

## Taking Exception

### Explaining the Distinctiveness of American Public Policies in the Last Century

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#### Introduction: The Stereotyping of American Exceptionalism

A chapter on the distinctiveness of public policy in a particular country presents a task that is difficult, but straightforward. One must show what makes the country's profile of public policies stand out from those of other countries, convince the reader that the differences matter, and offer an explanation for them. A chapter on the distinctiveness of American public policies has to do the same things, but with different emphases. There is no trouble in convincing the reader that American policies are different from others, for public policy in America is often considered the quintessential case of exceptionalism. To show what stands out and to advance an explanation – these constitute trickier problems. One must first shatter stereotypes, because readers tend to have their own answers to what makes American policies different and why they are different.

When speaking of US public policies, by exceptionalism people usually mean underdeveloped. The standard case might run as follows. American policies were slow in getting started, little of importance happened until the Great Depression, and low levels of spending and taxation persist to this day. To home in on finer distinctions, it might be pointed out that America has an incomplete system of social insurance which includes neither health insurance nor family allowances. To complete the case, there is the American position securely on the low-inflation-high-unemployment segment of the Phillips curve. Like many stereotypes, this one is not entirely false. American social insurance was minimal until the 1930s, and today Americans do not benefit from a complete system of social insurance. Moreover, American social

spending as a percentage of income amounts to less than most of the other rich countries. In 1981, American social spending amounted to 20.8 per cent of GDP (OECD, 1985, p. 21), and in 1980 American tax receipts 30.7 per cent (OECD, 1981, p. 11), in both cases ranking 14th of the 18 long-standing OECD countries. Finally, there are the high rates of unemployment. From 1950 to 1984 American unemployment averaged 5.3 per cent, higher than all but 5 of 18 OECD countries (OECD, 1984).

The problem is not that this stereotype has no elements of truth. The problem is that it takes too narrow a view of public policy, a view that includes only the major social spending programmes, only the crudest indicators of economic or employment policies, and only the post-Second World War period. To understand American public policies, in the sense of public lines of social spending, taxing, employment, and economic strategies that influence people's chances in life, one must go beyond the discussion of recent history and consider American developments in the light of recent theoretical advances. In examining the last century of American public policies in this wider sense, one can discern two paradoxes.

The first paradox is the erratic pattern of the history of American public policies. According to one influential model of Western European history, the development of social insurance policies advanced haltingly, but in a unilinear direction (Flora and Alber, 1981). From the late nineteenth century through the early twentieth century there was a period of experimentation, as different schemes were tested. The next phase, occurring between the wars, saw the consolidation of the social insurance experiments of the previous period. Immediately after the Second World War most countries completed a profile of social insurance policies, enacting insurance against the four main types of risk. In the post-war period, there was steady growth in coverage and expenditures. Although the model includes only social insurance and does not describe the pattern of every Western European polity, one can use it for purposes of comparison because the history of US public policies departs dramatically from it.

American public policies did not merely lag behind European innovations while following the same pattern, however arrested and thwarted, as perhaps was the case with Japan. Instead, the history of American public policies exhibited a pattern of zigzags that can be divided into four somewhat different periods. In the late nineteenth century, the United States was a leader in activist public policies. These policies included a primitive old age pensions system, a public employment programme and a macroeconomic policy on tariffs. These policies, however, were seen by middle-class American reformers as corruption and as obstacles to placing policies on a modern basis, as

defined by European innovations. In the second phase, running from the turn of the century to 1930, many of these initial policies were undermined, but were not replaced as the United States fell behind other rich nations in the development of modern public policies. The period from 1930 to 1950 witnessed the heroic period of American public policies, as America was once again briefly a leader, constructing innovative public policies and planning even more progressive ones. Needless to say, this phase was mainly a failure. America fell behind again in the post-war period, with only a brief period of innovation in the 1960s and early 1970s.

Great as the influence of twentieth-century policy innovations have been, American public policies of the late twentieth century closely resemble the policies of the late nineteenth century. This is the second paradox. The following five characteristics are common to both centuries: (1) an emphasis on spending programmes with divisible rather than collective benefits, and ephemeral rather than permanent benefits; (2) a system of taxation that was largely a product of wartime, but afterwards used for peacetime revenue purposes and overburdened with distributive and economic goals; (3) the reliance on nationalistic macroeconomic policies, avoiding both classical market liberalism and more detailed and selective economic interventions; (4) an extensive, but ambiguous public employment system not legitimated in political discourse; (5) a selectivist social spending policy with a division between two types of programmes: generous programmes, usually administered by the national government, whose recipients, including certain groups of veterans, the aged, and widows, have been considered deserving; meagre programmes, usually administered by lower units of government, whose recipients have been considered undeserving and have been subject to surveillance.

To explain the distinctiveness of American public policies is to resolve these paradoxes. Why did American public policies follow the zigzagging historical pattern that they did? Why do American public policies of the late twentieth century resemble the policies of the nineteenth century? Although the political class-struggle model helps to explain post-Second World War developments in spending and innovations, the model as usually constructed cannot explain the developments in the nineteenth century or many of the characteristics of public policies. One needs a model including the roles of the state, political parties, and crises. Briefly, we argue that American state political institutions made it likely that public policies would be early in appearance and pre-modern in form. Changes in the political party system and the wrenching influence of crises made it possible to overcome these predispositions and account for the pace of change and many of the characteristics of the policies. In the end, the influence of the parties and crises only partly overcame the

mediating influence of state political institutions, and nineteenth-century policies were reasserted. Before these riddles can be solved, a history of the four phases of American public policies is needed – to reveal their peculiarities and to flesh out their manifestations in current policies.

### The Beginning and the End of Pre-modern Public Policies

The public policies of late nineteenth-century America were notable for their comparatively high levels of spending and for their distributive or patronage character. The most expensive experiment in patronage-based social policy was the Civil war pension system. In this context, patronage is not corruption, or breaking laws for personal or political gain, although corruption was rampant. By definition, patronage benefits can be divided amongst constituents or timed with political discretion, or both; they are defined in opposition to automatic and collective benefits accruing to large categorical groups. The more discretion involved in the benefit, the greater the element of patronage.<sup>1</sup> The pension system of the Civil War period (1861–5) was established as a categorical scheme of payments to soldiers injured in battle and to widows of soldiers killed in action, but by the end of the century this programme had been transmuted into a sort of discretionary old age and survivors' pension. A second aspect of nineteenth-century public policy constituted a primitive public employment programme: federal government jobs for those with suitable political connections. Pensions and positions were funded mainly with revenues generated by a system of tariffs strengthened greatly during the Civil War. The tariff system was also a source of distributive benefits, and protection constituted the main economic policy. On the state and local levels of government, innovations were made in mass public education, a form of early American social spending that stood apart from the national programmes.

The next period, from 1900 to 1930, reversed many of these trends. These three decades include the two periods known in American historiography as the Progressive Era and the Twenties and were notable for the rise of attempts at bureaucratic reform and state building. A middle-class reform movement with adherents in both political parties, as well as a short-lived political party, the Progressive movement sought to attack party machines by way of altering electoral rules and creating bureaucratic executive institutions at all levels of government. This movement helped to end Civil War pensions as selective old age insurance and numbered the days of using the government bureaucracy as an employment programme. The national political dominance of the Republicans in the 1920s ensured that tariff protection would remain the main economic policy, although tariffs declined as a source of revenue.

Instead, it was at the state and local levels that experiments in modern social spending policies began.

*The late nineteenth century: premature public policies*

The military origins of the Civil War pension system have usually prevented it from being considered a form, however primitive, of public social provision. But, before the end of its peculiar career, it grew to a system of greater size than early social insurance programmes elsewhere. As the system was originally devised by the Republican party, it benefited only war widows and injured veterans, and by the middle of the 1870s the number of claimants had started to drop. In 1879, however, the so-called Arrears Act became law; it gave incentives to press equivocal and sometimes false claims on the government, for it authorized the payment of all the benefits an injured or widowed party was due from the time of the alleged injury or death. Claims soared, and so too did the new numbers of recipients, for it was difficult to determine who was eligible. For one thing, claimants provided their own evidence. For another, the primitive bureaucracy and its political operatives could not have checked the stories even if they had desired to do so. A political coalition based on Republican congressmen with some northern Democratic support, spurred on by a newly activated soldiers' interest group, increased the coverage and then the benefits of the programme. In 1890, the so-called Dependent Pensions Act legislated benefits to almost anyone who served and could not perform manual labour, for whatever reason. In 1904, the pension bureau considered old age a disability in itself, and other acts increased benefits. Benefits for widows tended to follow in the wake of legislation for disabled men, but with less money and more disqualifications based on style of life.<sup>2</sup>

Categorical as these bursts of legislation seemed, the benefits were nothing like automatic. There was always a waiting list of applicants, and politicians decided who would be pensioned, when, and at what rate. This aspect of the programme was more significant than the fact that some people received pensions illegally. The overall numbers of recipients grew regularly. In 1873, at the system's apparent peak, there were about a quarter of a million pension recipients. Due to the act of 1879, this number had more than doubled by 1889, approaching half a million. Under the influence of the 1890 legislation, the numbers of recipients reached a peak of nearly a million by the end of the century. Legislated increases in benefits continued after almost everyone who could possibly qualify was receiving a pension. To gain access to legislated increases in benefits required a similar process of applying and waiting. Pension expenditures constituted more than 40 per cent of

government spending and more than one per cent of GNP by the middle of the 1890s (US Census, 1975, pp. 1104, 1114).

