

Third way social policy: Clinton's legacy?

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English

This article examines the success of the Clinton administration in developing a distinctive third way agenda in social policy by studying the record of the administration through the lens of 'pre-emptive presidential leadership' as outlined by Stephen Skowronek. Skowronek sees this as a leadership style which is decidedly instrumental in its outlook, and which is thus unlikely to develop a lasting ideological legacy. Clinton's initial healthcare and welfare reform proposals, however, did have certain third way characteristics as they combined elements of liberal and conservative discourse. This, though, was their undoing as the proposals were too politically ambiguous to make legislative progress. The healthcare plan was denounced as big government liberalism and welfare reform took a distinctly rightward turn. Clinton thus failed to create an ideological space for third way ideas and eventually resorted to the more straightforward use of social policy questions for immediate political advantage.

Français

Cet article examine comment l'administration Clinton a réussi à développer un programme distinct 'third way' en politique sociale en étudiant la performance de l'administration par le biais du 'leadership présidentiel de préemption' tel qu'il a été défini par Stephen Skowronek. Skowronek considère que ceci est un style de leadership nettement 'instrument' dans sa perspective, et qui n'aura probablement pas d'effets idéologiques durables. Cependant, les premières propositions de réforme de Clinton dans le domaine de la santé et des services sociaux comportaient indiscutablement certaines caractéristiques 'Third Way' car elles combinaient des éléments du discours libéral et conservateur. Cet aspect les a cependant menées à leur perte car les propositions étaient trop ambiguës pour pouvoir avancer dans la législation. Le plan pour la santé fut dénoncé comme étant un 'libéralisme de big government' et la réforme des services sociaux a nettement viré à droite. Ainsi, Clinton n'a pas réussi à créer un espace idéologique pour les idées 'third way' et a finalement eu recours à l'utilisation plus simple de questions de politique sociale pour gagner un avantage politique immédiat.

Español

Este artículo examina el éxito de la administración de Clinton en el desarrollo de una distintiva agenda de una tercera forma en la política social estudiando el record de administración a través del objetivo de un 'liderazgo preventivo presidencial' como resalta Stephen Skowronek. Desde su punto de vista, Skowronek ve esto como un estilo de liderazgo improbable que desarrolle un legado ideológico que dure. Las propuestas de reforma iniciales de Clinton en cuanto a la asistencia sanitaria y los beneficios sociales sí tuvieron ciertas características de una Tercera Forma las cuales combinan elementos de discurso liberal y conservador. Sin embargo esto fue un mal paso puesto que sus propuestas fueron muy ambiguas políticamente para un progreso legislativo. El plan de asistencia sanitaria fue denunciado como un gran gobierno liberal y la reforma de los beneficios sociales tomó un rumbo hacia la derecha. Por lo tanto Clinton fracasó en la creación de un espacio ideológico para las ideas de una tercera forma y finalmente recurrió a un uso más sencillo de cuestiones políticas sociales para una inmediata ventaja política.

Key words: Clinton • third way • health • welfare

By the late 1990s the ‘third way’ had become a familiar, if not always clearly defined, concept in both American and British political debate. For centre-left leaders such as Blair and Clinton, it referred to an attempt to synthesise conservative market principles with a general commitment to the pursuit of social justice and was part of the effort to re-establish the credibility of the Labour and Democratic parties given the ideological legacy of the 1980s. In the United Kingdom, this idea has been more formalised and more integrated into standard political discourse than in the United States (Blair, 1998; Giddens, 1998; Driver and Martell, 1999). Nevertheless, discussion of the third way has entered into the American political consciousness, if only at an elite level. In a speech in June 1998 Clinton reflected, “We have called our approach ‘the third way’ – with a government that is more active, more effective, less expansive; one that can bring us together and move us forward, not drive us apart and set us back” (Clinton, 1998). The purpose of this article is to study the institutional and political factors underlying Clinton’s third way strategies in the field of social policy (see Ferejohn, 1998). We will argue that these strategies can be understood as the ideological expression of ‘pre-emptive presidential leadership’ as outlined in Stephen Skowronek’s seminal work (Skowronek, 1997). Skowronek, along with Paul Pierson and Theda Skocpol, is a leading representative of the ‘historical new institutionalism’ school of thought – a paradigm aimed at studying the history and impact of political institutions on political behaviour (see, for example, Skocpol, 1992; Pierson, 1994).

