Friday, February 26, 1993, began like most other business days at New York’s World Trade Center, two 110-story towers soaring over lower Manhattan. But suddenly, at 12:18 P.M., a bomb containing over one thousand pounds of explosives ripped through Level B2 of the parking garage under the north tower. The blast cut off electricity, plunging the building into darkness. Fifty thousand workers hastily evacuated, and hundreds were trapped in stalled elevators. Six persons died in the blast, and more than one thousand were injured.

The first investigators found an eerie scene: a giant hole extending five stories underground, fires from ruptured automobile gasoline tanks, 124 cars destroyed and others heavily damaged, water and sewage cascading from broken pipes, car alarms wailing in the darkness. The FBI quickly identified the vehicle that had carried the bomb into the garage: a Ford Econoline van rented in Jersey City. Five Islamic militants, including a blind Egyptian sheik, Omar Abdel Rahman, the alleged mastermind, were arrested and convicted of conspiracy and other crimes. Three, including Sheik Omar, were found guilty of murder and received life sentences.

Shocking as it was, the attack could have been far worse: at least the tower had survived, and comparatively few lives had been lost. In reality, this event was one of a nightmarish series of attacks that would take a heavy toll in life and property, as the upsurge of terrorist attacks in the 1980s (see Chapter 31) continued. In November 1995 a bomb shattered a U.S. military

Like distant thunder signaling an approaching storm, the attacks were ominous warnings of worse ahead. On September 11, 2001, terrorists again struck the World Trade Center, as well as the Pentagon, this time with horrendous consequences.

Much of this chapter focuses on the impact of escalating terrorist attacks, particularly the aftermath of September 11, at home and abroad. As Americans faced these dangers, they also coped with domestic political battles and economic turmoil. Amid calls for unity, deep divisions remained. A White House scandal in Clinton's second term, a disputed presidential election in 2000, and the policies of Clinton's successor, George W. Bush, who seemed to favor the privileged and powerful, all proved highly divisive. As prosperity gave way to recession, bankruptcies and charges of fraud hit some of the nation's largest companies, undermining investors' confidence and tarnishing the reputation of the corporate world.

This chapter focuses on five key questions:

■ What domestic initiatives marked Clinton's second term, and how did the scandals that swirled around him in 1998–1999 affect his ability to govern?

■ On balance, was President Clinton's foreign-policy record a success?

■ What factors fueled the economic boom of the 1990s, and why did it end?

■ What key domestic policies did George W. Bush propose early in his presidency?

■ How did the government respond to the terrorist attacks of September 2001, domestically and internationally? Was the response appropriate? Was it effective?

**THE CLINTON ERA II: DOMESTIC POLITICS, SCANDALS, IMPEACHMENT, 1996–2000**

Moving to the political center, Bill Clinton won a second term in 1996. Apart from his support for tough regulation of the tobacco industry, Clinton's second term is remembered mainly for a sex scandal that led to an impeachment effort by his Republican foes. This effort further poisoned an already highly partisan political climate.

**Campaign 1996 and After; The Battle to Regulate Big Tobacco**

After the Republican landslide in 1994, Clinton's prospects looked bleak. But he had won the nickname "the Comeback Kid" after a long-shot victory in the 1992 New Hampshire presidential primary, and he again hit the comeback trail. Despite the missteps of 1993, he had won good marks for signing the budget-balancing and welfare-reform bills (see Chapter 31). The Republicans suffered a black eye in 1995 when House Speaker Newt Gingrich, battling Clinton over the budget, twice allowed a partial government shutdown.

Clinton got another lucky break: a weak Republican opponent in 1996. When General Colin Powell, the popular former chairman of the Joint Chiefs of Staff, declined to run, Kansas Senator and Majority Leader Bob Dole, a partially disabled World War II hero, won the nomination. A seventy-three-year-old party stalwart, Dole ran a lackluster campaign, delivering wooden speeches.

Clinton won with just under 50 percent of the vote, to Dole's 41 percent. (The Texas maverick H. Ross Perot garnered 8 percent.) The Republicans held control of Congress, though Gingrich and other GOP legislators proved less combative than after their 1994 triumph.

The cost of television advertising continued to drive up campaign expenses, and fundraising scandals marked the 1996 contest. One Democratic fundraiser with links to Indonesian and possibly Chinese corporate interests raised $3.4 million, of which nearly half was eventually returned. After an event at a Los Angeles Buddhist temple attended by Vice President Al Gore, priests and nuns sworn to poverty contributed over a hundred thousand dollars to the Democratic cause. The money apparently came from Asian business tycoons eager to curry favor with the administration.

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Launching his second term, Clinton proceeded cautiously, further distancing himself from his party's New Deal-Great Society past. In 1997 he signed a Republican bill providing some tax cuts and setting a timetable for a balanced budget by 2002. (In fact, as prosperity continued, Clinton beat that deadline by three years.) Many Clinton proposals involved no legislation or spending. He urged parents to read to their children, and set up a citizens' commission to lead a national dialogue on race.

Clinton cautiously defended affirmative action, but support for such programs was weakening, especially among non-Hispanic whites. The Supreme Court re-
stricted the awarding of federal contracts on the basis of race in 1995, and in 1996 California voters barred racial or ethnic preferences in state agencies, including the universities.

Clinton did act forcefully on one issue: tobacco regulation. In 1997, facing lawsuits by former smokers and by states hit with heavy medical costs related to smoking-related diseases, the tobacco industry agreed to pay some $368 billion in settlement. The agreement limited tobacco advertising, especially when directed at young people.

Since the agreement required government approval, the debate now shifted to Washington. Southern legislators close to the tobacco companies defended the industry, but the Clinton administration supported a bill that would have imposed tougher penalties, higher cigarette taxes, and stronger antismoking measures. Supporters of the administration's bill documented the industry's manipulation of nicotine levels and deliberate targeting of children. The industry struck back with a $40 million lobbying campaign and heavy contributions to key legislators, killing the bill. Commented John McCain, Arizona's maverick Republican senator, "Some Republicans might be vulnerable to the charge that their party is in the pocket of the tobacco companies."

In 1998, facing a wave of private lawsuits, the tobacco industry reached a new settlement, scaled back to some $200 billion, with forty-six states. Clinton, however, continued to push for tougher federal regulation and for legal action to recover Medicare costs arising from smoking-related illnesses.

In his January 1998 State of the Union address, Clinton boasted that his 1999 budget would include a modest surplus, the first in thirty years. Most of the surplus, he argued, should go to reduce the national debt and strengthen the social-security system, which faced eventual bankruptcy as the baby boomers retired. Clinton's call to "Save social security first" not only made fiscal sense but also painted Republican tax cutters as irresponsible.

This speech defined Clinton's second-term agenda. After the health care fiasco, he had abandoned large-scale programs in favor of modest proposals that appealed to progressives without alienating moderates. He offered some initiatives to help the poor, such as enrolling the nation's 3 million uninsured low-income children in Medicaid. But he also introduced proposals attractive to the middle class (college-tuition tax credits; extending Medicare to early retirees) and to fiscal conservatives (reducing the national debt; shoring up social security). Some liberals dismissed Clinton's program as "Progressivism Lite," but it was politically shrewd. Under normal conditions, the speech would have certified Clinton's political comeback.

**Scandal Grips the White House**

But conditions were not normal. Even as Clinton spoke, scandal enveloped the White House. Adultery charges had long clung to Clinton, and now he faced the Paula Jones sexual-harassment suit, dating from his days as the governor of Arkansas (see Chapter 31). The Supreme Court had helped Jones's case by permitting lawsuits against sitting presidents.

Seeking to show a pattern of sexual harassment, Jones's lawyers subpoenaed Clinton and quizzed him about reports linking him to a young White House intern, Monica Lewinsky. The president denied the story, as did Lewinsky in an affidavit. As the rumors became public (via an Internet website devoted to political gossip), Clinton denounced them as false. Hillary Clinton blamed "a vast right-wing conspiracy." In fact, political conservatives were digging for damaging information on Clinton's personal life, and he helpfully provided them with ample material.
Clinton settled the Paula Jones suit by paying her $850,000, but more problems awaited. In telephone conversations secretly and illegally taped by Monica Lewinsky’s “friend” Linda Tripp, Lewinsky had graphically described an affair with Clinton starting in 1995, when she was twenty-one, and continuing through early 1997. On January 12, 1998, Tripp passed the tapes to Kenneth Starr, an independent counsel appointed by a three-judge panel to investigate the Whitewater matter. At Starr’s request, FBI agents fitted Tripp with a recording device and secured further Lewinsky evidence. Starr now focused on whether Clinton had committed perjury in his testimony and whether he had persuaded Lewinsky to lie as well. In August, after jail threats and a promise of immunity, Lewinsky admitted the affair in testimony before Starr’s grand jury. Soon after, in testimony videotaped at the White House, Clinton admitted “conduct that was wrong” with Lewinsky but denied a “sexual relationship” under his rather narrow definition of the term. In a brief TV address, Clinton admitted to an inappropriate relationship with Lewinsky, but called his testimony in the Jones case “legally accurate” and attacked Starr as politically motivated. The scandal provided grist for late-night television, Internet humor, and conservative radio talk-shows.

Other presidents had pursued extramarital affairs, but by the 1990s the women’s movement and sexual-harassment laws had made such behavior increasingly objectionable. In a media-saturated age, politicians lived in the constant glare of public scrutiny. Indeed, politicians themselves had paraded intimate personal details for political advantage. Unsurprisingly, then, the Clinton scandal unfolded on TV and in tabloid headlines.

Impeachment

In a September 1998 report to the House Judiciary Committee, Kenneth Starr narrated the Clinton-Lewinsky affair in lurid detail and found “substantial and credible” grounds for impeachment. The president, Starr charged, had committed perjury and influenced others to do the same, and had obstructed justice by retrieving gifts he had given Lewinsky and coaching his secretary on his version of events.

The Judiciary Committee, on a straight party-line vote, forwarded four articles of impeachment to the House of Representatives. In a similarly partisan vote, the House approved and sent to the Senate two articles of impeachment charging Clinton with perjury in his grand-jury testimony and with obstructing justice. For the first time since Andrew Johnson’s day, a president of the United States had been impeached.

Opinion polls sent the Republicans an ominous message: most Americans opposed impeachment. In the 1998 midterm elections, as the House impeachment process went forward, the Democrats gained five House seats. Soon after, Speaker Newt Gingrich abruptly resigned both the speakership and his House seat.

Since removing a president requires a two-thirds Senate vote, and since the Republicans held only a fifty-five to forty-five Senate majority, the impeachment campaign seemed foredoomed to failure. Nevertheless, early in 1999 the new Senate conducted a trial. As Chief Justice William Rehnquist presided, Republican members of the House Judiciary Committee, acting as the impeachment managers, presented their case. White House lawyers challenged what one called a “witches’ brew of speculation.”

Paradoxically, as these events unfolded, Clinton’s approval ratings soared. While the public clearly deplored Clinton’s personal behavior, few believed that it met the “high crimes and misdemeanors” standard set by the Constitution for removal from office. With the economy booming and Clinton adopting popular posi-
tions on most issues, the public appeared willing to tolerate his personal flaws. Further, many people concluded that whatever Clinton’s misdeeds, he was also the target of Republican zealots determined to drive him from office at a time of deep polarization in American public life.

On February 12, 1999, the Senate rejected the impeachment charges and ended the trial. In a brief statement President Clinton again apologized and urged the nation to move on. While some Republicans warned darkly of a double standard of justice, most Americans felt relief that the ordeal was over.

On his last day in office, admitting that he had lied in sworn testimony, Clinton agreed to a $25,000 fine and a five-year suspension of his law license. In March 2002 the special counsel who had succeeded Kenneth Starr in the original Whitewater inquiry found insufficient evidence to convict the Clintons of criminal behavior. The New York Times offered a final assessment:

The nation may never again see a president with Bill Clinton’s natural political talents, his instinctive grasp of policy and his breadth of understanding of government issues. He was capable of being an extraordinary leader. The fact that he turned out to be so much less is a tragedy, and the tragedy’s first act was Whitewater.

While escaping removal, Clinton had suffered grievous damage, mostly self-inflicted. His character flaws, whose consequences he had managed to avoid in a charmed political life, had overtaken him at last, eroding his leadership and tarnishing his historical standing. The Republican party suffered as well, as some of its most extreme and moralistic members took center stage, rubbing raw the partisan differences that threatened to fragment American public life.

