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4 Changes in Welfare Policy in the 1980s

John A. Ferejohn

4.1 Introduction

The Reagan administration is sometimes thought to have reversed the growth of the welfare state by eliminating or shrinking welfare programs at all levels of government and by removing new redistributional initiatives from the national agenda. This assault on the welfare state was motivated at least in part by philosophical considerations. Leaving aside questions of cost and efficacy, the new administration aimed to confine welfare payments to the "deserving poor" (the aged, children, the permanently disabled, and others who could not be expected to enter the work force) in order to reduce the distorting effects of welfare both in labor markets and on the moral character of recipients. In practice, the administration sought to reduce payments to those with relatively high incomes by tightening eligibility standards and by reducing benefit levels on various programs (Palmer and Sawhill 1982).

Looking back over developments in the 1980s, we can see that things were more complicated than this. First, in real terms, welfare expenditures continued to grow throughout the 1980s.[1] Part of this growth was due to the increase in Social Security outlays but part was due to growth in programs with more explicitly redistributional aims. Second, where cutbacks occurred, they were largely concentrated in a transient political moment in the first year of the Administration's tenure in office.[2] Indeed, many of the sharpest cuts were really continuations of retrenchments begun under the previous administration. Thus, Reagan's actual impact on welfare policy seems to have been concentrated in time during his first administration and, more narrowly yet, in his first year in office.

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I shall argue that both the timing and location of the programmatic changes that occurred in the 1980s can best be understood within an institutional political economy framework. Each welfare program has its own characteristic political foundation—a set of interests that are served by it—and because of this, some programs are more vulnerable to electorally induced changes in Congress or in the executive than are others. The fact that programs vary in their insulation from electoral tides implies that the composition of the welfare state will evolve in certain predictable ways as political conditions change: some programs will maintain stable funding levels and political support while others will flourish briefly but then die. This is not to deny the importance of shifts in presidential policy, economic performance, or ideology; rather, such influences are constrained by the preexisting institutional structures of the welfare system.

The fact that programs with different political foundations are differentially successful over time implies that both program proponents and opponents will take account of this relationship in the political process of program building. Typically, the choice is between a program that is effective in meeting philosophical goals but vulnerable to shifts in political conditions, and a program that is politically unassailable but less effective in achieving its stated purposes.

I develop my argument in the following way. After a brief overview of developments in the Reagan years and some methodological remarks, I present a simple model of the political economy of the welfare state that accounts for the peculiar pattern of American income support programs until the 1970s. Second, I present an overview of the evolution of welfare spending over the past 40 years. Third, I trace a series of important political changes beginning in the middle 1960s that had the effect, over a 20-year period, of reducing (or at least altering) the fragmentation of congressional interests and institutions. Fourth, I show how the Reagan administration responded to this new set of congressional circumstances in devising its welfare plans. Fifth, I introduce a simple model of congressional decision making that allows us to ask about the effects of the increase in the centralization of congressional practices on welfare policy. Finally, I examine the implications of these changes on welfare policy and assess the impact of the Reagan "revolution" on the shape of American welfare programs.

4.2 The Reagan Revolution

In the last two decades there has been a general tendency toward a retrenchment in the welfare state throughout the world of advanced industrial democracies. Some commentators trace this to deteriorating economic performance, others to a maturation of the welfare state, and still others to a conservative shift in popular preferences.[3] Perhaps whatever cutbacks occurred in the 1980s would best be understood as responses to these apparently international phenomena. Indeed, if reductions in the growth of welfare spending occurred in virtually all of the advanced democracies, and at the same time, there would seem to be little need for an institutional explanation of the sort proposed here.

For example, Klein and O'Higgins (1988) have analyzed changes in real growth rates for various welfare programs, before and after 1975, in 14 advanced democracies. They found that changes in growth rates are responsive to changes in the growth rate of real GDP and (weakly) to a measure of the relative size of welfare programs in 1975. Thus, those countries with larger, and presumably more "mature," welfare systems had relatively low growth rates, as did those whose gross domestic product (GDP) was growing slowly. But, there remained very considerable variability in this relationship across programs and countries. Generally speaking, they found that the larger Anglo-Saxon countries in their study (the United States, Britain, and Canada) exhibited lower post-1975 growth rates in welfare expenditures than were predicted by their model. Thus, while it seems likely that the changes in economic performance that occurred throughout the world precipitated programmatic reductions, it seems unlikely that they these changes alone account either for the magnitude or distribution of changes observed in the United States.

A sharp retrenchment in the "social safety net" would represent a watershed in recent American history, marking a break in the development of welfare policies that began in the New Deal and Great Society and continued throughout the 1970s (Ginsberg and Shefter 1990). Reagan's election in 1980 may, in this regard, have signaled a profound shift in the basic partisan and ideological sentiments in the nation. Such a "realignment" would have undermined the "New Deal coalition" of urban and farm interests that has provided the political basis for the system of income transfer and insurance schemes that have composed the American welfare state. Indeed, one of the goals of the new administration was precisely to undercut this political basis so that the foundations for welfare policy would no longer be a "social logroll" but would be dictated instead by fiscally and morally conservative principles.