By the standards of modern social insurance, this performance was perhaps unimpressive. The programme did not select according to need or, as in the case of German social insurance, according to work record. It provided benefits to those (northerners) who had made a mildly plausible case for their importance in preserving the Union, and it helped to have a connection to a political organization, preferably Republican. For the late nineteenth century, however, the performance was notable. A sizeable proportion of the American aged received a pension. The more than half a million elderly men on the rolls translated to approximately 29 per cent of American men 65 years old and older in 1910. And the amount of benefits compared favourably to those given in Germany or Britain. The average pension for the disabled soldier in 1910 amounted to about 30 per cent of average earnings, for widows, 25 per cent; in Britain, an old age pension came to 22 per cent of average annual earnings, and in Germany, about 17 per cent (Skocpol et al., 1987).

A second kind of national public policy concerned the creation of jobs for people not in the middle class and without professional credentials. This policy was tied more closely to political activity: governmental positions went to party supporters, whose form of repayment usually included political work and a taxing of salaries. On the national level, blatant use was made of the post office and the customs houses. Unlike the Civil War pension system, this policy was not used by professional politicians to make rhetorical appeals to the electorate. Although civil service reform made some headway with the Pendleton Act of 1878, the number of federal government positions available was substantial (Keller, 1977; White, 1958).<sup>3</sup> For the late nineteenth century and early twentieth century, there were more than 100,000 federal government jobs available. For instance, in 1891, of the 157,442 civilian employees of the federal government, more than 60 per cent worked in the post office. All told, less than 22 per cent of federal civilian employees were classified as part of the competitive civil service (US Census, 1975, p. 1103). There were many more at other levels of government, especially in cities, not to mention jobs with businesses allied to local party machines or public works (Bridges, 1984). Although the numbers of such jobs were inadequate and the choice of recipients biased (Keyssar, 1986), in comparative perspective this ambiguous public employment programme stands out.

A complex tariff system paid for these programmes. From immediately after the Civil War until the First World War, the tariff system generated about half of the revenues of the national government, a relatively high figure. In 1890, for instance, customs provided 57 per cent of national

revenue, compared to about 21 per cent in Great Britain (Keller, 1977, p. 307). The system was boosted during the Civil War and, unlike the primitive wartime income tax and other emergency internal taxes, tariffs were not rolled back after the war. Whenever the government began to run a deficit, upward adjustments in tariff schedules were passed. Eventually the system became the focus of partisan politics, with the resurgent Democratic party proposing to use the income tax to eclipse the tariff. In 1890, the same year that a Republican Congress transformed Civil War disability benefits into old age pensions, a tariff-stiffening bill was also passed. Tariffs were strengthened again when the realigning election of 1896 brought renewed Republican dominance.<sup>4</sup>

Fiscally lucrative as it was, the tariff system was much more than a means of revenue generation. In the tariff, the issues of revenue generation, distributive benefits and economic policy were bound together, and these other characteristics were at least as important as the first. Tariff protection constituted American macroeconomic policy even before the economic crisis of the late nineteenth century when many other countries turned to protection (Gourevitch, 1986). Like the turn-of-the-century Australian system, tariffs were used to defend established industries as well as to protect infant industries (Castles, 1985). Tariffs were used rhetorically to merge the interests of capitalists and industrial workers. Unlike the Australian system, American tariffs were not negotiated by representatives of organized capital and labour. The American tariff system was devised within congressional committees and party caucuses; attempts to rationalize tariff formation through tariff commissions failed. Moreover, the system was not combined with compulsory wage arbitration which was rejected at the turn of the century by the organized working class. As they would do for most of the next century, industrial workers and capitalists fought wage battles more or less privately, except for the use of the courts by capitalists to stop strikes. The Republican party portrayed itself as the party of prosperity and the tariff as the means to prosperity and, with the aid of the depression of 1893, won over many industrial workers in their capacity as voters.

Tariffs were also distributive benefits dominated by specific duties, not *ad valorem* schedules. Various interest groups turned congressional tariff-making into a political balancing act in party caucuses. This sometimes led to conflicts over the system. For instance, to keep together the political coalition for tariffs, in 1877 Republican party legislators successfully fought an attempt by industrialists to lower the schedules for raw materials used in industry and other attempts to remove tariffs from congressional control. The multifaceted nature of the tariffs underlined the long-term political weakness of the taxation system. In an economy as competitive as the American one became, tariffs could not forever

remain the main economic policy. More important, they eventually stopped generating great amounts of revenue and politicians were forced to devise new types of taxes. These taxes were harsher, politically speaking, for they could not be portrayed simultaneously as benefits to important groups.

The final element of public policy, the expansion of American education, ran outside this national system and ultimately did not suffer its fate. The early rise of American education was well under way by the middle of the nineteenth century. By the Civil War, the dominance of public primary schools over private schools had been established. American education in the nineteenth century was notable in comparative perspective for its high level of enrolments and its lack of formal stratification (Heidenheimer, 1981). Moreover, American public education flourished throughout the nineteenth century when it had begun to falter in other places such as Germany. The movement to institutionalize public education was led by local Republican parties and professional educators, emerging first in rural areas (Meyer et al., 1979; Rubinson, 1986). This movement won its battles mainly in the localities, with enabling laws and subsidies from higher levels of government, and throughout American history education policy has been characterized by state and local control of the primary and secondary schooling. This lack of connection with the national distributive system of politics worked to the advantage of education policies. When national public spending policies were attacked, programmes at the lower levels of government survived. This was also the case for twentieth-century spending policies developed at the state and local levels.

*The Progressive era and the Twenties: rolling back the nineteenth-century system 1900-1930*

The reforms of the Progressive Era, 1900-20, were not sweeping; local political machines mainly survived and state-building was only partial. But the pre-modern public policies of the nineteenth century were gradually defeated. Civil War pensions were opposed by Progressive reformers who considered them corrupt. The passing of the aged pensioners made their job easier as new legislation was required to provide similar benefits to later veterans. No national social insurance programme replaced pensions, partly because reformers feared that any national programme would repeat the performance of Civil War pensions. In any case, the dying-off of Civil War pensioners brought no fiscal dividend because pensions paid to First World War veterans with service-related disabilities kept the total spent on military pensions at nearly a constant level (Dillingham, 1952, ch. 5; Ross, 1969, ch. 1). And reformers prevented the growth of the backdoor system of public

employment through governmental jobs. By 1916, the number of federal civilian employees had reached approximately 400,000, or about two-and-a-half times the number in 1891, but nearly three-quarters of appointments were on a merit basis (US Census, 1975, p. 1102).

If spending policies no longer gave advantages to aged veterans and gave fewer advantages to party workers, the selectivist policies grew to include additional widowed mothers, not only those formerly married to Civil War veterans. The first state-level public spending programme concerning one of the major risks was mothers' pensions legislation, a primitive form of family allowances. Enabling legislation was passed in 39 states between 1911 and 1919. The typical law allowed localities to provide means-tested pensions for widowed mothers, and later in some places to deserted mothers, to keep their children at home. These systems were staffed mainly by middle-class women and most programmes included strict rules of eligibility (Leff, 1973). In addition, state-level programmes for infants and expectant mothers were encouraged by federal grants-in-aid mandated by the Sheppard-Towner Act of 1921, an act that was repealed before the Great Depression. Like Civil War pensioners, these recipients were portrayed as exceptionally worthy of assistance. Other lasting state-level reforms did not upset this pattern. One sort of reform came in what was known as labour legislation, but which was not typically initiated by organized labour. Child labour and women's hours legislation were promoted by reformers and supported to some extent by organized labour because of the competitive threat posed by women and children. In addition, various health and safety laws were established and enforced by state industrial commissions (Brandeis, 1935). One major risk, industrial accidents, was covered by a species of state-level regulatory policy. Workmen's compensation was passed in 42 of the 48 states between 1911 and 1921 and required businesses to insure, not necessarily through the state, their workers against industrial accidents. Moreover, many things were lacking from workmen's compensation that one would expect in social insurance: elements of public spending and national controls or incentives (Asher, 1971). In the 1910s, state-level movements for health and unemployment insurance and old age pensions often made it to the study-commission stage of the state politics, but foundered after that (Nelson, 1969; Brandeis, 1935; Starr, 1982). Although health insurance was removed from the political agenda in the 1910s, in the 1920s the movement for means-tested old age pensions made advances near the end of the decade. Before Hoover was sent from office, 12 states had passed compulsory old age pensions. In early 1932, the first unemployment compensation programme was passed.

The tariff system lost its pre-eminence in generating revenue. In 1913, the assumption of national political power by the Democrats, with

their southern and western bases of support, led to the establishment of individual and corporate income taxes. The individual income tax tapped the income of the rich, for the vast majority of people making less than \$4000 per year were exempted. The tax was boosted by the need to pay for the war and by continued Democratic rule. Both corporation and individual income taxes were made much stiffer and more progressive with the individual income tax retaining its class basis. Only about 13 per cent of the labour force filed returns in 1920 (Witte, 1985, chs. 4 and 5). The rise of the Republicans in the 1920s put the weakening of income taxes at the top of the political agenda, and the Treasury Department of Andrew Mellon claimed that lowered income taxes would promote investment, a forerunner of so-called supply-side economics (Stein, 1969, ch. 1). Despite tax cuts, by 1929 a combination of corporate and individual income taxes was providing the bulk of national government revenue. In comparison, the tariff system constituted less than 16 per cent of federal revenues (US Census, 1975, p. 1102).