**Clinton’s Foreign Policy: Defining America’s Role in a Post-Cold War World**

Bill Clinton preferred domestic issues to foreign policy. Yet the United States, as the world’s only remaining superpower, could not escape its global role. Confronting scandal and partisan sniping a home, Clinton turned his attention abroad. He faced two key challenges: using American power wisely in the post-Cold War era and responding to terrorist acts against the United States and the threat of further attacks.

In the region of southeastern Europe known as the Balkans, the Soviet collapse unleashed bitter ethnic conflicts. As Yugoslavia broke apart in 1991, Serbian forces launched a campaign of “ethnic cleansing” in neighboring Bosnia, which meant supporting Bosnia’s ethnic Serbs while slaughtering or driving out Muslims and Croats. Incited by Serbia’s president Slobodan Milosevic, Serbian troops overran U.N.-designated “safe havens” and committed brutal atrocities against Muslims.

To stop the slaughter, the United Nations introduced a peacekeeping force. When this effort failed, the NATO command in Europe, in its first joint military operation, launched air strikes against Bosnian Serb targets in August 1995. The Clinton administration reluctantly joined this operation.

Later in 1995 the administration flew the leaders of Bosnia’s warring factions to Dayton, Ohio, for talks. The resulting Dayton Accords imposed a cease-fire and created a framework for governing the region. Clinton committed twenty thousand U.S. troops to a NATO force in Bosnia to enforce the cease-fire.

In 1998, Slobodan Milosevic launched a campaign against Muslims in Serbia’s southern province Kosovo. In March 1999, as the bloodshed continued, NATO, under U.S. leadership, bombed Serbian facilities in Kosovo and
in Serbia itself, including Belgrade, the capital. This reliance on air power, with minimal risk of U.S. casualties, soon emerged as America's preferred form of military engagement.

President Clinton, eager to avoid U.S. losses and haunted by memories of Vietnam, held back from committing ground forces. American public opinion wavered as well, appalled by the suffering and a growing refugee crisis, but wary of expanding U.S. involvement. In June 1999, however, U.S. troops joined a NATO force that occupied Kosovo. With the Serbian army under control, the refugees trickled back. Slobodan Milosevic was overthrown in 2001, and a more democratic Yugoslav government, eager for Western aid, delivered him for trial before a war-crimes tribunal at the Hague.

These developments affected U.S. relations with its former Cold War opponent, Russia. Although Russia protested the air attacks on its traditional ally, Serbia, Russian forces joined in NATO's occupation of Kosovo. Facing unrest among its own Muslim population, Russia in 1995–1996 waged war against the breakaway Muslim republic of Chechnya. Some called this unpopular and inconclusive conflict Russia's Vietnam.

Amid these troubles, Russia's hasty conversion to a free-market economy caused a severe economic crisis that threatened to topple President Boris Yeltsin. Having put together a multi-billion-dollar loan package for Russia, the Clinton administration watched anxiously as chaos threatened. Despite U.S. disapproval of the Chechnya war, and despite Yeltsin's growing unpopularity and periodic alcoholic binges, Clinton continued to support him as Russia's best hope. In 1999 the administration backed Russia's admission to the Group of Seven (G-7), the world's leading industrial nations, and the G-7 became the G-8. In the same year, over Russia's protests, NATO admitted three new members from the former Soviet bloc—Hungary, Poland, and the Czech Republic. Yeltsin resigned in December 1999, transferring power to Vladimir Putin, a former agent of the KGB, the Soviet secret police.

**Symbolic Gestures in Africa; a Modest Success in Haiti**

Clinton was stirred by conditions in Africa, a continent wracked by poverty, AIDS (see Chapter 31), tribal conflict, and authoritarian regimes. His engagement, however, proved mainly symbolic.

In 1992 in the East African nation of Somalia, afflicted by civil war and famine, President Bush had committed some twenty-six thousand U.S. troops to a U.N. mission to provide humanitarian aid and end the fighting. As the warring factions battled, forty-four Americans were killed and many injured. President Clinton withdrew the U.S. force in 1994, and the U.N. mission ended a year later. Traumatized by this fiasco, Clinton failed to intervene in other African conflicts, including an appalling human tragedy in Rwanda, where as many as half a million people died and thousands more became refugees in intertribal massacres.

During Clinton's presidency South Africa ended apartheid and became a multiracial democracy—a transformation hastened by U.S. and other nations' economic sanctions. In 1994 Nelson Mandela, long impris-
Clinton's Foreign Policy: Defining America’s Role in a Post-Cold War World

The Middle East: Seeking an Elusive Peace, Combating a Wily Foe

After hopeful beginnings, Clinton’s pursuit of peace in the Middle East failed. The 1987 Palestinian uprising, or Intifada, against Israel’s military occupation of the West Bank and Gaza (see Chapter 30) continued into the 1990s. Prospects for peace brightened in 1993, after Israeli and Palestinian negotiators meeting in Norway agreed on a six-year timetable for peace.

The so-called Oslo Accords provided for the creation of a Palestinian state, the return of most Israeli-held land in the West Bank and Gaza to the Palestinians, and further talks on the claims of Palestinian refugees and the final status of Jerusalem (see Map 32.1). In 1994 President Clinton presided as Israeli prime minister Yitzhak Rabin and Yasir Arafat, head of the Palestine Liberation Organization, signed the agreement at the White House.

The bloodshed continued, however, and in 1995 Rabin was assassinated by a young Israeli opposed to the Oslo Accords. Israel’s next election brought Benjamin Netanyahu of the hard-line Likud party to power. Suicide bombings by Palestinian extremists in 1996–1997 killed some eighty Israelis, triggering retaliatory attacks. Under U.S. pressure Netanyahu in 1998

The Mideast Crisis, 1980-Present

With terrorist attacks, the Iran-Iraq War, the Persian Gulf War, Iraq’s secretive weapons program, and the ongoing struggle between Israel and the Palestinians, the Middle East was the site of almost unending violence, conflict, and tension in these years.
agreed to withdraw Israeli forces from some West Bank areas in 1998 in return for security guarantees. But as terrorist attacks continued, Netanyahu halted the withdrawal. More Jewish housing was built in Palestinian territory, and by 2000 an estimated two hundred thousand Israeli settlers were living there. Secretary of State Madeleine K. Albright struggled to bring the two sides back to the negotiating table. (Albright was named to the post in 1997, thereby becoming the highest-ranking woman in U.S. government history.)

Ehud Barak of Israel’s more moderate Labour party became prime minister in 1999. In July 2000 Clinton invited Barak and Arafat to meet at Camp David. Barak made unprecedented concessions based on the principle of “land for peace.” According to press reports, he agreed to Israeli withdrawal from 95 percent of the West Bank and all of Gaza; the creation of a Palestinian state; Palestinian control of East Jerusalem; and the transfer of control over Jerusalem’s Temple Mount, sacred to both Muslims and Jews, from Israel to a vaguely defined “religious authority.” In return, Arafat would declare an end to hostilities and give up further claims on Israel.

Arafat refused Barak’s offer, and the summit failed. In September the Likud leader Ariel Sharon—with nearly one thousand Israeli soldiers and police—made a provocative visit to the site of Al-Asqa Mosque, an Islamic shrine on Temple Mount. Soon after, Palestinians launched a new Intifada against Israel. Clinton continued last-ditch peacemaking efforts, but they came to nothing. In elections early in 2001, Ariel Sharon became prime minister. Like other presidents before him, Clinton bequeathed the Israeli-Palestinian conflict to his successor.

Elsewhere in the Middle East, a renewed crisis in Iraq demanded Clinton’s attention. After the Persian Gulf War, the United Nations had imposed trade sanctions on Iraq and set up an inspection system to prevent Saddam Hussein from building weapons of mass destruction. Late in 1997, when Saddam refused U.N. inspectors access to certain sites, Clinton dispatched ships, bombers, missiles, and thirty thousand troops to the Persian Gulf. He sought to rally support for a military strike, as George Bush had done in 1991, but France, Russia, and various Arab states resisted. At home, critics questioned whether bombing would further the goal of unrestricted inspections.

Clinton drew back from military action after the new U.N. secretary general, Kofi Annan of Ghana, secured Saddam’s agreement to open inspection. Saddam soon reneged, and the crisis continued. The Iraqi muddle underscored the difficulty of using U.S. military might to combat potential terrorist threats, and of rallying post-Vietnam U.S. public opinion behind a military course whose long-term outcome seemed murky.

### Nuclear Proliferation and Terrorism: Confronting Global Security Challenges

Under the Nuclear Nonproliferation Treaty of 1970, sixty-two nations agreed to ban the spread of nuclear weapons beyond countries that already possessed them. Despite this treaty, the proliferation threat continued. In May 1998 a long-simmering dispute between India and Pakistan over Kashmir escalated sharply when India tested a nuclear bomb. Despite urgent pleas from the United States and other powers, Pakistan followed suit, and fears of nuclear conflict rose.

Proliferation fears also focused on communist North Korea, which, in violation of the 1970 treaty, began a program of nuclear-weapons development and missile testing. In 1994, facing U.N. economic sanctions and the loss of $9 billion in international assistance (and following a visit by Jimmy Carter), North Korea pledged to halt this program. In 1999, confronting famine and economic crisis, North Korea agreed to suspend long-range missile testing in return for an easing of U.S. trade and travel restrictions. In 2002, triggering fresh tensions, North Korea admitted to continued nuclear weapons research.

Nuclear dangers also arose in the former Soviet Union. In the 1993 Strategic Arms Reduction Treaty (START II), the United States and Russia agreed to cut their long-range nuclear arsenals by half. This left many nuclear weapons in Russia and in three newly independent nations that had once been part of the Soviet Union: Ukraine, Kazakhstan, and Belarus. With social unrest and economic crisis in the region, Washington feared that foreign powers or terrorist groups might acquire nuclear weapons or know-how through clandestine operations or bribery. The Bush and Clinton administrations expended much money and diplomatic effort to speed the “denuclearization” of Ukraine, Kazakhstan, and Belarus, and the safe dismantling of nuclear weapons within Russia itself.

The cycle of terrorism continued in the Clinton years. On August 7, 1998, powerful bombs exploded almost simultaneously outside the U.S. embassies in Nairobi, Kenya, and Dar-es-Salaam, Tanzania, killing 220 people, including Americans and many Kenyans and Tanzanians. U.S. antiterrorism specialists pinpointed a shadowy and wealthy Saudi Arabian, Osama bin Laden, who in 1982 had moved to Afghanistan, where he
established and financed terrorist training camps. In the 1990s he had spent time in Sudan.

Two weeks after the embassy bombings, Clinton ordered cruise missile strikes on a suspected chemical-weapons factory in Sudan allegedly financed by bin Laden and on a training camp in Afghanistan. In November 1998 a U.S. grand jury indicted bin Laden on charges of planning the embassy attacks and also of inciting the killing of GIs in Somalia in 1993.

In 1999 Clinton called for increased spending and new measures to cope with rogue states and terrorist groups that might acquire nuclear, chemical, or biological weapons. “[W]e are involved here in a long-term struggle . . .,” declared Secretary of State Albright; “This is, unfortunately, the war of the future.”

Underscoring Albright’s grim assessment, on October 12, 2000, a bomb aboard a small boat in the harbor of Aden, Yemen, ripped a gaping hole in the U.S. destroyer Cole, killing seventeen sailors. At a memorial service, President Clinton told the grieving families, “[Terrorists] . . . can never heal, or build harmony, or bring people together. That is work only free, law-abiding people can do. People like the sailors of the USS Cole.” The peaceful post-Cold War era that many had anticipated seemed an ever-receding mirage.

**A New World Order?**

As we saw in Chapter 31, the end of the Cold War initially brought a wave of joy and relief. But as time passed, it became clear that world conditions remained dangerous and posed challenges as daunting as those of the Cold War itself. The Soviet empire had collapsed, and the threat of global nuclear war had subsided, but trouble spots around the world still clamored for attention. Like firefighters battling many small blazes rather than a single conflagration, policymakers now wrestled with a tangle of seemingly unrelated issues. Somalia, Bosnia, Iraq, Kosovo, North Korea, Pakistan, Afghanistan, Israel and the Palestinians, and terrorists who ignored national boundaries all claimed Washington’s attention.