The aim of pre-emptive leaders is to build political support by adopting some of the more popular ideas of their rivals and combining these with their own party’s more traditional appeal. The point is that pre-emptive leaders are operating in the general context of an inhospitable ideological environment and are thus limited in their capacity to shape the political world. In contrast to the politics of pre-emption is the politics of reconstruction. This is when political leaders have a much freer hand in reshaping the political agenda because the previous regime has been delegitimised. The outstanding example of a reconstructive president in the modern era was Franklin Roosevelt who established the contours

of the New Deal coalition which dominated American politics for over thirty years. More recently, when New Deal policies fell into some disrepute in the 1970s, this created the opportunity for a conservative reconstruction. Clearly the Reagan reconstruction was less dramatic than that of Roosevelt, but it had an enduring political impact which Clinton could not wholly repudiate (Skowronek, 1997: 448)¹. For Clinton the series of humiliating defeats for Democratic presidential candidates through the 1980s and the limited nature of his own triumph provided ample evidence that he would have to operate within the limits of pre-emption rather than the freedom of reconstruction – and the very language of the third way was a testimony to this.

For Skowronek the confined space of pre-emptive leadership means that it is fundamentally pragmatic and electorally driven. We will argue, however, that, while inherently pre-emptive, Clinton’s leadership was not always simply instrumental as, depending on the immediate electoral and institutional context, he veered between what might be termed proactive and reactive strategies. In the first case, Clinton thought that he had some control of the agenda and thus the opportunity to forge hybrid pre-emptive proposals in a constructive manner with the aim of creating a new, third way, ideological space and of consequently building a resilient political coalition. On the other hand, when in reactive mode Clinton did conform to the limited version of pre-emptive leadership as, inhibited by an adverse institutional setting and motivated by short-term electoral considerations, he did little to challenge the perceived ideological dominance of his opponents, concentrating simply on ensuring his own political survival rather than attempting to fulfil a third way promise of redesigning the political world.

In examining the variety of Clinton’s third way this article focuses on social policy because this is an area where, although still pre-emptive, the third way agenda suggested that it could be proactive or potentially expansive. That is, the administration’s aim was to negotiate distinctive policies balancing liberal and conservative preferences which would leave the state playing a modest, but still critical, role. Ultimately, however, this attempt at enacting a proactive third way social policy agenda largely failed. There

were some important successes such as the sizeable expansion of the Earned Income Tax Credit, and Clinton's political revival in 1996 owed much to his stand as the protector of the popular Social Security and Medicare programmes; but the grand promises of the 1992 campaign either failed, as with healthcare reform, or were enacted in a distinctly conservative rather than third way fashion, as with welfare reform. This can be partially explained by the idea that third way rhetoric can be a useful tool during a presidential campaign as it appears to promise all things to all people, but once these general themes are translated into complex and hybrid legislative proposals they become particularly vulnerable because they do not have any 'natural' political constituency. That is, because of their fundamental ideological ambivalence and their legislative intricacy, these proposals are difficult to legitimise in both the public and the congressional arena. It is easier to put forward crude criticism than it is to explain and justify sophisticated bills.

In order to illustrate this thesis this article will examine Clinton's attempt to overhaul the US healthcare system, the most ambitious project of the presidency, which resulted in legislative failure. It will also explore the area of welfare reform where Clinton did finally sign major legislation but only after his proactive attempt was overtaken by the Republican Congress. These examples illustrate that Clinton did have some sense of what he meant by the 'third way', but also that he was unable to overcome the difficulties inherent in developing coherent and distinctive policies in the confines of a preemptive context. Before moving on to look at these examples, however, it is first necessary to explore the institutional and political background which paved the way to Clinton's social policy initiatives.