Yet tariff protection continued to be the key economic policy. The system was still controlled congressionally, mainly by the Republican party. The ascension of the Democratic party to national power lowered the levels of protection somewhat, but, as in 1894, it did not undermine the basic policy. Even these minor changes were reversed in 1922 by the Republican Fordney-McCumber Tariff Act which was designed to defend established industries as well as protect the wartime infant industries, such as chemicals and metallurgy, and to appease agricultural interests by increasing rates on wheat, sugar, wool and butter, amongst other things; no doubt the influence was largely symbolic, as the United States was an agricultural exporter (Ratner, 1972, ch. 3). The last hurrah of tariff protection was the 1930 Hawley-Smoot Tariff Act, an agricultural relief measure which was amended to please the gamut of industrial interests (Schatschneider, 1963). The act engendered an international reaction; trade barriers were soon established elsewhere. The making of tariffs was removed from congressional control only after being eclipsed by the Roosevelt administration's more interventionist economic policies.

### Modern Public Policies and the Return of the Nineteenth Century

For any number of reasons, one might have expected the rise of a coherent, nationalized and modern scheme of public policies during the Great Depression and the Second World War. These two great international crises coincided with the political dominance of a president, Roosevelt, and a political party, the Democrats, that had become

committed to these goals. The party allied itself with a rising labour movement which threw its support behind social spending. State-building accelerated. Accordingly, the administration attempted to put under the control of the national executive social spending, taxation, economic and employment policies. By the end of the 1930s, these initiatives ended, temporarily, America's status as a laggard in interventionist public policies. By the end of the 1940s, the bid to create an almost social democratic scheme of public policies had failed. Instead, a hybrid system took hold. It included some innovations, such as old age and survivors' insurance, a revamped income taxation system, and greater control by the executive branch over macroeconomic policy-making. However, these modern initiatives became enmeshed in a framework of policies similar to the nineteenth-century system, a system mainly at the discretion of congressional actors. Like that system, it included similarly selectivist social spending policies, a distributive, quasi-public employment policy, this time relying on military contracting, and an overburdened taxation system. Innovations in post-war public policies have followed the lines established immediately after the war.

*US public policies during depression and war: an attempt to construct modern public policies*

Roosevelt took action on many policy fronts when he assumed office in 1933. But it was not until the end of 1934 that national committees and administrative bodies started to plan sweeping changes in national public policies. Such planning began with the Committee on Economic Security, a cabinet-level group which drafted the bill that became the 1935 Social Security Act, the centrepiece of the so-called Second New Deal. Planning was continued by the Social Security Board, the administrative body in control of the national aspects of the act, and the National Resources Planning Board, part of the (1939) Executive Office of the President. These organizations proposed a nationalized system of social insurance, supported both by payroll taxes and strongly progressive and broad-based income taxes, nationally controlled employment relying on direct employment and public works, and a left wing Keynesianism which envisaged macroeconomic deficit spending combined with an industrial policy.<sup>5</sup>

Although gains were made, nationalized and comprehensive social insurance policies were not enacted. The Social Security Act created only one national social insurance programme, old age insurance, which had its own payroll tax, or social security contribution. Even this programme, as a result of congressional changes in the bill, excluded blacks by excluding agricultural and domestic workers. The greater part of the 1935 Act was devoted to national incentives for the states to

legislate their own social spending programmes. For one thing, it provided taxation incentives for states to create a second social insurance programme, against unemployment. All states had programmes by 1938. For another, the Act provided grants-in-aid for states to establish old age assistance programmes, which many states had already passed, and for mothers' pensions, whose new name became aid to dependent children. Because of the wide variety of standards, these state-level programmes were regarded as mere experiments by the New Deal planners who wanted them to be superseded by national ones and to be augmented by national health and sickness insurance. In 1939, administration forces passed important amendments to the Social Security Act, adding benefits for the survivors of qualifying workers, but the programme was not safe until the amendments of 1950. Unlike Britain, which completed a national system of social insurance soon after the war, the United States entered the 1950s with only one national programme.

The United States also gained one national spending programme that fitted neither the plans of the New Dealers nor cross-national trends in social insurance programmes. By the end of the war, a comprehensive system of veterans' benefits was enacted. These benefits included a type of unemployment compensation, educational benefits, free medical care, and incentives to help able-bodied veterans to purchase homes. This group of benefits came in addition to the ones granted to disabled veterans who automatically benefited from the categorical legislation enacted after previous wars. Faced with a choice between long-term spending policies for all Americans and ephemeral spending policies for veterans, Congress did not hesitate.

As a result, social spending programmes were incomplete, for the risk of illness was left uncovered, and ran along two tracks. Old age and survivors' insurance was separated programmatically and fiscally from the other programmes. In this system, which pre-empted the name social security, national controls were combined with national payroll taxation and bureaucratic distribution with minimal surveillance of the recipient population. In the other system, which became known as welfare, benefits and eligibility were controlled by the states which applied means tests and a local system of surveillance. The planners imagined these programmes would disappear with the growth of social insurance and the assurance of full employment. Neither happened.

Employment policies were the strongest of all national New Deal programmes. The American approach to fighting the effects of the Depression was the provision of public employment. In 1935 the administration called for the creation of the Works Progress Administration. Under this programme, Congress appropriated money, state and local governments sponsored projects, and the WPA decided which ones to fund and then ran them. This was a departure from previous employment programmes:

the creation of jobs was the explicit goal and the executive branch exerted control over the system. In 1939, when the programme was formally institutionalized under executive reorganization, the WPA (renamed the Work Projects Administration) and other public employment programmes employed more than three million people and accounted for about 20 per cent of national government expenditures. When the war brought temporary full employment and when the 1942 elections brought a strongly conservative coalition into Congress, however, these programmes died. Unlike in Sweden, which also fought the Depression with employment strategies, the main American antidepression device did not outlive the war.

Economic policy was closely related to employment policy. Here, too, interventionist solutions were attempted and then abandoned. The Roosevelt administration followed the lead of Britain in abandoning the gold standard, and the administration attempted intrusive recovery policies, notably the quasi-corporatism of the National Recovery Administration which allowed the capitalists of industries to organize themselves to fix production levels and, for a while, prices. When that scheme mainly failed and was ruled unconstitutional in 1935, the administration began to emphasize the promotion of competition and the fight against monopoly, a fight which included the guarantees of labour organization enshrined in the 1935 National Labour Relations Act (Hawley, 1966).

By 1938, after the start of Roosevelt's own recession, the administration added a peculiar Keynesian logic to its initiatives. The American version of Keynesianism was not a hands-off manipulation of aggregate spending; it called for redistribution, the creation of large social spending policies, and direct intervention in what was considered a permanently stagnant economy. The administration and its followers had to settle for purposely running deficits. Deficits had characterized earlier Roosevelt policy, but after 1938 the administration stopped trying to balance the budget and, in any case, the war made such a task impossible (May, 1981; Stein, 1969). Immediately after the war, an attempt was made to legislate the principle of deficit spending to achieve full employment, but this unworkable policy was deleted by Congress in its passage of the weak Employment Act of 1946 (Bailey, 1950). Because of failures in social spending policies and the destruction of public employment policies, there were no programmatic means to implement an interventionist Keynesian policy.

National taxation initiatives had somewhat greater long-term success than did most New Deal public policies. The planners hoped to break the national dependence on regressive excise taxes, which had funded the early New Deal, with more progressive measures. Later New Deal taxation policies included innovative business taxes, which were intended

in part to promote competition. These taxes did not bear the main burden of economic policy-making, however, and had more symbolic than fiscal or policy significance (Leff, 1984). The breakthroughs came in the shadow of war, during 1941 and 1942. The individual income tax was transformed from a tax on upper incomes to a tax on almost everyone and became more progressive and productive of revenues. National revenues jumped from 7.4 per cent of GNP in 1939 to 18.7 per cent in 1946 (US Council of Economic Advisors, 1980, pp. 203, 288). These gains were made secure during the early 1950s. Impressive as they were, the taxation increases were not as complete as they might have been for there was a failure of taxation explicitly for social spending. Social security contributions were not only not increased, Congress rejected scheduled increases legislated before the war. State-level taxation systems innovated during the 1930s and 1940s limiting the process of fiscal centralization often promoted by depression and war.

*The post-war period: the return of nineteenth-century policies but without party control and corruption*

The innovations of the New Deal and the Second World War were ultimately incorporated into a policy framework which resembles that of the nineteenth century. Congress has regained the control over the details of policies, but without the corruption and the party control of the nineteenth century. The one national social insurance programme, for the retired, has become part of a selectivist social spending scheme that does not veer too far from the groups covered by Civil War pensions. Military spending, like the earlier use of the national bureaucracy, has been used as an inefficient, backdoor public employment policy. Taxation policy, forged during war, has become burdened with economic and distributive goals. One difference is that the national executive gained more control over economic policies. Like tariff protection, however, these policies are macroeconomic, relying on few direct controls, and attempt, however unsuccessfully, to merge the interests of industrial capital and labour.