At the same time, many citizens turned away from world affairs. In a 1997 poll only 20 percent of Americans said that they followed foreign news, a sharp decline from the 1980s, with the biggest drop among young people. TV coverage of world news fell by more than 50 percent from 1989 to 1995. Post-Cold War America, commented one observer in 1998, “has no mission other than to keep itself entertained.”

Taking a broad view, four large-scale developments helped define America’s post-Cold War global role. The first was the growing centrality of economic and trade issues. Commercial considerations, multinational corporations, and global systems of communications, finance, and marketing increasingly defined international relations and America’s foreign-policy interests.

Second, in contrast to economic globalization, the world saw a turning inward toward various forms of religious fundamentalism. Muslim fundamentalists, reacting against Western secularism, searched for Islamic purity, in some cases concluding that terrorist attacks on America, which they viewed as demonic and threatening, represented a religious duty. In Israel, some Orthodox Jews claimed Palestinian lands on the basis of biblical prophecies. In India, a fundamentalist Hindu party gained power in 1998, replacing the secularist Congress party. America harbored Christian fundamentalists suspicious of international organizations and of the U.S. government itself and dismayed by an array of social and cultural trends. The struggle between fundamentalist and inward-turning impulses, on the one hand, and the globalizing economy and communications system, on the other, posed a major challenge for diplomats.

Third, a growing gulf divided the world between prosperous, industrialized societies with high living standards and stable birthrates, and regions scourged by poverty, disease, illiteracy, explosive population growth, and a dangerous gap between the masses and privileged elites. This vast disparity created conditions ripe for conflict and unrest, including the spreading menace of terrorism.

Finally, the role of international organizations was uncertain. With the Cold War’s end, some Americans either turned to isolationism or favored unilateralist, go-it-alone approaches. Some Americans even demanded U.S. withdrawal from the United Nations and other world organizations.

Others, however, continued to hope that the United Nations, long a pawn of the superpowers’ conflict, could at last function as its more idealistic supporters had envisioned in 1945. Indeed, in 2002 some forty-four thousand U.N. peacekeeping forces and civilian personal were serving in fifteen trouble spots around the world. U.N. agencies also addressed global environmental and public-health issues.

Post-Cold War opinion polls indicated that most Americans supported internationalist approaches to world problems and viewed the United Nations favorably. Despite flagging attention to foreign affairs, Americans could become engaged when they understood an issue in human terms, or grasped how events abroad affected U.S. interests. Clearly, however, Amer-
icans of the 1990s were still adjusting to a new era of complex international issues that could not be reduced to simple Cold War slogans.

**The Economic Boom of the 1990s**

The 1990s saw one of the longest periods of sustained economic growth in U.S. history. Productivity increased, unemployment fell, and inflation remained under control. Prosperity helped bring crime rates down and reduce welfare rolls. Federal deficits gave way to surpluses as tax revenues increased.

For some, the surging stock market stimulated the urge to get rich quick, acquire more possessions, and enjoy the good times. But real wages did not keep pace with the stock market, and many workers who lacked the specialized skills required by the new economy remained stuck in dead-end jobs. America’s participation in an increasingly global economy fueled economic growth, but when foreign economies faltered, the U.S. economy felt the effects as well.

**Economic Upturn; Surging Stock Market**

Although Bill Clinton targeted the sluggish economy in the 1992 campaign, a turnaround had already begun. Economists differ over the sources of the prosperity of the 1990s, but the new products, efficiencies, and business opportunities associated with the personal computer and the information revolution were certainly crucial (see Chapter 31). Rising international trade and high consumer confidence helped sustain the boom, as did low inflation, the Federal Reserve Board’s low interest rates, and a steady flow of immigrants eager to work.

Whatever its sources, the fact of the boom is clear. Unemployment, which stood at 7.5 percent in 1992, fell to 4 percent by 2000. Corporate earnings soared. Wal-Mart racked up revenues of $193 billion in 2000; General Motors, $185 billion; and on down the list. The Houston-based Enron Corporation, an energy broker, vaulted into the ranks of corporate giants, reporting revenues of $101 billion. The gross domestic product, a key economic indicator, rose nearly 80 percent in the decade (see Figure 32.1).

The stock market reflected and then outran the economic upturn as the stock of many companies soared far beyond their actual value or earnings prospects. From under 3,000 in 1991, the Dow Jones Industrial Average edged toward 12,000 by early 2001. New investors flocked into the market. By 1998 nearly 50 percent of American families owned stock directly or through their pension plans.

Information-technology stocks proved especially popular. The NASDAQ composite index, loaded with technology stocks, soared from under 500 in 1991 to over 5,000 by early 2000. Some new stock offerings by Silicon Valley start-up companies surged to fantastic levels, turning young entrepreneurs into paper millionaires. The brokers who managed these offerings (and profited from the rising stock prices) fueled the speculation with glowing assessments of new companies’ earning prospects. As early as 1996 Alan Greenspan, chairman of the Federal Reserve Board, warned of “irrational exuberance” in the stock market, but it only surged higher.

Corporate mergers proliferated as companies sought to improve their profitability. In 2000 the communications giant Viacom swallowed CBS for $41 billion, and the pharmaceutical company Pfizer acquired rival Warner-Lambert for $90 billion. In the biggest merger of all, the Internet company America Online (AOL) acquired Time-Warner (itself the product of earlier mergers) for $182 billion.
The rising stock market made many Americans wealthy, at least on paper, stimulating the quest for luxury possessions and leisure pursuits that helped shape the cultural climate of the decade (see Chapter 31). In 2000 Americans spent $105 billion on new cars; $107 billion on video, audio, and computer equipment; and $81 billion on foreign travel. The so-called dot-com millionaires of Silicon Valley and Wall Street seemed living proof that the new economy was the wave of the future.

Some economists waved caution flags. With so many Americans speculating in stocks rather than putting money in more secure forms of savings, they warned, the inevitable downturn could have severe consequences.

### An Uneven Prosperity

The benefits of the boom were unevenly distributed. From 1979 to 1996 the portion of total income going to the wealthiest 20 percent of the population increased by 13 percent, while the share going to the poorest 20 percent dropped by 22 percent. Commented Harvard economist Richard Freeman in 1998, “The U.S. has the most unequal distribution of income among advanced countries—and the degree of inequality has increased more here than in any comparable country.” While stockholding was widely diffused by the later 1990s, the top 5 percent of the owners held 80 percent of all stock.

As corporations maintained profits through “downsizing” and cost cutting, job worries gnawed at many Americans. Adjusted for inflation, the real wages of industrial workers rose only slightly in the 1990s. The rapidly growing service sector included not only high-income positions but also low-paying, low-skilled jobs in sales, fast-food outlets, custodial work, telemarketing, and so forth (see Chapter 31). While many service workers as well as teachers and other white-collar groups were unionized, overall union membership stood at only 13.5 percent of the labor force by 2000, weakening this means by which workers had historically organized to improve their wages and job conditions. Unions’ political clout weakened as well. Congress ratified the 1993 NAFTA treaty, for example, despite protests from organized labor (see Chapter 31).

Job-market success increasingly required advanced training and special skills, posing problems for young people, displaced industrial workers, and welfare recipients thrown into the labor force. Overall employment statistics also concealed racial and ethnic variables. In
2000 the jobless rate for blacks and Hispanics, despite having dropped, remained significantly higher than the rate for whites. In short, while the economic boom brought real benefits to many, a wide gap existed between those who prospered dramatically, and those who experienced only modest gains, or none at all.

**America and the Global Economy**

As the NAFTA agreement made plain, expanding foreign trade ranked high on Clinton's agenda. At the 1994 meeting of the G-7, Clinton declared, “Trade as much as troops will . . . define the ties that bind nations in the twenty-first century.” When the U.S. trade deficit shot up to $133 billion in 1993, after several years of decline, and included a $59 billion trade gap with Japan, Clinton like his predecessor pressured the Japanese to buy more U.S. goods.

Clinton also opted to preserve trading ties with China despite Beijing’s human-rights abuses. Brushing aside protests from human-rights activists, Clinton welcomed Chinese president Jiang Zemin for a state visit in 1997, and returned the visit in 1998. Congress grew skeptical of the administration’s policy of “constructive engagement” with China as Beijing continued perpetrating human-rights abuses, pursuing restrictive trade practices, threatening Taiwan, and pirating U.S. movies, CDs, and computer software.

Clinton's China policy reflected hard economic realities: China had become America’s fourth largest trading partner, after Canada, Mexico, and Japan. In 2000 Congress passed legislation that permanently granted China the same trading status as America’s other trading partners, rather than making trade agreements with China dependent on year-by-year congressional action, as in the past. That year U.S. imports from China surpassed $100 billion.

Economic calculations also increasingly defined U.S. relations with Europe, which became a powerful trading competitor in 1993 when fifteen nations created the European Union (EU), pledged to coordinating their economic policies. Furthering this policy of economic cooperation, in 2001 the EU nations adopted a common currency, the Euro.

The growing importance of world trade was underscored in 1994 when the Senate ratified a new global trading agreement that created the World Trade Organization (WTO) replacing the old General Agreement on Tariffs and Trade (GATT) established in 1947 (see Chapter 26). The WTO agreement provided for a gradual lowering of trade barriers worldwide and set up mechanisms for resolving trade disputes.

The interconnectedness of the global economy became evident in the 1990s. When the Mexican peso collapsed in 1995, jeopardizing U.S.-Mexican trade and threatening to increase the flow of illegal migrants northward, Clinton quickly granted Mexico $40 billion in loan guarantees. In 1997–1998 the economies of Thailand, South Korea, Indonesia, and other Asian nations weakened as a result of corruption, excessive debt, and other factors. Viewing the crisis as a danger to the United States, the State Department worked to avoid political chaos and regional instability.

Political and social chaos especially threatened Indonesia, the world’s fourth-most-populous nation, ruled until 1998 by the aging and autocratic President Suharto. Working through the International Monetary Fund, the U.S. administration sought to bail out Indonesia’s faltering economy and to reduce corruption in the regime.

The once-sizzling Japanese economy stumbled as Asia’s economic crisis spread. Japan’s banks faltered; the Tokyo stock market fell; and the yen lost value, unsettling the U.S. stock market and further jeopardizing U.S. exports and investments in Asia. Again recognizing the threat to U.S. prosperity, the Clinton administration urged Japan to undertake needed economic reforms. By 1999, as the economies of Brazil, Argentina, and other South American nations sank into recession as well, analysts questioned how long the American boom could continue.

In the new global economy, European and other investors flocked into the American market. By 2000 foreign investment in the United States totaled a staggering $1.24 trillion. Australian-born tycoon Rupert Murdoch snapped up U.S. entertainment and communications companies. Investment flowed the other way as well. As American fast-food chains, soft drinks, movies, pop music, and TV programs spread globally, other nations fretted about being swamped by U.S. mass culture.

Globalization aroused opposition in other quarters as well. Union leaders and environmentalists warned that multinational corporations could bypass national environmental-protection laws and exploit unprotected workers in poor nations. Activists pressured companies selling clothing, footwear, and other consumer goods made in poor nations to upgrade labor conditions in their factories. At a 1999 WTO conference in Seattle, opposition exploded in the streets. For several days, demonstrators representing a variety of causes nearly shut down the city.
Disputed Election; Conservative Administration, 2000–2002

The 2000 election highlighted the acrimony pervading U.S. politics. The disputed election ended the Democrats’ hold on the White House, but only after the Supreme Court intervened on behalf of the Republican candidate, George W. Bush. Pursuing his father’s unfulfilled agenda, Bush advocated policies supported by corporate America and by religious conservatives. On the military front, Bush pursued a missile-defense system first proposed by Ronald Reagan. In its approach to the world, the administration initially followed a go-it-alone policy, arousing widespread criticism abroad.

Election 2000: Bush Versus Gore

The 2000 campaign shaped up as a contest of personalities more than issues. The Democrats, bouncing back from the impeachment crisis, confidently nominated Al Gore for president. As his running mate, Gore chose Connecticut Senator Joseph Lieberman, making him the first Jewish-American candidate on a major party ticket. The fact that Lieberman had denounced Clinton’s extramarital affair and his efforts to cover up the scandal helped insulate Gore from the “sleaze factor” in the Clinton legacy.