On the surface, this view seems fairly plausible. In his first year in office, Reagan did succeed in focusing the nation's political agenda on three things: cutting tax rates, increasing defense capability, and reducing federal involvement in the economy. And in 1981, the new administration won a series of startling victories in Congress on all three of these fronts. Some analysts argue that, by undertaking these policies early in his term, Reagan was largely successful in undercutting the political basis of the Democratic party (Ginsberg and Shefter 1990).

However, Reagan's programmatic impact was not evenly distributed across welfare programs. While he left broadly based social insurance schemes alone, Reagan employed the "reconciliation process" to force the Democratic House—and, specifically, its Democratic-led committees—to accept substantial cuts in a variety of more narrowly targeted welfare programs.[4] Many of these cuts were achieved either by eliminating whole programs or by reducing their benefits and eligibility levels. Means tested programs such as Aid for Families with Dependent Children (AFDC), veterans' pensions, Medicaid, Social Security Insurance (SSI), and Food Stamps suffered some cuts in eligibility and benefit levels, but continued to grow (at reduced rates) throughout the Reagan years. In contrast, grants programs aimed more indirectly at the poor (Comprehensive Employment Training Act, or CETA, the Job Corps, Public Service Employment, Head Start, and other educational programs), tended to fare much worse and in some cases were even eliminated.

Thus, the Reagan administration's most significant changes in welfare programs occurred in 1981, when authorizing legislation was rewritten under the pressure of the reconciliation process of the Budget Act, and were not followed by very substantial changes afterward. In fact, for most of the rest of Reagan's period in office, the trend in the welfare system was to increase funding levels in real terms. Moreover, many of the changes in the composition of the welfare system actually trace back to the last two years of the Carter administration. For example, the collapse of funding for Public Service Employment began in 1979, following a 75% increase in program outlays between 1975 and 1978 (Burtless 1986). Reagan made deeper cuts in these programs than had Carter but his policies should not be seen as a radical departure from those of the Carter administration in this area.

Reagan's welfare initiatives were not confined to his legislative agenda. On the administrative side, his appointees are supposed to have launched a systematic effort to tighten up eligibility claims for a variety of programs, including Social Security Disability Insurance and veterans' programs. Bureaucrats were urged to change long-standing practices governing what kind of evidence would be used to determine program eligibility, and administrative law judges were urged to sustain these new interpretations and practices even in the face of hostile court rulings.[5]

Finally, and perhaps most significantly, Reagan's judicial appointees may yet form the basis for his most effective challenge to the American welfare system. Newly appointed judges could choose to establish a conservative administrative law regime in which claimants' rights to welfare benefits would be defined more narrowly than has been the tendency in the past quarter-century. These efforts, if they succeed, might have profound effects on the political foundations of the welfare system.

4.3 Assessing Policy Change

Before beginning the analysis it is necessary to make some remarks about the nature of the comparisons I wish to make in this paper. I wish to assess "what happened in the 1980s," and what was the effect of the Reagan administration's actions on welfare policy. But to address either of these questions presupposes a model of what would have happened had things been different:

had the 1970s magically continued, or had Jimmy Carter won the 1980 presidential election, or had the Republicans not gained control of the Senate in the elections of that year.

Typically, the specification of such a model is buried in the baseline for comparative statements, and this paper will not be exceptional in this regard. We may think of several different quantitative measures for evaluating programmatic change: change in nominal spending, change in real spending, change in real per capita spending, and change in the program's share of GNP. Indeed, for other purposes, still other measures might be more enlightening: for example, at the NBER conference for which this discussion was originally prepared, Larry Summers suggested the use of "new programs" initiated over time. In each case, the null or baseline hypothesis is that measured change is constant over time.

The use of any one of these measures implies acceptance of a specific political theory of welfare policy. For example, if we examine change in welfare as a proportion of GNP, we are assuming that "somehow" political institutions will tend automatically to keep this ratio constant over time. If, on the other hand, we examine changes in real aggregate expenditures we are assuming that "somehow" political institutions will respond automatically to shifts in real demand-and-supply conditions. The important points to make are these: first, evaluations vary depending on the measure employed; and, second there is no general theoretical justification—political or economic—for adopting any particular one of these (or alternative measures).[6] Either of these comparisons embodies a particular theory of the political process and needs further justification on that account.

For the present analysis, therefore, it seems wise to be somewhat eclectic in making comparisons and tentative in drawing conclusions. I will therefore present evaluations both in terms of changes in real spending levels and in terms of changes in the proportion of GNP that is represented by welfare expenditures. Where data are available I will also occasionally employ other measures if their use seems enlightening. The point remains, however, that it is not possible to construct a completely satisfactory null model for purposes of comparative policy evaluation.

4.4 The Congressional Foundations of the Welfare State

A welfare program, like any publicly enacted policy, rests on a base of political support. Because American political institutions are so fragmented and its political parties are so heterogeneous and undisciplined, program proponents cannot rely on partisan principles or shared ideological commitments to enact, fund, and implement their policies in the American federal system. Instead, program advocates must find ways to build and retain program-specific majorities, in both congressional chambers, that are willing to provide support on occasions that votes must to be taken. This need for majority support and the fact that congressmen are separately elected in geographically defined constituencies places significant restrictions on the politics of welfare policy formation.