As for social spending policy, veterans of the Second World War and retired veterans of wage-earning employment and their survivors have become relatively advantaged. Numerous legislated increases in coverage and benefits have created a sort of welfare state for the qualified aged - contrary to the stereotyped view of American social policy. The augmentation of old age and survivors' insurance has been promoted, usually during election years, by Democratic congresses throughout the post-war period (Derthick, 1979). New risks were insured. The insurance of permanent and total disability was introduced in 1956, and the Democratic administration of President Lyndon Johnson (1964-9)

oversaw the adoption in 1965 of Medicare, social insurance for the hospitalization costs and doctors' fees of the elderly. Perhaps more important, coverage for old age and survivors' insurance became almost universal and the benefits were increased, especially from the late 1960s to 1972. As a result, there was a rise in the replacement rate, the degree to which benefits allow continuity in earnings, to levels not as high as in Sweden and Germany but higher than those in Canada and the UK (Myles, 1988). These public insurance programmes have been augmented by many private benefits in pensions and insurance. These private programmes chiefly have covered the white-collar and unionized work force and are under the control of large corporations. This post-war private welfare state now accounts for most consumer spending on health and about a quarter of all welfare spending (Stevens, 1988).

The separation between the programmes known as social security and those known as welfare has widened. Welfare or means-tested programmes have made gains, but have not fared as well as the insurance programmes and have been damaged by the Reagan administration. Old age pensions, the state-level, means-tested programme, were, as expected, eventually eclipsed by old age insurance. The renamed Aid to Families with Dependent Children (AFDC), the means-tested American answer to universal family allowances, however, continued to grow to much greater levels than the programme executives of social security initially expected. Innovations came in the wake of Johnson's War on Poverty and the civil rights movement in the 1950s and 1960s (Haveman, 1977). One of these was Medicaid, the less generous part of the American answer to national health insurance. Like AFDC, Medicaid is a national subsidy programme to states for means-tested assistance, but for medical care. In addition, spending for AFDC exploded in the late 1960s and early 1970s. These programmes for poor people have had narrow political support and they were the main victims of the Reagan administration's attack on social welfare policy (Schwarz, 1983). The inadequacy of these programmes largely accounts for America's poor social spending performance.

Post-war economic policy has been concerned with the manipulation of aggregate spending and taxing, relying on fiscal stimulation rather than classical liberalism. There has been an American comparative advantage in deficit spending. American fiscal policies have tended to be expansionary, with relatively large deficits being run during the late 1960s and the 1980s. These policies have been run chiefly by presidents, with the assistance of the Council of Economic Advisors, a body created in 1946. Fiscal policy has amounted to a limited type of Keynesianism. One technique, if taking no action can be called technique, has been the use of so-called automatic stabilisers: taxes have not been raised during recessions, while spending has increased because of the increased

numbers of people who qualify for programmes such as unemployment insurance. A second form has been the stimulative tax cut or the increase in military spending not covered by new taxes. Post-war Democratic administrations have proposed tax cuts to increase consumption. Similarly, the Reagan administration has claimed that its so-called supply-side tax cuts, motivated at least partly by a conservative dislike of progressive income taxes, were designed to stimulate the economy (Stein, 1984). Both Democratic and Republican administrations have increased military spending without tax increases.

Other types of Keynesianism, understood as the manipulation of aggregate spending, have been politically unworkable. First, it has been impossible to increase social spending strictly for the stimulation of the economy. Second, it has been impossible to pursue restrictive Keynesianism on the British model in which tax increases are adopted solely to slow inflation. The one-sidedness of the policy is due to the difficulties in forming a political coalition to increase social spending or to raise taxes. Cutting taxes has proved less than flexible; Congress has frequently used the occasion of an administration-sponsored tax bill to add many provisions of its own.

To fight inflation, for recent presidents, has meant to provoke recessions, which at once slow demand and reduce labour militancy. Although the Federal Reserve Board, which influences interest rates and the supply of money, is nominally independent, it has been susceptible to presidential pressure. As a result, managed recessions have been instigated by Republicans and Democrats alike - by Republicans in 1969 and in 1981, both at the beginning of presidential terms, and by Democratic President Carter in 1979, oddly, near the end of his one term in office. The Federal Reserve Board has pursued nothing approaching a monetarist policy in which the money supply follows automatic decision rules relating to economic growth. Favourable as the American performance on inflation has been, it has not been due to an independent bureaucratic guardian of price stability, as in the German case. Partly for this reason, the inflation rate of Germany remained low during the recessionary 1974-84 period, while the inflation rate of the United States approached the OECD average (Schmidt, ch. 3 this volume; OECD, 1984).

So far as the processes of wage determination have been concerned, the post-war United States has mainly followed its historical path - with little direct state control, but with administrative influence over the process. Collective bargaining was sanctioned in 1935 by the so-called Wagner Act, was put into action during the war, and has continued thereafter. Wage and price controls were ended soon after the war and were experimented with only briefly afterwards, during the early 1970s. In the post-war period, legislation has been somewhat less favourable to



four than in the late 1930s, beginning with the 1947 Taft-Hartley Act which nullified some of labour's advantages at the bargaining table. Unsurprisingly, the system had produced relatively high levels of industrial conflict (Korpi and Shalev, 1980). In recent years, however, labour's bargaining power has been undercut by induced recessions and by Republican administrations, diminishing labour's militancy.

In addition to Keynesianism, there has existed a sort of direct employment policy only partly connected to economic conditions and the rhetoric of employment. The provision of jobs through military contracts has been the counterpart to the provision of federal jobs in the nineteenth century. Since the Second World War, the United States has spent more than any OECD country on the military, with little change in the rankings since 1950 (Keman, 1982). Military 'investment', a category dominated by weaponry, has constituted about half the military budget in any given year, and more than half during the 1979-85 build-up, and the vast majority of weaponry is domestically produced. The policy has lent itself to congressional log-rolling; military appropriations bills often have included expenditures throughout many areas of the country (Russett, 1970). This is not to say that American international policy has been motivated by domestic concerns over unemployment. It is not to say that the economy requires such spending or that contracting for weapons is an efficient employment strategy. All the same, specific sectors of the economy, and their workers, have been underwritten, and these purchases have been probably somewhat greater than they otherwise would have been. The number of workers making weapons rose to 2.8 million during the Vietnam War. In 1977, before the recent build-up, the number had dropped only to approximately 2 million or about 2 per cent of the labour force, and had risen in 1986 to 3.4 million (Griffin, 1984; *New York Times*, 1987). Military employment and aggregate demand stimulation has been no substitute for a flexible Keynesianism, a targeted public employment system and labour-market interventions. However, the policies probably have kept American unemployment lower than otherwise might be expected. Specifically, these policies have perhaps kept unemployment from rising to relatively high levels during worldwide declines in economic growth. In the 1950s, a period of relatively low economic activity for the Western world, the American average unemployment rate approximated the average of 18 OECD countries. In the 1960s, a period of higher growth, the American unemployment rate was almost twice as high as the average of the other OECD countries. Similarly, from 1974 to the middle of the 1980s, the US rate of unemployment has risen, but has become closer to the average of the long-standing OECD nations and is not, in the late 1980s, amongst the countries with the highest unemployment, such as Britain (OECD, 1984).

Of all major public policies, the late twentieth-century American taxation system most closely resembles its nineteenth-century counterpart. In both cases American taxes were forged in war and put to different uses during peacetime. Since the Second World War, the income tax has become a tool of economic policy and a distributive benefit system. Under the influence of Keynesian advisers, Democrats have promoted the permanent lowering of income tax rates to gain short-term economic benefits, notably in 1964 with the so-called Kennedy tax cut. Using a somewhat different 'supply-side' logic, the Reagan administration has permanently lowered taxes, also partly in order to promote economic growth. Both types of administrations have allowed recessions to pass without making attempts to augment tax revenues.

Distributing benefits through the tax system has been achieved through selective forgiveness. 'Tax expenditures' are usually measured as deviations from the revenues that would have been generated under the so-called structural provisions of the tax. Congress has attached tax forgiveness provisions especially to administration bills that modified the structure of tax codes for reasons of economic policy. This modern congressional patronage has been the cost of securing programmatic changes in schedules. From 1970 to 1981 there have been 105 modifications in the direction of increasing such provisions and only 43 modifications decreasing them (Witte, 1985, ch. 12). The most generous dispensations under the individual income tax have been deductions for mortgage interest payments for home owners. Tax expenditures grew from 4.4 per cent of GNP in 1967 to 8.4 per cent in 1982. Strong presidential lobbying for the 'revenue-neutral' 1986 Tax Reform Act and the spectre of enormous deficits eliminated some of these expenditures. Many remained, however, and congressional leaders devised numerous exceptions to the reforms.

In short, patronage, meaning divisibility in benefits and the use of discretion, has run throughout American social spending, employment and taxation policies in the post-war period. In this way the post-war policies resemble those of the nineteenth century. It perhaps seems obvious that patronage has characterized government contracts for military procurement and construction. Similarly the term tax expenditures implies that small constituencies have been the beneficiaries. But patronage has also been evident to some extent in the most programmatic of spending policies, old age and survivors' insurance. For that programme, the timing of increases in benefits has frequently corresponded to elections (Derthick, 1979).<sup>6</sup>

## Explaining the Distinctiveness of American Public Policies

Not only do people have their own ideas of what constitutes American exceptionalism in public policy. They also tend to have stereotyped views of why American exceptionalism exists. Sometimes these arguments are based on political or social characteristics deemed to be uniquely American. The most helpful of recent explanations of differences in post-war public policies focus on class struggles. Yet this perspective tends to shunt American politics into a residual category: America is a place where the political strength of labour has been decidedly inferior to the strength of capital.

