Chapter 34
Crisis, Realignment, and the Dawn of the Post–Cold War World

1975–1991
Postcolonial Crises and Asian Economic Expansion, 1975–1990
Islamic Revolutions in Iran and Afghanistan

- Crises in Iran and Afghanistan threatened to involve the superpowers
- The United States reacted to these crises with restraint, but the Soviet Union took a bolder and ultimately disastrous course.
In Iran, American backing and the corruption and inefficiency of Shah Muhammad Reza Pahlavi’s regime stimulated popular resentment.

In 1979 street demonstrations and strikes toppled the Shah and brought a Shi’ite cleric, Ayatollah Ruhollah Khomeini, to power.

The overthrow of Pahlavi, an ally, and the establishment of an anti-western conservative Islamic republic in Iran were blows to American prestige.

The United States was unable to do anything about it.
The Soviet Union faced a more serious problem when it sent its army into Afghanistan in 1978. This was in order to support a newly established communist regime against a hodgepodge of local, religiously inspired guerilla bands that controlled much of the countryside.

The Soviet Union’s struggle against the American-backed guerillas was so costly that it caused so much domestic discontent that the Soviet leaders withdrew their troops in 1989 and left the rebel groups to fight with each other for control of Afghanistan.
Asian Transformation

- The Japanese economy grew at a faster rate than that of any other major developed country in the 1970s and 1980s.
- The Japanese average income outstripped that of the United States in the 1990s.
- This economic growth was associated with an industrial economy in which keiretsu (alliances of firms) received government assistance in the form of tariffs and import regulations that inhibited foreign competition.
The Japanese model of close cooperation between government and industry was imitated by a small number of Asian states. The country most notable was South Korea. In South Korea, four giant corporations led the way in developing heavy industries and consumer industries. Hong Kong and Singapore also developed modern industrial and commercial economies.
All of these newly industrialized economies shared certain characteristics:

1. Discipline and hard-working labor forces
2. Investment in education
3. High rates of personal savings
4. Export strategies
5. Government sponsorship and protection
6. The ability to begin their industrialization with the latest technology.
In China after 1978 the regime of Deng Xiaoping carried out successful economic reforms. This would allow private enterprise and foreign investment to exist alongside the inefficient state-owned enterprises. It would also allow individuals and families to contract agricultural land and farm it as they liked. At the same time, the command economy remained in place and China resisted political reform, notably when the Communist Party crushed the protests in Tiananmen Square in 1989.
The End of the Bipolar World, 1989–1991
Crisis in the Soviet Union

- During the presidency of Ronald Reagan the Soviet Union’s economy was strained by the attempt to match massive U.S. spending on armaments, such as a space-based missile protection system.
- The Soviet Union’s obsolete industrial plants, its inefficient planned economy, its declining standard of living, and its unpopular war with Afghanistan fueled an underground current of protest.
When Mikhail Gorbachev took over the leadership in 1985 he tried to address the problems of the Soviet Union by introducing a policy of political openness (glasnost) and economic reform (perestroika).
The Collapse of the Socialist Bloc

- Events in eastern Europe were very important in forcing change on the Soviet Union.
- The activities of the Solidarity labor union in Poland, the emerging alliances between nationalist and religious opponents of the communist regimes, and the economic weakness of the communist states themselves led to the fall of communist governments across eastern Europe in 1989 and to the reunification of Germany in 1990.
The weakness of the central government and the rise of nationalism led to the dissolution of the Soviet Union in September 1991.

Ethnic and religious divisions also led to the dismemberment of Yugoslavia in 1991 and the division of the Czech Republic in 1992.
The Persian Gulf War

- Iraq invaded Kuwait in August 1990 in an attempt to gain control of Kuwait’s oil fields.
- Saudi Arabia felt threatened by Iraq’s action and helped to draw the United States into a war in which American forces led a coalition that drove Iraq out of Kuwait but left Saddam Hussein in power.
The Persian Gulf War restored the United States’ confidence in its military capability while demonstrating that Russia—Iraq’s former ally—was impotent.
The Challenge of Population Growth
Demographic Transition

- The population of Europe almost doubled between 1850 and 1914, and while some Europeans saw this as a blessing, Thomas Malthus argued that unchecked population growth would outstrip food production.