The shaping of the third way

While it is generally agreed that the state of the economy was the decisive factor in electing Clinton in November 1992, the future of social policy was still an important campaign theme. Clinton accused Bush of inaction and at the same time promised decisive action in two particular areas. First was the commitment to revamp healthcare and second the pledge to 'end welfare as we know

it'. These two promises did have divergent emotional resonance, with healthcare having a liberal appeal and welfare reform being an explicit attempt to stake out the centrist ground, but importantly during the campaign neither proposal was fleshed out. Clinton's promises in both areas seemed popular and there was little point in elaborating and thus either alienating the Democratic Party's liberal base or appearing to be an advocate of big government which would undermine the appeal to moderates. In particular, even when advocating change, Clinton was keen to emphasise that he was a 'different kind of Democrat' who did not see 'tax and spend' as the social policy solution.

This strategy reflected the growing influence of the 'New Democrats' – a group whose *raison d'être* was in itself a virtual statement of preemptive political partisanship. The rise of the New Democrat movement through the late 1980s and early 1990s came after a period of internal party struggle as different factions argued about how to come to terms with the conservative supremacy evidenced both electorally by the Republican presidential triumphs and also intellectually by the self-confidence of conservative writers and think tanks compared to the diminished conviction of liberal leaning organisations. In this context centrist Democrats insisted that the party needed an updated political identity. In organisational terms their rallying point was the Democratic Leadership Council (DLC) (Hale, 1995; Baer, 2000). Established in 1985 in the wake of Mondale's crushing defeat, this was a meeting point for those worried that the association with liberal causes was damaging the party's chances of regaining the White House. This feeling was reinforced by the 'L-word' election of 1988 when Dukakis's attempt to deny the significance of ideology was undermined by Bush's attack on him as a card-carrying 'liberal'. By the early 1990s the DLC was a highly organised faction with its own monthly journal and a think tank, the Progressive Policy Institute, which has published a series of pamphlets and books illustrating its issue positions (Galston and Kamarck, 1989; Marshall and Schram, 1993; Marshall, 1997).

The most significant beneficiary of the rise of the DLC was Bill Clinton. As Governor of Arkansas he became DLC chair in 1990, giving

himself a valuable platform from which to launch his presidential bid. On the other hand, his appeal as a candidate was not simply to hard-core New Democrats. Indeed, during the primaries, as former Massachusetts Senator Paul Tsongas emerged as his main rival, Clinton appeared to be the more liberal of the two as Tsongas devoted his campaign to the need for reducing the deficit. Clinton's appeal was broader and he appeared to be someone who could reconcile the competing factions of the party – particularly so when it became apparent that he could beat Bush.

Once in office, however, different political and institutional pressures arose and it was quickly clear how difficult it would be to fulfil the conflicting demands of the factions within the congressional Democratic Party, never mind the expectations of the broader electorate. That is, the implementation of campaign promises was bound to lead to expressions of frustration from those in the party who expected to see policy evolve in a different manner. What Clinton could not have anticipated, however, was quite how frustrated he would prove to be in his efforts at significant social policy reform. In the end his actions left all sections of the party offended in one way or another. The DLC felt that the healthcare plan lurched too far to the left while liberals were aghast when he signed Republican-designed welfare reform in August 1996. These criticisms, though, however justified they may be, overlook the evidence that in both areas Clinton *did* try to craft policies which might be termed as having an *authentic* third way cutting edge. That is, at least in the first part of his presidency when the institutional factors were (apparently) most favourable, Clinton embarked upon a proactive social policy agenda in an attempt to fashion programmes which were distinctively third way in the manner in which they combined liberal and conservative aspects. This, then, was an attempt to pursue pre-emption through a degree of innovation rather than simply imitation; and the aim was not only the introduction of good policy but also the consolidation and expansion of the electoral coalition which had brought Clinton to power (Peterson, 1998).

The failure to achieve these objectives was made stark by the 1994 mid-term elections and from that point on Clinton clearly came to rely on a more reactive political style, reflecting an

adherence to Dick Morris's methodology of political expedience, rather than continuing to try to fashion a more ambitious version of pre-emptive politics through constructive agenda setting in the social policy arena. Obviously the change in the partisan make-up of Congress altered the balance of power in Washington, but the shift in Clinton's strategy needs to be understood in more than just institutional terms. If facing a Congress controlled by the opposing party necessitated defensive politics from the White House then the Reagan administration too would have struggled to express itself. This, however, was manifestly not the case as Reagan consistently advanced his own agenda. This did not always lead to legislative success but nor did it lead him to surrender the ideological initiative as Clinton at times appeared to do, particularly during Gingrich's early months as Speaker. Clinton's consummate political skill was demonstrated by his success on defence, particularly in the manner in which, even as he compromised, he appeared to be drawing lines in the sand which he said he would not cross because that would be going too far. This was sound pre-emptive strategy as it allowed him to appear reasonable in the face of the extremist Republicans, but it hardly stands as monument to the potential of the third way to offer a radical way ahead of its own.