The Republican contest narrowed down to Senator John McCain of Arizona, a former prisoner of war in Vietnam, and Texas Governor George W. Bush, son of the former president. The maverick McCain, a champion of campaign-finance reform and a critic of corporate influences in his party, made a strong bid. Bush, however, with powerful backers and a folksy manner, won the nomination. His running mate Dick Cheney had been defense secretary in the first Bush administration and then head of the Halliburton Corporation, a Dallas-based energy company. Conservative columnist Pat Buchanan won the nomination of Ross Perot’s Reform party. The Green party nominated consumer advocate and environmentalist Ralph Nader.

Both Gore and Bush courted the center while trying to hold their bases. For Bush, this meant corporate interests, religious conservatives, and the so-called Reagan Democrats in the white middle and working classes. Gore’s base, by contrast, consisted of liberals, academics and professionals, union members, African-Americans, and many Hispanics.

With the economy still healthy (despite signs of weakening), Gore’s prospects looked good. He pointed to the nation’s prosperity and pledged to extend health care coverage and protect social security. In televised debates Gore displayed greater mastery of detail than his opponent.

Bush, by contrast, while projecting a likeable manner, had little national or foreign-policy experience. Many saw him as a lightweight who owed his political success to family influence. As one Texas Democrat quipped, “George Bush was born on third base and thought he had hit a home run.” But he campaigned hard, pledging tax cuts, education reform, and a missile-defense system. Calling himself a “compassionate conservative,” Bush subtly reminded voters of Clinton’s misdeeds by promising to restore dignity to the White House.

Gore had image problems. He had been tainted by fund-raising scandals in the 1996 campaign, and many voters found him pompous. The factual mastery he flaunted in the debates struck many as arrogant. Eager to prove his political independence after eight years as vice president, Gore distanced himself from Clinton, despite the president’s high approval ratings. Peeved, Clinton played little role in the campaign.

Polls showed that most voters agreed with Gore on the issues, approved the Democrats’ economic policies,
and conceded Gore’s intellectual edge. Ominously for Gore, however, they preferred Bush as a person. The election seemed a toss-up.

Feuding in Florida

The intensely partisan politics of these years, so vividly on display in the impeachment crisis, was further symbolized by a bitter dispute over the election outcome (see Map 32.2). When the polls closed on November 7, Gore had won the popular vote by a narrow but clear margin of more than 500,000. The electoral college, however, remained up for grabs. Soon the struggle narrowed to Florida, whose 25 electoral votes would give either candidate the presidency.

Flaws in Florida’s electoral process quickly became apparent. In Palm Beach County, a poorly designed ballot led several thousand Gore supporters to vote for Buchanan by mistake. In other counties, particularly those with a high proportion of poor and African-American voters, antiquated vote-counting machines threw out thousands of ballots in which the paper tabs, called “chads,” were not fully punched out. Gore supporters demanded a hand count of these rejected ballots, confident that they would carry their man to victory. Bush’s lawyers filed suit to halt the recounts.

Florida secretary of state Katherine Harris refused to extend the deadline for certifying the Florida vote to allow for a hand recount. Democrats questioned Harris’s impartiality, since she had cochaired Bush’s Florida campaign and was an ally of Florida Governor Jeb Bush, the candidate’s brother.

As various counties conducted hand counts, election officials scrutinized ballots to see whether the chads were detached, dangling, or “pregnant” (partially pushed out). On November 21 the Florida Supreme Court, with a preponderance of Democrats, unanimously held that the hand count should constitute the official results. Bush’s legal team appealed to the U.S. Supreme Court, which, despite a well-established precedent of letting state courts decide electoral disputes, accepted the case. Overturning the Florida justices’ ruling, the U.S. Supreme Court on December 4 sent the case back to Tallahassee for clarification. The seemingly endless dispute dominated the media.

Meanwhile, on November 26, Secretary of State Harris had formally certified the Florida vote, awarding Bush the state. But on December 8, ten days before the
electoral college was to convene, the Florida Supreme Court ordered an immediate recount of all ballots thrown out by voting machines. “At this rate,” mused a radio commentator, “the Inaugural Ball will be a surprise party.” The U.S. Supreme Court again heard an appeal, and on December 12, in a 5 to 4 vote, ordered an end to the recount. Republican appointees to the court generally supported Bush. Gore conceded the next day. Five Supreme Court justices had, in effect, made George W. Bush president.

Ralph Nader who, though winning only 3 percent of the vote, also helped put Bush in the White House. Had it not been for the 97,488 Floridian’s who voted for Nader, Gore would doubtless have won the state.

The election produced an evenly divided Senate. Each party had fifty senators, giving Vice President Cheney the deciding vote. (The Republicans narrowly held the House of Representative.) Hillary Rodham Clinton won election as senator from New York, becoming the first presidential wife to pursue a political career. Overall, the new Senate included thirteen women, a record number.

To the end, President Clinton maintained the same balance of statesmanlike and shady behavior that bedeviled his entire presidency. In January 2001, as his term ended, Clinton issued tougher worker-safety regulations, particularly relating to repetitive-motion injuries common among computer workers. He also issued an executive order protecting nearly 67 million acres of federal forest land from logging and road building.

On his last day in office, however, he issued federal pardons to 167 people, including his half-brother, in trouble with the law on drug charges; persons caught up in Clinton-era scandals; and white-collar offenders who had White House influence or were major Democratic contributors, including a commodities trader who had fled to Switzerland to avoid trial for tax evasion and other crimes. Despite Clinton’s political skills and good intentions, few Americans expressed regret as he left Washington.

**The George W. Bush Administration: A Conservative Turn in Domestic Politics**

As the election crisis ended, Americans focused on the incoming president, fifty-four-year-old George W. Bush. After graduating from Yale, serving in the Texas Air National Guard during the Vietnam War, and earning an MBA from Harvard Business School, Bush returned to Texas and entered the oil business. Known for partying and heavy drinking since his college days, he was convicted of drunk driving in 1976, but then experienced a religious conversion and married a schoolteacher, Laura Welch, who helped bring stability to his life. Bush’s business ventures did not thrive, but in 1989 he joined a consortium that bought the Texas Rangers baseball team. Frequently appearing at games, he used this visibility, plus his family connections, to win the Texas governorship in 1994.

Attention soon focused on the team Bush assembled. Colin Powell, former head of the Joint Chiefs of Staff, became secretary of state, and the highest ranking African-American ever to serve in a presidential administration. As national security adviser Bush named Condoleezza Rice of Stanford University, also an African-American.

Other Bush appointees were, like Vice President Cheney, veterans of earlier Republican administrations with strong corporate ties. Secretary of Defense Donald Rumsfeld had held the same post under President Ford and later headed a large pharmaceutical company. Treasury Secretary Paul O’Neill had been CEO of Alcoa Corporation. Army Secretary Thomas E. White came from Houston’s Enron Corporation. To appease the Republican right wing, Bush named ultra-conservative John Ashcroft, who had just lost a bid for reelection to the Senate, as attorney general. After a stiff grilling, Ashcroft won confirmation on a 58 to 42 Senate vote.

Despite his razor-thin victory, Bush did not move to the center, as many had expected. Rather he tailored his domestic policies to reflect the interests of the wealthy, corporate leaders, and the religious right. His own conservative outlook and business background, combined with the influence of businesspeople in his inner circle and a desire to win favor with religious conservatives (whose alienation had helped defeat his father’s reelection bid in 1992), shaped his administration.

On education, Bush proposed standardized national tests from grades three through eight, to make sure children were learning basic skills, with penalties on schools that failed to measure up. He also called for a voucher system by which children could attend private or religious schools at taxpayers’ expense. In December 2001 Congress mandated annual testing and provided funds for tutors in poorly performing schools, but rejected the controversial voucher provision.

In February 2001, fulfilling a campaign promise, Bush proposed a bill to cut taxes by $1.6 trillion over a ten-year period. Though the measure reduced rates in most tax brackets, the wealthiest taxpayers benefited most. Proponents argued that the tax cuts would stimulate
investment as the economy went into recession (see below). Democrats attacked the bill for favoring the rich. Recalling the huge deficits that followed the Reagan tax cut of 1981, they also charged that Bush’s plan reflected overly optimistic economic projections. In May Congress passed a $1.35 trillion tax cut—lower than Bush’s proposal and somewhat less tilted toward the rich. As the economy worsened and budget surpluses vanished, second thoughts about Bush’s tax cut increased. The New York Times, estimating the lost federal revenue over a twenty-year period at a staggering $4 trillion, warned that the shortfall could be covered only by dipping into social security and Medicare trust funds.

Bush’s energy program reflected the industry’s influence in Republican circles. Kenneth Lay, for example, head of Houston’s Enron Corporation and a major GOP contributor, enjoyed access to top Bush administration officials and the heads of federal regulatory agencies.

Warning of America’s dependence on imported oil, Bush proposed two thousand new electric power plants, including more nuclear power plants, and vastly expanded coal, oil, and natural-gas production, including mining and drilling in environmentally fragile regions such as the Alaska National Wildlife Refuge. Conservation and research on renewable energy barely figured in the program. Critics attacked the administration’s ties to the energy industry and the fact that the plan had been drafted in closed meetings between Dick Cheney and energy-company executives.

The Republican House passed a bill favored by the White House. It provided $27 billion in incentives for the domestic oil, gas, and coal industries and permitted drilling in Alaska’s Arctic National Wildlife Refuge. In April 2002 the Democratic Senate passed a very different bill featuring tax breaks and other incentives to promote energy conservation and the use of renewable fuels, and forbidding Alaska drilling. The two bills went to a joint House-Senate conference committee, with the final outcome uncertain. The process illustrated the difficulties of governing in a climate of sharp partisan divisions, with each side holding sharply opposed ideological positions.

As Bush’s conservative program unfolded, moderate Republicans grew restive. In May 2001, Vermont Senator James Jeffords announced his departure from the Republican party to become an independent. With Jeffords’ vote, the Democrats regained the chairmanship of all Senate committees and the opportunity to shape the Senate agenda. The four-month interval when the White House and both houses of Congress were controlled by the same party came to an end, suggesting still more divisive political battles ahead.

Jeffords’ action, observed political commentator Flora Lewis, offered “a sharp reminder that the voters did not choose the clear swing to the right that George W. Bush seems to assume.”

The Democrats’ Senate takeover added momentum to a bill, opposed by the administration, to regulate
health maintenance organizations (HMOs) and broaden patients’ right to choose specialists and to sue their HMOs. With 80 percent of U.S. workers in HMOs, and with rising complaints about paperwork, unpaid claims, and HMO decisions driven by cost rather than by patients’ well-being, such legislation enjoyed broad support. In August 2001 both houses passed so-called patients’ bill of rights bills, though they differed on the permissible size of lawsuits and other provisions.

The battle illustrated the power of pressure groups and soft money. In what one Washington observer called “a lobbying war of near-epic proportions,” the HMO industry, health insurers, and business associations fought the bill, while consumer groups and the trial-lawyers association supported it. Whether such a law, if finally enacted, would actually improve health care or reduce public frustration with an increasingly bureaucratic and cost-conscious system remained unclear.

Bush’s attempt to placate the religious right without alienating less-conservative voters was illustrated by his effort to find a middle way on the emotional issue of research on stem cells, which are produced during an early stage of human embryo development (see Technology and Culture: The Promise and Dilemma of Genetic Research). Biomedical specialists and many bioethicists argued that the potential medical benefits justified stem-cell research. Some religious organizations as well as anti-abortion groups strongly protested, arguing that such research could lead down a slippery slope of subordinating potential human life to scientific projects. Bush’s compromise ruling, announced in August 2001, permitted federal funding of research on stem-cell lines already held by laboratories, but barring funding for research on stem cells taken from embryos in the future.

**A Go-it-Alone Foreign Policy; Pursuing Missile Defense**

The administration of George W. Bush at first proceeded with scant regard for other nations’ views. This contrasted with his father's approach, which had been quite internationalist in outlook. On military matters, the younger Bush pursued programs initiated by his Republican predecessors.

Both these generalizations are illustrated by the administration's determination to build the antimissile system first proposed by President Reagan in 1983 (see Chapter 30). Reagan’s “Star Wars” initiative had been criticized as a technological fantasy, and its strategic rationale seemingly evaporated with the Cold War’s end. Clinton had downgraded antimissile research, but George W. Bush gave it high priority. True believers and military contractors eager to promote the project argued that the technical problems could be solved. As for its strategic rationale, they now focused on possible missile attacks from “rogue states” such as Iraq and North Korea.