### *The limits of the class struggle approach*

The features of the social democratic model, the dominant political class struggle perspective, are well known (see Shalev, 1983). The model holds that the earlier and more extensively industrial workers become organized in centralized unions and in social democratic parties, and the more frequently that these parties hold office, the sooner and more extensive the development of the welfare state. How American conditions correspond to the model is also well known. American labour organization has been minimal compared to most capitalist democracies, with divisions between craft and industrial workers. The typical indicators of the strength of organized labour give the United States the lowest score on centralization and a low score on union density. In addition, America has had no real socialist party. In cross-national research, the United States typically scores zero on the number of years ruled by a social democratic party. For the American case, the implications of the model are generally negative: this gap in American political organization has made strong public policies impossible. The only positive statements to be made are counterfactual. Undoubtedly, the argument is true as far as it goes.

It does not go far, however, in answering the questions posed by this chapter. It cannot explain the trajectory of US public policies. Policies comparatively favourable to workers and to the disadvantaged were achieved in the late nineteenth century and in the 1930s. Yet the United States would score low on social democratic strength in both periods.

The early rise of education and Civil War pensions owed little to organized labour movements and less to social democratic parties. This failure to explain initial developments is not limited to the United States.

The origins of European social insurance programmes have been attributed to conservative monarchs and liberal politicians (Flora and Alber, 1981). More important, in its standard form, the model cannot

explain why a supposedly bourgeois polity made an abortive bid in the 1930s to establish public policies of a social democratic kind. Similarly, even though the model works best in the post-war period, it does not explain well the characteristics of post-war American public policies. The model would expect strict market liberalism, for instance, rather than demand stimulus as an economic policy. Moreover, the model cannot explain why American provision for the retired is in some ways more favourable than such provision in Britain, where a social democratic party has frequently held office. Furthermore, the model cannot explain the character of the innovations of the 1960s during which many programmes were tailored specifically to appeal to blacks.

A major shortcoming of the model is its assumption that state capacities in the realm of public policies are well developed. According to the logic of the model, once a social democratic party gains power it has few obstacles in the way of creating a comprehensive set of public policies. It is implicit that the instruments of the state are developed well enough to implement the social policies of a transnational consensus amongst socialists. In the American case, however, state capacities have been underdeveloped. Such capacities have had to be built, else policies were pursued with the inadequate means at hand. Additionally, in its standard form, the model also plays down the fact that a labour movement can be, and occasionally has been, politically strong even in the absence of a social democratic party. American labour has frequently allied itself with political parties, especially the Democratic party since the 1930s, and when these parties have achieved power legislation favourable to workers, sometimes bordering on the social democratic, can be passed. Generally speaking, the model plays down the role of strategy within the labour movement. Labour movements make different choices at different times, the push for social policy improvements being only one possible strategy. In the American case, organized labour has often been only in the background of movements for public policy innovations and sometimes labour has opposed them.

A second political class-struggle hypothesis holds that deficiencies in American public policies have been due to the existence of a unified right-wing political party (Castles, 1982). Various categories of post-war social spending have been shown to be significantly lower in places where the right-wing parties have controlled the government. In the United States, the right-wing party is the Republican party, which has alternated in office with the centrist Democrats. This line of explanation has some explanatory advantages. It does not cordon off America from other countries whose public policies are similarly stingy. It makes sense of the fact that the twentieth-century Republican party has tended to oppose social spending policy innovations and has defined itself on the national level with its opposition to the income tax. It is helpful in explaining when

waves of reform are possible; the reforms, and innovations of the 1930s and 1960s came when the Republican party was not in power. And it underscores the importance of understanding historically whether and how the major constituents of the political right coalesced around political parties and how early decisions about trade and economic development influence the formation of the party system. Like the social democratic model, however, the right wing parties model has difficulty in explaining many of the specifics in the historical pattern and character of American public policies. It not only cannot account for the nineteenth-century policy developments; it is contradicted by the fact that in the nineteenth century Republicans initiated spending policies, including Civil War pensions and education. Similarly, because the argument is negative, it has trouble in explaining the character of public policies. To explain the trajectory and characteristics of American public policies, one needs to incorporate the insights of political class-struggle approach into a wider view of political parties, as well as to pay greater attention to other political institutions and processes.

### *A wider approach*

To explain the two aspects of distinctiveness in American public policies is to answer a number of smaller questions. As far as the historical pattern of public policies is concerned, first, one must explain the rise of the public policies of the late nineteenth century. Why did they occur when they did? Second, why was this system undermined to some extent in the early twentieth century and to a greater extent during the 1930s? Third, one must account for the attempt and the failure of the new approach of the 1930s and the re-emergence of policies reminiscent of the late nineteenth century. So far as the characteristics of public policies are concerned, one must first explain why the policies of the nineteenth century took the forms that they did. Notable here is the distributive or patronage nature of policies. Second, one should account for the often racial and gender bases of policies. Third, one needs to explain why certain policies of the late twentieth century differ from their counterparts in the late nineteenth century.

Our framework emphasizes the mediating effect of state political institutions. These institutions predisposed American public policies to form certain patterns. American political institutions were characterized early on by a strong separation of powers, a lack of state executive bureaucracies and widespread manhood suffrage. These characteristics combined to lead to the early provision of patronage-based benefits geared to white men. The district representation system of Congress also encouraged, and continues to encourage, patronage policies. In addition, state institutions influenced the forms of mobilization of political groups

and their strategies, as well as the mobilization of other political groups and the form and nature of the party system.

Next, the model incorporates political parties and the political party system. Political parties could overcome these predispositions; a sustained period of rule of a political party often results in the building of new state capacities and the institutionalization of new policies. At first, political parties were oriented more towards patronage than collective programmes and became more programmatic over time. And sustained party rule occurred only rarely in America. All the same, the rhythms of party politics account for much of the change in public policies, including the bid to create a social democratic scheme of policies in the 1930s and the innovations of the 1960s. An urban Democratic coalition, an American functional approximation to a social democratic party, came into power in the 1930s. This coalition accounted for programmatic policy breakthroughs. The coalition failed to be sustained, however, and its failure ensured that national policies would be replaced mainly by patronage ones; individual congressmen rather than a programmatic faction of a party took charge of policy-making. This coalition briefly rose to power again in the 1960s with similar effects.

Additionally, the extensiveness and patterns of crises have had an impact on public policies. The American experience of geopolitical crises differed substantially from most other countries. The most severe war in US history came in the middle of the nineteenth century. This created additional pressure for early public social benefits, pressure that was transformed into policy by democratic institutions. Otherwise, geopolitical crises were not as severe in the United States as they were in most large Western nations and had the effect of reinforcing previous policies. Yet the US geopolitical trajectory brought world political and economic hegemony. This situation has helped to return Congress to a position of dominance on domestic policies generally, but has given the executive an extra degree of freedom in the running of aggregate economic policies. Although for ease of presentation the following sections discuss individually the state, parties, and crises, the interaction of these theoretical components is important.

### State Political Institutions

It has been frequently noted that America began with no strong and centralized bureaucracy. Executive institutions began weak. The underdevelopment of the American bureaucratic state meant that state capacities in specific public policy areas would be relatively meagre. When the autonomy of the state in the policy-making of liberal democracies is discussed, scholars point to the contributions of

bureaucrats and civil servants in the creation or reworking of public policies. Unsurprisingly, these actors were less prevalent in America than elsewhere. The processes of state-building relied to some extent on crises such as war and depression to bring power to the national state. State-building also relied on the success of reform movements, such as Progressivism, to forge new areas of bureaucratic authority. These movements were only modestly successful, and frequently prospective state-builders wanted first to overturn previous developments in public policies, including the Civil War pension system, which combined patronage and corruption. However, where state capacities were created, in which particular policy areas, often influenced the later development of public policies. The chequered growth of executive state capacities across policy areas and across levels of government had a strong impact on the pattern of American public policies.

Nevertheless, it was not so much the weakness of the state as the overall character of political institutions that influenced public policy-making. These political institutions are part of the state as it is usually defined: as a set of organizations that extract resources and extend coercive control and political authority over territories and their inhabitants. State political institutions can be more or less democratic, including or not including representative institutions with varying degrees of suffrage. Moreover, these political institutions can be structured in different ways, with powers and functions focused or separated.

#### *Representation, voting rights and public policies*

A second key concerned the history of representative democracy and voting rights. America was a leader in granting suffrage on a wide basis, and suffrage mattered. Electoral results were not merely symbolic for they decided who would man the many political offices. White male suffrage was secured by the 1830s. Yet the winning of the vote for other groups was more difficult. Black men gained the franchise in the post-Civil War reforms of the radical Republicans, but enfranchisement soon led to disenfranchisement in the South, where most blacks resided. The losing of the vote began at the end of Reconstruction (1865–76) and was largely completed by the beginning of the twentieth century (Kousser, 1974). It was not until the 1960s that the civil rights movement helped to secure voting rights for southern blacks (Morris, 1984). Women also mobilized for the suffrage in the nineteenth century. Although this movement was not completely successful until 1919, its success was permanent.

The early adoption of the vote for white males made it more likely that benefits for lower classes would be publicly provided. As has been shown

in cross-national research, the granting of the vote generally leads to the extension of public benefits (Schneider, 1982; Flora and Alber, 1981). But the democratization of the electorate did not proceed smoothly, and the mobilization of groups also varied – with consequences for public policies. Early public policies reflected the lack of influence of blacks and women. Civil War pensions for women were less generous and had more restrictions, including restrictions not only for widows but for women who served in wartime non-combat roles. Similarly, blacks were excluded from most New Deal social policies. Both of these groups, unlike white males or workers, fought for the suffrage as members of distinctive groups, and public policies reflected this fact. The political empowerment of women resulted in early twentieth-century spending programmes for women which were staffed by women. In the wake of the civil rights movement, the public policy innovations of the Johnson regime explicitly appealed to blacks. These policies were partly designed to bring this group into the Democratic electoral fold.