On the other hand, if the Health Security Act had been enacted this would have ranked as a landmark achievement. Instead the effort is now cast as a legislative debacle and a political misjudgement. In one analysis Quirk and Cunio maintain that the plan reflected a "drift toward liberal, partisan positions" (2000: 216). Will Marshall, president of the Progressive Policy Institute, commented that the insistence on comprehensive healthcare coverage was part of the "old time Democratic religion" (quoted in Cloud, 1994: 17). Such judgements are perhaps understandable with hindsight; yet, when Clinton advanced his plan, healthcare reform seemed to be an area which needed urgent attention and one where action was demanded by the public. Furthermore, Clinton appeared to have devised a plan which would achieve its goals while leaving in place the essence of much of the existing system and keeping to a minimum extra direct federal government intervention.

Failing to manage the (political) competition

The US is notorious for its lack of a national health insurance scheme. Since the 1930s the American Medical Association and other interest groups have successfully opposed attempts to create such a programme (Starr, 1982; Hacker, 1998). There are the Medicare and Medicaid programmes through which federal and state governments cover groups, the elderly and the very poor, that are acknowledged to be inadequately served by the private sector, but although these do significantly reduce the impact of ‘market failures’ it remains the case that public programmes play only a residual role in the fragmented American healthcare system.

The most obvious problem is the large number of people without any health insurance at all and this became more severe in the late 1980s and early 1990s. From 1988 to 1993 the number of uninsured went from 33.7 to 40.9 million, an increase from 13% to 15.3% of the population (Laham, 1996: 22). This led to increased mobilisation on the part of labour unions and concerned consumer organisations in order to pressure political elites and, particularly as the media jumped on the bandwagon, this social problem became an important political issue at the beginning of the 1990s (Hacker, 1997: 36–40).

In addition to the issue of the uninsured, politicians and policy experts were also agitated by the soaring cost of healthcare which had been exaggerated by the proliferation of expensive medical technology. Their fear was that with healthcare consuming 15% of GDP the accelerated rise in costs would act as a drag on the US’s economic competitiveness; for example, while the overall consumer price index rose by 71% between 1980 and 1993, healthcare costs rose by a staggering 199%. These problems combined to produce a perverse situation succinctly described by Nicolas Laham. “The United States spends substantially more on healthcare than any other nation, despite the fact that this country is the only advanced industrial democracy with a significant share of its population which is uninsured” (Laham, 1996: 25).

As already noted, during the 1992 campaign Clinton was eager to attack Bush for doing nothing

to ease the healthcare crisis but was unwilling to spell out too explicitly what he would do in office. What was important was that Clinton should not be vulnerable to accusations that he wanted to ‘socialise medicine’ or ‘tax and spend’ his way to a resolution. Thus he developed a vague regulatory plan that would be “a private system” and which would “not require new taxes” (quoted in Skocpol, 1996: 45). Despite the imprecision, Clinton’s ideas were clearly inspired by the principle of ‘managed competition’ which appeared to be the perfect tool for a centrist Democrat. The claim was that through managed competition it would be possible simultaneously to extend coverage and impose cost controls without threatening the market-oriented nature of the American healthcare system. Thus the promise was to achieve both a liberal goal, that is universal coverage, and a more conservative one, that is budget control; and, in combining these two objectives, managed competition suggested itself as an approach illustrative of the third way and its aims of resolving policy dilemmas and forging original political coalitions by overcoming traditional ideological positioning. In this context it is important to note that at the beginning of the 1990s managed competition was not the first choice of many Democrats as a means of healthcare reform. For example, the Democratic leadership in both chambers of Congress favoured a ‘play or pay’ scheme where employers would have to cover their employees or pay a special tax. An even more radical option supported by some liberals was to emulate the so-called ‘single payer’ Canadian model. On the other hand, Clinton’s plan was clearly much more comprehensive than the incremental tax credit proposals advanced by Bush and congressional Republicans (Baumgartner and Talbert, 1995).