Political support for welfare programs rests on one of two broad bases: ideological or distributional. Either a majority of congressmen in each chamber must believe of a program that it is the "good" or "right" thing to do, or else a majority must believe that enough of their constituents stand to benefit from the program to induce their support. Obviously, no sharp line can be drawn between these two sorts of political foundations since ideology or views of good public policy are undoubtedly related to constituency characteristics as well as to the political beliefs of political actors (Dougan and Munger 1989). There is little mystery in the fact that congressmen from urban areas are generally more liberal and are more likely to support expansive welfare legislation than are those from rural districts. Nevertheless, as is well known, the relationship between constituency and ideology is complex, and it is clear that virtually identical districts can and do elect and reelect very different sorts of congressmen. Thus, if only at the practical level, it seems sensible to make a distinction between ideological and distributional bases of support.

Once this distinction is accepted, several important implications follow. First, distributional differences among policies or programs are inherently multidimensional. Thus, from the basic "chaos" theorems of political science we know that programs founded on the distribution of program benefits are vulnerable to majority-rule instability: for every such program there is another potential or amended program that would be preferred to it by a majority in both chambers (McKelvey 1976). Second, and pointing in the opposite direction, we note that while distributional features tend to remain stable over time—farm districts tend to remain farm districts and to retain certain basic interests in federal legislation for long periods of time—the ideological composition of Congress may fluctuate significantly over relatively short time periods. Moreover, if the composition of Congress is sensitive to electoral tides, the partisan identity of the president is even more so. Thus, programs based on ideological support coalitions are vulnerable to electorally induced shifts in the composition of Congress and in the executive.

Program managers or supporters, therefore, face a characteristic dilemma: if political support for a welfare program is to be built on ideological foundations—on the acceptance of liberal principles in favor of redistributing wealth—its political foundation will be vulnerable to electoral, demographic, or psychological forces that may alter rapidly or slowly the distribution of opinion in Congress. If, however, the program is to be built on a distributional basis instead, a way must be found to overcome characteristic majoritarian instability. I argue that three characteristic political responses to this dilemma may be found in the American welfare system.

First, some programs rest on an explicitly ideological base and are therefore vulnerable to shifts in public sentiment and to election outcomes. Among these programs are those that provide public service employment to the poor, job skills development, and targeted educational programs. These programs challenge both the conservative preference for a small public sector and its skepticism as to the efficacy of bureaucratic intervention in labor markets. It is not surprising that, when the public mood shifts in a conservative direction or when more Republicans are elected to Congress, programs of this sort fall on hard times.

If a program is to rest on distributional rather than ideological support, the structure of congressional institutions provides two basic ways in which majoritarian instability may be overcome.[8] Congressional action on welfare programs, as on other programs, mostly takes place in committees and subcommittees and therefore reflects the preferences and opportunities of committee members. Moreover, in the case of welfare policy, the set of committees with jurisdictions in the area has been endogenously determined, including the labor, agriculture, and finance committees of both chambers. This fact, along with the tendency for committee membership to be partly self-determined, imposes certain restraints on coalition formation, but it offers special opportunities as well. Committees, because of their overall jurisdiction and composition, are able to develop some coalitions and not others.

For example, the fact that the agriculture committees have jurisdiction over the commodity programs as well as the Food Stamps program, combined with the fact that most committee members are more interested in maintaining commodity price supports than in maintaining Food Stamps, permits the formation of an alliance in which the agriculture committees produce Food Stamps legislation in exchange for northern Democratic support for commodity programs on the chamber floors (Ferejohn 1986). Indeed, there is good reason to believe that this is why the agriculture committees claimed jurisdiction in this area and why they generally oppose proposals to remove Food Stamps from their jurisdiction.

Moreover, committees, partly because of the nature of their policy jurisdictions, tend to develop characteristic decision-making styles or cultures (Fenno 1973). Some committees make their decisions in a relatively nonpartisan, nonideological fashion, while others are more contentious. To some extent, these different styles seem to be reflected in the way that the parent chambers react to legislative proposals. The more ideological and contentious committees tend to provoke more floor amendments and opposition than do the less fractious ones. In fact, in some cases, the chambers adopt procedures to limit the extent to which committee proposals can be subjected to floor amendment. Generally, if a committee expects to receive such a procedural privilege, it must somehow assure the chamber that its proposal is not too controversial and that most legitimate points of view have been taken into account during committee consideration.

One way to reduce the divisiveness of a policy proposal is to ensure that its benefits are very widely distributed. Thus, the finance committees, because they must generally formulate (multidimensional) tax and trade policies that could be severely changed in open floor consideration, characteristically look for ways to limit contentiousness in order to elicit chamber deference in the form of rules limiting amendments during chamber consideration. Indeed, the fact that they must formulate tax policy and that it is commonly accepted that tax policy ought not to be substantially changed on the floor, is one reason that their chambers try to ensure that these committees are fairly representative of their parent chambers. The fact that the finance committees have a consensual decision-making "culture" and are broadly representative of their chambers is, I suggest, one reason that these committees have tended to produce such programs as Social Security and Medicare, which deliver program benefits very widely, and why there is such resistance in those committees to policy changes that would sharpen the redistributive aspects of these programs.