Bush’s enthusiasm for missile defense had diplomatic implications, because such a system would violate the 1972 Anti-Ballistic Missile (ABM) Treaty. Russian president Vladimir Putin, eager for U.S. investment and a greater role in NATO, agreed to discuss dropping the ABM Treaty if both sides agreed to reduce their remaining arsenals of some six to seven thousand nuclear weapons. The Bush administration valued Russia as an ally in the war against terrorism (see below) and as a potential supplier of oil should imports from the Middle East be disrupted, and accepted Putin's terms. In 2002 the United States withdrew from the ABM Treaty and it officially lapsed. Soon after, Bush and Putin signed a treaty pledging to cut their nuclear arsenals by two-thirds within ten years. Fulfilling another of Moscow’s objectives, NATO granted Russia a close consultative relationship, though not full membership.

In June 2002 work began at Fort Greely, Alaska, on a facility for developing and testing a missile defense system, which planners hoped would be operational by 2004. Alaskans who were worried about the state’s economy welcomed the infusion of jobs and federal dollars the project promised.

Other U.S. actions underscored the administration's go-it-alone approach. At a 178-nation conference on global warming in Bonn, Germany, in 2001, the U.S. delegation refused to participate in or sign the resulting agreement. When most other nations, including the European Union and Japan, agreed to strengthen a 1972 treaty banning biological weapons, the United States refused to accept the plan. The administration also rejected a U.N. agreement to regulate the global trade in handguns, as well as a treaty banning discrimination against women ratified by 169 other nations.

The United Nations had long been a target of conservatives skeptical of international commitments. Beginning in 1994, conservatives in Congress led by Republican Jesse Helms of North Carolina had withheld payment of America’s U.N. dues. By 2001 the back debt totaled $2.3 billion. Early in 2001 the Senate Foreign Relations Committee agreed to pay part of this sum and to resume payment of future dues at a reduced percentage rate. Even this agreement was jeopardized in 2002, however, when the Bush administration opposed the creation of an International Criminal Court
Quantum physics was the most exciting scientific and technological frontier in the early twentieth century, as researchers made theoretical discoveries that ultimately gave rise to the atomic bomb, the nuclear-power industry, radiation therapy in cancer treatment, and the use of radioactive isotopes in medical diagnosis. After 1950, the biological sciences, especially molecular biology and genetics, produced the most stunning breakthroughs. But the same discoveries that deepened understanding of life also raised complex social and ethical issues.

For centuries, farmers had understood genetic principles in practical terms as a way to increase crop yield and breed fatter hogs and cows that produced more milk. Modern genetics dates back to the 1860s, when Austrian monk Gregor Mendel experimented with hybridizing pea plants.

The field of molecular biology arose in the 1950s. In 1953 Max Perutz of Cambridge University showed how x-rays could be used to establish the structure of protein molecules, the basic working elements of all living organisms. Modern genetics leapt forward in 1953–1954 when a young American scientist, James D. Watson, working with Francis Crick of Cambridge University and using data from Maurice Wilkins and Rosalind Franklin of King’s College, London, established the double-helix structure of DNA (deoxyribonucleic acid), a mega-molecule essential in the transmission of genetic information. For their achievements, Perutz, Kendrew, Watson, Wilkins, and Crick all received Nobel prizes in 1962. (Franklin had died in 1958.)

By the end of the twentieth century, geneticists and molecular biologists were achieving breakthroughs on many fronts and applying their findings in unexpected ways. For example, DNA testing resulted in freeing a number of prisoners wrongly convicted of murder, including some on death row.

In 1986, with funds appropriated by Congress, the U.S. Department of Energy and the National Institutes of Health launched the Human Genome Project to determine the precise DNA sequence of all the genetic material in the forty-six human chromosomes. Establishing a significant precedent, Congress set aside 5 percent of the budget for studies of ethical and social questions raised by the project.

The task involved the computer analysis of massive quantities of biostatistical data. A private biotech company, the Celera Genomics Corporation, soon joined the race. In June 2000 the heads of the Celera and Human Genome Project teams jointly made a “working draft” of the human genome available to researchers. Some compared the achievement to the mapping of the vast North American interior in the nineteenth century.

In 1997 in Scotland, meanwhile, veterinary researchers successfully cloned a sheep, producing a lamb named Dolly. In other words, they created a precise genetic replica of a sheep by transferring the nuclei of its cells into an unfertilized egg from a female sheep, and then implanting the egg into the donor female, where it grew the way an egg fertilized by normal breeding would have. This soon lead to excited speculation about cloning human beings—a scary prospect that some scientists dismissed as science-fiction. Nevertheless, President Bill Clinton banned the use of federal funds for human-cloning research, and urged a “voluntary moratorium” on all such efforts.
More immediate concern focused on the medical applications of genetic research. By 2000 medical investigators had isolated defective genes that created a higher than normal probability that individuals would develop breast cancer, ovarian cancer, cardiovascular disease, dementia, cystic fibrosis, Huntington’s disease (the neurological disorder that killed folksinger Woody Guthrie), and other ailments. In 2001 physicians began offering tests to expectant Caucasian parents to see if both carried the genetic defect linked to cystic fibrosis. (This disease most commonly strikes Caucasians, with some thirty-thousand sufferers in America.)

The development of genetic-screening technologies to identify persons at risk for specific diseases offered the promise of early medical intervention, but also raised ethical dilemmas. While some individuals sought out such information so they could take precautionary measures, others preferred not to know. The danger that genetic information could fall into the hands of potential employers, insurance companies, and government agencies threatened patients’ right of confidentiality.

Another troubling moral issue arose when James A. Thomson at the University of Wisconsin-Madison, along with scientists at other institutions, developed techniques for harvesting human stem cells from blastocysts (an early stage of embryo development) that had been frozen for the use of couples experiencing fertility problems. Typically, when a fertilized blastocyst is implanted in a woman’s body and she successfully gives birth, any leftover blastocysts are discarded. Scientists proposed to use these “surplus” embryonic stem cells for research on diabetes, heart disease, and other illnesses. Stem cells are especially useful because they can develop into many different specialized human cells. But stem-cell research stirred controversy because it involved the destruction of early-stage human embryos, which some religious groups consider to be human life. Said one American Catholic leader, “We are talking about not only the direction of genetic science, but also [about] . . . questions of human dignity.” In August 2001 President George W. Bush issued a compromise ruling allowing federal funding of research using existing stem-cell lines, but forbidding government support for research using human embryos dating from the period after his ruling.

In 2001 researchers converted cow skin cells into cow heart cells. If the same technique could be made to work with human cells, it would be unnecessary to use stem cells, and science would have resolved—or bypassed—this particular ethical dilemma.

These breakthroughs in human genetics opened new scientific horizons while raising profound ethical issues. Politicians debated; medical ethicists offered advice; and the American Medical Association set up websites to help physicians deal with the ethical dilemmas they faced as genetics increasingly affected medical practice.

As we have seen throughout *The Enduring Vision*, scientific discoveries and new technologies have vastly benefited Americans. But they have also had unanticipated cultural implications and posed troubling public-policy issues. As the twenty-first century unfolded, both the technological advances and their unexpected social consequences and ethical dilemmas seemed certain to continue.

Focus Questions

- What have been the key achievements in molecular biology since 1950?
- What promise did these achievements hold, and what ethical issues did they raise?
at the Hague. In 2001, in a symbolic action underscoring the growing resentment of America's strong-arm tactics at the United Nations, the United States was voted off the U.N. Human Rights Commission, on which it had served since 1947.

The Bush administration did actively promote U.S. trade interests, a fact underscored by its relations with China. In April 2001 a U.S. spy plane off China's coast collided with a Chinese aircraft monitoring it. The Chinese plane crashed, killing the pilot, and the damaged U.S. plane landed in China. Angry words followed, but $120 billion in annual trade spoke more loudly, and after negotiations China released the U.S. crew. Six months later President Bush attended an Asia-Pacific economic cooperation conference hosted by Beijing, and in November 2001 China formally entered the World Trade Organization.

The global economy remained a focus of protest, however. When the G-8 met at Genoa, Italy, in July 2001, violent street protests resulted in one death, many arrests, and over two hundred injuries. The 2002 G-8 meeting was held in Calgary in the Canadian Rockies, which planners hoped would be remote enough to discourage protesters.

Despite Bush's commitment to foreign trade, domestic pressures influenced him as well. In 2002, responding to demands from U.S. steel producers and the steelworkers' union, Bush slapped tariffs of up to 30 percent on imported steel products for a three-year period. While the tariffs did not apply to Canada, Mexico, or certain developing nations, they did hit China, Japan, Russia, South Korea, and the EU, which protested this violation of free-trade principles. Whether the U.S. steel industry, with its steadily shrinking labor force and high production costs, could long survive even with tariff protection remained an open question.

Recession Woes; Campaign Finance Battles; Environmental Debates

A sharp recession abruptly ended the prosperity of the 1990s and raised questions about the wisdom of the tax cut. Disagreements over economic policy, combined with criticism of Bush's environmental record and a long-running battle over campaign-finance reform, helped perpetuate the climate of intense political partisanship that pervaded the early Bush years.

End of the Economic Boom

The good times and stock-market boom of the 1990s barely outlasted the decade. As Asian and Latin American economies faltered, the U.S. economy suffered as well. In March 2001, when according to economists the recession officially began, the stock market recorded its worst week since 1989, falling by 6 percent. Millions of stockholders felt the pain. Consumer confidence fell to the lowest level in years. As corporate profits plunged, businesses announced layoffs. Ford fired five thousand managers and engineers. The unemployment rate rose from under 4 percent in 2000 to nearly 6 percent by November 2001. In that month alone, three hundred thousand workers lost their jobs.

The bursting of the Internet bubble worsened the downturn. By one calculation, nearly 250 dot-com businesses collapsed in a few months' time. The market value of the companies that did survive fell sharply. Instant millionaires watched their portfolios melt away.

To stimulate the economy, the Federal Reserve Board cut interest rates eleven times in 2001, to a forty-year low. The Bush administration, having based its tax-cut plan on the assumption of continued budget surpluses, now projected years of deficits. Democrats stepped up their attacks on the administration's overly optimistic economic projections and warned about threats to social security and Medicare funds. As an antirecession stimulus package, the administration proposed generous new tax breaks for corporations and the wealthy, and a speeding up of tax cuts that were already approved.

Few shed tears when casinos, luxury boutiques, overpriced restaurants, and dealers in vintage wines and expensive cigars reported declining income. But retirees with pensions plans invested in the stock market and low-paid workers lacking job security typically suffer most in hard times, and the recession that began in Silicon Valley and Wall Street soon spread ominously. Industrial production was shrinking, and every state was losing jobs. Service-sector employment fell faster in the last quarter of 2001 than in any three-month period since World War II. Unskilled workers and former welfare recipients seeking entry-level jobs faced problems. Openings for temporary workers dropped precipitously. The longest economic boom in American history had ended with a thud, and the impact spread through society. An anemic recovery began in 2002, but it was slowed by a series of business scandals that eroded investor confidence (see below).
The Rocky Path of Campaign Finance Reform

In Congress, meanwhile, two senators—Arizona Republican John McCain and, Wisconsin Democrat Russ Feingold—carried on the battle for campaign-finance reform. They targeted so-called soft money contributions made to political parties (rather than to specific candidates) by individuals, corporations, unions, and lobbying organizations seeking to influence legislation. Such lobbies ranged from (mostly pro-Republican) business associations, tobacco companies, anti-abortion groups, and the National Rifle Association to the (mostly pro-Democratic) National Education Association, trial lawyers association, and labor unions. Given the soaring cost of TV advertising, soft money loomed increasingly large in electoral campaigns. In the 1997–1998 electoral cycle the national parties raised more than $190 million in soft money; Wall Street investment companies alone contributed $9 million to the Republican party and $6.2 million to the Democratic party.

President Clinton had paid lip service to reform while endlessly appearing at fundraising events, and as scandal gripped the White House, the campaign-finance issue had faded. In the 2000 election soft-money contributions reached $400 million.

McCain and Feingold persevered, and in April 2001 the Senate passed a version of their bill. In the Republican-controlled House, campaign-finance reform was championed by Christopher Shays, a Connecticut Republican, and Massachusetts Democrat Martin Meehan. The Shays-Meehan bill passed in 2002. A committee reconciled the House and Senate versions, and Bush signed the bill. It banned soft-money contributions to national parties and phony TV “issue ads” that were really aimed at influencing elections, and included other measures seeking to reduce the torrent of money sloshing through the election system.