If the political advantage of choosing managed competition as the way forward was that it was not the obviously radical route, the downside was its complexity. This was illustrated by the fact that although Clinton quickly established a healthcare task force he was unable to announce his plan until September 1993 – well past the point at which he might have been able to exploit any political honeymoon period (Johnson and Broder, 1997: 55–179). When it was finally in the public domain it was clear that the Health

Security Bill comprised a wide-ranging set of regulatory codes and agencies. Clinton, however, was keen to play this down and in his set-piece speech to Congress in September 1993 he did not mention the network of health alliances and federal regulatory rules contained in the plan. Health alliances were to be regional agencies which regrouped all consumers of health insurance (that is, individuals, firms and government), and several of these were to act as purchasing agents for the whole population. In an attempt to deflect conservative attacks the administration played down the bureaucratic aspects of the project and instead insisted that the new controls were not an expansion of big government at the expense of the private sector and local autonomy. The plan was thus presented as a uniquely American solution to specific American problems.

As a *modus operandi* managed competition was an attempt to compromise with the powerful medical lobbies. The 'play or pay' and 'single payer' options would obviously have upset the existing players in the health insurance industry and also have threatened the independence of care providers. The administration saw its plan as being a means of increasing government supervision of the system while acknowledging the private sector's primary role. That is, far from being radical, the means chosen to implement healthcare reform respected the dominant market creed. Furthermore, the attempts to sell the plan to the public concentrated on how consumer choice would be maintained rather than on universal coverage (Skocpol, 1996: 107–32). Clinton did make it clear that the latter was a necessary element of the bill but the promotional effort was disproportionately directed towards the middle class who already had some insurance but were worried about losing it, rather than at the poor who had none. In sum the White House strategy was to present its healthcare plan as one which was ambitious in scope, yet moderate in design. As such it was a carefully formulated third way effort to develop substantive policy change in a manner which the administration believed it would be able to sell as an acceptable compromise to the various interested parties.

This, however, did not prove to be the case as for all the administration's efforts to present the

plan as centrist its opponents parodied it as old fashioned big government liberalism. Republican leaders were well aware that, if successful, healthcare reform might result in the consolidation of the apparent Democratic revival and were therefore determined to defeat it. Critically for the fate of the plan the majority of American business lined up against it. Not too surprisingly the private insurance industry supported Republican leaders in their attacks and their criticism was given added weight by those with less obviously vested interests. That is, with the exception of the automobile industry, most large corporations opposed the Clinton plan (Martin, 1995); and some of the most vociferous opposition came from groups representing small businesses such as the Chamber of Commerce and the National Federation of Independent Business. What must have been shocking to the administration was the speed with which the momentum generated by Clinton's September address was overtaken by a mood of pessimism and doubt about how the plan would work. In the immediate aftermath of that speech polls showed Americans supporting the principles of the plan by a 2 to 1 majority. By the end of October, however, the public were already evenly divided (Schneider, 1993). Subsequent efforts were unable to renew the initial enthusiasm and, lacking clear popular support, the plan's prospects went from uncertain to non-existent as Clinton could not rally or harangue the Democratic majority in Congress even to explore seriously the social policy and political possibilities which might have been opened up by reform.