This argument can be extended throughout the welfare policy domain.[9] Committees have competed over jurisdictions in this area over the years and the winners of these struggles have developed support coalitions for their policies that reflect the preferences, opportunities, and interests of their members. In brief then, programs that emerge out of the labor committees are often founded on an ideological base, those that emerge from the finance committees tend to rest on broad distributions of program benefits, while those that emerge from committees with diverse jurisdictions (agriculture, energy, and commerce) are often founded on an alliance of program recipients and producer interests.

Thus, individual programs tend to reflect the specific institutional characteristics of the committees that created and monitored them and, typically, different committees are able and willing to develop very different support coalitions for these programs. In effect, these varied political arrangements have yielded three kinds of programs: programs that are politically popular (even untouchable) but very inefficient at transferring income to the "truly needy"; programs that are relatively efficient in this regard but which are politically vulnerable; and programs that are supported by an alliance of producers and clients, which share benefits between these groups and transfer income to the poor at the cost of subsidizing relatively high income producers.

4.5 Trends in Welfare Spending

The patchwork of programs and coalitions described in the previous section, rather than the idealized New Deal alliance of farmers and organized labor, represented the political foundation of the chaotic welfare system that existed in 1970s, and it was intrinsically connected with the extreme institutional fragmentation of American institutions. This system possessed a fair amount of stability against external political forces—witness the congressional response to Nixon's and Carter's attempts at welfare reform—but, at the same time, some programs were politically weaker than others and much more likely than others to expand or shrink (or even to disappear) in response to shifts in public opinion or election returns.

In order to assess changes in the 1980s, it is useful to give an overview of how the various components of the welfare system have evolved over a longer time period. As is well known, the major social insurance programs—Social Security and Medicare—that distribute their benefits widely have grown steadily throughout the postwar period, both as a result of demographic change and, more important, as a result of increasingly liberal benefits and a broadening of the proportion of the population eligible to receive benefits. For example, Social Security outlays as a proportion of GNP increased from less than 1% at the beginning of the Eisenhower administration to over 5% at the end of Carter's term in office. Until the early 1970s, much of the growth in outlays for OASDI was traceable to explicit congressional decisions to expand program benefits; since then benefit levels have been indexed and increases became more automatic.

Means-tested programs have grown too—though more fitfully and less dramatically. At the start of Eisenhower's first term, outlays for these transfer programs stood at less than half of 1 percent of GNP, and this ratio stayed fairly constant for the following eight years. Under Kennedy, Johnson, and Nixon, outlays as a share of GNP for means-tested programs nearly quadrupled (to about 1.8%), leveling off for the Ford, Carter, and Reagan administrations. In real dollars, of course, there has been a rather more steady increase throughout the whole period.

This aggregate view of the targeted component of the welfare system is a bit misleading, however, as can be seen if we distinguish between cash transfer programs and in-kind transfer programs.[10] Here we can observe sharp differences in funding patterns: outlays for cash transfer programs stood at just under .4% of GNP at the beginning of the Eisenhower administration and remained at that level until Nixon took office in 1969. Under Nixon, cash transfers grew to over .6% of GNP, and then began a decline under Ford and Carter, approaching the levels in the 1950s and 1960s.

Outlays for the in-kind programs were quite different: these programs constituted a negligible component of social welfare until the 1960s, representing less than 10 percent of outlays. They increased explosively, however, under the Johnson and Nixon administrations, when they grew to nearly double the size of the cash transfer programs. Moreover, while outlays for cash transfer programs have grown slowly in real dollars and declined as a percentage of GNP over the past two decades, outlays for in-kind transfers have continued to grow over the same period, and they now are about triple the size of the cash programs.

Thus, there has been a long-term tendency to provide more and more targeted welfare in in-kind transfers than in cash. There are a variety of possible explanations for this trend. First, there may have been an increase in paternalistic reactions to the welfare problem. The public and its representatives may have become more distrustful of those receiving means-tested benefits and chose, therefore, to provide welfare benefits in socially approved forms. However, it is a little hard to believe that there could have been a significant attitudinal shift of this sort in the past quarter-century. A second possibility points to the differences in the structure of cash versus in-kind transfer programs. One of the major cash transfer programs—AFDC—has a significant state contribution, and it seems likely that competitive forces among the states would exert a downward pressure on funding (Peterson and Rom 1989). The in-kind programs are fully federally funded and subject to no such competitive restraint. Moreover, as federal funding for the in-kind programs grew, there was less pressure on the states to increase cash payments since in-kind transfers are partial substitutes for cash. Third, as I argued above, the growth in in-kind transfer programs might represent the formation of legislatively crafted alliances between producers and welfare clients.

Significantly, the dramatic increase in in-kind funding is narrowly concentrated in time and took place in the very specific political circumstances of the late 1960s, a period in which the Democrats had very large congressional majorities and also held the presidency.[11] I suggest that these circumstances, in which a heterogeneous majority party employs public programs to sustain its diverse constituencies, are particularly conducive to the formation of producer-client alliances. It is perhaps not surprising, in this respect, that Nixon responded to the new configuration of the welfare system first by proposing to consolidate the welfare system in his proposed Family Assistance Plan—a proposal that would have undermined the system of in-kind alliances that developed in the 1960s—and subsequently by increasing the size of cash transfers and increasing the proportion of these transfers funded by the federal government.