Whether the new law would achieve its purpose remained unclear. Opponents vowed a court challenge on free-speech grounds, and some observers predicted that interest groups would find ways to bypass the bill. In June 2002 the Federal Election Commission, a bipartisan regulatory body charged with administering and enforcing election laws, issued a ruling that undermined key provision of the law. As the battle went on, skeptics compared politicians of both parties, whose careers depended on an endless flow of campaign money, to drug addicts facing the agonies of withdrawal.

Environmental Issues Persist

The Three Mile Island and Exxon Valdez incidents (see Chapters 30 and 31) forcibly reminded Americans of modern technology’s environmental risks, and a 1984 disaster in Bhopal, India, in which deadly gases from a U.S.-owned chemical plant killed seventeen hundred people underscored the international scope of these risks. Beyond specific incidents, long-term environmental changes had grave implications for human well-being. The late twentieth and early twenty-first centuries brought growing environmental awareness, but a mixed record of environmental action.

With the Cold War over, Americans faced the estimated $150-billion cost of cleaning up nuclear-weapons facilities, including disposing of tons of weapons-grade uranium and plutonium. The Hanford Nuclear Reservation in Washington State was a vast dump of radioactive waste (see Chapter 26, A Place in Time: The Atomic West). The disposal of this material, as well as of radioactive plutonium from dismantled nuclear weapons and fuel rods from aging nuclear-power plants, stirred political disputes and grass-roots protest. In 1997 scientists reported water seepage into the vast cave intended for nuclear-waste storage at Nevada’s Yucca Mountain. In 2002, over objections from environmentalists, Nevada politicians, and Las Vegas gambling casinos, the Senate
approved the Yucca Mountain site. In 2002 further controversy erupted over a Department of Energy (DOE) plan to transfer six tons of plutonium from a former nuclear weapons plant in Rocky Flats, Colorado to the DOE’s Savannah River facility in South Carolina for reprocessing into fuel for nuclear power plants.

Other environmental and health risks arose from atmospheric changes linked to industrial processes. Acid rain carrying sulfur dioxide and other pollutants from U.S. factories and auto exhaust threatened Appalachian forests and Canadian lakes. Fluorocarbons from spray cans, refrigeration equipment, and other sources depleting the upper-atmosphere ozone layer, allowing increased solar radiation to reach Earth’s surface, increasing skin-cancer risks and other health hazards.

The threat of global warming seemed especially urgent. Carbon dioxide and other gases produced by fossil-fuel emissions and deforestation (as well as naturally occurring sources) were accumulating in the lower atmosphere, and the resulting “greenhouse effect” prevented Earth’s heat from escaping. Projecting current world trends, scientists predicted a 40 percent increase in carbon dioxide emissions by 2020. Atmospheric scientists warned of long-term global warming that could disrupt agricultural production and plant and animal ecosystems. In the most dire scenario, melting polar ice could cause rising sea levels, flooding low-lying coastal regions.

Heightening global-warming fears, meteorologists reported that the ten hottest years of the twentieth century all occurred after 1985. In Alaska, where the average annual temperature rose seven degrees from 1972 to 2002, rising water levels in the Chukchi Sea threatened coastal villages, and a new species of beetle that arrived with the warmer weather devastated a four-million-acre spruce forest. Highways buckled as the permafrost melted, and engineers warned that the Alaska pipeline stretching from Prudhoe Bay to Valdez could be destabilized.

Some environmental gains were recorded. According to the Environmental Protection Agency (EPA), U.S. emissions of the principal air pollutants fell more than 60 percent from 1970 to 1999. In 1996–1997, President Clinton secured passage of a bill strengthening pesticide regulation and announced new air-quality standards to reduce soot and ground-level ozone. In 1997 the EPA created an environmental “supersfund” to clean up hazardous-waste sites. By 2001 more than thirteen hundred such sites had been designated, though the pace of cleanup proved slow.

Despite growing opposition to government regulations, support for environmental protection remained strong. Environmental groups that had long focused on wilderness preservation now addressed urban issues as well. When Republican legislators in 1995–1996 attacked the EPA, they faced a sharp public backlash. In 2001 the Supreme Court unanimously upheld EPA’s right to establish national air-quality standards.

The first two years of the George W. Bush administration dismayed environmentalists. On taking office, Bush announced that he would not implement proposed EPA measures to reduce carbon dioxide emissions from power plants. As noted above, the administration’s energy program stressed “energy abundance” through increased production and less regulation, with little attention to environmental concerns. Conservation might be a “sign of personal virtue,” Vice President Cheney suggested, but was no basis for “a sound, comprehensive energy policy.” Some of Bush’s environmental actions roused particular opposition. An order permitting higher levels of arsenic in drinking water proved a public-relations nightmare. The proposed oil drilling in the Arctic National Wildlife Reserve and other public lands stirred intense resistance.

On the international front, Bush repudiated the protocol produced at a 1997 U.N.-sponsored international environmental conference in Kyoto, Japan, that set strict emission standards for industrialized nations, charging that it would jeopardize America’s economic growth and standard of living. The administration, alone among 178 nations, including 38 industrialized states, also refused to sign a 2001 Bonn treaty specifically designed to meet Bush’s objections to the Kyoto protocol. The Bonn treaty was “not in [America’s] interests,” declared national security advisor Condoleezza Rice tersely, offering no alternative proposals for cutting industrial emissions.

These actions came at a time when the United States, with under 5 percent of the world’s population, accounted for 25 percent of global energy consumption. In 2001 passenger-vehicle fuel economy (including the popular light trucks and sport-utility vehicles) fell to the lowest level in a decade. Yet the Bush administration appeared to envision no slacking in this rate of consumption.

The administration’s environmental insensitivity flew in the face of mounting scientific evidence. A National Science Foundation (NSF) report in 2001 concluded that global warming was real, and likely to become more serious.

Thanks in part to his approach to energy and environmental issues, Bush’s approval rating stood at only about 50 percent midway through his first year. But suddenly, politics as usual went out the window, and not only President Bush but the entire nation faced a crisis that would test them to the limit.
The course of American history changed profoundly in September 2001, when a terrorist attack left thousands dead and the nation in shock. The nation's priorities shifted at home and abroad. President Bush summoned the country to a war on terrorism that soon led to Afghanistan and beyond. At home, the administration took far-reaching measures to enhance security and prevent future attacks. While all Americans agreed on the objective of these actions, some saw a potential threat to civil liberties in the vast strengthening of governmental powers of surveillance and detention.

Having shown little concern for world opinion earlier, Bush now called upon all nations to join the United States in a war on terrorism. Despite the administration's single-minded focus on the antiterrorism campaign, other world issues demanded attention, particularly the Israeli-Palestinian conflict. As that struggle threatened to spiral out of control, the administration at last became involved in the elusive quest for peace.

Domestically, despite the post-September 11 unity impulse, political partisanship soon revived. The freedom to disagree was, after all, what made America worth defending. Contentiousness deepened as Americans reacted in disbelief and anger to revelations of greed, deception, and fraud in some of the nation's largest corporations during the boom years of the 1990s.

Throughout American history, watershed events have marked historic turning points. The clash between Massachusetts farmers and British redcoats on April 19, 1775, hastened the Revolutionary War. The Confederates' attack on Fort Sumter in Charleston harbor on April 12, 1861, began the Civil War.

Another such pivotal moment came on the morning of September 11, 2001. As Americans watched their televisions in horror, the blazing twin towers of New York's World Trade Center crashed to the earth, carrying more than 2,800 men and women to their deaths. A simultaneous attack on the Pentagon left 245 dead on the ground, and a plane crash in western Pennsylvania directly related to these events killed still more innocent people. Only the Civil War battle of Antietam, in which 3,650 soldiers died, brought a higher single-day toll of American dead.

At the World Trade Center, nearly 350 firefighters and 23 police officers perished. Many people trapped by the flames leapt to their death. Father Mychal Judge, a fire department chaplain, suffered a fatal heart attack while administering last rites to victims. Firemen placed his body on the altar of nearby St. Peter's Catholic church. Businesses with offices in the Twin Towers suffered catastrophic losses. One brokerage firm lost 600 workers.

New York City essentially shut down. Bridges were closed; subway trains stopped running. Commercial
aircraft were grounded; incoming flights from abroad were ordered to return or diverted to Canada. Only military fighters patrolled the skies over New York and Washington. President Bush put the military on high alert and mobilized the national guard.

The World Trade Center towers and the Pentagon had been struck by three commercial aircraft piloted by hijackers in a carefully planned assault on these highly visible symbols of U.S. economic and military power. The Pennsylvania crash occurred when heroic passengers prevented terrorists from diverting the plane to another target, possibly the White House.

The destruction of the World Trade Center that terrorists had failed to accomplish eight years before (see chapter introduction) had now tragically been achieved. Along with the dead on the ground, 246 passengers and crew, plus 19 hijackers, died in the four planes. The government soon identified the hijackers, all foreigners from the Middle East, and traced their actions before September 11, including enrollment in Florida flight-training schools.

In a few hours of terror, a new and menacing era began. Terrorism—whether assassinations or bombed buildings, buses, ships, and planes—was familiar elsewhere, of course, and many U.S. citizens, civilian and military, had died in earlier terrorist attacks in the 1980s and 1990s. The lethal career of the letter bomber Ted Kaczynski and the 1995 bombing of the Oklahoma City federal building had made clear that America was not immune to such attacks. But now terrorism had erupted on U.S. soil on a far vast and more horrifying scale. For the first time since the War of 1812, a foreign enemy had attacked the American homeland.

A wave of patriotism gripped the nation. The political divisions that had grown so intense were temporarily put aside. Flags flew from homes, public buildings, and automobile antennas. Irving Berlin’s “God Bless America,” often heard during World War II, became the anthem of the moment. “United We Stand” proclaimed banners, billboards, and bumper stickers. President Bush visited a mosque to urge Americans to distinguish between a handful of terrorists claiming to act in the name of Allah and the world’s 1.2 billion Muslims, including as many as 6 million in the United States. Nevertheless, many Middle Easterners in America faced hostility and even violence in the post-attack period.

The damaged New York Stock Exchange closed for six days. When it reopened, stock prices plunged. Even after stocks slowly edged upward, retail sales declined and consumer confidence remained fragile amid anxiety about the future. The airline and travel industries reeled as jittery travelers canceled trips or chose ground transportation. A $15 billion bailout of the airlines by Congress helped, but the industry’s problems remained. New York’s tourist and entertainment industries suffered severely. “Vacant Rooms, Empty Tables, and Scared Tourists,” headlined one New York newspaper.

Post-September 11 anxieties deepened in early October when an editor at the Florida offices of the National Enquirer, a tabloid newspaper that had attacked Osama bin Laden, died of anthrax, a rare and deadly bacterial disease. He had contracted it, investigators claimed, from anthrax spores sent in a letter. Letters containing high-grade anthrax spores next appeared in the office of NBC news anchor Tom Brokaw and Senators Tom Daschle and Patrick Leahy. The Senate Office Building was closed for decontamination. Four other persons, two of them postal workers, died from anthrax-tainted pieces of mail, evidently contaminated by contact with the original letters.

Panic spread, and people feared opening their mail. Analysis of the anthrax spores indicated that they had probably been made in a U.S. research laboratory, and investigators focused on finding a domestic source of the deadly mailings.

### Battling Terrorist Networks Abroad

President Bush, speaking briefly from the White House on September 15, declared the attacks an “act of war.” On September 15, the Senate unanimously authorized Bush to use “all necessary and appropriate force” to respond.

On September 20, as had other presidents in times of crisis, a somber Bush addressed a joint session of Congress. He blamed the attack on the Al Qaeda terrorist network headed by Osama bin Laden from headquarters in Afghanistan. Bin Laden, already under indictment for the 1998 attack on U.S. embassies in Africa, had long denounced America for supporting Saudi Arabia’s corrupt regime, stationing “infidel” troops on Saudi soil, backing Israel, and spreading wickedness through its sinful mass culture. (Ironically, the United States and bin Laden had been uneasy allies in the 1980s, when he was fighting Russian forces in Afghanistan.) A videotape of bin Laden describing how he planned the attack and even laughing about the massive damage, discovered in Afghanistan and released by the Bush administration in December, helped convince any remaining doubters of his guilt. Though bin Laden claimed to have acted on behalf of Islam and endlessly invoked the name of Allah,
most Islamic leaders repudiated him and condemned attacks on innocent civilians.