The failure of the healthcare effort stands as an illustration of the difficulties of proactive pre-emption (or, put differently, activist third wayism) in the legislative arena. While able to use health-related issues in 1992 to score political points against Bush, Clinton was unable to translate this into a legislative coalition. As a consequence of its ambiguous identity the plan never attracted strong support – even passionate advocates of a national health scheme were sceptical about the value of managed competition – and was an easy target for opponents. Ultimately a bold attempt at a social reform which might have reshaped political alignments in favour of the Democrats ended up having the opposite effect on partisan politics. Of course the Health

Security debacle was not the only reason for the Republican take-over of Congress, but the conspicuous failure to enact even a compromise piece of legislation undermined the credibility of Democrat claims that they knew how to advance a positive agenda (Jacobson, 1996). The Republicans, meanwhile, gave the impression that they did know where they were going with a radical programme oriented toward the demolition of major federal programmes and agencies (Frum, 1996). Clinton in turn interpreted the 1994 results as conservative feedback from the voters and accordingly adapted his pre-emptive strategy. There was to be no more launching of ambitious projects but rather a calculated reaction to Republican initiatives. The analysis of Clinton's attitude toward welfare reform provides a clear elucidation of this shift from proactive to reactive politics of pre-emption. A proposal which did try to marry together the third way theme of increased 'responsibility' with a continued government commitment to help those trying to help themselves gave way to a much more conservative approach.

Ending the third way as we knew it

An issue where Clinton expressly chose to emphasise his 'different kind of Democrat' credentials as a clear part of the wider pre-emption strategy was welfare reform. His well-used 1992 campaign refrain was 'to end welfare as we know it' – 'welfare' meaning the Aid to Families with Dependent Children (AFDC) programme. AFDC was a means-tested programme which predominantly supported poor single parent families². What to do about welfare, or AFDC, became a contentious issue in the mid-1960s. In 1960 the average monthly number of families receiving AFDC was 803,000, but this jumped to just over 1.9 million by 1970 (US, 1998: 402). Not surprisingly this made the programme more likely to catch the eye of both politicians and the public – and the call for 'welfare reform' became a persistent theme in American politics even though this initial increase was in fact as much due to an easing of eligibility criteria as to an increase in numbers eligible (Teles, 1996: 107–17).

From the early 1980s the reform rhetoric took

on a more distinctly conservative trajectory as Reagan railed against welfare dependency and invoked the stereotype image of the 'welfare queen'. In the end, however, his administration struck a compromise deal with the Democratic Congress which led to the enactment of the Family Support Act (FSA) of 1988. This gave a more formal structure to existing work requirements in US welfare law, but also instituted various supportive services to help prepare welfare recipients for work. Its advocates championed the FSA as embracing a potentially productive carrot and stick approach. The FSA, however, was designed to be introduced on a slow fuse and it was soon overtaken by events as the welfare rolls grew rapidly after its passage. In 1988 there were 10.9 million AFDC recipients, by 1992 there were 13.6 million (US, 1994: 325). Thus welfare was once again in the news prompting Clinton's campaign commitment. Although, as with healthcare reform, the details of what this meant were not revealed during the campaign the assumption was that Clinton would look to an extension of the FSA's principles combining compulsion with support; and this was initially the case.

Clinton's welfare team comprised figures such as David Ellwood and Mary Jo Bane, people on the liberal side of the political spectrum but who had talked of the need to change the welfare culture (Ellwood, 1988); and the administration's reform plan, the Work and Responsibility Act (WRA), which was revealed in the summer of 1994, can indeed be seen as an exemplar of third way thinking as it attempted to reconcile demands for a more coercive workfare approach with maintaining some level of government support for the most vulnerable. Unconditional welfare receipt was to be time-limited to two years; but there was also a guarantee that government would act as an employer of last resort for those who demonstrated that they were willing to fend for themselves but were unable to do so successfully in the private sector. Furthermore, welfare recipients who did move into work would 'buy back' some welfare time. Again, however, as with healthcare, while the plan drew praise from DLC types and editorial writers it also brought criticism from across the political spectrum³. Liberals were worried that it was bending too far to accommodate the philosophy of

Charles Murray while, conversely, conservatives insisted that the ‘tough love’ rhetoric was not matched by tough enough action.