These trends can also be seen in governmental support for targeted efforts to increase vocational training and education. Again, there was a dramatic increase in the Great Society period that continued through the Nixon, Ford and Carter administrations. For example, Gary Burtless (1986) estimates that, in terms of the percentage of GNP, these programs grew from about .1% to .8% from 1965 to 1980. As already mentioned, these programs stopped growing during the last part of the Carter administration and declined sharply during Reagan's period in office.

Finally, we can see additional evidence of the changing composition of the welfare system, and of the decline in welfare state expansion during the 1970s, if we examine data on the initiation of new welfare programs. Robert Browning (1986, p. 82, table 5.6) has employed the voluminous *Catalog of Federal Domestic Assistance* to determine when each of 177 welfare programs was initiated during the postwar period. While this measure is very rough and takes no account of the size or impact of these programs, the pattern of his findings fits well with the data on outlays reported above. Browning counts 13 programs initiated under Eisenhower, 16 during the Kennedy administration, 77 new programs during Johnson's tenure, 23 during the first Nixon administration (18 of which were congressionally initiated), 21 during the Nixon-Ford period (15 came from Congress), and just 13 during Carter's presidency.[12] Browning's data end after the first two years of the Reagan administration, but he found that only three new programs were started in this period, a rate of program initiation similar to that of the Eisenhower administration. Needless to say, nearly all of this program initiation is in in-kind programs or programs aimed at vocational training and education, and the bulk of it occurred during periods of Democratic ascendancy.

By 1980, then, the composition of the welfare system had evolved to include a growing social insurance component, stagnant funding for means-tested cash transfer programs, expanding outlays for means-tested in-kind programs (though the development of new programs was declining), and declining support for programs aimed at job training and education. All this was well established before Reagan took office, and it was this pattern of programs and funding that confronted him early in his first term.

4.6 The Changing Political Context

While this description of the political foundations of welfare policy seems to account for the pattern of programs and program expenditures until the late 1970s, a number of important political changes started to occur in the 1960s that have started to have profound effects on welfare politics. These changes stemmed from several sources: (1) court involvement in districting practices, which have vastly reduced the degree to which rural areas are overrepresented in Congress; (2) the 1965 Voting Rights Act, which has, in the past quarter-century, fundamentally changed the nature of Southern politics by producing a steady growth in two-party politics leading to the virtual disappearance of the Southern Democratic conservatives; (3) the reforms in the committee system in the House, which led to substantially less autonomy for committees which are now more dependent on the party caucuses and party leadership institutions to help enact legislation; (4) the growth in floor participation in both chambers, which resulted in a variety of leadership responses (alterations in rules and practices) aimed at coordinating amending activity so that legislation previously written in committee could not be subjected to genuine consideration on the floor; (5) the growth in the utilization of omnibus legislative vehicles (such as reconciliation), which was stimulated partly by presidents but which may also be seen as a response to the increase in floor activity.

This is not the occasion to give a detailed argument as to how these changes were causally interrelated. Rather, I shall simply sketch how changes in electoral arena had subsequent and far-reaching ramifications in institutional practices. By limiting the rural bias in the House of Representatives and enfranchising Southern blacks, the demographic diversity of both House and Senate electorates was reduced. This had two effects. First, Republicans began winning Southern House and Senate seats so that Southern Democrats became a much smaller fraction of the Democratic Party than in the early postwar period. Southerners formed a majority of the Democratic House delegation in the 80th Congress but they generally represented only about 30 percent of the delegation in the 1980s. Second, surviving Southern Democrats became more liberal since they had to compete in larger and more diverse electorates. At the same time, the newly Republican Southern seats were now represented by conservatives who were similar in most respects to Republicans from other regions of the country.

In effect, then, both the congressional parties became relatively more ideologically homogenous and, because the range of intraparty disagreement was reduced, Congressmen of both parties became more willing to place authority in the party caucus and the leadership rather than in the committees. They became more willing to question or even reject committee recommendations on the floor. At the same time, new members representing demographically mixed districts became impatient to gain policy-making authority, which induced the parties to devolve decision-making power to subcommittees rather than to the committees. In turn, as policy formulation moved to smaller and less representative subcommittee venues, there was still less reason for the parent chambers to defer to committee recommendations and more reason to engage in floor-centered or "collegial" methods of decision. Thus, there was a rapid growth in amending activity, and committee legislation was increasingly subjected to extensive revision on the chamber floors.

According to Steven Smith (1989), following the initial wave of committee reforms and the influx of new members, "the number of floor amendments skyrocketed when members looked to the floor as a new outlet for expression. . . . House decision making became far less predictable as nearly all members had more opportunities to offer floor amendments with some hope of success." The picture Smith paints is one in which legislation was routinely ambushed on the chamber floors and in which neither the parties nor the committee leaders were able to predict what kind of legislation would emerge from the legislative process. Incentives for diligent committee work were reduced and legislative proposals probably declined in quality which, in turn, reinforced the high level of amending activity.