Two aspects of American electoral institutions influenced the shape of the party system. First, technical characteristics of representation helped to ensure that only two major parties emerged. Winner-take-all electoral systems, such as that for Congress, discourage third parties; the Electoral College, the means by which presidents are elected, has frequently led third parties to ally with larger parties in order to influence the outcome (McCormick, 1986, ch. 4). As a result, third parties have been rare, and successful ones rarer. Second, the fact that the democratization of politics mainly preceded the development of national bureaucratic institutions affected the type of party system, and through it public policies. For these two processes partly determined whether political parties were geared toward providing patronage, granting divisible and discretionary benefits to constituencies, or toward programmes appealing to established groups with collective goods. Where democracy appeared much sooner than bureaucracy, as it did in the United States and Italy, political parties were disposed towards patronage policies. In places such as Germany, the opposite occurred and parties appealed to the electorate with collective programmes (Shefter, 1977). In the American case, the decentralization of government ensured that these patronage-oriented parties would be organized locally, with a network of local parties coalescing to take control of the many governments and to use them to distribute benefits and keep up the strength of the party organization.

#### *The separation of powers*

A third key initial characteristic of these state political institutions was the separation of powers in government. Legislatures and courts have exercised great authority to make governmental decisions. The powers of

advanced in both income taxation and sales taxation. Thus the overlapping powers of legislative institutions have contributed to the two-track nature of American social spending policies.

### *State political institutions and capitalist industrialization*

The interaction between these processes of state institutionalization and the process of capitalist industrialization also had important implications for public policies. Whereas the processes of democratization, industrialization and bureaucratization were world-wide in their impact, they differed from country to country in their timing and sequence. In America, the democratization of the polity came somewhat before the industrialization of the economy, which had made great strides before the bureaucratization of the state. The fact that industrialization preceded bureaucratization no doubt had influence on the locus of control of early public policies. To the extent that nineteenth-century industrialization led to problems of national economic development, the devising of solutions fell to the national legislature. This is not to say that Congress was likely to solve the problems, but at least it devised policies and wrapped them in the symbolism of economic policy, regardless of their effect. The nineteenth-century tariff schedules were nothing like a rationally devised economic policy. Yet protection could not be granted by local governments and hence the national legislature and its political party managers attempted to fill the void. The early congressional control of economic policy no doubt stems from this situation.

More important, the fact that electoral democracy came before industrialization led to a bifurcated form of political mobilization for workers. Locally based political parties came into being before the rise of labour and agrarian movements. Because of many centres of power, political parties organized locally to control the spoils of office. These parties mobilized the electorate according to the most salient group boundaries, ethnic and religious ones. The rise of workers' movements led to a separate form of organization. When labour movements began, they organized labour into trade unions rather than political parties (Katznelson, 1981). Partly because of this form of mobilization, these unions have been concerned chiefly with issues of organization and pay. The early rise of locally based political parties ensured that capital also would organize itself in a fragmented manner; organized capital would not be able to control policy outcomes (Vogel, 1978).

In short, the initial structure of state political institutions explains certain tendencies in American public policies. The early rise of democracy helped to bring the early achievement of generous public policies. The overlapping of legislative authority meant that national-level public policies would have to compete with policies devised at lower

these institutions dwarfed the powers of bureaucracies, national or subnational (see, for example, Huntington, 1968, ch. 2). American legislatures are based on geographic units of representation; under this system the representative usually must reside in the district. Legislatures have mattered not only on the national level, but also in the subnational governments which have overlapped with the national government in their functions and hence have competed with the national government for power. Although American courts were not initially granted judicial review, the power to overturn laws, the Supreme Court appropriated this power and has used it and other powers, as have lower courts, in influencing public policy, especially in the realm of labour law. The struggle to enact modern public policies can be seen partly as bids by the executive to create central bureaucratic authority and to wrest authority from the national and state legislatures, as well as from the courts - with these other governmental actors struggling for power amongst themselves.

The nature of American legislative institutions and their strength relative to the executive and its bureaucracies promoted divisible and discretionary benefits in policies. To the extent that legislatures, with their geographical system of representation, made policies, these policies took on a distributive or patronage character rather than a programmatic one. Representatives represent their local interests. Only the strongest system of political parties can keep coalitions of individual legislators from distributing benefits amongst their constituents. Only the dominance of a party with strong programmatic tendencies, a requirement not often met in American history, has been able to induce such a system to provide the collective benefits characteristic of modern public policies. Under typical conditions, this legislative system of control helped Civil War pensions and tariffs to take a brokered character, as did many post-Second World War public policies. The set-up of Congress assumed more importance as the nineteenth-century patronage parties declined in the twentieth century.

The many overlapping legislative institutions ensured that there would be conflict over the control of public policies. This situation has impeded national control of public policies. And to the extent that nationalization has meant more generous and less intrusive ones, the system of legislative institutions has worked against that. Most state and local policies, from education onward, that have passed with the support of professional groups have been difficult to nationalize. The clearest example of this came in the 1930s. The Social Security Act mainly gave national financial support to state-level programmes (Skocpol and Amenta, 1985). Roosevelt's later attempts to nationalize social policies conflicted with previous state developments in social spending (Amenta and Skocpol, 1988). Similarly, in that period the national state did not monopolize key sources of taxation. State level innovations were

levels of government. The underdevelopment of bureaucracies, at the centre and the state level, and the idiosyncracies of state building ensured that autonomous policy developments would form an uneven pattern. Early manhood suffrage in the context of a weak bureaucracy assisted political parties devoted to patronage. The dominance of these parties within a certain type of legislature meant that policies would frequently take a distributive character. If American state political institutions help to explain the early rise and the patronage character of early American public policies, other aspects of the trajectory of public policies and their characteristics are left unexplained. Why was there an attempt to undo the nineteenth-century public policies? Why was there an attempt to create a nationalized scheme of public policies along social democratic lines? Why did congressional policy-making re-emerge in the post-war period? The structure of state political institutions made it seem unlikely that bids to upset the system would succeed. But they succeeded partially, and the attempt and the partial successes require explanation. To help answer these questions, one must address political parties in a wider sense than taken by the social democratic and the right-wing parties models. Our approach includes organizational characteristics of the party system and the nature of party competition, as well as the class and group nature of party support.

## A Second Look at Political Parties

The place to start a discussion of American parties is with their initial organizational characteristics and the nature of inter-party conflict. In the middle of the nineteenth century, parties were locally based and oriented towards patronage benefits rather than collective programmes, although sectional and religious divisions existed. As the twentieth century progressed, parties were weakened as institutions. The organizational basis of parties was attacked throughout the twentieth century by middle-class reformers, who opposed their often illegal methods, and by party leaders concerned with more programmatic issues (Schiesl, 1977). Thus parties simultaneously became more programmatic and weaker.

The making of programmatic parties was not without obstacles. What became the right-wing party of the twentieth century, the Republican party, was a state-building and centrist party in the nineteenth century, and the Democratic party performed a similar turnaround. In the nineteenth century, the Democratic party was the main source of opposition for national spending programmes and public education. The conflicts of the formative years of the parties continued to have influence later, preventing the Democrats from making a complete transition from right to left. The dominance of one party over another has influenced the

historical trajectory of American public policies. State-building and policy-making have often been effected by a political party with a sure grasp of political power (Skowronek, 1982, pp. 165-9). In the twentieth century, to pass programmatic changes in public policy required not merely that the government be controlled by the Democratic party. Instead they required a Democratic president and a Congress dominated by Democrats from areas, usually cities, where organized labour was strong. Although this coalition gained power only briefly, mainly during the 1930s, it brought major changes in public policies.

The lack of sustained party dominance has had an even greater impact on public policies. In the late nineteenth and late twentieth centuries, the absence of party dominance has been the rule. The fragmentation of American governmental powers has meant that frequently no political party or programmatic political coalition has been able to control the government. When one party or major faction within a party has controlled the national government, it has been followed by a longer period in which neither major party nor programmatic factions within major parties were able to do so. This lack of control promoted the provision of divisible benefits in both the late nineteenth and late twentieth centuries.

### *American parties and public policies in the nineteenth century*

In Europe, the crystallization of party systems took place in the early twentieth century, with the extension of voting rights to lower orders (Lipset and Rokkan, 1967). In America, the party system, or the 'third party system' as it is known in American political science literature, had largely been set by the middle of the nineteenth century. Afterwards, no other parties were able to join the system. The process of building national parties was a matter of forming coalitions of parties rooted in local politics. The national Democratic party, for instance, was little more than the concerted efforts of state and local parties to win national elections. The national party had little control over the local parties. Near the end of the century, the parties were in their heyday as vote-getting institutions. In the 1876-92 period as a whole, 77 per cent of the eligible electorate voted in presidential elections, 82 per cent outside the South (Kleppner, 1987, p. 43). Aside from characteristics of the electoral system and the caution of trade union leaders - who avoided close connections to political parties, including nascent farmer-labour parties, for fear of losing membership - the sheer strength of the two major parties helped to prevent third parties of any kind from becoming permanent contenders (Shefter, 1983; 1986).