Bush announced a military campaign to uproot Al Qaeda and its protectors, the Pakistan-trained Islamicist group called the Taliban, which had seized power in Afghanistan in 1996. As part of a program to disrupt the terrorists’ money supply, Bush froze the assets of organizations with possible links to the terrorists.

Despite the pro-Taliban sympathies of Muslim fundamentalists in Pakistan, Bush enlisted the cooperation of Pakistan’s military government. Complicating U.S. military planning was Afghanistan’s forbidding terrain and patchwork of ethnic and tribal groups. The major anti-Taliban force, the Northern Alliance, was an uneasy coalition of rival warlords.

The military phase of the antiterrorist operation, launched on October 7, achieved impressive success. Battered by U.S. bombing and an offensive by Northern Alliance forces, the Taliban soon surrendered Kabul (the Afghan capital) and other strongholds. British, Canadian, Pakistani, and other forces played an important role in this campaign. By mid-December, despite sporadic resistance, the United States claimed victory. As more U.S. special forces arrived, a remnant of Al Qaeda fighters retreated to fortified caves in the rugged mountains of eastern Afghanistan, between Kabul and the Khyber Pass, pursued by local Afghan fighters backed by U.S. and British commandos and American bombing raids. The whereabouts of Osama bin Laden remained unknown, however.

The fighting was brutal. Northern Alliance fighters killed some Taliban even after they had surrendered. In late November, Taliban prisoners, mostly Pakistanis, among hundreds held at a fortress near Kunduz, seized weapons from their guards. In a wild night of fighting and bombing, most of the prisoners were killed. The civilian population, already devastated by drought and years of civil war, suffered terribly. Despite U.S. and international relief efforts, including food drops, the refugee situation—worsened by winter weather—remained desperate. Military operations unquestionably disrupted the Al Qaeda forces, but many retreated into remote parts of Afghanistan and Pakistan, suggesting that a long struggle lay ahead. More than three hundred captured Al Qaeda fighters were transferred to prison facilities at the U.S. base in Guantanamo, Cuba.

The diplomatic challenge of welding rival factions into a workable post-Taliban government proved difficult as well. As a first step, a British-led international force was mobilized to maintain law and order in Kabul. In June 2002, with U.S. support, an assembly of Afghan tribal leaders called a loya jirga established a new government and chose an interim prime minister, Hamid Karzai. The nation-building effort had the blessing of Afghanistan’s eighty-nine-year-old former king, who returned to Kabul after years in exile.

International support for the initial phase of America’s antiterrorist campaign remained strong. British Prime Minister Tony Blair proved a pillar of strength. For the first time, NATO forces fought in defense of a member nation.

The administration sought to broaden the struggle beyond Afghanistan and Al Qaeda. In his January 2002 State of the Union address, President Bush identified Iran, Iraq, and North Korea as an “axis of evil” hostile to America and intent on developing weapons of mass destruction, including chemical and biological weapons. In May the president added Cuba, Libya, and Syria to the list. Most of these nations denied the charges.

Shadowing the post-September 11 strategic debate was a troubling question: would eliminating Al Qaeda and bin Laden end the terrorist threat? While most Arab leaders repudiated bin Laden, many among the impoverished, ill-educated Arab masses were receptive to his anti-American harangues. Ending terrorism, clearly, involved not only military operations, but also long-term diplomatic, political, and ideological efforts as well.
Tightening Home-Front Security

Thanks to the post-September 11 spirit of unity and Americans’ strong support for the military campaign in Afghanistan, Bush's approval ratings soared. The administration’s domestic antiterrorism campaign proved more controversial, however. Despite Republicans’ traditional hostility to big government, the administration significantly expanded the federal government’s role in many aspects of American life.

The initial response was somewhat confused. No clear lines of authority emerged among various government agencies. Bush appointed former Pennsylvania governor Tom Ridge to head a new White House office of homeland security, but his duties remained vague.

Political divisions emerged over the newly urgent issue of aviation security. While some legislators and others urged that the nation’s 28,000 airport security workers become federal employees, others opposed this expansion of the federal labor force. Late in 2001, Congress required all security personnel to be U.S. citizens and to meet rigorous job criteria and performance requirements set by a newly created Transportation Security Administration.

After September 11, the Justice Department detained more than one thousand Middle Easterners living in the United States, some for visa violations, and held them for questioning without filing charges or, in most cases, revealing their names. In an Orwellian touch, Attorney General Ashcroft claimed that to identify the detainees would violate their civil rights. These arrests raised serious civil-liberties issues. Some local police officials refused to cooperate in the wholesale roundup of persons not accused of crimes simply on the basis of their ethnicity or national origin.

The treatment of the prisoners at Guantanamo raised questions as well. Human-rights advocates urged according them the rights of prisoners of war under the Geneva conventions. U.S. officials insisted that the men were being treated humanely, but took the position that they could be held indefinitely as a matter of national security.

The USA-Patriot Act, a sweeping antiterrorist law proposed by the administration and overwhelmingly passed by Congress in October 2001, extended the government’s powers to monitor telephone and e-mail communications, including conversations between prisoners and their lawyers. This, too, stirred apprehension in civil-liberties circles. Conservatives suspicious of big government, who had applauded John Ashcroft’s appointment as attorney general, were troubled by his calls for vastly expanded federal powers after September 11.

In November, without consulting Congress, Bush signed an executive order empowering the government to try noncitizens accused of fomenting terrorism in secret military tribunals rather than in the civilian justice system. While precedent existed for such tribunals in wartime, this proposal roused opposition from civil libertarians and others. Opinion polls found Americans to be divided evenly on the use of military tribunals, but strongly at odds with Bush's failure to consult Congress in the matter.

In May 2002 news media reported disturbing evidence of missed clues before the terrorist attack. In August 2001, for example, a flight school in Minnesota warned the FBI of a suspicious person named Zacarias Moussaoui who had tried to enroll. Moussaoui had been arrested on immigration charges, but the Justice Department had denied a request by the Minneapolis FBI office for permission to check his computer. (After September 11 Moussaoui’s link to bin Laden was discovered, and in 2002 he went on trial in Virginia.) In June Congress launched an investigation of these intelligence breakdowns, as well as of the poor relations between the FBI and the CIA that prevented the two agencies from cooperating.

Diverting attention from these potentially damaging inquiries, President Bush seized the moment to propose a new cabinet-level Department of Homeland Security to coordinate the domestic antiterrorism effort. Having earlier rejected calls for such an agency, Bush now shifted ground abruptly. The new department, approved by Congress in November, 2002 absorbed many government agencies, including the Coast Guard, the Customs Service, the Immigration and Naturalization Service, the Federal Emergency Management Agency, and even a plant inspection agency in the Department of Agriculture. It would not, however, include the FBI or the CIA. As Congress debated the proposal, some Americans questioned whether a reshuffling of existing agencies made America more secure.

Deepening Crisis in the Middle East

With Yasir Arafat's rejection of Israel's peace plan at Camp David and the launching of a second Intifada in September 2000, violence in the region exploded. Suicide bombings took many Israeli lives. The bombers deliberately chose crowded targets such as buses and restaurants. An Israeli cabinet minister was assassinated.

Asserting its right of self-defense, Israel retaliated, using U.S.-supplied tanks and military aircraft to attack Palestinian targets in the West Bank, and assassinated leaders of Hamas, a violently anti-Israel organization...
responsible for many of the bombings. The Israelis periodically closed border crossings for security reasons, keeping Palestinian laborers from jobs in Israel and deepening Palestinian anger. None of these measures stopped the suicide attacks; indeed, the number of attacks increased in the spring and summer of 2002.

Prime Minister Ariel Sharon, backed by Israeli public opinion, demanded an end to violence before peace talks could resume, and dismissed Arafat as too weak and devious to stop the terrorists or end corruption in the Palestinian Authority. Arafat, in turn, insisted that as long as Israel fostered Jewish settlements in the West Bank and Gaza; dominated the region militarily; controlled water rights and highway access; and in other ways behaved as a colonial power, the anger that fueled the violence would continue. A fact-finding mission headed by former Senator George Mitchell concluded that peace prospects were dim unless Israel halted construction of new West Bank settlements.

Since Israel depended upon economic and military aid from the United States, America was deeply implicated in the events in the region. Nevertheless, the Bush administration initially stood apart from the worsening conflict. A U.S.-brokered truce in June 2001 collapsed amid continued attacks and counterattacks.

In March 2002, after a particularly devastating round of suicide bombings, including a deadly attack on a Passover seder at a restaurant, Israel launched a major assault in the West Bank. Parts of the city of Jenin, a center of terrorist activity, were reduced to rubble. A standoff between armed Palestinians and Israeli troops unfolded around Bethlehem’s Church of the Nativity. The Israelis besieged Arafat’s compound in Ramallah, confining him in a single building for days. Eventually the Israelis withdrew, but conditions remained tense, and violence continued on both sides.

In a June 2002 speech, President Bush called for creation of a Palestinian state and the resolution of other disputed issues. But he spoke only in generalities, offering no plan. He also demanded an end to terrorism and embraced the Israeli position that Arafat must go. While many Palestinians and Arab leaders privately agreed that Arafat had outlived his day, they resented outside attempts to push him aside. Experts on the region warned that Arafat’s successor might be even less acceptable.

Since 1948 the United States, as Israel’s principal ally, had tried without success to broker an enduring peace in the region. The familiar pattern of fresh initiatives by each new administration followed by frustration and defeat appeared to be repeating itself. Yet optimists pointed to other long-running conflicts, such as the one in Northern Ireland, where progress toward a resolution had been achieved. Despite the frustration, they insisted, the effort for peace must continue.

As the war on terrorism and the Israeli-Palestinian conflict continued in the fall of 2002, the Bush administration focused increasingly on Iraq. Iraq’s president
Saddam Hussein had been a thorn in America’s flesh since the Persian Gulf War, which had left him weakened but still in power. In a barrage of speeches, Bush, Cheney, and Defense secretary Rumsfeld warned of Saddam’s hatred of the United States and Israel; his record of aggression; and his efforts to develop weapons of mass destruction. U.S. security, they argued, demanded a preemptive war to overthrow the Iraqi dictator.

Initially opposing the administration position were some prominent Democrats and even a few Republican leaders, as well as religious groups and organizations committed to international cooperation and conflict-resolution through diplomacy. Charging that a preemptive war would violate U.S. principles, the critics challenged the administration to produce firm evidence that Saddam posed an immediate threat to the United States, and warned that such a war could unleash turmoil across the Arab world and bog down U.S. forces for years. Some even accused the administration of using Iraq to divert attention from the worsening economy. Critics also cautioned that the preoccupation with Saddam could undermine the larger anti-terrorist campaign. While British Prime Minister Tony Blair backed the administration, France, Germany, other European nations, and most Arab leaders objected. To counter the rush to war, they called for a UN resolution demanding that Iraq grant complete and unrestricted access to UN weapons inspectors, who had departed in 1998 when the Iraqis denied them full access to all sites.

Under pressure to secure UN backing, President Bush in October 2002 presented the case against Saddam in a UN address. Despite deep divisions in U.S. public opinion, the House and Senate passed resolutions authorizing U.S. military action against Iraq. Republican lawmakers embraced the resolutions while Democrats divided, fearful of opposing Bush as an election neared but concerned about what some saw as a rush to war with no clear plan for dealing with a post-Saddam Iraq. On November 8, the UN Security Council unanimously adopted a resolution imposing tough new weapons inspections on Iraq. Baghdad sullenly agreed and UN inspectors returned, but a U.S.-led war remained a real possibility if Iraq violated the resolution’s strict terms.

Bankruptcies and Scandals in Corporate America

The recession soon led to a series of high-profile bankruptcies among energy and telecommunications companies that had thrived in the high-flying 1990s. With the bankruptcies came accusations of criminal behavior and false accounting reports that produced a crisis of confidence in the integrity of corporate America.

The first casualty was Houston’s Enron Corporation, with close ties to the Bush-Cheney administration. Selling electric power in advance at guaranteed rates, Enron flourished in the freewheeling climate of the 1990s and branched out into utilities and telecommunications. Celebrated as a model of the new economy, the company charmed investors. In 2000, claiming assets of $62 billion, it ranked seventh in Fortune magazine’s list of the top five hundred U.S. corporations.