By the late 1970s, this situation had become more and more intolerable to many Congressmen, and especially to committee and party leaders. There was a growing sense that new mechanisms for regulating chamber consideration were necessary if Congress was to produce good legislation and members were to play a role on the floor. The available mechanisms involved the use of omnibus legislative packages together with more elaborate special rules for structuring (and limiting) debate and amendments.

The late 1970s also saw the emergence of larger legislative vehicles focused mainly on budgetary issues (omnibus appropriations bills, budget resolutions, and reconciliation acts) that were considered under special restrictive rules in the House and informal agreements limiting amendments in the Senate. These omnibus bills transcended committee lines and permitted, indeed forced, attention to cross-jurisdictional trade-offs that had been almost impossible in the pre-reform Congress. Some of this evolution was intended (for example, various provisions of the Budget Act were devised to permit somewhat more synoptic modes of decision making) but some evolved out of the necessity of conducting congressional business in an orderly fashion in the relatively harsh economic conditions of the late 1970s.

4.7 The Early Reagan Years

In 1981, soon after taking office, Reagan and his advisers began to recognize that they had to effect enormous cuts in spending if they were to have a chance to reduce the role of the federal government in the economy. But they also saw that Congressmen, even Republican Congressmen, had powerful electoral incentives to preserve their pet programs. Thus, OMB Director David Stockman feared that any budget-cutting package sent to Congress would simply unravel during legislative consideration. He recognized the need for some device by which Congress could be made to vote yes or no on the whole package of budgetary reductions.[13]

Early in the spring of 1981, Reagan's congressional strategists concluded that one of these new omnibus vehicles—the reconciliation instructions in the budget process—could be used to force Congress to accept broad expenditure reductions. The previous Congress had instructed its legislative committees to reconcile their authorizations with the numbers in the first budget resolution, and it had enforced this reconciliation by adopting a highly restrictive rule for its consideration. The precedent having been handed to them, Reagan and Stockman together with Phil Gramm in the Democratic House decided to employ the same procedure in 1981.

The critical votes in 1981 were on the rules governing consideration of the first budget resolution and the reconciliation package. In both cases, an alliance of Republicans and conservative Democrats in the House mustered enough votes to force a single "up-or-down" vote on the administration's proposals rather than the ones that emerged from the Democratic committees. Thus, the president was able to get a straight vote on whether or not Congress would accept his proposed cuts in welfare programs and, in both cases, Congress agreed.

Observers at the time either hailed or condemned these events as harbingers of a new era in which congressional procedures permit a president to force his agenda on a complaisant Congress. Given the massive rejection that the Democrats had suffered in the congressional as well as presidential elections, it seemed that a genuine policy realignment was at hand in which a conservative president could effect profound changes in public policy even without partisan control of Congress.

But what actually happened? First, the 1981 cuts in welfare programs were extremely uneven: Social Security was taken off the table even before the proposals reached Congress; the means-tested programs suffered some reductions in eligibility levels, while the targeted jobs and education programs were hit hard. Moreover, it appears in hindsight that 1981 was an exception: this pattern was not be repeated during the rest of Reagan's tenure in office.

The cuts in the welfare system instituted at that time seem less revolutionary now than they did then. The largest programs—the social insurance schemes—were not only unscathed but, following the Social Security reforms of 1983, were put "off limits" for the rest of the decade (and, no doubt, beyond). The other insurance schemes fluctuated in response to short-run economic forces but did not fundamentally change direction during the Reagan years. Among the means-tested programs, those based on in-kind transfers were subjected to some reductions in 1981, but they quickly resumed a rapid rate of growth in real dollars throughout the 1980s.[14] Outlays for in-kind programs dropped from 1.4% to 1.3% of GNP in 1981 and then grew slowly back to 1.4% by the end of the Reagan administration.

Means-tested cash transfer programs were hit somewhat harder, but reduction had really begun in the mid-1970s. The large cuts occurred in the relatively small jobs and educational training programs which were targeted at the poor. In any case, both the means-tested cash programs and the grants programs were falling on hard times during the final years of the Carter administration, and it is not clear that Reagan's election had much to do with these declines. Reagan may have administered the coup de grace to these programs, but it now seems more an act of mercy than a fundamental restructuring of the welfare system.

4.8 A Simple Model of Budgetary Decision Making

What separates Reagan's first year in office from his later ones? Republicans maintained control of the Senate until 1986 and, while the Democrats picked up 26 House seats in 1982, their presidential candidate lost disastrously in 1984, leaving the party thoroughly demoralized. Nevertheless, even facing weak and divided opposition, why was Reagan unable to have much of an effect on the shape of the welfare system? The answer I propose here is one that is rooted in two claims. The first, which I take to be relatively uncontroversial, is that the distribution of congressional programmatic preferences shifted after the 1982 election in a decidedly more liberal direction. The second is, admittedly, more speculative: I argue that the use of omnibus legislative vehicles such as the reconciliation process actually worked, in the post-1982 context, to produce larger budgets than would otherwise have been enacted.

