goods added to the economic problems. In 1971, for the first time since 1889, the United States imported more goods than it exported. U.S. factories closed, and workers lost their jobs. The U.S. economy faced **stagflation—**the economic dilemma that combined rising prices with economic stagnation. Nixon focused on controlling inflation by cutting spending and raising taxes. Congress and many Americans opposed Nixon’s idea of a tax hike, as well as his other ideas on how to end stagflation.

**II. Ford Takes Over** *(pages 965–966)*

**A.** On September 8, 1974, President Gerald Ford granted a full pardon to Richard Nixon. Ford’s approval rating plunged from 71 percent to 50 percent.

**B.** By 1975 the American economy was in its worst recession since the Great Depression. Ford attempted to revive the economy, but his Whip Inflation Now (WIN) plan failed. He tried to limit federal authority, balance the budget, and keep taxes low. He also vetoed more than 50 bills that Congress had passed during the first two years Ford had served there.

**C.** Ford continued the foreign policy of Nixon. In August 1975, Ford met with leaders of NATO and the Warsaw Pact to sign the **Helsinki Accords.** Under the accords, the parties recognized the borders of Eastern Europe established at the end of World War II. The Soviets promised to uphold certain basic human rights but later went back on this promise, which turned many Americans against détente. Southeast Asia also continued to be a concern for Ford when Cambodia seized an American cargo ship, the ***Mayaguez.***

**D.** In the election of 1976, Democratic candidate Jimmy Carter won with 50.1 percent of the popular vote. Carter was seen as a person of high morals and an upstanding personality.

**III. Carter Battles the Economic Crisis** *(pages 966–967)*

**A.** President Carter focused most of his attention on the energy crisis. His efforts were unsuccessful.

**B.** Carter proposed a national energy program to conserve oil and to promote the use of coal and renewable energy sources. He had Congress create the **Department of** **Energy.** He asked Americans to reduce energy consumption, which most Americans ignored.

**C.** Scholars have suggested that Carter’s difficulties in solving the nation’s economic problems were the result of his lack of leadership and inability to work with Congress. A 1979 public opinion poll showed that Carter’s popularity had dropped lower than President Nixon’s rating during Watergate.

**IV. Carter’s Foreign Policy** *(pages 967–969)*

**A.** President Carter’s foreign policy focused on human rights.

**B.** Carter won Senate ratification of two Panama Canal treaties, which transferred control of the canal to Panama on December 31, 1999.

**C.** President Carter singled out the Soviet Union as a violator of human rights because of its practice of imprisoning people who protested against the government. Tensions deepened as the Soviet Union invaded the Central Asian nation of Afghanistan in December 1979. Carter responded with an embargo on grain to the Soviet Union and a boycott of the Summer Olympic Games in Moscow.

**D.** In 1978 Carter helped get a historic peace treaty, known as the **Camp David Accords,** signed between Israel and Egypt. Most Arab nations in the region opposed the treaty,but it marked the first step toward peace in the Middle East.

**E.** In 1979 Iran’s monarch, the Shah, was forced to flee, and an Islamic republic was declared. The Shah was supported by the United States. The religious leader Ayatollah Khomeini ordered revolutionaries to enter the American embassy in Tehran and take 52 Americans hostage. The hostages would not be released until Carter’s last day in office, some 444 days in captivity. Carter lost re-election to Ronald Reagan in 1981.