As it was the WRA made no legislative progress, and after the events of November 1994 the environment for the welfare reform project changed significantly as the focus of welfare law rewriting moved from the White House to Congress with a commensurate conservative shift. While the Clinton plan had redrawn the relationship between government and welfare recipient it had maintained a sense of mutual obligation. The final Republican proposals very firmly declared that in the long term individuals are responsible for their own fate, and that no able-bodied adult of working-age is entitled to cash assistance from the state either for him/herself or his/her children for more than a minimal period. In brief the Republican Bill, formally entitled the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), while it devolved control of welfare down to the states stipulated that welfare recipients can receive cash benefits for a maximum of two years before they are required to engage in some sort of work-related activity – a time frame which can be shortened at state discretion. The law does allow that recipients can be engaged in government-sponsored activities such as education, training or subsidised employment for a further three years but this marks the end of their assistance – and this five-year limit is a lifetime limit on the receipt of benefits (and again is a maximum which can be shortened at state discretion). The states can exempt 20% of their welfare caseload from the five-year limit, but this figure was a compromise political number rather than a product of social science research. Furthermore, a key element of the law is the directive that claimants suffer financial sanctions if they do not comply with state rules about work effort. The actual use of sanctions was left to the states but the clear intent was that they be used forcefully to get across the work ethic message.

The critical political question for Clinton in the summer of 1996 was whether to sign the Congressional welfare bill. There was great unease among some senior staff at the potential consequences for some of America’s most vulnerable families, but key New Democrat advisers pushed for his signature. Their principled argu-

ment was that any reform was better than the existing system (Marshall, 1996), but it is hard not to feel that political calculations played a significant part in their thinking. The 1992 campaign promise had created a hostage to fortune and clearly Clinton’s Republican opponent Bob Dole would use a veto as evidence that Clinton had reneged on this commitment. The decision to sign the welfare bill has come to be seen as a key ‘New Democrat’ moment for Clinton; but this can only really be seen as reactive pre-emption – a defensive concession to the conservative dynamic and certainly not a third way reconciliation of differing perspectives on how to tackle the welfare issue. It is worth noting the hostility of Ellwood and Bane to the PRWORA (Ellwood, 1996; Bane, 1997). They had been instrumental in drawing up the administration’s WRA, and could hardly therefore be dismissed as supporters of the pre-1996 status quo, but both were quite public in their distaste for what they saw as a draconian piece of legislation⁴.

Whatever the merits of PRWORA, Clinton’s decision to sign the legislation did mean that he was not exposed to Republican attacks during the 1996 campaign as being soft on welfare. Paradoxically, after angering liberals by abdicating what they regarded as the Democratic Party’s liberal heritage, Clinton then campaigned as the defender of the traditional Democratic faith in Medicare and Social Security. Gingrich’s unpopular attacks on these programmes were brought to the fore as Dole was constantly associated with the House Speaker and Republican ‘extremism’ (Woodward, 1996: 437). Thus, in classic preemptive style, the man who had abandoned welfare then established himself as the protector of the biggest programmes of the American welfare state, but not in a manner which reflected any distinctive line of third way thinking.

Overall the 1996 results left no obvious way forward in social policy terms. With Congress still in Republican hands there was little opportunity for Clinton to embark on a proactive strategy, but the Republicans too now realised the dangers of radical attempts to downsize the welfare state. One issue which increasingly did emerge into the political arena was the financial future of the federal old age insurance programme, better known as social security (Quadagno, 1999; Béland and Waddan, 2000).

Inspired by the stock market's performance, some conservatives argued that the existing payroll contributions to the government-run programme should be replaced either partially or completely with compulsory individual investment accounts. Democrats generally opposed such proposals and, in his 1998 State of the Union address, Clinton explicitly reiterated his commitment to saving the social security system in its existing format. A year later, however, the president launched a modest third way effort to combine liberal and conservative preferences. On the one hand, he proposed the setting aside of 60% of projected federal surpluses in order to preserve the long-term financial viability of social security. On the other hand, he made a concession to the conservative discourse by advocating the creation of federally subsidised, voluntary individual saving accounts. These proposals were not enough to satisfy the wishes of the privatisers but represented some appropriation of conservative ideas, once again illustrating Clinton's willingness to formulate hybrid proposals as part of his overall pre-emptive leadership (although in the end this plan was not enacted).