I argued earlier that we can understand the configuration of welfare programs as one that emerged from a relatively decentralized committee-based decision process. The emergence of new, centralized legislative procedures seemed to threaten this equilibrium by permitting a conservative president to make "take it or leave it" offers to Congress, thereby allowing a substantial reduction in welfare expenditures. But is it true that the centralized procedures will produce smaller budgets than the older piecemeal methods of funding programs?

To make the argument in the simplest possible setting, consider a unicameral legislature with 99 members that is deciding on funding two programs: a military program and a welfare program. There are two procedures they can employ: in the appropriations procedure, the chamber decides on military expenditures first (by majority rule) and then on welfare spending. The budget, then, is the total of the two spending bills, and the rest is left to the private sector. In the budget process, the chamber decides on the overall spending level, and then, on the allocation of this spending between military and welfare spending. We assume that each member has an ideal allocation in the space of allocations and that each member has circular indifference curves. Finally, we assume that information about member preferences and procedures is commonly known and that members rationally anticipate the outcome of later votes when casting earlier ones.[15]

In this setting, we can apply "backward induction" to solve for equilibrium budget levels under each of the two procedures and establish that the equilibria are unique and do not depend on the order of voting on programs. And, in fact, it is easy to give examples in which the budget is larger under the budget process than it would be under an appropriations process and vice versa. Indeed, one can give conditions on the distribution of preferences that are necessary and sufficient for this to occur. Thus, whether or not centralized procedures produce smaller spending on programs depends on the distribution of preferences.

Assume that conservatives tend to favor smaller welfare and larger military budgets, while liberals tend to have opposing preferences. Then, the budget process equilibrium will produce a larger budget than will a piecemeal process if and only if preferences for increasing the size of the favored program tend to exceed the preference for reducing the size of the disfavored program—that is, as long as conservatives tend to be willing to accept an increase in welfare spending in order to increase military spending by the same amount and liberals tend to make the same trade-off in order to obtain an increase in welfare spending. One would think that congressional preferences would generally be expected to satisfy this condition except in conditions of unusual economic stringency.

Given this relationship between the distribution of preferences in Congress and the outcomes under each of the processes, members will have an induced preference over the procedures themselves. Thus, we should find members supporting the procedure that produces their most desired outcome. In earlier research, we found that this model worked well in the 1980–83 period in explaining the decision to enforce the reconciliation process by enacting a restrictive rule forcing a vote on the size of the budget. In the ensuing years, the legislative vehicle was usually an omnibus continuing resolution that contained a number of appropriations bills together with legislative authorizations, and the crucial decision was again on how restrictive a rule would be given. In every case, the (Democratic) House adopted restrictive rules, so that the House as a whole, and later the president, was faced with a large and complex package of legislation that could not be pulled apart. In effect, the Democrats found that they could use (end-of-session) omnibus legislation and restrictive rules to confront the president with a take-it-or-leave-it choice on legislation that contained numerous elements he disliked.

On this view, Reagan succeeded in 1981 only because he had enough Republican and Southern Democratic (Boll Weevil) votes in that Congress to shape the budget package in the White House. The vote margins in that year were razor thin and were, therefore, vulnerable to slightest shift in political climate. The onset of the 1981–82 recession was doubtless sufficient to shake the conservative coalition apart in the following session, but, in any case, the outcome of the 1982 congressional elections shifted the control of the agenda to the Democratic leadership in the House. After 1982, omnibus vehicles have been used more often to force the president's hand than to discipline a recalcitrant Congress.

Of course, the use of this tactic forced the leadership to find ways to adjust complicated legislative proposals emerging from multiple committees before these proposals reached the floor. This negotiation took place in a number of different ways and sometimes involved multiple referrals or the use of special rules giving various committees the right to attach their amendment to the omnibus bill, and sometimes involved less formal means. In any case, the whole process had become substantially more centralized and dependent on the members' willingness to trust their party leaders than had been the old appropriations process.

4.9 Discussion: The Evolution of Welfare Policy

Most of Reagan's impact on welfare policy came early in his administration, when he had enough votes in the House to gain control of its agenda. This impact was unevenly distributed across welfare programs: social insurance schemes were generally unaffected, in-kind means-tested programs suffered only minor alterations, means-tested cash transfer programs were cut back a bit more severely, and grants for education and job training were drastically reduced. In effect, those programs that rested on ideological bases of support suffered, and others did not, or at least, not very much. In any case, after the 1982 election, armed with resurgent Democratic strength in the

House and firm control of the rules regulating debate and amendment, the Democratic leadership was generally able to insulate welfare programs from further presidential assault. This growth in insulation continued through Reagan's second term.

Thus, the long-term impact of the Reagan administration was to introduce a temporary lull in the growth of the welfare state and a relatively minor change in its composition. The one area of substantial change—education and job training programs—was small and already suffering under Carter. In the end, other political changes, those stimulated by demographic and electoral shifts largely reflected in Congress, will turn out to affect the shape of welfare policy more profoundly and more permanently.