- In the years immediately following World War II Malthus’s views were dismissed as Europe and other industrial societies experienced a demographic transition to lower fertility rates.
The demographic transition did not occur in the Third World, where some leaders actively promoted large families until the economic shocks of the 1970s and 1980s convinced the governments of developing countries to abandon the “pro-natalist” policy.
World population exploded in the twentieth century, with most of the growth taking place in the poorest nations due to high fertility rates and declining mortality rates.
In the developed industrial nations of western Europe and Japan at the beginning of the twenty-first century, higher levels of female education and employment, the material values of consumer culture, and access to contraception and abortion have combined to produce low fertility levels.

Low fertility levels combined with improved life expectancy will lead to an increasing number of retirees who will rely on a relatively smaller number of working adults to pay for their social services.
In Russia and the other former socialist nations, current birthrates are lower than death rates and life expectancy has declined.
The Developing Nations

In the twenty-first century the industrialized nations will continue to fall behind the developing nations as a percentage of world population; at current rates, 95 percent of all future population growth will be in developing regions, particularly in Africa and in the Muslim countries.
In Asia, the populations of China and India continued to grow despite government efforts to reduce family size.

It is not clear whether or not the nations of Asia, Africa, and Latin America will experience the demographic transition seen in the industrialized countries, but fertility rates have fallen in the developing world where women have had access to education and employment outside the home.
Old and Young Populations

- Demographic pyramids generated by demographers illustrate the different age distributions in nations in different stages of economic development.

- The developed nations face aging populations and will have to rely on immigration or increased use of technology (including robots) in order to maintain industrial and agricultural production at levels sufficient to support their relatively high standards of living and their generous social welfare programs.
The developing nations have relatively young and rapidly growing populations but face the problem of providing their people with education and jobs while struggling with shortages of investment capital and poor transportation and communications networks.
Unequal Development
and the Movement of Peoples
The Problem of Growing Inequality

- Since 1945 global economic productivity has created unprecedented levels of material abundance.
- At the same time, the industrialized nations of the Northern Hemisphere have come to enjoy a larger share of the world’s wealth than they did a century ago; the majority of the world lives in poverty.
Regional inequalities within nations have also grown in both the industrial countries and in the developing nations.
Internal Migration: the Growth of Cities

- Migration from rural areas to urban centers in the developing world increased threefold from 1925 to 1950 and accelerated rapidly after 1950.

- Migrants to the cities generally enjoyed higher incomes and better standards of living than they would have had in the countryside, but as the scale of rural to urban migration grew, these benefits became more elusive.

- Migration placed impossible burdens on basic services and led to burgeoning slums, shantytowns, and crime in the cities of the developing world.
Global Migration

- Migration from the developing world to the developed nations increased substantially after 1960, leading to an increase in racial and ethnic tensions in the host nations.
- Immigrants from the developing nations brought the host nations the same benefits that the migration of Europeans brought to the Americas a century before.
Immigrant communities in Europe and the United States are made up of young adults and tend to have fertility rates higher than the rates of the host populations.

In the long run this will lead to increases in the Muslim population in Europe and in the Asian and Latin American populations in the United States, and to cultural conflicts over the definitions of citizenship and nationality.
Technological and Environmental Change
New Technologies and the World Economy

- New technologies developed during World War II increased productivity, reduced labor requirements, and improved the flow of information when they were applied to industry in the postwar period.

- The application and development of technology was spurred by pent-up demand for consumer goods.
Improvements in existing technologies accounted for much of the world’s productivity increases during the 1950s and 1960s.

The improvement and widespread application of the computer was particularly significant as it transformed office work and manufacturing.
Transnational corporations became the primary agents of these technological changes.

In the post-World War II years transnational corporations with multinational ownership and management became increasingly powerful and were able to escape the controls imposed by national governments by shifting or threatening to shift production from one country to another.
Conserving and Sharing Resources

- In the 1960s, environmental activists and political leaders began warning about the environmental consequences of population growth, industrialization, and the expansion of agriculture onto marginal lands.
- Environmental degradation was a problem in both the developed and developing countries; it was especially severe in the former Soviet Union.
- In attempting to address environmental issues, the industrialized countries faced a contradiction between environmental protection and the desire to maintain rates of economic growth that depended on the profligate consumption of goods and resources.
In the developing world population growth led to extreme environmental pressure as forests were felled and marginal land developed in order to expand food production. This led to erosion and water pollution.
The governments of the United States, the European Community, and Japan took a number of initiatives to preserve and protect the environment in the 1970s.

Environmental awareness spread by means of the media and grassroots political movements, and most nations in the developed world enforced strict antipollution laws and sponsored massive recycling efforts.
These efforts, many of them made possible by new technology, produced significant results.

But in the developing world, population pressures and weak governments were major obstacles to effective environmental policies.