The nineteenth-century parties were polarized along two lines. First, they were divided according to section. In the middle and late nineteenth

century when the Republican party won national power, it was because of its strength in the industrial North and the Midwest, the main sources of opposition of the extension of the system of slavery. Although the Democratic party was competitive in these areas, it was strongest in the South. After the end of the Reconstruction, Republican influence there was increasingly diminished, partly because of the sectional split and especially because of the restriction of the suffrage, which resulted in a one-party South by the end of the century. Second, the party system was divided along ethnic and religious lines. People subscribing to ritualistic religions, such as Catholicism and German Lutheranism, tended to vote Democratic, and those subscribing to pietistic religions, including most strands of Protestantism, tended to vote Republican (Kleppner, 1979). This separated the two parties on questions of personal liberty, with the Republicans frequently supporting temperance legislation and the Democrats opposing all such restrictions.

Business and labour, like other organized groups, had to work within this system to gain leverage over public policies. The two major parties appealed to both upper and lower classes, drawing contributions mainly from the former and votes from the latter. Party divisions split the upper classes: the industrial elites of the North stayed Republican and the landed elites of the South became Democratic. The parties also split industrial workers along ethnic and religious lines. At the end of the nineteenth century, in the wake of the depression of 1893, industrialists and industrial workers had thrown their electoral support mainly behind the Republicans, and the party system continued to be polarized along sectional lines (Bensel, 1984; Kleppner, 1987). As parties declined in strength they became divided in different ways. Industrial workers left the Republican party in large numbers at the end of the 1920s and the beginning of the 1930s. Its nativism and the failure of its economic policies pushed industrial workers into the Democratic fold, and Democrats mobilized many working-class immigrant voters and their wives who had not previously voted (Anderson, 1979). Similarly, the Republicans, with their historical opposition to the national income tax, drew heavier support from right wing forces such as organized business groups. The Democrats, however, were still a sectional party and therefore an unlikely vehicle for policy reform and state-building. There was always a southern delegation devoted to thwarting national power and redistributive policies.

An absence of party dominance characterized the second half of the nineteenth century. The Republican party was able to control the national government only from 1861 to 1875. During this period a number of issues were settled, notably, the end of slavery, but also the tariff and the so-called money question, how to retire 'greenbacks', and the return to the gold standard (Sharkey, 1959; Unger, 1964). This was

followed by a period of two-party competition lasting until 1896. During this time, the Republicans and Democrats each controlled about half of the national electorate (Kleppner, 1979). What mattered more was that only rarely did one party control both the presidency and Congress. In this sense, the Republicans ran the government only for four years, and the Democrats for two. This period of party competition, or this lack of dominance by one party, corresponded with the rise of distributive public policies, such as Civil War pensions, as the Republicans bid for support to break the electoral stalemate.

#### *American parties and public policies in the twentieth century*

The election of 1896 brought 34 years of Republican hegemony, with brief, if significant, interruptions (Burnham, 1970). The Republicans controlled the national government from 1877 to 1911 and again from 1921 until the end of the decade. For four years in the 1910s the Democrats controlled the presidency and Congress. This control was due, however, to a split within the Republicans. The Progressive party, an urban middle-class movement concerned chiefly with the reform of political parties and governmental practice, attracted enough votes to elect Democrats and to influence policies, although not enough to win a permanent place in American politics. Republican dominance meant that industrial protection remained the main economic strategy and that income taxes were kept to minimal levels. Partly as a result of these taxation policies, national spending programmes were negligible and confined to the state level, where more favourable political coalitions might conspire to enact them.

The Depression ended this period of rule and completed the process of turning the voters of large cities into Democrats. Democrats dominated the presidency and Congress for most of the next two decades. It was during this period that the break with past public policies was most thorough. The Depression and, more important, a large Democratic majority in Congress gave the administration powers to build state institutions and enact new policies. Urban and labour Democrats dominated in Congress from 1935 to 1939 and to a lesser extent from 1939 to 1943. As mentioned previously, the new economic policies involved direct controls, national employment policies were pursued, and modern, collective social spending policies were begun. By the end of the 1930s, many new programmes of public employment and social spending had been set in motion; administration planning bodies had gained sufficient tenure to devise a social democratic political agenda.

The dominance of the Democrats and their new sources of urban support eventually led to an alliance with organized labour. One obstacle to the quick cementing of an alliance was the weakness of labour. In

1933 there was little organization of labour to speak of, about 11 per cent of the non-agricultural labour force. Labour's upsurge came mainly as a result of Democratic policies to promote it. Despite the dampening effect of low economic activity on labour organization, workers streamed into the industrial unions, especially after 1935. That year saw the passage of the so-called Wagner Act, protecting union organization and authorizing collective bargaining. The process accelerated during the Second World War when labour mainly traded wage restraint for organizational gains (Brody, 1981, ch. 3). As labour organized, the connection between it and the administration and urban Democrats in Congress became closer. Yet Democratic dominance did not bring to power a cross-class coalition of workers and farmers. Partly this failure had to do with Roosevelt's initial reluctance and later inability to purge conservative Democrats, especially in the South; in that region the dominant planter class and the state Democratic parties opposed generous social spending policies as a threat to the system of labour control (Quadagno, 1988). The South was riddled with rotten boroughs where poor blacks and whites were denied the vote and political representation.

In the absence of such a cross-class coalition, to pass elements of the quasi-social-democratic agenda required the congressional presence of a labour-supported president and a coalition of urban Democrats in Congress.<sup>8</sup> Although Roosevelt was elected four consecutive times and Truman was elected in 1948, Congress met these strict standards only from 1935 to 1939, the period of greatest reform. It was close to achieving this standard from 1939 to 1943, and again from 1949 to 1951. These periods witnessed the greatest gains in collective social spending policies. With this sort of political coalition, the administration and its supporters could overcome the opposition of Republicans and rural Democrats. Needless to say, the requirements for forming such a coalition were daunting and were made more formidable by the rural bias of political institutions. For this coalition to control the 435-seat House of Representatives in the 1940s, for example, it was necessary to win almost all of the approximately 240 districts where labour had a strong electoral presence.

One can go too far in comparing the Democrats to social democratic parties. Although the two were connected electorally, neither the Democratic party nor organized labour was bound by the policies of the other, unlike most social democratic parties. The looseness of the connection between labour and party made it possible for labour to win social welfare battles in its dealings with capital and lose them in the political arena. In the immediate post-war period, labour reached the peak of its organized power. In 1945, union members accounted for 35.5 per cent of the non-agricultural labour force - eight percentage points higher than the 1938 level (US Census, 1975, p. 178). During the war,

American organized labour grew at a faster pace and was on the offensive so far as strikes were concerned, much more so than British labour (Amenta and Skocpol, 1988). Yet, unlike in Britain, American organized labour's strength with respect to capital outran the strength of its allies in the national government. Although labour pushed for strong pension and health policies in its dealings with the state and with capital in the immediate post-war period, it achieved more success with capital. This combination of public failure and private success eventually resulted in a greater selectivity in the provision of pensions and health benefits; organized industrial workers were able to add a private tier of benefits to pre-existing public ones.

In the post-Second World War period, competition between partisan factions has resembled the type of party competition prevalent in the late nineteenth century, with similar effects on public policies. For the most part, neither left-wing nor right-wing political factions have been able to achieve a sustained dominance of governmental institutions. Although Congress has mainly been dominated by the Democratic party, the presidency has shifted back and forth between the parties. The sort of overwhelming Democratic dominance of Congress characteristic of the late 1930s occurred only during the middle of the 1960s. Similarly, the right has gained complete political power only during the early 1980s.

The post-war lack of partisan control has inhibited the construction of programmatic and comprehensive policies devised by the executive and has reinforced congressional control over the making of most public spending policies. Although various local political parties, with their emphasis on patronage, have been weakened throughout the twentieth century, the patronage character of American public policies was reasserted by way of congressional control. And although some have attacked this sort of patronage as corruption, strictly speaking it is not illegal and is thus more securely founded. The breakthroughs in partisan control have accounted for the innovations and cutbacks of public policies during the period. Finally, the expansion of one spending policy, old age and survivors' insurance, was due partly to its establishment in a period of urban Democratic control and its adaptability to congressional electoral needs in a more competitive period.

The mediating influence of state political institutions and the direct influence of political parties go far in answering questions about the historical pattern and characteristics of American public policies. The character of American state political institutions has predisposed American policies to take particular directions, and American political parties have reinforced some predispositions and opposed others. Parties have influenced the pace of change and have determined many characteristics of policies. Although the American experience of crises



has mainly reinforced these patterns and characteristics, crises have also exerted an independent influence on policies.

### The Crises of Depression and War

Crises can bring changes in public policies in two main ways. Crises often promote state-building and hence might augur later changes in public policies. During major crises political power shifts to the centre of the system, with national authorities gaining at the expense of others. The second way is more indirect. A crisis often implies political failure, which in turn augurs changes in public policies. Previous policies and institutions are often discredited and new approaches attempted, frequently by new political regimes. Most major shifts in American electoral behaviour have come in the wake of depressions or wars, but the crisis itself is not as important as the direction of the political changes. When crises are viewed in this way and when American crises are placed in comparative perspective, it is the peculiar pattern of American geopolitical crises and their outcomes that have influenced the trajectory and character of public policies. Depressions have had less influence. Although crises have had to some extent independent effects, they have had a greater impact when working in tandem with developments in state political institutions and political parties. And the initial weakness of the national American state and the initial dispersion of power in the American system has magnified the importance of crises.