The fact that the partisan institutions in Congress have come to play a more central role in the formation of welfare policy does not necessarily mean, however, that expenditures for welfare programs will respond sharply to electoral changes. The volatility of welfare spending really depends on the political foundations of the programs themselves. Even in the propitious political conditions that prevailed in 1981, the Reagan administration's impact on programs was very uneven. Programs with sound political bases—those which distribute benefits very widely or are based on an alliance of producers and clients—seem to be able to withstand ideological attacks fairly well. And, it hardly needs saying that there is no sign as yet of significant electorally generated swings in the composition of the House of Representatives, which would have to form the preconditions for programmatic volatility.

Finally and more speculatively, it seems possible that changes in rules and practices that permit leadership-based policy formation will make possible a new level of program coordination and systematization that may lead the American welfare system to look a little more like European systems and less like the fragmented system produced by the decentralized pre-reform Congress. Insofar as program planning and development comes to center more in the (increasingly homogeneous) partisan structures of Congress and less in its diverse committees, the political foundations for the welfare state seem likely to become more orderly and to produce the conditions for the development of a more coherent set of welfare programs. In turn, I suspect we will also see the development of a more orderly and predictable bureaucratic system for determining eligibility and delivering benefits and facilitating the growing legal recognition of "new (governmentally created) property" and of the due process rights they entail. While it is too soon to draw any very strong conclusions as to these possibilities, the enactment of major welfare reform in 1987 and 1988, which combined the imposition of a more substantial set of regulatory requirements on AFDC recipients and the states, with expanded benefits and eligibility, may signal the direction of means-tested policies. This more coherent policy system should be much less vulnerable to electoral tides than was the welfare system that existed in the 1970s.

Notes

1. In real dollars, Social Security outlays increased by about 15% between the first and last Reagan budgets. Means-tested welfare programs increased by just under 25% over the same period. In terms of share of GNP, both Social Security and means-tested transfer programs declined somewhat over the same period: Social Security dropped from 5.2% of GNP to about 4.8%, while means-tested programs went from just over 1.9% of GNP to just under that figure. These figures are from the Special Supplement of the *Budget of the U.S. Government, 1989*.

2. The growth in Social Security outlays in Reagan's first term was under 6%; this growth was about 9% in his second term. The growth in the major means-tested programs was about 10% in his first term and 14% in the second one.

3. If we examine popular attitudes toward welfare programs, it is difficult to find evidence of a marked rightward drift. In almost every year between 1973 and 1986, the National Opinion Research Center (NORC) asked random samples of American adults the following question: "We are faced with many problems in this country, none of which can be solved easily or inexpensively. I'm going to name some of these problems, and for each one I'd like you to tell me whether you think we're spending too much money on it, too little money, or about the right amount." When welfare came up in this context the responses exhibited a pretty clear pattern: from 1973 to 1975 and from 1982 to the present, about 20% of the respondents reported that we are spending "too little" on welfare and about 45% of the respondents said that we are spending "too much." From 1976 to 1980, about 13% of the respondents thought we were spending "too little" and nearly 60% reported that we were spending "too much" on welfare. Thus, if there was a conservative reaction against welfare spending it took place during the Ford and Carter administrations and was over by the beginning of the Reagan administration (Shapiro et al. 1987, 125).

4. To be sure, in 1983, Social Security benefits were reduced and taxes raised as a result of a bipartisan agreement aimed at putting the funding of the program on a more solid basis. This effort seems not to have been a result of administration pressure—though some of the changes were ones sought by the administration—but a reaction to what appeared to be the growing public apprehension about the vulnerability of Social Security benefits.

5. Mashaw (1988) has demonstrated however, that most of the uproar over the retrenchment of the SSI disability program was actually due to congressionally mandated changes that originated in the 1970s.

6. The reasons for this can be illustrated by considering the hypothesis that welfare spending should remain a constant proportion of GNP. Even if society consisted of only single "representative" consumer, the acceptance of this hypothesis entails making a very strong assumption as to the form of the consumer's preference ordering. Even if we were willing to accept this point and make this strong assumption, if there are many voters and political choice is more than one dimensional, the "chaos" theorems of political science imply that there is no reason to believe that there is any functional relationship between policy outcomes and voter preferences (McKelvey 1976).

7. To be sure, in the case of Congress, there are some reasons to think that this fluctuation may have attenuated in the last 50 years or so (see Ferejohn and Calvert 1984).

8. This does not, of course, imply that this is why these institutions were invented or have evolved. The claim is only that no matter how institutions came to take on their current form, they form a strategic environment in which congressmen can attempt to build stable policy coalitions.

9. I have elaborated on this argument elsewhere (Ferejohn 1983).

10. The cash transfer programs discussed here are AFDC and SSI. The in-kind programs discussed here are Food Stamps and nutrition programs, Medicaid, and housing subsidies.

11. For a much more complete analysis of these trends see Browning (1986).

12. Gary Orfield (1975) demonstrates that Nixon had lost a significant degree of control over the process of policy formation in his first term and that Democratic Congresses forced a number of unwanted programs on his administration. It seems likely that this loss of control was exacerbated in his second term.

13. This account draws heavily on David A. Stockman (1986).

14. In constant dollars, outlays for in-kind programs grew about 30% after 1981.

15. This model is developed in more detail by John Ferejohn and Keith Krehbiel (1987).

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