Conclusion

In the aftermath of the Clinton presidency it is tempting to be cynical about the relevance of the third way to the development of social policy and to see the primary guiding voice as being that of the ultimate unprincipled political operative, Dick Morris. This diagnosis of Clinton's presidency, however, needs some qualification – at least with respect to the administration's original intentions. In the end Clintonism did turn out to be about political calculation rather than substance, but initially there was something different about Clinton's approach to social policy which might legitimately be called a third way. Despite its legislative failure, the Health Security Act was a bold attempt to articulate a plan which would revitalise the Democratic Party by achieving the cherished liberal goal of universal healthcare coverage while simultaneously satisfying the more conservative objective of cost control. The administration claimed that the methodology of managed competition, as distinct from the single payer and play or pay formulas

favoured by liberals, would minimise state intervention and respect the primacy of the free market in the healthcare arena. As well as its social policy effects this was a project oriented toward a long-term political goal of establishing a resilient Democratic coalition through a proactive politics of pre-emption. Furthermore, the administration's own initial welfare reform plan, the WRA, attempted to balance concessions to the dominant conservative call for a stricter workfare approach while continuing to guarantee federal government aid to those willing to work but unable to find a job in the private sector.

Ultimately, however, the paradox of the Clinton presidency is that while he was able to exploit social policy issues in both the 1992 and 1996 campaigns to his own advantage, he achieved only small parts of his proactive legislative agenda. A significant part of the problem lies in the very nature of the third way; trying to combine elements of conservative and liberal ideas is likely to result in complex and ambivalent legislation which will be vulnerable to ideological attack from the Left and Right. In electoral campaigns, when candidates can speak in general terms and do not have to articulate the specifics of their proposals third way ideas can appear as a political and ideological positive-sum game. Political winners, however, become more difficult to identify as legislative details are filled in. On the other hand, those who see the concrete proposals and realise that they will be losers are highly likely to mobilise in order to influence both legislators and public opinion. The humiliating rejection of the Health Security Bill is a fine example of a political backlash against what appeared to be a popular electoral promise which lost its appeal when translated into legislative form. The case of welfare reform illustrates the dangers of bringing an issue to the fore when not properly in control of the agenda.

In the end the absence of a proactive legislative output suggests that there is little of an identifiable third way legacy in social policy, and certainly there were no new expansive social programmes established which might have created a sustainable Democratic coalition. In 1996, Clinton demonstrated that moderate rhetoric and a minimalist agenda can be electorally successful in the context of a healthy economy. However, unless simply relying on reactive electoral tactics

counts as a valuable manifestation of the third way, then he has not created any ideological space for a future Democratic president who will have to continue to operate in a similarly restrictive political context.

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Notes

¹ As well as pre-emption and reconstruction, Skowronek identifies two other types of leadership which are articulation and disjunction. Articulation is when presidents are faithful to political commitments of their time. Disjunction refers to presidents who try to maintain commitments associated with a declining ideology.

² In terms of cost AFDC was only ever a small part of the American welfare state. In its peak year in 1994 AFDC provided benefits to 14.2 million Americans at a total cost of \$24.1 billion. In 1996, 4,553,000 families received AFDC. Of these only 302,000 were covered by the so-called AFDC-UP programme where needy two-parent families could claim benefit if the principal wage earner was unemployed but had a recent work history (US, 1998: 402).

³ For qualified praise of the plan see the following newspaper editorials: 'A Good Place to Begin the Welfare Debate', *LA Times*, 19 June 1994: M4; 'Clinton Takes on the Welfare Machine', *Chicago Tribune*, 16 June 1994: 30; 'Message to Teenage Mothers', *New York Times*, 15 June 1994: A24; and 'A Solid Start on Welfare Reform', *Washington Post*, 16 June 1994: A24.

⁴ Supporters of the welfare reform would deny that this is an accurate characterisation of the bill – and would point out as evidence the activism of many state governments in helping welfare recipients make the transition to the world of work. It is indeed possible to argue that some

states have, at their level, tried to implement a third way by combining the coercive features of PRWORA with a network of supportive services on the ground. Wisconsin is the state which has received the most publicity for its efforts, but Oregon perhaps provides a better example of a state which has highlighted the opportunities to support its welfare population and played down the punitive elements. On the other hand, many states have been much less interested in the fate of their welfare population and have not actively helped the transition from welfare to work. Fundamentally, the law says that the state does not have a long-term responsibility for the well-being of a particularly vulnerable group in the population. For a powerful indictment of the very principle of workfare see King, 1999.

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