To some extent the influence of geopolitical crises on American public policies has been negative. American geopolitical crises have not been as severe as those experienced by other large countries. America started from a favourable, if isolated, geopolitical position; no major opponent faced it on the North American continent. It took relatively little effort to subdue and expropriate the native peoples and, aside from the Civil War, the largest nineteenth-century war was against a militarily feeble former Spanish colony, Mexico. The weakness of early opponents had a mildly expansive effect on early public spending policies. A great deal of territory and other land-based resources came under the control of the national state. But this occurred without building up state military and bureaucratic institutions. The resources at the disposal of the state gave the United States a comparative advantage in the early development of distributive public policies; the lack of opponents gave state-builders few opportunities to build national executive institutions.

Similarly, the world wars of the twentieth century made less of an impact in the United States than in other places. In both wars, the United States entered later, with a lesser degree of economic mobilization and, like Britain, on the winning side of both world wars. Unlike

Germany and Japan, the United States has never lost a major war and has never been conquered or, leaving aside Pearl Harbor, invaded. As was the case in the nineteenth century, the comparatively minor influence of the world wars did not stimulate the sharpening of the instruments of the American executive state. That America ended up on the winning side of most wars reaffirmed American state political institutions. Having passed the test of war, regardless of the reasons for passing, the institutions were perceived as working and therefore requiring no major changes (see Marwick, 1974). Also, no conquerors came to rebuild them.

This geopolitical story might lead one to believe that war has had a similar, though somewhat less severe, impact on America as it has had on Britain. This has not been the case. In Britain, modern wars came in an ascending pattern of severity, from the Boer War to the Second World War. In America the influence of war and its aftermath has taken a pattern that contrasts with the British pattern. So far as civilian casualties were concerned, America's greatest war came earlier, in the middle of the nineteenth century. The Civil War claimed about 1.71 per cent of the American population; this figure compares to the 0.13 per cent and 0.31 per cent killed in the First and Second World Wars respectively (Singer and Small, 1972). On the other hand, the smaller American wars, in Korea and Vietnam, which were analogous to the Boer War, have come in the late twentieth century. As a result, the greatest pressure for compensatory public policies came earlier in America, before the world had gained much experience with modern public policies. This pressure was translated through a state with democratic representation and a party system that dictated the form and the timing of adoption of such benefits. Finally, the outcomes of wars have pushed the US and Britain in opposite geopolitical directions. At the end of the Second World War, the United States was the major world economic and military power. Having accepted world leadership, a role it eschewed after the First World War, the United States built executive institutions devoted to geopolitical purposes. The executive branch, dominated as it was by the Democrats during the Second World War and immediately afterwards, had to pay closer attention to international events. In its battles with Congress, it used its influence to gain foreign economic and military aid as well as expanded military programmes and, relatively speaking, turned its attention away from the making of domestic public policies. Domestic policies attracted the most executive attention in the 1930s, and thus Congress was given more leeway in the making of such policies. So, in addition to the post-war difficulties in achieving political coalitions in favour of expanded and programmatic domestic public policies, geopolitical developments helped to return power over domestic policy-making to Congress.

War had its greatest independent effect on American employment and economic policies. The effects were twofold and worked in opposite directions. On the one hand, the short-term full employment brought by war helped to undermine the direct public employment programmes of the Depression period. These were no longer immediately necessary and were eliminated when a conservative Congress was elected. The post-war resurgence of Congress doubtless would have restricted these executively controlled programmes had they survived the war.

On the other hand, the results of the war brought American political and economic predominance, and the international economic institutions of the post-war period were devised in the interest of the United States. These arrangements have made it easier to run stimulative fiscal policies. For instance, the gold standard was abandoned when it came into conflict with deficit spending. In addition, the new American geopolitical role has required permanently higher levels of military spending. These programmes have meshed neatly with the needs and constituencies of Congress.

Analysts of American public policies often make the connection between depression and changes in public policy (Leman, 1977), claiming that the Great Depression stirred the American system into action. No doubt this is partly true, as crises often sanction state-building. And many of Roosevelt's reforms were aimed partly at recovery. However, it is difficult to separate the direct effects of the Depression on policy from the political formation that accompanied it. It helped to bring Roosevelt and the urban Democrats to power. Moreover, the Depression was a worldwide phenomenon and was severe in all industrial countries. Therefore depression in itself cannot explain why some countries, such as Germany, Sweden and the United States, broke with orthodox economic and fiscal policies and why others, such as France and Britain, did not (Gourevitch, 1986; Weir and Skocpol, 1985). A similar logic applies to the economic crises of the late nineteenth and late twentieth centuries.

### Conclusion

The resemblance of current American public policies to nineteenth-century ones suggests questions about the prospects of change. Will the current policies be undermined? Will they be augmented by other modern innovations such as health insurance? Will they continue indefinitely? These questions can be approached from two directions. One can look at the internal logic of the policies to determine whether they are stable. One can ask whether the conditions of party politics and

geopolitical crises that promote change in public policies are likely to occur. Both directions indicate that slight modifications of current policies are in order, but no fundamental changes.

The logic of the policies suggests the continuation of distributive policies, but of a less lucrative nature. On the one hand, the current system of congressional patronage is more stable on two counts than the nineteenth-century system of party patronage. First, the most flagrant corruption has been removed. Despite the often repeated claims about unscrupulous welfare beneficiaries, the fraudulence of Civil War pensions has not been matched by current policies. Accordingly, although there have been complaints about the financing of congressional campaigns, there has been no sustained movement to end congressional patronage procedures. Second, political parties and fractions of political parties are no longer in control of distributive programmes. In the nineteenth century, the party caucus was a key mechanism for making decisions about distributive policies. In the recent period the system has responded to coalitions of individual congressmen. There is nothing to attack - except Congress, an unlikely target.

On the other hand, unlike the case in the late nineteenth century, the many functions of the tax code have weakened rather than reinforced the system. The weakness of the US tax state argues against the profusion of greater distributive spending and against the augmentation of collective benefits. With respect to total tax receipts as percentage of GDP, the United States ranked 11th amongst the OECD nations in 1950 and dropped to 14th in 1980 - before the large tax cuts of the current administration. The American tax state grew at a slower rate than all but four OECD countries from 1950 to 1980. American taxes, excluding social security contributions, have grown little since 1950 (OECD, 1981, pp. 11, 13). The American revenue workhorse, the social security contribution, which has grown at a rate higher than the average OECD country, is not likely to make up the gap in the future. The greatest increases in social security taxes have come only after new benefits have been legislated. The last major increase in benefits was legislated in 1972. To pay for this series of benefit increases, tax increases were passed in 1977 and again after the elections of 1982.

One source of change seems unlikely to upset the system. The advantages of geopolitical crises have disappeared with the possibility of the recurrence of such crises. World wars like those of the first half of the twentieth century cannot be repeated, and the small wars of the superpower tend to drain resources rather than to generate new ones (Wilensky, 1975, ch. 4). There will be no innovations of the tax system due to war if the Vietnam War and the 1980s military build-up indicate the future. Although military spending will probably not grow, it will remain at a high level. If the impact of world politics suggests anything, it

is that the United States will probably lose its comparative advantage in running deficits as its economic power continues to decline and other countries, such as Germany and Japan, begin to gain a voice in world economic affairs commensurate with their economic strength. Although the future may hold additional economic decline, a depression of the order of the 1930s is unlikely.

The final source of change, the rise of pro-social policy political coalition, is less unlikely. On the one hand, the strength of organized labour has slumped to its lowest point in the post-war period. Job security and arresting the slide in union organization have become more important to the labour movement than improvements in public policies. Moreover, urban areas have declined relatively in population and congressional representation. Furthermore, the reforms in the last two decades in the process of nominating presidential candidates do not ensure a Democratic candidate will form a strong alliance with labour. On the other hand, the victory of democracy in the South has meant more black representatives and Congressmen relying on the votes of blacks who generally favour generous and activist public policies. Constructing a left-wing political coalition will not be impossible, but will undoubtedly be difficult and will depend partly on the appearance of fortuitous disasters that the electorate attributes to the policies and rule of Republicans and the right. Even if a left-wing coalition comes to power, unless it rules for a long period of time the public policies of the United States will continue to have one foot in the nineteenth century.

### Notes

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- 1 The definition of patronage is drawn from Shefter (1983).
- 2 The following paragraphs on the history of pension legislation draw on Glasson (1918) and Oliver (1917).
- 3 Even when civil service reform succeeded, it usually specified that those previously holding positions would keep them.
- 4 The following paragraphs on tariffs draw on Ratner (1972), Terill (1973), Rothman (1966, ch. 3), Poulshock (1962), Summers (1953) and Taussig (1905).
- 5 This section relies heavily on Amenta and Skocpol (1988).
- 6 It is no surprise that the literature on the so-called Tufte hypothesis, including Tufte's own work, concerning the influence of elections on spending has concentrated so heavily on the post-Second World War United States.

- 7 During the 1850s, the Republicans were established and permanently joined the Democrats to constitute the American party system. Of course these parties changed considerably and American political science has characterized these changes as the creation of (five) different party systems. Although the four periods of public policy correspond to some extent with these party systems, they do not overlap completely. The characterizations here are motivated only partly by electoral conditions.
- 8 For an extended discussion of this point, see Amenta and Skocpol (1988).
- 9 Compare the argument of Russett (1970). He claims that higher American military spending in the post-war period is due to the 'ratchet effect', that is, to a political inability to decrease military spending after a war, not to an expanded American geopolitical role.

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