Suddenly the house of cards collapsed. Late in 2001, with its stock selling for sixty-one cents a share, Enron filed for bankruptcy and admitted to vastly overstating profits. Thousands of Enron workers lost not only their jobs but also their retirement funds, which consisted mostly of Enron stock. Like the collapse of the savings and loan boom and the disgrace of traders like Michael Milkin and Ivan Boesky in the 1980s (see Chapter 30), Enron’s demise highlighted the risks of obsession with soaring profits, fat bonuses, and ever-rising stock prices.

Enron was only the beginning. The overbuilt fiber-optics industry, having laid 100 million miles of optical fiber worldwide in 1999–2001, suffered staggering blows. Lucent Technologies, a telecommunications giant, cut nearly one hundred thousand jobs in 2001. Global
Crossing, a high-speed voice and data carrier, declared bankruptcy in 2002, the fourth largest in U.S. history. In June 2002 WorldCom, America's second-largest telecommunications company and owner of long-distance company MCI, announced that its chief financial officer had overstated profits by $3.8 billion. As WorldCom stock dropped to nine cents a share, the company fired seventeen thousand employees and filed for bankruptcy. The Securities and Exchange Commission launched criminal proceedings; congressional committees held hearings; and President Bush called the WorldCom deception “outrageous.”

Charges of fraud and deception spread throughout the business world. In 2002 the Justice Department brought criminal charges against Arthur Andersen, a giant Chicago accounting firm that had certified the accuracy of the financial reports of Enron, WorldCom, and other troubled companies. As Enron's problems had become public, officials at Arthur Andersen's Houston office destroyed potentially incriminating files and e-mail communications. A grand jury found the firm guilty, and it faced dissolution. The integrity of the accounting industry as a whole, so crucial to investor confidence, fell under suspicion.

Investment companies faced scrutiny as well, amid evidence that to generate business and keep profits high during the boom years, analysts at Merrill Lynch and other Wall Street firms had advised investors to buy stocks at inflated prices. Under pressure from the New York State attorney general, Merrill Lynch agreed to pay $100 million in fines.

Public outrage deepened amid reports of corporate executives who sold their own stock holdings for millions of dollars just before their companies' troubles became public. Attention focused, too, on the stratospheric salaries and stock benefits these CEO's had earned. In his 2002 book Wealth and Democracy, Kevin Phillips reported that America's top ten CEO's earned an average of $154 million each in 2000. The greed prevailing at the upper levels of capitalist America seemed boundless.

The wave of bankruptcies of seemingly healthy companies and the disclosures of deception and shady practices in corporate America slowed the economic recovery. Despite positive economic news, the stock market sank through much of 2002, as distrustful investors stayed away.

At a deeper level, the escalating scandals seriously eroded the standing of corporate America. Executives who had been celebrities in the 1990s now faced deep public skepticism if not criminal investigation. The University of Maryland business school took its students on field trips to penitentiaries where white-collar criminals warned them to be honest. Declared the chairman of Goldman Sachs, a major Wall Street investment bank, “I cannot think of a time when business... has been held in less repute.”

In the summer of 2002, as the stock-market sank to five-year lows and more corporate scandals erupted, politicians and government agencies scrambled to respond to mounting public anger. President Bush delivered a stern speech about the need for business morality. The head of the understaffed and quiescent Securities and Exchange Commission, the watchdog agency created in the 1930s, declared that the SEC would vigorously pursue wrongdoers. In late July, in the first of what promised to be a series of criminal prosecutions, John J. Rigas and two of his sons, who had allegedly looted the family-owned TV-cable business, bankrupt Adelphia Communications, of $1 billion, were arrested and held for trial. At the same time, Congress passed by overwhelming margins and President Bush signed a new regulatory law designed to reassure investors. It imposed stricter accounting rules, tightened regulations for corporate financial reporting, and toughened criminal penalties for business fraud. The widespread disgust with big business evoked memories of the Progressive Era, when reformers and muckraking journalists had denounced corporate greed and ruthlessness. It also recalled the early 1930s, when business leaders who had been admired in the prosperous 1920s faced public hostility as hard times sank in. The pendulum would no doubt swing again, but for the moment the status of corporate America could hardly have been lower.

**Election 2002**

The corporate scandals posed dangers for the Bush administration, with its close ties to big business. The Halliburton Company, formerly headed by Vice President Cheney, was one of the firms whose financial reporting practices came under scrutiny. Bush's energy program had been crafted by leaders of the industry, and his proposed “economic stimulus package” would have given lucrative tax breaks to America's biggest corporations, including a $254 million windfall to Enron. Bush's own highly profitable 1990 sale of his stock in a failing Texas energy company of which he was a director came up for fresh examination.

As the business scandals unfolded, the 2002 election approached. Midterm elections often serve as referenda on the president's performance, as Bill Clinton learned in 1992. How would voters assess President Bush, and how would their assessment affect the election out-
come? Would Bush be seen as the bold leader of a united people waging a just war on terrorism? Or would he be viewed as a president who did the bidding of a powerful and socially irresponsible corporate elite whose reputation lay in tatters?

November 5, 2002, brought the answer, as Republicans regained control of the Senate and increased their House majority. The outcome reversed the usual mid-term election pattern, when the president’s party typically loses ground. President Bush, enjoying popularity ratings close to 70 percent, had campaigned tirelessly, stressing the war on terrorism and the threat of Saddam Hussein. The Democrats proved unable to shift focus to the economy and corporate scandals. Said Senator Tom Daschle of South Dakota, the outgoing majority leader: “The president made [Iraq and the war on terrorism] his drumbeat. It resonated.” A Colorado voter commented: “[R]ight now in our country we need protection and I don’t want to see President Bush get stalemated by another party’s views as far as protecting our country.” In the wake of the defeat, Representative Richard Gephardt of Missouri resigned as House Democratic leader. He was replaced by Nancy Pelosi of California, who became the first woman of either party to hold such a major leadership position in Congress. As Bush laid plans to push his agenda abroad and at home, including further tax cuts, an aggressive energy policy, and congressional confirmation of conservative judicial nominees, Republicans looked forward eagerly to 2004.

**Conclusion**

The years spanning Bill Clinton’s second term and the onset of George W. Bush’s presidency also marked the transition from one century to another. Brief as it was, this eventful interval brought many changes. The Republican administration that emerged from the disputed 2000 election pursued a conservative, probusiness domestic agenda and a more-independent, go-it-alone approach to foreign policy. The humming economy of the 1990s stalled in 2000–2001, affecting American life in many ways. And, as we saw in Chapter 31, America’s social and demographic profile continued to change as the surging growth of the Sunbelt continued and the Hispanic and Asian populations grew at a rapid pace.

On September 11, 2001, a shocking act of terrorism transformed America. Sixty years earlier, President Franklin D. Roosevelt had called December 7, 1941, “a day that will live in infamy.” The same could be said of September 11. The shattering events of that day opened a new chapter in U.S. history—a chapter that would challenge the endurance, tolerance, and wisdom of all Americans. Coping with the threat of terrorism required not only military and security measures, but also a renewed commitment to fair play, respect for civil rights, and concern for the oppressed of the world, whatever their ethnicity, religion, or skin color—the values that make America worth preserving.

**Chronology, 1996 to the Present**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>1994</td>
<td>Oslo Accords establish framework for peace between Israel and Palestinians.</td>
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<td>1995</td>
<td>World Trade Organization (WTO) replaces GATT as regulator of world trade.</td>
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<td>1996</td>
<td>Dayton Accords establish cease-fire in Bosnia.</td>
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<td>1997</td>
<td>Clinton reelected.</td>
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<td>1998</td>
<td>Kyoto Accords on emissions standards.</td>
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<td>2000</td>
<td>House of Representatives impeaches Clinton.</td>
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<td>2001</td>
<td>NATO offensive drives Yugoslav forces out of Kosovo.</td>
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<td>2002</td>
<td>Senate trial acquits Clinton.</td>
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<td>2003</td>
<td>Congress normalizes trade relations with China.</td>
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<td>2004</td>
<td>End of economic boom.</td>
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<td>2005</td>
<td>Yasir Arafat rejects Israeli peace plan; second Intifada begins.</td>
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<td>2006</td>
<td>USS. Cole bombed in Aden harbor, Yemen.</td>
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<td>2007</td>
<td>Presidential election: Al Gore wins popular vote; George W. Bush chosen by electoral college after Supreme Court intervenes to resolve disputed Florida vote.</td>
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<td>2008</td>
<td>Republicans retain slim majorities in both houses of Congress.</td>
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<td>2009</td>
<td>Bush administration repudiates Kyoto protocol on emission standards.</td>
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<td>2010</td>
<td>Congress passes $1.35 trillion tax cut bill.</td>
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<td>2011</td>
<td>Senator Jeffords becomes an independent; Democrats regain control of Senate.</td>
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<td>2012</td>
<td>September 11 terrorist attacks on World Trade Center, Pentagon.</td>
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<tr>
<td>2013</td>
<td>U.S. and allied forces defeat Taliban regime in Afghanistan and attack Al Qaeda terrorist network.</td>
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<tr>
<td>2014</td>
<td>U.S. withdraws from ABM (Anti-Ballistic Missile) Treaty and begins construction of missile defense system.</td>
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<tr>
<td>2015</td>
<td>Collapse of Enron Corporation leads to wave of corporate bankruptcies and accounting scandals.</td>
</tr>
<tr>
<td>2016</td>
<td>Bipartisan Campaign Reform Act.</td>
</tr>
<tr>
<td>2018</td>
<td>Palestinian suicide bombings; Israeli invasion of West Bank.</td>
</tr>
</tbody>
</table>
As 2001 ended, Norway awarded the Nobel Peace Prize to Kofi Annan, secretary general of the United Nations. Accepting the award in Oslo, Annan acknowledged the irony of celebrating peace amidst rampant war and terrorism. “We have entered the third millennium through a gate of fire,” he said. Annan went on to call for a rededication to the vision that had inspired the U.N.’s founders fifty-six years earlier. Despite the hatred and vast inequalities dividing nations and peoples, he insisted, the fate of all Earth’s inhabitants was interconnected. “In the 21st century,” he said, “I believe the mission of the United Nations will be defined by a new, more profound awareness of the sanctity and dignity of every human life, regardless of race or religion...Humanity is indivisible.”


Paul Pillar, Terrorism and U.S. Foreign Policy (2001). A counterterrorism specialist argues that effective intelligence work and cooperation with other nations offer the best hope.

Cass R. Sunstein and Richard A. Epstein, eds., The Vote: Bush, Gore, and the Supreme Court (2001). Scholars representing a broad spectrum of viewpoints analyze the legal struggle to resolve the 2000 election controversy.

Peter Trubowitz, Defining the National Interest: Conflict and Change in American Foreign Policy (1998). Explores the domestic economic and political calculations that help shape U.S. diplomacy.


For Further Reference

Readings

The journals of political and cultural commentary listed in the “For Further Reference” section of Chapter 31 are relevant to this chapter as well, as is the annual government publication Statistical Abstract of the United States, with its wealth of economic, social, and demographic information.


Fred Halliday, Two Hours that Shook the World: September 11, 2001: Causes and Consequences (2001). A British international-affairs specialist views terrorism in the context of political and ideological struggles within the Arab world.


Websites

Bureau of Labor Statistics
http://www.bls.gov/home.htm
The home page of this government agency includes a wealth of data about the U.S. economy and labor force.

CNN, Election 2000
Everything you wanted to know about the 2000 election, including the disputed Florida outcome.

National Institutes of Health, Stem Cells, A Primer
Basic scientific information about human stem cells, the subject of public-policy debate in 2001.

PBS, The Impeachment Trial
http://www.pbs.org/newshour/impeachment
Extensive information on the impeachment of President Bill Clinton based on PBS News Hour broadcasts, including a complete transcript of the Senate trial, statements by key figures, historical background on impeachment, and historians’ commentary.

http://www.freepint.com/gary/91101.html
This website, maintained by a librarian and information consultant in Washington, D.C., offers documents, speeches, journalistic accounts, editorials, articles, and videos relating to the attack of September 11, 2001; the anthrax scare; the U.S. military action in Afghanistan, and the domestic antiterrorism campaign.

The White House: President George W. Bush
http://www.whitehouse.gov/president/gwbio.html
This White House website includes a biography of President George W. Bush in English and Spanish.

For additional works please consult the bibliography at the end of the book.